BESTSECRET

ANNUAL

# Bond Report 2023

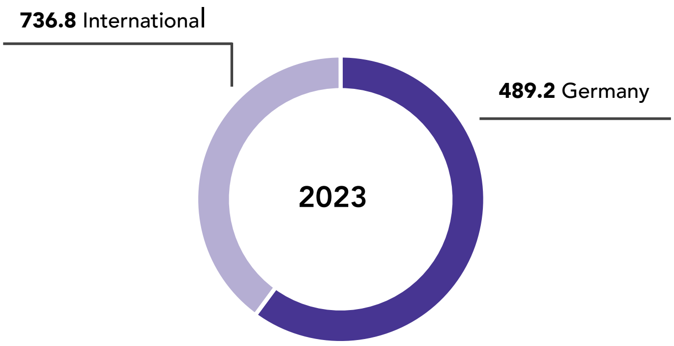
FINANCIAL RESULTS OF PRESTIGEBIDCO GMBH

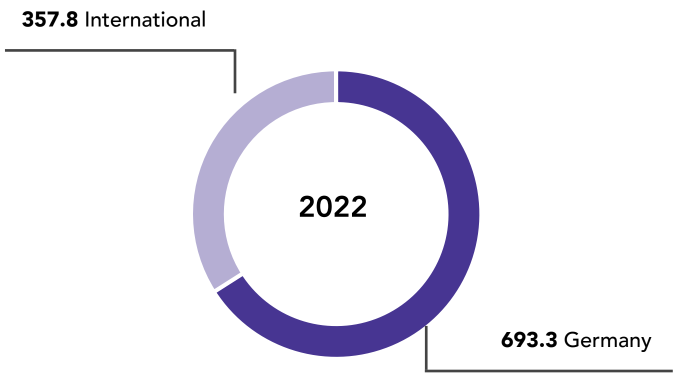
# BestSecret at a glance

| Key figures | 2023 | 2022 | Change |
|---|---|---|---|
| **Operations (online, LTM)** | | | |
| Active customers ( in m) | 3.1 | 2.6 | 19 % |
| Number of orders (in m) | 16.1 | 14.2 | 13 % |
| Number of user sessions (in m) | 439.7 | 381.1 | 15 % |
| App sessions (in % of user sessions) | 79.8 % | 79.1 % | 0.7pp |
| **Results of operations (for the reporting period)** | | | |
| Revenue (in EUR m) | 1,226.0 | 1,051.0 | 17 % |
| thereof Germany (in EUR m) | 736.8 | 693.3 | 6 % |
| thereof International (in EUR m) | 489.2 | 357.8 | 37 % |
| Profit contribution II (in EUR m) | 255.6 | 223.2 | 15 % |
| Adjusted EBITDA (in EUR m) | 183.7 | 137.7 | 33 % |
| Adjusted EBITDA (as % of revenue) | 15.0 % | 13.1 % | 1.9pp |
| **Financial position (as of December 31)** | | | |
| Operating net working capital (in EUR m) | 178.7 | 190.5 | (6)% |
| Cash flow from operating activities (in EUR m) | 152.6 | 75.0 | 103 % |
| Cash flow from investing activities (in EUR m) | (65.8) | (40.4) | 63 % |
| Free cash flow (in EUR m) | 90.8 | 27.0 | 236 % |
| Cash and cash equivalents (in EUR m) | 243.2 | 152.5 | 59 % |
| Senior secured net debt (in EUR m) | 156.8 | 197.5 | (21)% |
| Senior secured leverage ratio (senior secured net debt / LTM Adj. EBITDA) | 0.9 | 1.4 | -0.5pp |
| Fixed charge coverage ratio (LTM adjusted EBITDA / interest expense) | 3.0 | 3.5 | (1.8) |
| **Other** | | | |
| Employees (average headcount for the period) | 1,952 | 1,903 | 3 % |

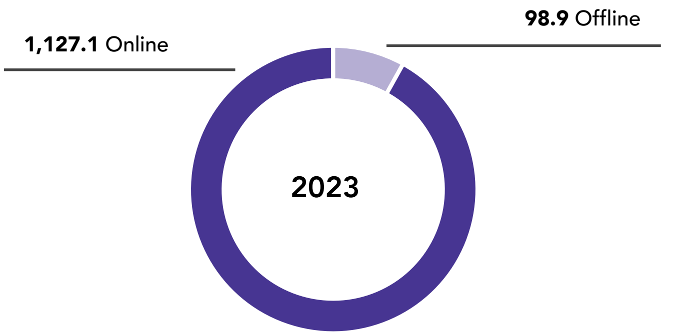
# BestSecret revenue split

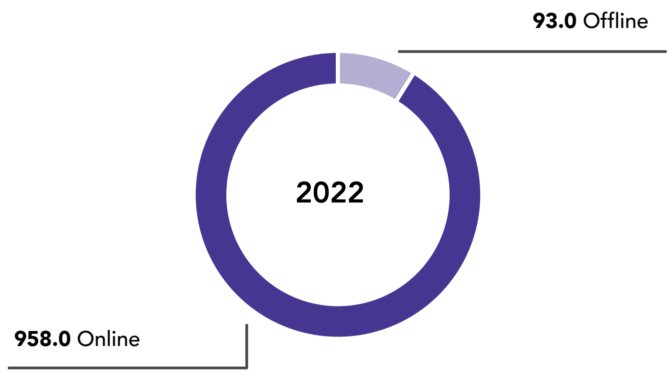
### Revenue by segment
in EUR m



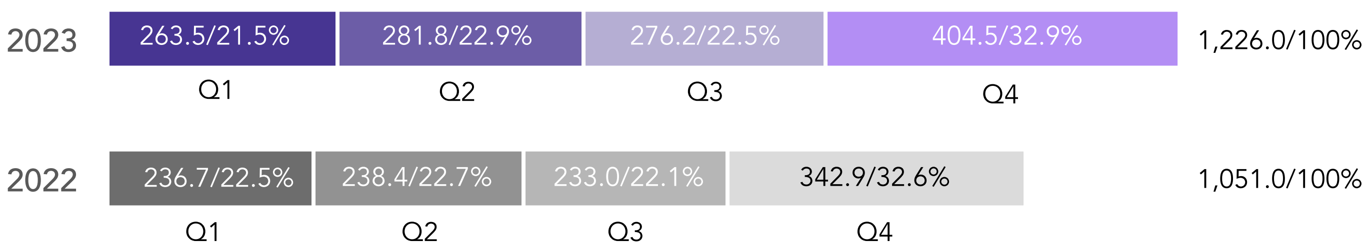




### Revenue by channel
in EUR m




### Revenue by quarter
in EUR m / % of total annual revenue share



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# 1. Company

» In 2023, we elevated BestSecret's exciting growth journey «

## Dear Bondholders,

2023 was a year full of growth and elevation for BestSecret - in various dimensions. Against the backdrop of continued geopolitical uncertainties, inflationary pressures, and wavering consumer sentiment, our resilience and strategic capabilities kept unfolding. The result of these efforts was manifested in a record revenue of EUR 1,226m and an increased growth rate of 17 percent versus 2022. This achievement was attributed to the sustained expansion of the number of active customers, combined with robust order economics, our attractive merchandise and a very successful international expansion. Our sustained top-line expansion was matched by our continued strong profitability. We generated EUR 184m adjusted EBITDA in 2023 and our adjusted EBITDA margin reached 15 percent.

At the center of our strategic initiatives in 2023 was the launch of our elevation strategy at the beginning of the year. Rooted in our heritage of sophistication, this strategy decisively underlines our superior value proposition of highly discrete and effective overstock clearance. We provide our brand partners with high brand equity protection, a desirable environment and access to our affluent customer base via our high-end invitation-only platform with attractive brand adjacencies.

A pivotal element of our new elevation strategy is our focus on growing the share of highly desirable brands in our portfolio. To a large extent, these are premium and luxury brands. By winning new brands and by expanding our business with existing brands in this target group we already succeeded in making our assortment more appealing in 2023. Also, we managed to win more than 20 luxury brands since the launch of our elevation strategy and our Net Merchandise Value (NMV) with luxury fashion grew in excess of 80% in the second half of 2023.

As part of the elevation strategy, we also enhanced our online presence by introducing a new high-end design for our App and web shop and by adding a dedicated luxury section, thereby aligning more closely with the appeal of luxury brands. A further significant step was the establishment of offices in the renowned fashion capitals of Paris and Milan. This strategic move not only supports the expansion of our international buying activities but also plays an important role in increasing the share of luxury brands in our assortment as well as other relevant fashion brands for our international markets.

Over the last decades, BestSecret has successfully positioned itself as a disruptor in the off-price market, and we are set to capture further exciting growth opportunities. Thanks to our unique business model and our strong commitment to protecting brand equity, now complemented with our elevated brand portfolio, we are convinced that we are executing off-price the right way - closed, silent and sophisticated.

Yours,

Moritz Hahn and Axel Salzmann

# Business

## Overview of Business

BestSecret is a European premium and luxury destination in off-price fashion with a distinctive business model centered around its closed invitation-only membership. We enable our brand partners to clear large volumes of overstock in a desirable environment and with high brand equity protection. With a focus on international premium and luxury brands, we provide our customers in 27 countries across Europe with access to an instantly shoppable and large assortment of fashion products at exclusive prices and a high-end user experience.

With a heritage of 100 years in the textile industry, we have demonstrated an impressive growth trajectory and evolved from an offline retailer to a fast-moving, tech-driven online player with a wholesale and a curated platform business. Our online offering is complemented by a select number of offline retail stores, with the premium stores designed to promote our brand image and the outlet stores maximizing the clearance rate of our inventory within our ecosystem.

Our success is based on leveraging our deep and trusted relationships with our brand partners and customers. Our unique business model, entrepreneurial focus, high-performing management team, and the continued expansion of our operational and technological capabilities have enabled us to successfully embrace the structural shift in the fashion industry to online and to continuously adapt to changing consumer behavior and brand partner needs.

### Our target market is large and has attractive growth opportunities

We operate in the online off-price fashion market for mid-market to luxury brands. The total European mid to luxury fashion market (excluding the U.K., Turkey, and Russia) had a size of EUR 247bn in 2023 with EUR 49bn attributed to the dedicated off-price fashion market. BestSecret focuses on the online off-price fashion market which amounted to EUR 20bn in 2023 and is expected to grow with a CAGR of around 10% from 2023 to 2028[1].

Our target market lies at the intersection of three decisive growth drivers: (1) A growing online off-price penetration based on better scaling capabilities by online players, while at the same time offline outlet expansion stagnates due to a lack of available suitable space combined with flat traffic and flat average spend per visit. (2) Mid-to-luxury market growth, supported by population growth and inflation expected to drive fashion market growth while affluent customers persist in their spending habits in premium to luxury. (3) An off-price share increase due to brands

[1] Data source: Market research by a leading consulting firm, 2024.

streamlining overstock clearance and an increased share of in-season discounted stock, supported by consumer preference for off-price and ESG regulations opposing textile destruction.

## Our business model offers a special value proposition

We care about deep and strong relationships with our brand partners as well as our customers and offer an attractive and special value proposition for both.

*Our value proposition for brand partners*

Key to our success and our sustained access to attractive merchandise are our trusted, long-term brand partner relationships, as evidenced by our 100% brand retention rate[2]. In the fashion industry, brand equity and perception hold crucial significance, particularly in the off-price sector. Overstock is structural to the fashion industry because forecasting demand is difficult: weather is increasingly volatile, growth targets are ambitious, lead times are long and supply chains more fragile, fashion trends change rapidly. The potential risk to brand equity arises when overstock is openly sold at high discounts, especially in the era of online shopping where customers can easily compare full-price and discounted offerings.

By adopting a closed membership model, whereby access is only possible by way of invitation from an existing BestSecret customer or by us, we limit the information regarding brands and discounts available on our platform. This unique approach provides our brand partners with a discreet environment, separate from their full-price channels, enabling them to clear overstock at scale and maximize the value of their merchandise. In addition to this, we ensure that all our products are cleared entirely through our platform and our outlets to avoid on-selling to third-party dealers. As a result, around 100% of items are sold in our ecosystem.

We sell the vast majority of our brand partners' merchandise via our heritage wholesale model. In 2022, we introduced our marketplace model, the BestSecret Curated Platform, which allows carefully curated brand partners to expand their direct-to-consumer business to the off-price segment and maintain control over their inventory and margins while engaging with our vibrant, affluent and loyal customer base.

With our B2B value proposition, we address the need of brands for clearance of large volumes of overstock with maximum brand equity protection in a highly desirable environment. We do this

[2] We have retained 100% of the top 50 brand partners from 2019.

by offering attractive brand adjacencies, a closed and high-end shopping environment and access to an affluent customer base.

*Our value proposition for customers*

Our constant access to appealing fashion merchandise forms an attractive value proposition for our customers. We deliver a comprehensive offering that blends exclusive prices, an superior brand portfolio, and a sophisticated shopping environment, providing customers with a distinctive "reason to buy”. The BestSecret assortment consists of a diverse range of brands at attractive discounts from 20-80% and the assortment is instantly shoppable throughout the year (no flash-sale campaigns).

We currently ship to 27 countries across Europe with prompt dispatch (no flash sale delivery delays). This means that we provide our customers with a high-end seamless shopping and service experience on par with leading online full-price fashion platforms. Furthermore, our business model provides one of the most sustainable ways to shop for fashion by granting access to overstock and helping to ensure that every piece of fashion that is produced is worn.

Our invitation-only, closed membership model fosters a high level of desirability and exclusivity, as new members can only gain access through either a referral from an existing member or an invitation from us. Our customer proposition extends to include our differentiated VIP Program, a loyalty reward program offering exclusive benefits at various status levels. We reward and care for our customers and seek to transform them into loyal members of our community. These deep-rooted relationships with our members have cultivated very loyal customers that keep spending with us year after year, as evidenced by our 100% average online Net Merchandise Value (NMV) retention across cohorts.

Central to BestSecret's closed membership model is our unique viral engine by which existing customers invite new customers to our platform. To push our viral growth, we utilize customer experience analyses to help us to understand the dynamics behind our viral engine and implement suitable incentive programs to support the growth. Our viral engine is tied into our membership system which grants customers a limited number of invitation rights that can be shared with friends and family. These new invitees then become members and also receive a limited number of invitation rights after their first purchase. Ultimately, our viral model leads to exponential customer growth and superior Lifetime Value to Customer Acquisition Cost (LTV/CAC) ratios and heightened profitability.

We have complemented our viral growth model with paid customer acquisition from mid-2021 onwards. This helps us to grow efficiently without losing our unique character of selling overstock silently, while always paying attention to maximum brand protection. This is achieved through highly targeted social media campaigns which are closely aligned with our brand partners. New potential customers join our closed membership model and can then in turn make use of their invitation rights to invite new members, thereby accelerating our viral engine. The targeted social media advertisements drive our customer growth, especially in areas with currently low penetration such as Northern Germany and international markets.

In 2023, our approximately 3m active BestSecret customers placed a total of 16.1m orders.

## Our proprietary technology platform supports our growing business

BestSecret is a tech as well as a fashion company, continuously investing in the technology organization to support the ongoing expansion of our online platform. Our vertically integrated, proprietary technology platform is tailor-made for our sourcing, presentation, curation, marketing, and fulfillment of fashion products. Intending to provide a seamless and convenient online off-price fashion shopping experience comparable to full-price platforms, we continually enhance our attractive websites and apps. Regular updates align with the high expectations of our brand partners and customer base, ensuring an experience on par with full-price platforms. As a recent example and as part of our elevation strategy, we introduced a new high-end design for our app and web store and added a dedicated luxury section.

Customers benefit from a multi-device shopping experience across mobile phones, tablets, and desktop computers, facilitating a convenient and frictionless shopping experience. Our technology supports all major online and mobile platforms, including dedicated iOS and Android applications for both smartphones and tablets. All web store and app development are handled in-house, with frequent updates introducing new features. Our iOS and Android apps play a pivotal role in our ambition to be the online go-to destination for off-price fashion. These apps are very well received by customers, with a rating of 4.8 and 4.9 out of 5.0 on the Apple App Store and Google Play respectively and our apps comprised 80% of our overall online customer sessions in 2023.

Data is key to driving growth and we have made substantial investments in building a strong technology foundation that supports future scale. Utilizing a state-of-the-art cloud-based data infrastructure, key business data is easily accessible across all our business units to ensure faster, more data-driven decision-making. Collaboration between data analysts, data scientists and data engineers ensures that the data we produce and analyze is put to its best use.

Our technology platform directs many of the key steps along the value chain for our online platform. To further enhance our capabilities, we are increasingly incorporating artificial intelligence and machine learning applications that empower personalization, forecasting, and sorting. For example, by managing our inventory, our algorithms and other proprietary software help limit inventory risk, while ensuring that we have sufficient in-demand inventory in stock and that we achieve our expected delivery times. In addition, our pricing tools automatically guide competitive prices on our merchandise throughout its life on our platform.

## Our operational platform enhances customer satisfaction and drives scale

To ensure customer satisfaction and support our international expansion, we continuously enhance the convenience of online off-price fashion shopping on our BestSecret online platform along the entire customer journey. This spans from the initial browsing experience, to the customer receiving their new products at their home and providing ongoing support as needed.

Our operational platform includes (1) a highly developed content management team that quickly and efficiently steers the creation of our online content, (2) our diverse range of payment methods from commonly used methods such as credit cards and PayPal to payment methods tailored to a localized market (3) our scalable operations platform designed to accommodate future growth, consisting mainly of two modern and large-scale fulfillment centers in Poing, Germany (48k sqm) and Sulechów, Poland (currently 80k sqm with a future capacity of 120k sqm), and (4) a highly trained customer-centric service team that steps in whenever a customer has a question or problem.

## Our employees cultivate a special environment for growth

The expertise, network and talent of our workforce is a key factor in sustaining our success and achieving our growth objectives. Our employees provide valuable insights and know-how across all our teams. Therefore, we foster a diverse working environment and prioritize employee development to attract, retain, and promote the best and brightest talents.

We feel a strong sense of belonging and aim to create desirability for all our stakeholders including our employees. We value our people, cultivating a community culture where they actively contribute to our success through individual skills and participation in discussions. This commitment is reflected in an above-average employer engagement score. Our dedicated purpose at BestSecret captures the essence of who we are and how we do things: "Be part of something special."

Our culture emphasizes continuous learning, growth opportunities, and positive employee experience. In 2023, we expanded our talent development strategy beyond the existing mandatory and optional training programs to a more comprehensive and targeted approach. This included a focus on leadership training and the introduction of promotion panels and salary bands. Additionally, we have broadened the range of available training opportunities for all employees.

## Our business model contributes to more sustainability in fashion

Sustainability poses a significant challenge in the fashion industry. BestSecret's business model contributes to more sustainability in fashion. We focus on clearing existing overstock rather than producing new merchandise, thereby contributing to the solution by ensuring that every piece of fashion that is produced and fit-to-wear finds an owner.

We further promote sustainability in our company with our BestSecret Sustainability Program. It centers around six focus areas, aiming to generate positive environmental and social impact in what we sell and how we sell it: 1) reduce the number of discarded fashion items, 2) improve the sustainability of our supply, 3) promote human rights in our community, 4) minimize waste per shipment, 5) reduce operational greenhouse gas emission, and 6) care for our talent. For detailed insights into our Sustainability Program, please refer to our Sustainability Report 2022 or the 2023 edition available in Q2 2024.

# OUR STRATEGY

Leveraging our heritage of 100 years in the textile industry, we have successfully evolved from an offline retailer to a dynamic, tech-driven online fashion player. Our journey has been marked by considerable and profitable growth, currently generating an annual revenue of over EUR 1.2bn. Our growth strategy focuses on the areas Germany, International and Luxury and is underpinned by value creation across operations and technology.

## Our growth areas

Our strategic growth ambition hinges on expanding our presence, both in our core market in Germany and internationally. Despite areas with higher penetration in our core market Germany, we continue to see plenty of white space for revenue growth, supported by nearly 100% Net Merchandise Value (NMV) retention in Germany, robust customer loyalty, and a strong inflow of both viral and paid new customers.

Furthermore, we recognize vast opportunities for further international expansion. Over the next few years, we will place particular focus on the regions Eastern Europe, Austria & Switzerland and Italy & France. Our proven playbook involves a three-step approach: (1) developing access to a relevant brand portfolio tailored to local customer preferences, (2) localizing the customer experience via local language websites, payment methods, carriers and customer care as well as improving shipment costs and investing in social media marketing to generate new members, and (3) eventually relying on our proven viral engine to scale the customer base and revenues.

Complementing our growth ambitions in Germany and International, is our luxury initiative, centered on enriching our portfolio with highly desirable luxury brands by forging direct relationships with these brands. The launch of our luxury initiative has been met with significant early success: we manged to win more than 20 luxury brands since the launch of our elevation strategy and our Net Merchandise Value (NMV) with luxury fashion grew in excess of 80% in the second half of 2023.

Our luxury initiative is embedded in our overarching elevation strategy which focuses on growing the share of highly desirable brands in our portfolio - both in the luxury and premium segments. By winning new brands and by expanding our business with existing brands in these segments we already succeeded in making our assortment more appealing in 2023.

We also enhanced our online presence by introducing a new high-end design for our App and web shop and by adding a dedicated luxury section, thereby aligning more closely with the appeal of luxury brands. A further significant step was the establishment of offices in the renowned fashion capitals of Paris and Milan which underlines our commitment to expanding our ongoing international buying activities and to being close to our international brand partners.

Our elevation strategy not only strengthens our relationships with highly desirable premium and luxury suppliers, but also bolsters our appeal to our customers. By deepening customer relationships through compelling offers and innovative engagement methods, we have fostered a strong community of loyal fans. Our commitment to enriching our product assortment, elevating our online platform, and refining our shopping and service experiences, continuously sets a new standard in online off-price fashion.

## Value creation in Operations and Technology

Supporting the areas of growth and facilitating our future expansion are our Operations and our Technology Base.

In Operations, we reached a milestone in 2023 with the launch of our second large-scale fulfillment center in Sulechów, Poland. The gradual ramp-up and automation of this facility allows us to scale substantially over the next few years, while at the same time reducing our warehousing cost per item, thereby contributing to higher profit margins.

Our Technology Base enables us to capture value creating tech opportunities, with an increasing emphasis on AI. Leveraging artificial intelligence (AI) and automation will transform the way we operate and allow us to scale while keeping a relatively small team. With a high commitment to innovation, and sustainable growth, multifaceted initiatives are being implemented across our entire organization in 2024 and beyond. A prominent initiative is the introduction of our new Deal Agent, poised to revolutionize the core of our deal-making dynamics. This strategic leap forward will empower our buyers, significantly enhancing the speed and quality of deals processed. A further initiative focuses on enhancing our customer experience by optimizing tagging, filtering, and addressing size-related aspects. The introduction of an AI engineering program will empower our engineering team with GenAI tools and frameworks, further enhancing our technological capabilities.

As the online off-price market continues to grow, we are well positioned to take advantage of the opportunities that this expansion presents. Our growth strategy not only charts clear pathways for expansion but also emphasizes the critical importance of adaptability and innovation in achieving continued success in the evolving market landscape.

# Management

## PrestigeBidCo GmbH

PrestigeBidCo GmbH, as the Issuer of the Senior Secured Notes is a company with limited liability ("Gesellschaft mit beschränkter Haftung").

### Managing Directors

**Dr. Moritz Hahn (Chief Executive Officer)** joined the BestSecret Group in 2020. He is responsible for the overall strategy of the Group, the establishment of structures to support the growth plans and the implementation of an effective leadership team. Dr. Hahn was most recently a member of the Executive Committee and Senior Vice President Global Marketing, Sales and Supply of Zalando SE, where he held various management positions since joining the company in 2011. Dr. Hahn has a degree in economics and a PhD in Econometrics from New York University and University of Munich.

**Axel Salzmann (Chief Financial Officer)** joined BestSecret Group in 2022 and is responsible for the Finance, Legal and Central Services departments. Before joining BestSecret he was CFO at Hensoldt, a global high-tech pioneer for security and defense electronics, that is listed in the Prime Standard of the Frankfurt Stock Exchange. He also served as CFO at the international industrial service provider Bilfinger, CFO at media company ProSiebenSat.1 Media as well as CFO and deputy CEO at O2 Deutschland, now known as Telefónica Deutschland.

The business address of the managing directors is Margaretha-Ley-Ring 27, 85609 Aschheim, Germany.

The managing directors of PrestigeBidCo are responsible for managing the day-to-day business of PrestigeBidCo in accordance with applicable German law and its articles of association ("Satzung") (the Articles of Association). In addition, the managing directors must ensure appropriate control of risk within PrestigeBidCo and its subsidiaries so that any developments jeopardizing its future as a going concern may be identified at an early stage. The managing directors legally represent PrestigeBidCo in dealings with third parties and in court.

The managing directors have overall responsibility for PrestigeBidCo's business. Managing directors may not deal with, or vote on, measures relating to proposals, arrangements or contracts between himself or herself and PrestigeBidCo.

PrestigeBidCo's Articles of Association provide that it can only be legally represented by two managing directors or by one managing director in conjunction with an authorized signatory who holds a power of attorney ("Prokurist") or by two authorized signatories.

### Advisory Board

As a result of the reorganization of the Group structure, the former Advisory Board ("Beirat") of PrestigeBidCo has ceased to exist. The former members of the Advisory Board are now members of the Supervisory Board of the Best Secret Group SE.

## Shareholders

Funds managed by Permira, management and family investors own all shares of the Issuer, directly or indirectly through intermediate holding companies.

# 2. Group Management Report

# PrestigeBidCo GmbH, Aschheim

## 1. Fundamental information about the Group

### 1.1. Business model of the Group

BestSecret operates as an off-price specialist in the fashion e-commerce sector. It offers overstock from mid-market to luxury fashion brands at discounted prices to a closed shopping community. With a focus on international premium and luxury brands and a permanent assortment, BestSecret provides its customers throughout Europe with highly desirable fashion at attractive discounts in a high-end shopping environment.

BestSecret has a prime value proposition for both its brand partners and its customers. Its closed, invitation-only membership model allows it to clear large volumes of its brand partners' overstock with minimum visibility and maximum brand equity protection. The company's strong and longstanding brand relationships result in a highly appealing product offering for its customers at attractive discounts. BestSecret's customers are very loyal, shop frequently and invite new members to join the platform, thereby contributing to customer growth. The BestSecret offline retail stores complement the online offering, with the premium stores designed to promote BestSecret's brand image and the outlet stores to clear inventory that fails to sell online.

### 1.2. Group structure

PrestigeBidCo GmbH, Aschheim, is the parent company of the BestSecret Group. In the following known as Group.

The consolidated financial statements of PrestigeBidCo GmbH include the following companies as of 31 December 2023:

- PrestigeBidCo GmbH, Aschheim (Germany)
- Best Secret GmbH, Aschheim (Germany)
- Lawrence Grey GmbH, Aschheim (Germany)
- Best Secret Logistik GmbH, Poing (Germany)
- Best Secret Retail Wien GmbH, Vienna (Austria)

- Best Secret Hellas S.M. S.A., Ioannina (Greece)
- Best Secret Poland sp. z o.o., Sulechów (Poland)
- Swiss Online Shopping AG i.L., Zürich (Switzerland)
- Best Secret S.r.l., Milano (Italy)

Best Secret GmbH, Lawrence Grey GmbH, Best Secret Retail Wien GmbH, Best Secret Logistik GmbH; Best Secret Hellas S.M. S.A.; Best Secret Poland sp. z o.o. and Best Secret S.r.l. all have active business operations. Swiss Online Shopping AG is in liquidation.

The management of Best Secret Group SE, Aschheim (Germany), which is the parent company of PrestigeBidCo GmbH, has shared responsibility for the management of the Group. Furthermore, the advisory board of PrestigeBidCo GmbH has been dissolved and all former members are now members of the supervisory board of Best Secret Group SE.

## 1.3. Group objectives

The Group aims to expand its position as a large-scale European off-price fashion specialist and to continue its profitable growth trajectory. The group-wide planning and administrative systems are reconciled to manage the ongoing business on segment and group level.

## 1.4. Group management

The Group measures the performance of its segments on the basis of the key financial performance indicators revenue and adjusted EBITDA (for a detailed description see 2.5. Financial performance), which are reported to the chief operating decision maker (CODM) on a regular basis.

## 1.5. Development activities

The Group develops key software components of its platform internally. The Group's development activities mainly include capitalizable development costs, in particular expenses for the BestSecret website and the BestSecret app as well as expenses for the Group's other IT-systems and infrastructure. The development activities are provided by the Group's employees in Aschheim (Germany), Granada (Spain) and Ioannina (Greece) as well as by external service providers. The capitalization ratio stood at 72.2% in fiscal year 2023, in comparison to 66.6% in the prior year.

# 2. Economic report

## 2.1. Macroeconomic and industry-specific environment

According to data from the Federal Statistical Office (Destatis), Germany experienced a 0.3% decrease in its gross domestic product (GDP) in 2023, following a growth of 1.8% the previous year.[1] The economic landscape in Germany stagnated throughout 2023 and was characterized by persistently elevated prices across all stages of the economic process. Unfavorable financing conditions, driven by increasing interest rates and weakened domestic and foreign demand, further contributed to the challenges faced. The economic performance varied significantly among different sectors. In the euro area, the GDP is estimated to have increased by 0.9% in 2023.[2]

Examining the dynamics within the German fashion industry, significant rises in prices for raw materials such as cotton, transport costs, energy and labor were observed in the last three years, even if the cost pressure eased somewhat during 2023.[3] Additionally, persistently challenging macroeconomic and geopolitical conditions, including the conflict in Ukraine, heightened tensions in the Middle East, concerns about climate change, as well as uncertainties related to personal income and economic developments, exerted substantial pressure on consumer confidence and the fashion industry.[4] German fashion e-commerce experienced a pronounced decrease of 13.3%[5] which was on a similar level as in 2022 ( decrease of 13.7%). German offline retail managed to record a growth of 6% in 2023 compared to 9% one year earlier.[6] Online fashion in Europe saw a growth of 11.3% in 2023.[7]

[1] Federal Statistical Office (DESTATIS): Gross domestic product down 0.3% in 2023. Press release No. 019 of January 15th, 2024, accessed on February 12th, 2024, https://www.destatis.de/DE/Presse/Pressemitteilungen/2024/01/PD24_019_811.html.

[2] OECD Economic Surveys: European Union And Euro Area, Executive Summary, September 2023, p.3, accessed on February 12th, 2024, https://issuu.com/oecd.publishing/docs/eu-ea_en_brochure_2023.final .

[3] Aziza Freutel: Gemischtes Blatt. TextilWirtschaft, January 10th, 2024, accessed on January 10th, 2024, https://www.textilwirtschaft.de/business/umsaetze/bilanz-2023-tw-testclub-plus-6-243298.

[4] Ibid.

[5] Bevh: Umsätze im E-Commerce erreichen Talsohle, January 24th, 2024, accessed on January 24th, 2024, https://bevh.org/detail/umsaetze-im-e-commerce-erreichen-talsohle.

[6] Aziza Freutel: Gemischtes Blatt. TextilWirtschaft, January 10th, 2024, accessed on January 10th, 2024, https://www.textilwirtschaft.de/business/umsaetze/bilanz-2023-tw-testclub-plus-6-243298.

[7] Statista Digital Market Insights, fashion includes apparel, footwear, bags & accessories, updated January 2024.

## 2.2. Comparison of the forecast with actual developments

The management of BestSecret Group had initially expected revenue growth in the low double-digit percentage range for 2023 driven by the Group's viral customer growth model in core markets and sustained international expansion. Adjusted EBITDA was anticipated to grow in line with revenues along with a stable double-digit adjusted EBITDA margin and free cash flow was expected to be positive. Owing to BestSecret's success and resilience throughout a both macroeconomically and geopolitically challenging year, management revised its guidance upwards in November 2023 to a high-teens percent increase in revenue, an improved adjusted EBITDA margin of around 14% and positive free cash flow.

In a year characterized by geopolitical and macroeconomic uncertainty, inflationary pressures and deteriorating consumer sentiment, BestSecret Group achieved its topline targets in 2023 with revenues reaching EUR 1,226.0m. This represented an increase of 16.7% over the EUR 1,051.0m achieved in the prior year, proving once again the high resilience of its unique closed membership business model. The growth was attributable to further gains in the number of active customers combined with robust customer order economics. The International segment was the main growth driver and contributed 39.9% to the Group's total revenue. The markets outside Germany recorded revenues of EUR 489.2m, thereby exceeding the EUR 357.8m achieved in 2022 by 36.7%. The segment Germany generated revenues of EUR 736.8m (2022: EUR 693.3m). The year-on-year growth of 6.3% was significantly above the market growth and reaffirms the strength of BestSecret's business model and its ability to expand its market share.

The profitability target was overachieved in 2023 with an adjusted EBITDA margin of 15.0%.  This was accomplished thanks to the effectiveness of the supply team in negotiating more favorable purchasing conditions, an increase in average selling prices thanks to the success of our elevation strategy and the positive impact of the expanded fulfillment center network, especially in the peak fourth quarter, Adjusted EBITDA (including expected cost synergies from the fulfillment center network expansion) came in at EUR 183.7m which was significantly above prior year base of EUR 137.7m.

## 2.3. Assets and liabilities

The following table summarizes the most important items of the Group's consolidated statement of financial position.

### Consolidated statement of financial position – assets

| in EUR m | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| **Non-current assets** | | |
| Goodwill | 203.5 | 203.5 |
| Other intangible assets | 234.1 | 250.7 |
| Property, plant and equipment | 100.7 | 78.7 |
| Right-of-use assets | 127.0 | 100.2 |
| Non-current financial assets | 4.6 | 4.4 |
| **Total non-current assets** | **670.0** | **637.5** |
| | | |
| **Current assets** | | |
| Inventories | 352.6 | 263.7 |
| Trade and other receivables | 12.0 | 8.7 |
| Other current financial assets | 18.8 | 6.2 |
| Other current non-financial assets | 43.2 | 27.6 |
| Income tax receivable | 1.3 | 1.3 |
| Cash and cash equivalents | 243.2 | 152.5 |
| **Total current assets** | **671.2** | **460.0** |
| | | |
| **Total assets** | **1,341.2** | **1,097.4** |

## Consolidated statement of financial position – equity and liabilities

| in EUR m | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| **Equity** | | |
| Issued capital | 0.03 | 0.03 |
| Capital reserves | 474.2 | 474.2 |
| Retained earnings | (44.8) | (52.6) |
| Other components of equity | (0.2) | 0.6 |
| **Total equity** | **429.3** | **422.2** |
| | | |
| **Non-current liabilities** | | |
| Non-current provisions | 0.6 | 0.7 |
| Non-current interest bearing loans and borrowings | 363.1 | 290.2 |
| Non-current lease liabilities | 141.9 | 107.1 |
| Deferred tax liabilities | 61.0 | 68.0 |
| **Total non-current liabilities** | **566.5** | **465.9** |
| | | |
| Current liabilities | | |
| Trade and other payables* | 129.4 | 57.3 |
| Current provisions | 0.0 | 0.1 |
| Current interest bearing loans and borrowings | 8.8 | 6.1 |
| Current lease liabilities | 7.5 | 9.1 |
| Other current financial liabilities* | 88.7 | 46.0 |
| Current non-financial liabilities | 103.5 | 73.1 |
| Income tax payable | 7.4 | 17.7 |
| **Total current liabilities** | **345.4** | **209.3** |
| | | |
| **Total equity and liabilities** | **1,341.2** | **1,097.4** |

* The Group participates in a supply chain financing arrangement in form of reverse factoring. In order to improve the informative value of the consolidated financial statements and increase comparability with other companies, the presentation of liabilities from supply chain financing has been changed in the Consolidated statement of financial position as at 31 December 2023. The values of the prior year were adjusted accordingly.

Compared to 31 December 2022, total assets increased by 22.2% to EUR 1,341.2m (prior year: EUR 1,097.4m). The largest positions in the statement of financial position are goodwill, other intangible assets, inventories, cash and cash equivalents as well as capital reserves and the non-current interest bearing loans and borrowings.

In fiscal year 2023, non-current assets increased by 5.1% to EUR 670.0m (prior year: EUR 637.5m). This increase is mainly attributable to the increase in right-of-use assets and investments into property, plant and equipment both in connection with the new fulfillment center in Poland.

Other intangible assets include the brand name BestSecret with a value of EUR 111.3m (prior year: EUR 119.8m) and the customer base valued at EUR 40.2m (prior year: EUR 80.5m), the capitalized development costs for internally generated software and the purchased software and licenses as well as capitalized customer acquisition costs in the amount of EUR 15.8m (prior year: EUR 0.0m). The change in other intangible assets is mainly attributable to the amortization in the fiscal year being partly offset by investments in intangible assets which came to EUR 49.3m (prior year: EUR 28.0m).

The Group's additions to capitalized development costs for internally generated intangible assets came to EUR 22.4m in 2023 (prior year: EUR 22.1m). Our IT department enables us to internally develop key components of the software used within the Group (homepage, apps and IT infrastructure). This gives us a strategic advantage and enables the Group to align the software with the operating processes.

Current assets increased by 45.9% to EUR 671.2m (prior year: EUR 460.0m). This was essentially driven by higher inventories and higher cash and cash equivalents. The increase in inventories to EUR 352.6m (prior year: EUR 263.7m) is mainly attributable to the overall business growth. The increase in cash and cash equivalents to EUR 243.2m (prior year: EUR 152.5m) is primarily due to the extension of the Senior Secured Notes, the increase in the volume of supply chain financing as well as the operating result.

Equity remained almost unchanged with a carrying amount of EUR 429.3m as of 31 December 2023 (prior year: EUR 422.2m). The slight increase primarily stems from the net income in the period. The equity ratio stood at 32.0% as of 31 December 2023 (prior year: 38.5%).

Non-current liabilities increased by 21.6% to EUR 566.5m (prior year: EUR 465.9m). The development was mainly driven by higher non-current interest bearing loans and borrowings due to the upsized Senior Secured Notes amounting to EUR 349.1m (prior year: EUR 290.2) as well as by higher non-current lease liabilities of EUR 141.9m (prior year: EUR 107.1m).

Non-current interest bearing loans and borrowings mainly comprise the Senior Secured Notes of EUR 349.1m with a nominal value of EUR 400.0m (prior year: EUR 290.2m, nominal value: EUR 350.0m). The Senior Secured Notes due 2027 were issued in July, 2022 (EUR 350.0m) and in June, 2023 (EUR 50.0m). With the proceeds, the Group refinanced the previous notes and will finance part of the investments in the new fulfillment center in Poland.

Deferred tax liabilities are largely attributable to purchased intangible assets in connection with the purchase price allocation (brand name BestSecret and customer base) and decreased on account of the amortization to EUR 61.0m (prior year: EUR 68.0m). The Group's tax rate stood at 27.21% (prior year: 27.12%).

In fiscal year 2023, current liabilities increased with a volume of EUR 345.4m as of 31 December 2023 (prior year: EUR 209.3m). This development is primarily driven by higher trade and other payables, higher current non-financial liabilities and higher current interest bearing loans and borrowings slightly offset by lower current lease liabilities.

Current non-financial liabilities increased to EUR 103.5m (prior year: EUR 73.1m) and mainly include prepayments received as well as accruals for outstanding invoices, personnel expenses and intercompany payables to the parent company Best Secret Group SE which is not part of the scope of consolidation.

Compared to 31 December 2022, the current interest bearing loans and borrowings increased to EUR 8.8m (prior year: EUR 6.1m). This is mainly attributable to the change of interest payments of the newly issued Senior Secured Notes compared to the previous Senior Secured Notes.

Trade and other payables increased to EUR 129.4m (prior year: EUR 57.3m) due to the increased invoice volumes due to the business growth.

As of 31 December 2023, net working capital decreased to EUR 178.7m (prior year: EUR 190.5m) and included inventories, prepayments for inventories, trade and other receivables less trade and other payables and others. The line item "others" includes refund liabilities, assets for the right to recover possession for expected returns as well as financial liabilities in connection with supply chain financing.

| in EUR m | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| Inventories and prepayments for inventories | 359.4 | 264.4 |
| Trade and other receivables | 12.0 | 8.7 |
| Trade and other payables* | (129.4) | (57.3) |
| Others* | (63.3) | (25.3) |
| **Net Working Capital** | **178.7** | **190.5** |

* Reclassification supply chain financing from trade and other payables to others.

## 2.4. Financial position

Management attaches great importance to ensuring sufficient liquidity at all times due to the Group's business model (lot purchasing) and the required flexibility with respect to the purchase of attractive merchandise. Given its liquidity situation, the Group has sufficient flexibility to purchase merchandise using its operating cash flow, providing it with the necessary flexibility. On 14 July 2022 the Group entered into a new revolving credit facility agreement totaling EUR 110.0m (thereof guarantees reducing the credit line: EUR 12.1m), which replaced any previous revolving credit facility agreement. The original lenders are Deutsche Bank Aktiengesellschaft, Goldman Sachs Bank Europe SE, JPMorgan Chase Bank N.A., London Branch and UniCredit Bank AG. The new facility increases the Group's flexibility with regards to the financing of its increased working capital needs due to its growing business volume and the seasonality of the fashion business, as well as its growth investments into a new fulfillment center and a notably improved tech and data structure.

The following table presents the development of the Group's liquidity:

### Consolidated cash flow statement

| in EUR m | 1 Jan 2023 to 31 Dec 2023 | 1 Jan 2022 to 31 Dec 2022 |
|---|---|---|
| Net cash flow from operating activities | 152.6 | 75.0 |
| Net cash flow from investing activities | (65.8) | (40.4) |
| Net cash flow from financing activities | 4.0 | (7.6) |
| **Increase in cash and cash equivalents** | **90.8** | **27.0** |
| **Cash and cash equivalents as of 1 January** | **152.5** | **125.5** |
| **Cash and cash equivalents as of 31 December** | **243.2** | **152.5** |

In fiscal year 2023, the Group generated a positive net cash flow from operating activities of EUR 152.6m (prior year: EUR 75.0m). The increase of EUR 77.6m compared to the prior-year period was predominately driven by an increase of trade and other payables and higher EBITDA compared to the previous year.

Negative net cash flow from investing activities amounting to EUR 65.8m (prior year: EUR 40.4m) was mainly impacted by capital expenditure (capex). The increase of EUR 25.4m primarily resulted from investments in property, plant and equipment related to the fulfillment center network expansion in Poland.

Net cash flow from financing activities of EUR 4.0m (prior year: negative net cash flow from financing activities of EUR 7.6m) mainly included the cash outflows and inflows in connection with the new Senior Secured Notes. The year-on-year difference of EUR 11.6m was attributable to the proceeds in connection with the tap of the Senior Secured Notes exceeding the interest payments.

In total this led to an increase in cash and cash equivalents of EUR 90.8m in fiscal year 2023 (prior year: EUR 27.0m).

## 2.5. Financial performance

The key figures in the consolidated income statement developed as follows in fiscal year 2023:

### Consolidated income statement for 2023

| in EUR m | 1 Jan 2023 to 31 Dec 2023 | As a % of revenue | 1 Jan 2022 to 31 Dec 2022 | As a % of revenue |
|---|---|---|---|---|
| **Revenue** | **1,226.0** | **100.0 %** | **1,051.0** | **100.0 %** |
| Cost of sales | (708.5) | (57.8) % | (604.2) | (57.5) % |
| **Gross profit** | **517.5** | **42.2 %** | **446.8** | **42.5 %** |
| Selling and distribution expenses | (359.0) | (29.3) % | (313.9) | (29.9) % |
| Administrative expenses | (94.1) | (7.7) % | (94.4) | (9.0) % |
| Other operating income | 7.9 | 0.6 % | 4.8 | 0.5 % |
| Other operating expenses | (7.0) | (0.6) % | (6.3) | (0.6) % |
| **Earnings before interest and taxes (EBIT)** | **65.3** | **5.3 %** | **37.0** | **3.5 %** |
| Financial income | 16.4 | 1.3 % | 6.8 | 0.6 % |
| Financial expenses | (61.6) | (5.0) % | (39.2) | (3.7) % |
| **Earnings before taxes (EBT)** | **20.1** | **1.6 %** | **4.6** | **0.4 %** |
| Income taxes | (7.8) | (0.6) % | (2.4) | (0.2) % |
| **Net income for the period** | **12.3** | **1.0 %** | **2.1** | **0.2 %** |

In fiscal year 2023, the Group recognized revenue of EUR 1,226.0m (prior year: EUR 1,051.0m). Revenue growth was achieved despite a high prior year comparison base and a market environment characterized by geopolitical and macroeconomic uncertainty, inflationary pressures, and deteriorating consumer sentiment. The Group's revenue growth was driven by a further growth in the number of active customers combined with robust order economics and successful international expansion. The International segment was the main revenue growth driver in 2023.

Cost of sales increased to EUR 708.5m (prior year: EUR 604.2m), corresponding to 57.8% (prior year: 57.5%) of Group revenue. The increase was primarily due to the overall business growth. Gross profit margin stood at 42.2% (prior year: 42.5%) and was influenced by a highly competitive market environment.

Selling and distribution expenses amounted to EUR 359.0m (prior year: EUR 313.9m). These mainly contain fulfillment expenses of EUR 221.5m (prior year: EUR 188.9m), marketing expenses of EUR 21.1m (prior year: EUR 20.3m), sales expenses of EUR 37.2m (prior year: EUR 33.2m) and amortization, depreciation and impairment expenses of EUR 79.1m (prior year: EUR 71.5m).

The increase in selling and distribution expenses was mainly due to higher fulfilment expenses as well as higher amortization, depreciation and impairment expenses. These were driven by higher shipping expenses due to a higher share of international business and increased personnel expenses in logistics as a result of a higher business volume. As a percentage of revenue the fulfillment expenses came to 18.1% (prior year: 18.0%).

In fiscal year 2023, marketing expenses equaled 1.7% (prior year: 1.9%) of revenue. The decrease in marketing expenses was mainly due to lower spending with a shorter payback-period given the volatile market environment  as well as increased efficiencies of the paid customer acquisition activities.

The increase in sales expenses largely stems from higher expenses for payment service providers, which amounted to EUR 16.2m (prior year: EUR 14.2m). Personnel expenses for the stores further increased by EUR 1.6m to EUR 14.8m (prior year: EUR 13.2m). As a percentage of revenue the sales expenses came to 3.0% (prior year: 3.2%).

Amortization, depreciation and impairment amounted to EUR 79.1m (prior year: EUR 71.5m) and primarily include amortization of brand names and the customer base of EUR 48.8m (prior year: EUR 48.8m).

Administrative expenses remained stable with a slight  decrease of EUR 0.3m and came to EUR 94.1m in fiscal year 2023 (prior year: EUR 94.4m). Administrative expenses consist of technology expenses of EUR 24.9m (prior year: EUR 27.9m), general and administrative expenses of EUR 59.9m (prior year: EUR 58.8m) and depreciation expenses of EUR 9.3m (prior year: EUR 7.7m). The decrease in administrative expenses is primarily driven by lower technology expenses which is partly offset by higher general administrative expenses.

The EBIT margin (of revenue) increased from 3.5% in the prior year to 5.3% in the current reporting year due to the overall strong business growth.

Financial income amounted to EUR 16.4m (prior year: EUR 6.8m). The financial income mainly increased due to exchange rate differences results from the valuation of lease liabilities and loans in a currency other than the functional currency as well as well as credit interest.

Financial expenses amounted to EUR 61.6m (prior year: EUR 39.2m) and mainly resulted from interest and similar expenses for the Senior Secured Notes as well as for lease liabilities under IFRS 16. Another reason for the increase in financial expenses is the increase in interest expenses for current liabilities in connection with supply chain financing as a result of increased volume.

Income taxes expenses increased from EUR 2.4m to EUR 7.8m. This development is mainly due to an increase in current income taxes because of an increasing business volume and therefore higher taxable income.

The Group achieved a net income of EUR 12.3m (prior year: EUR 2.1m), which represents an increase of EUR 10.2m. The increase in net income is mainly attributable to the overall business growth in 2023.

## Adjusted EBITDA

In order to assess the operating performance of the business, the Group's management considers adjusted EBITDA. We define EBITDA as net income/loss for the period before interest and similar expenses, tax and depreciation, amortization and impairment losses and the reversal of impairment losses. We define adjusted EBITDA as EBITDA excluding exceptional items and including pro forma synergies. Therefore, the reconciliation from EBITDA to adjusted EBITDA includes non-recurring, extraordinary and other non-operational items as well as run rate cost synergies from the fulfillment center network expansion (calculated as percentage of revenue).

| in EUR m | 1 Jan 2023 to 31 Dec 2023 | 1 Jan 2022 to 31 Dec 2022 |
|---|---|---|
| **Earnings before interest and taxes (EBIT)** | **65.3** | **37.0** |
| Depreciation, amortization and impairment losses | 89.3 | 80.2 |
| **Earnings before interest, taxes, depreciation and amortization (EBITDA)** | 154.6 | 117.2 |
| Exceptional Items | 11.2 | 15.3 |
| Run rate cost synergies from fulfillment center network expansion | 17.9 | 5.2 |
| **adjusted EBITDA*** | **183.7** | **137.7** |

* The group reports expected cost synergies from the fulfillment center network expansion from Q4 2022 onwards and until the fulfillment center in Poland is fully operational. As a result, the figures are only comparable with 2023 to a limited extent. In 2023, the realized savings from automation amounted to EUR 0.5m. The calculation is based on 1.5 % of revenues.

In 2023, the Group generated an EBITDA of EUR 154.6m (prior year: EUR 117.2m).

The adjusted EBITDA came in at EUR 183.7m which represents a strong growth compared to prior year base of EUR 137.7m.  The increase was due to more favorable purchasing conditions, an increase in average selling prices thanks to the success of the elevation strategy and the positive impact of the expanded fulfillment center network, especially during the peak season.

The exceptional items decreased from EUR 15.3m in 2022 to EUR 11.2m in 2023 mainly due to lower reorganisation and restructuring expenses as well as lower expenses related to the introduction / improvement of new tools and processes as well as lower set-up expenses in connection with the Group´s new fulfillment center in Poland.

The Group intends to achieve meaningful cost synergies from the expansion of its fulfillment operations. The expected cost synergies result from improved unit economics on the basis of capacity optimization (reduction of utilization rate of existing fulfillment center and the elimination of the need to rent additional warehouse capacity) as well as from wage and automation benefits. Run rate cost synergies from the fulfillment center network expansion were considered in the amount of EUR 17.9m (prior year: EUR 5.2m).

## Results by segment

The Group operates based on the internal management structure two segments Germany and International. The results by segments can be summarized as follows:

### Results by segment 2023

| in EUR m | Germany | International | Total Group |
|---|---|---|---|
| **Revenue** | **736.8** | **489.2** | **1,226.0** |
| **Adjusted EBITDA*** | **120.9** | **62.8** | **183.7** |
| Exceptional items | (6.9) | (4.2) | (11.2) |
| Run rate cost synergies from fulfillment center network expansion | (10.8) | (7.1) | (17.9) |
| **Earnings before interest, taxes, depreciation and amortization (EBITDA)** | **103.2** | **51.5** | **154.6** |
| Depreciation and amortization and impairment loss | (59.2) | (30.1) | (89.3) |
| **Earnings before interest and taxes (EBIT)** | **43.9** | **21.4** | **65.3** |
| Financial result | | | (45.2) |
| **Earnings before taxes (EBT)** | | | **20.1** |

* The group reports expected cost synergies from the fulfillment center network expansion from Q4 2022 onwards and until the fulfillment center in Poland is fully operational. As a result, the figures are only comparable with 2023 to a limited extent. In 2023, the savings from automation amounted to EUR 0.5m. EUR 17.9m are still to be realized. The calculation is based on 1.5 % of revenues.

### Results by segment 2022

| in EUR m | Germany | International | Total Group |
|---|---|---|---|
| **Revenue** | **693.3** | **357.8** | **1051.0** |
| **Adjusted EBITDA*** | **103.7** | **34.0** | **137.7** |
| Exceptional items | (10.3) | (5.0) | (15.3) |
| Run rate cost synergies from fulfillment center network expansion | (3.3) | (1.8) | (5.2) |
| **Earnings before interest, taxes, depreciation and amortization (EBITDA)** | **90.0** | **27.2** | **117.2** |
| Depreciation and amortization and impairment loss | (54.3) | (25.9) | (80.2) |
| **Earnings before interest and taxes (EBIT)** | **35.7** | **1.3** | **37.0** |
| Financial result | | | (32.5) |
| **Earnings before taxes (EBT)** | | | **4.6** |

* The group reports expected cost synergies from the fulfillment center network expansion from Q4 2022 onwards and until the fulfillment center in Poland is fully operational. As a result, the figures are only comparable with 2023 to a limited extent. In 2023, the savings from automation amounted to EUR 0.5m. EUR 17.9m are still to be realized. The calculation is based on 1.5 % of revenues.

Germany revenue increased by EUR 43.5m from EUR 693.3m to EUR 736.8m. The International business revenue increased from EUR 357.8m to EUR 489.2m which is mainly attributable to the strong customer growth. In 2023, 60.1% of the Group's revenue was generated in Germany, a decrease from 66.0% in the prior year period, confirming the continuing internationalization trend.

The adjusted EBITDA within the German segment increased by EUR 17.2m from EUR 103.7m to EUR 120.9m which is predominantly due to the overall business growth. International adjusted EBITDA increased by EUR 28.8m from EUR 34.0m to EUR 62.8m due to further international expansion and the extended customer base.

## Overall assessment by the management

The Executive Board views the development in 2023 as successful. The consistent implementation of the unique off-price business model, combined with its strong online presence and an inherent contribution to sustainability in the fashion industry, advantageously positions the company in a competitive market.

BestSecret achieved significant revenue growth, double-digit Adjusted EBITDA and continued to make important long-term investments to unlock future potential.

For the fiscal year 2024, the company anticipates a continuously positive business development.

The assumptions regarding the economic development of the market and industry are based on estimates considered realistic at the time of preparing the management report. Naturally, these statements are subject to a range of risks and uncertainties. Therefore, actual results may differ from these forecasts if uncertainties occur or if the assumptions underlying the statements prove to be incorrect.

# 3. Risk and opportunity report

## 3.1 Risk and Opportunity Management Principles

In order to continue its entrepreneurial success, BestSecret, on the one hand, needs to consciously take entrepreneurial risks and, on the other hand, constantly seeks and develops its opportunities. The main objective of risk and opportunity management is to enable business awareness on both risks and opportunities and to support a strategy definition that ensures an optimal balance between opportunity-focused priority settings and a risk-aware decision-making framework.

The Group defines risk as the potential occurrence of any kind of event or trend that endangers the going concern or achievement of the business objectives of BestSecret. In parallel, opportunity is defined as the potential occurrence of an external or internal event that can positively impact the company's ability to achieve its business objectives or financial goals.

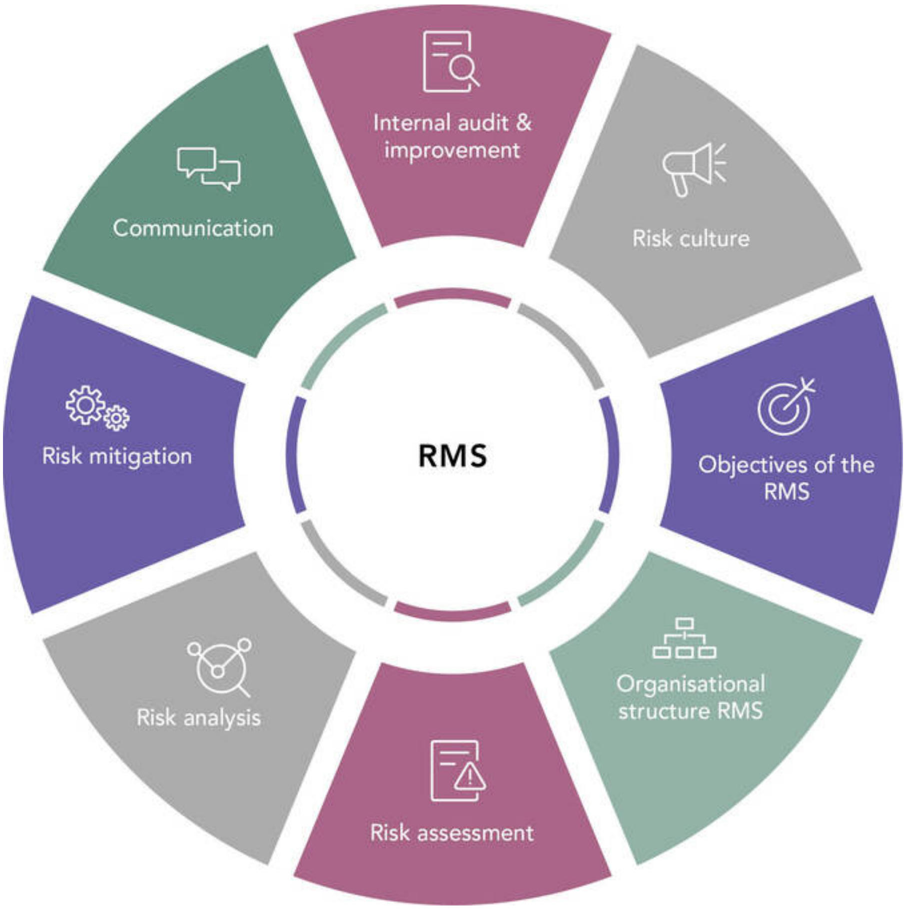
## 3.2 Risk Management System

Objectives

The key objective of BestSecret's Risk Management System (RMS) is to recognize, assess and manage risks that might potentially threaten achievement of our business objectives now and in the future, through early detection of risk-related issues and implementation of suitable countermeasures to minimize them.

The RMS does not stop at merely fulfilling legal obligations by the letter of law but enables BestSecret's management to steer the group effectively and efficiently by providing transparency on BestSecret's risk situation. Therefore, BestSecret has established an appropriate risk management organization enabling us to identify risks at an early stage, to manage them in accordance with the BestSecret strategy and to promote risk awareness within the company. The Senior Leadership Team (incl. Managing Directors) has overall responsibility for establishing an effective RMS. The risk management function (Risk Management) governs, operates, and develops the company's RMS as well as centrally manages the risk and opportunity management process. Risk Management represents the link between the Risk Owners, the S-Team and the Risk and Audit Committee, which is responsible for monitoring the design and effectiveness of the implemented RMS. The relevant risk owners and risk delegates are responsible for identifying and assessing risks, adequately dealing with identified risks, and implementing effective risk mitigation measures.

The RMS of BestSecret Group is integrated into the Corporate Governance structure and is based on the framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management Standards, as presented here:




The Risk Management System, BestSecret Risk Management Handbook.

This system focuses on the identification, evaluation, handling, systematic reporting, and monitoring of risks. All identified risks with the management response and risk relevance are tracked in the RMS tool Alyne.

## Risk Management Cycle

The risk management process at BestSecret consists of the five steps: (I) risk identification, (II) risk assessment, (III) risk handling, (IV) risk monitoring and (V) risk aggregation and reporting. Steps (I) and (V) are also applicable for opportunities.

### Risk & Opportunity Identification

The systematic and timely identification of risks and opportunities are important elements in ensuring continued business growth. BestSecret continuously monitors the macroeconomic and competitive environment as well as internal processes and projects to identify risks and opportunities at an early stage. Risks are identified on the basis of data analyses, process reviews, interviews and actual events, by the nominated risk owners throughout the different departments. Risk Management supports the risk owners with regular identification and efficient categorization of risks using a risk catalog, included in the BestSecret Risk Management Handbook. All significant risk-related processes, sources of danger, causes of damage and potential disruptions to the company are therefore recorded and assessed periodically in a risk inventory (register) in the risk management software. In addition, relevant chances are also analyzed and reported in this process.

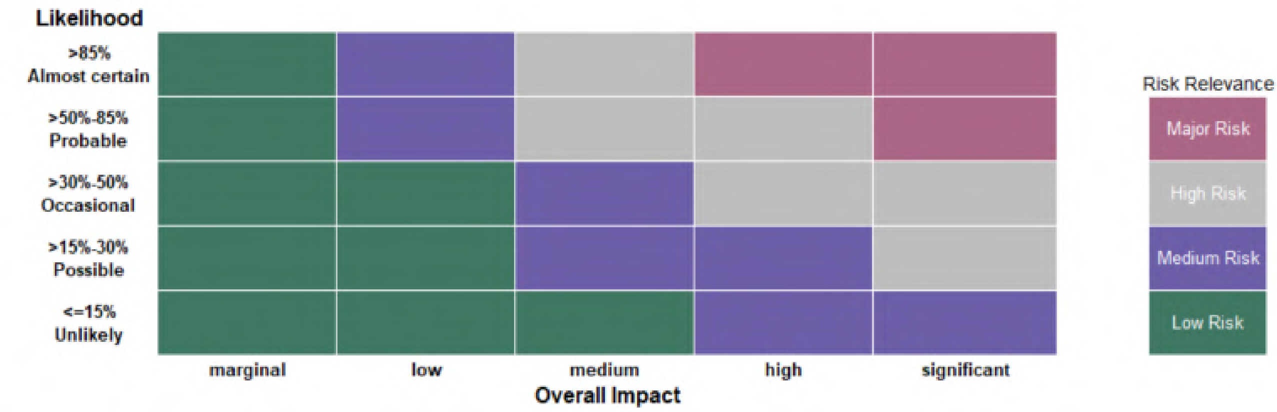
### Risk Assessment

The purpose of risk assessment is to identify those risks that require the fastest possible action and to give management the best possible basis for decision-making as to which risks can be tolerated and which may jeopardize the achievement of the business objectives or even the going concern of the group.

After risk identification, the risks are evaluated by assessing their likelihood of occurrence and potential impact. Likelihood is defined as the probability of a risk materializing over a pre-defined period. Impact is the extent to which the risk, if materialized, would affect BestSecret's objectives. To assess the potential impact of a risk, different perspectives are considered. Risk can be evaluated either from a quantitative (financial) or a qualitative perspective (non-financial consequences) or both. The quantitative measurements are based on the potential impact on BestSecret's planned adjusted EBITDA while the qualitative impact is assessed by the degree to which the company's reputation and operations (impact on business processes) are affected. Moreover, the degree of legal and/ or judicial consequences (investigation by authorities and respective legal actions) shall be reflected. If a risk has both quantitative and qualitative impacts, the overall evaluation of risks considers both impact categories. The highest score within one impact class determines overall risk's impact evaluation.

Each identified risk, based on the evaluation (impact x likelihood) is positioned on a Risk Heat Map. The heat map is used to visualize the level of risk in BestSecret's business and intended to create transparency regarding the Group's current risk situation. The risks are categorized as Low, Medium, High and Major in line with the overall risk appetite and tolerance of the organization and based on their expected impact and likelihood of occurrence.

Risk heat map with risk evaluation categories:




| | | | | | |
|---|---|---|---|---|---|
| *Quntitative impact* | =<0.5M€ | >0.5M€- 2.5M€ | >2.5M€-5M€ | >5M€-20M€ | >20M€ |
| *Qualitative impact* | Marginal impact on reputation: growing negative consumer reaction locally, slightly impaired bargaining power with business partners.<br><br>Insignificant impact on business processes. | Low impact on reputation: strong increase of negative consumer reaction locally, impaired bargaining power with business partners.<br><br>Judicial investigations leading to no fines, but requiring internal corrective actions.<br><br>Low impact on effectiveness and efficiency of business processes. | Medium impact on reputation: rejection by specific consumer groups, termination of renegotiations of the business parterships.<br><br>Judicial investigations leading to fines.<br><br>Notable impact on effectiveness and efficiency of business processes. | High impact on reputation: global rejection by consumers, termination of key business parterships.<br><br>Judicial investigations leading to significant fines or temporary business interruption.<br><br>Core business processes temporarily unavailable, impact on financial situation. | Significant impact on reputation: persisting global rejection by consumers, termination of multiple key business parterships.<br><br>Litigation leading to imprisonment of senior management and/or business interruption or cessation of business operations due to court order.<br><br>Core business processes cannot be handled for a longer period of time, massive financial impact. |

In the first step, a risk without considering the effect of the risk mitigation measures (i.e.: the gross or inherent risk) is assessed. In the second step, the implemented risk mitigation measures are taken into account and, the remaining net risk is defined (i.e.: net or residual risk). Therefore, a net risk is considered an actual risk potential and is defined as the gross risk reduced by the effect of the respective mitigation measures.

Risk handling/Risk response

On the basis of the identified and assessed risks, the risk owner's responsibility is to determine a general risk-handling strategy for each identified risk, which is either risk avoidance, risk reduction with the objective to reduce impact and/or likelihood, risk transfer to a third party or risk acceptance. Risk treatment should always be appropriate compared to the risk severity. Key objective of risk response is to reduce the risk severity to an acceptable level.

Risk monitoring

Monitoring of risks is based on the periodic reassessment of previously identified risks. Movements are caused by changes related to impact and/or likelihood of occurrence over time. Risks which move to a higher risk severity from one period to another are especially in focus of further analysis as this movement might be part of a trend for further increase of the risk severity in the future.

By working closely together with the risk owners, Risk Management monitors risk and relevant risk treatment (progress implementation of the defined measures mitigating the risk) until the risk has materialized, has become obsolete or is fully mitigated.

Risks aggregation and reporting

The individual risks are aggregated using two methods to obtain the most complete picture of the total risk position of BestSecret. On the one hand, the risk aggregation is determined by adding the net risks value of the respective individual risks. On the other hand, the probability distributions of all identified risks are aggregated to form a single probability distribution for a possible total loss through a Monte Carlo simulation.

As part of regular risk reporting, taking place half-yearly, the risk owners report the identified risks, including the respective likelihoods of occurrence, the potential financial and/or quantitative impact as well as the risk mitigation measures. The outcome of the risk assessment is consolidated and presented to the Managing Directors and the S-Team as well as to the Risk and Audit Committee.

Additionally, the risk owners continuously monitor and update the assessment of the risks and when critical or urgent concerns arise (new risks that could endanger the going concern of the company as well as any issues identified that, due to their material nature, require immediate reporting), the regular reporting process is supplemented by an ad-hoc report.

Internal Financial Reporting Controls

BestSecret has implemented a series of financial reporting controls aiming to identify and control the risks that could have a significant impact on proper preparation of the consolidated financial statements in compliance with the relevant accounting standards and applicable laws. Our main control requirements were documented in the form of a risk control matrix (RCM), which contains, among others, risk and respective control description, type of control, control owner and frequency of control execution. To monitor the effectiveness of BestSecret's Internal Control System, the RCM is regularly reviewed by Risk Management and the Internal Control department and updated, when necessary, to make sure it covers all areas at risk and reflect properly BestSecrets dynamic control environment. Moreover, our Accounting Manual, updated regularly to reflect regulatory changes and internal developments, provides detailed instructions to the finance team for all key components of the financial statement, thus reducing the risk of inconsistent accounting practices within the company. In addition, the implementation of a new ERP system SAP S/4HANA, planned for 2024, will expand process and control automation.

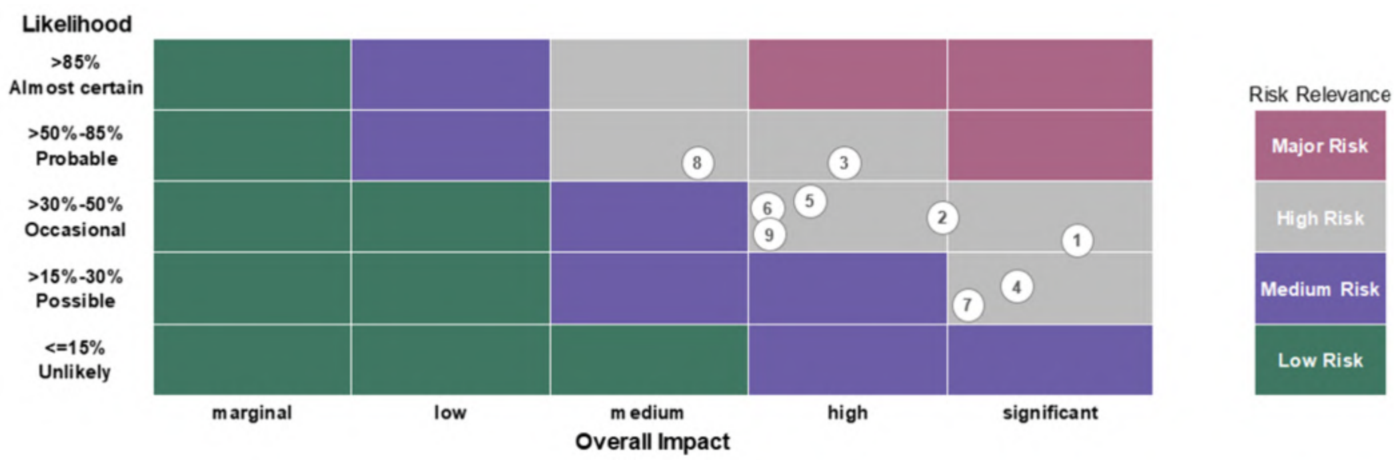
Furthermore, the Internal Audit department's oversight function helps BestSecret to accomplish its objectives by bringing a systematic approach to evaluate and improve governance, risk management, controls and compliance processes. Internal Audit assesses and reports to the Management Board and Risk & Audit Committee whether the Group's risk management and internal control systems are adequate and effective. This is accomplished via a risk-based audit approach performed throughout the organization. The annual audit plan is coordinated with the Managing Directors, S-Team and the Risk & Audit Committee. This is where key audit matters are defined. Additional ad hoc audits can also be performed at any time, depending on the group's priorities.

## 3.3 Risk & Opportunity Reporting as of 31 December, 2023

This report includes an explanation of financial and non-financial risks that are considered the most relevant. Our assessment of risks presented in this report only reflects the net risk perspective. As of December 2023, no material risks that, either individually or in combination with other risks, could jeopardize the continued existence of BestSecret were identified. However, we cannot exclude the possibility that in the future relevant circumstances, of which we are currently unaware or which we currently do not consider to be material, could have a negative impact on BestSecret's going concern.

Our assessment of BestSecret's overall risk situation this year is predominantly influenced by the impact of the challenging market environment, still characterized by geopolitical and macroeconomic uncertainty, tightening financial conditions and volatile customer sentiment, reflects the major challenges this poses.

Accordingly, the most significant Group risks are distributed as follows:




1. Low availability of overstock in the market and increasing COGS (Cost of Goods Sold) may negatively impact our top-line and put at risk the scaling of the business.

2. SAP implementation project entails the risk of business interruption and overspending, in case of an unsuccessful go-live of SAP (potentially caused by insufficient resources dedicated to the project, delays in implementation as well as wrong configuration/customization or insufficiently trained resources). Due to the increasing complexity of existing processes a new ERP could always lead to failures at the beginning.

3. Changes in the competitive environment, including market consolidations, increased competition and aggressive discount pricing strategies, particularly of full price players, may lead to less loyal customers and thereby potentially lower market share.

4. Cyber-Security, BCM (Business Continuity Management): Operational downtime and/or loss of company critical data (i.e. customer database) could occur due to cyber-attacks (e.g.: Ransomware Attacks).

5. Inflationary environment and other negative developments in economic conditions may adversely impact consumer spending in the fashion segment and limit growth.

6. Fragmented IT landscape: failures or instability of the Group’s IT systems, including our outdated, modified version of Navision (until introduction of SAP) or WMS (Warehouse Management System) may result in business interruptions.

7. Data protection: Violation of data privacy may lead to fines and reduced customer trust/ satisfaction.

8. Persistent inflationary pressure and government regulations could lead to higher costs in logistics (labor costs, energy, raw materials and freight transport).

9. Tech resources capacity might not be sufficient, also due to the SAP go-live scheduled for 2024, to allow us to deploy necessary operational technological solutions to fulfill our elevation strategy as planned.

Subsequently, all relevant risks are clustered into eight focus areas: (I) Macroeconomic and sociopolitical risks, (II) Markets and consumer demand, (III) IT and cyber security, (IV) Supply, (V) Logistics, (VI) Compliance (VII) ESG and (VIII) Human Resources.

## Focus Risk Clusters

Macroeconomic and sociopolitical risks

BestSecret is exposed to various external risks. This means that economic downturns, inflation, financial market turbulence and sociopolitical factors such as military conflicts, are generally accompanied by a decline in demand for premium fashion and therefore negatively impact BestSecret's top and bottom-line performance.

Although a stable, but slow, global growth is expected in 2024, continued geopolitical tensions, and monetary tightening could weigh heavily on the global economy in the coming year. Global uncertainties in the context of political and social developments are expected to remain elevated also in 2024. Ongoing geopolitical tensions, such as the Ukraine military conflict or escalating war in the Middle East between Hamas and Israel, as well as tighter financial conditions, pose a further risk that the global economy could enter the recession and consequently have a noticeable impact on global consumer sentiment, with a potentially negative impact on the sales and earnings development of BestSecret.

Moreover, depending on the further development of the Israel-Hamas war, the global economy might face severe repercussions as energy costs could spike. Higher energy prices would slow down efforts to tame inflation pressure, which after two years of high consumer prices started to decrease, and lead to persistent, elevated interest rates.

BestSecret recognizes the increased importance of interdependencies that shape the global economics and geopolitical landscape, impacting also changes in consumer behavior, and, therefore, continuously monitors the macroeconomic environment as well as industry developments in order to identify the potential risky areas at an early stage and quickly act upon them.

Markets and consumer demand

The markets in which we operate are highly competitive. Our primary competitors are online as well as offline retailers, such as traditional retail stores, brand outlet stores and off-price fashion stores. Changes in the competitive environment can influence the group's success. New competitors who enter our markets or strategic alliances among competitors may be successful in attracting customers, including our customers, and thereby lower our market share . Intensive competition for customers may also lead to harmful competitive behavior, such as persistent pricing pressure. If we are unable to compete effectively by attracting our target customers to purchase our merchandise, the Company's sales and earnings performance will be negatively impacted.

In addition, consumer demand changes can be sudden and unexpected, particularly in connection with an economic downturn, which is generally accompanied by a decline in demand for premium fashion. Europe's outlook for 2024 is for a gradual recovery. However, strength of this rebound will differ across countries, and the Middle East conflict could drive up inflation in Europe. The instability of the economic situation and overall uncertainty, including still elevated cost of living, can adversely affect consumer confidence and consumer spending in the fashion segment resulting in lower sales volume and therefore have a negative impact on our financial results.

Our strategy, with the defined core initiatives and milestones, is the central instrument acting as a mitigating measure against increasing competition and customer demand drop. With our market diversification and further geographical expansion as well as successful implementation of the Curated Platform and improved online shopping experience, we plan to not only stay ahead of the competition but also increase our market share in all regions we operate in.

IT and cyber security

Smooth business operations with efficient processes strongly depend on a powerful and secure IT infrastructure. The continuous and uninterrupted availability of our IT systems, particularly to process customer transactions and to manage inventory levels, purchases and deliveries of our merchandise, is of the highest importance for BestSecret. Failures or instability of the Group's IT systems, including Navision or our WMS (Warehouse Management System) may result in business interruptions.

To enable further growth of our operations we are implementing SAP as a new ERP system. Having a uniform, SAP-based ERP system across the Group is intended to ensure high levels of system stability and control quality. However, implementation of a new ERP system entails the risks of business interruption and overspending in case of unsuccessful or delayed go-live. Due to the increasing complexity of existing processes a new ERP could always lead to failures at the beginning.

The successful implementation of our elevation strategy largely depends on the Tech resource availability. Our market diversification and further geographical expansion of BestSecret, as well as initiatives to continuously adapt our platform and services to the evolving needs of our brand partners and customers, require a high involvement of Tech people, which might not be sufficient, also due to the SAP go-live scheduled for 2024, to allow us to deploy necessary operational technological solutions as planned. To mitigate the risk the decisions on the company priorities and program/projects in line with the resources' availability are taken. Through prioritization we allocate resources optimally by focusing on projects that bring the most value.

In addition, BestSecret IT infrastructure could be targeted by a cyberattack (e.g., cyber extortion focuses on stealing data or ransomware locking down critical business systems), meaning that critical information (e.g., consumer or employee data) could be stolen and/or systems no longer be available (e.g., encrypted, overloaded). Such attacks could lead to reputational damage, regulatory penalties and/or major interruption of key business processes.

BestSecret assumes that global cyberattacks will continue to increase in the future and implemented several mitigation plans with the objective to further improve the ability to prevent and respond to potential attacks.

### Supply

Our success largely depends on the ability to continuously offer a wide range of products highly desired by our current or future customers. Our business model depends to a significant extent on stock orders from suppliers, i.e., unplanned stock leftovers. With the current and forecasted growth, we expect to grow our stock level accordingly otherwise we are unable to provide our customers with the product variety and customer experience they seek. The risk coming from low availability of overstock in the market together with an increasing COGS would negatively impact our profit and put at risk the scaling of the business. In addition, a delayed delivery or non-delivery of goods by our suppliers would also lead to non-availability of specific products or product ranges and negatively affect customer loyalty. A delayed delivery, outside of the season (swimwear, skiing, etc.), could also increase our storage costs or affect our profitability should we have to discount them further to sell them.

The off-price market for mid-market to luxury fashion is driven in part by fashion and beauty trends, and consequently, the merchandise we sell is subject to changing consumer demands and preferences. Consumer preferences regarding fashion design, quality, sustainability, and price tend to change rapidly. Hence, accurately forecasting the selection and required quantities of such products in future periods is difficult. Insufficient market and trends analysis would result in a product range which does not reflect our customers' needs and therefore decrease customer satisfaction and sales volume.This would also lead to unsellable products, having a negative impact on our storage capacities and/or margins.

Moreover, product quality and compliance are becoming more important than ever before. The high quality of the products that we offer is an essential factor that guarantees customer satisfaction, trust, and loyalty. Consequently, they contribute to the growth of our revenues and the establishment of a strong brand reputation. Despite our efforts to ensure product compliance and embed quality management up to standard, we cannot eliminate the risk that our actions might be insufficient to ensure that all our products meet all regulatory requirements and/or fulfill customer expectations. This could materially adversely affect BestSecret reputation and lead to legal consequences (fines) damaging our customer relationships and eventually resulting in sales drop.

To mitigate these risks, we continue to add new and reliable suppliers to our network and form longer-lasting relationships with them. Through the opening of two additional offices, in Paris and Milan, we will further expand our Group's international buying activities, deepen our existing and future brand relationships, and broaden our offering. Moreover, we implemented tools that raise awareness in case shortages reach a certain threshold.

Logistics

We depend on a reliable and efficient supply chain, which includes our fulfillment and returns centers, transport service providers, third-party carriers that deliver merchandise to our online customers, and stores. It has been a turbulent time for the global supply chain facing many hurdles arising from geopolitical crises, and labor shortages. The overall challenging market environment has been in the past and could continue in the future to affect our logistics expenses. Persistent inflationary pressure and government regulations (i.e. C02 costs / charges, minimum wage developments, toll charges) leading to higher expenses in logistics including increase of energy, raw materials, freight transport and labor costs, would negatively impact our financial result and reduce our profitability. Moreover, a significant labor shortage has been seen in recent years, largely due to external challenges such as pandemics, inflation, and political instability. BestSecret could face the risk of a limited workforce, both in its own warehouse premises as well as in its logistics partners. Depending on the further developments of Ukrainian war, a blue-collar workers shortage could arise in our fulfillment center in Poland. The limited availability of workers could result in slowing the movement of goods and increasing costs. Consequently, the potential backlog in shipping may result in cancelled orders and customer dissatisfaction due to the delay. This could impact the revenue and hence the overall financial performance of BestSecret

In addition, to effectively support further business growth, BestSecret expanded its logistics capabilities through the successful implementation of the Fulfillment Center II (FCII). However, the delays in FCII's further expansion as well as postponement of automation can not only cause potential issues in day-to-day operations (capacity limitations and extended delivery time to the customers), especially in peak season, but also require additional costs for the completion of the delayed projects.

To reduce the risks of undesired project results as well as to detect project issues early and quickly implement corrective actions, the FCII Project Steering Committee evaluates the progress, quality and costs of FCII on a regular basis. Moreover, BestSecret regularly monitors the trend of logistics expenses and labor market situation in order to identify the threats at an early stage and promptly define necessary actions.

Compliance

BestSecret is subject to various laws and regulations. Non-compliance with such legal requirements could lead to penalties and fines both for BestSecret and the acting individuals and could cause reputational damage. Data protection and data security are of very high importance to BestSecret. With our members-only business model, all our customers entrust us with their personal data. Accordingly, BestSecret is subject to numerous laws and regulations on data protection and privacy on both EU and national levels. BestSecret continuously monitors the data protection requirements and implements the organizational and technical measures, to make sure we comply with all applicable regulations.

We also face the risk that management as well as our employees or external business partners breach rules and standards that guide appropriate and responsible business behavior. This includes but is not limited to the so-called core compliance risks such as bribery and corruption, money laundering and other crimes committed vis-à-vis third parties or the company (e.g.: fraud), but notably also extends to compliance risks in all our BUs and ESUs. Our Compliance Management System (CMS), including the Code of Conduct providing fundamental principles to conduct business with respect for the law and ethical standards, together with our whistleblowing channels for reporting unethical behavior, help us to prevent, detect, and respond to these risks.

ESG (Environmental, Social, Governance) Risk

At the intersection of business, society, and the environment, ESG has been gaining attention over the past years. The EU in particular, as part of its Green Deal, has released and is further working on a number of sustainability-related regulations that affect BestSecret. Regulators, but also investors, customers, employees, and other stakeholders demand greater corporate transparency and ambition. As a result, ESG risks are also becoming increasingly relevant. Non-compliance with applicable ESG-related laws and regulations and/or an inability to meet stakeholders' expectations may lead to a range of damaging consequences. If we overlook these risks, we could potentially incur significant financial penalties and/or lose customer, employee and investor confidence.

Due to our business model focused on selling overstock, we have the opportunity to market ourselves as a more sustainable shopping choice. If we fail to credibly prove this claim, however, we risk being accused of and penalized for greenwashing.

In addition, risks associated with a warming climate also fall under the ESG umbrella. Changing weather patterns, rising temperatures and more frequent and extreme severe weather events threaten the stability of our supply chains, consumer demand for our articles, and employee productivity. As the climate continues to change, we may be faced with even more substantial regulatory requirements and financial obligations.

To mitigate ESG risks we established a sound sustainability governance, including a Sustainability Steering Committee that oversees our sustainability strategy. Moreover, BestSecret is planning to increase team size and enlist external support to ensure that ESG risks are properly addressed.

Human Resources

Our success and future growth depend significantly on the performance of our senior management and qualified personnel in certain functions, including but not limited to IT, tech, data, purchasing and logistics, finance as well as merchandising. In the event of the departure of one or more of these key and qualified personnel in strategic positions, we may be unable to recruit talents whose skills and industry experience best meet the specific needs of BestSecret. In addition, an ineffective or insufficient allocation of resources to business activities as well as improper planning and untimely execution of reorganization and transformation initiatives may reduce employee engagement, cause business disruption and inefficiencies, and may negatively affect business performance.

## Opportunities

The identified opportunities, considered most relevant in 2024 and beyond, are clustered into three areas, (I) markets and strategy, (II) logistics and (III) Tech and IT.

### Markets and Strategy

As an integral part of our strategic vision, we see market diversification and further geographical expansion of BestSecret outside of Germany as an opportunity to grow our business. We invest in a differentiated, more luxury, and locally relevant value proposition to ensure mid-term growth and to create trust with suppliers in respective countries, especially in Italy and France, where we also opened new offices, and which are the biggest European fashion markets only behind Germany and the UK.

Through international expansion together with improved onsite shopping experience and full-service convenience, including prompt deliveries, easy returns, all relevant payment methods, and customer service, we will increase our consumer reach and customer base which, in turns, will increase the sales volumes and further drive revenue streams.

Moreover, the luxury market plays an important role in the apparel industry and is projected to grow significantly in the coming years. Accordingly, an essential part of BestSecret's ongoing elevation strategy is to increase the share of international luxury and affordable luxury brands as well as relevant fashion icons in our brand portfolio. Through the opening of two new offices in fashion hubs Paris and Milan we are well positioned to further build and nurture our existing and future brand relationships and improve our offering of luxury brands. Adding the luxury brands to our portfolio provides further upside potential both in terms of sales and profit.

Additionally, the successful implementation of the Curated Platform presents an important opportunity for the further expansion of our brand portfolio, with a particular emphasis on top-tier international brands and an enhanced product variety that we offer to our customers. Furthermore, BestSecret perceives the Curated Platform as a pathway to increase our presence in the luxury market, with short-term gains facilitated through luxury retailers and medium-term direct collaboration with the renowned brands.

We also view the thriving secondhand fashion market as an untapped source of potential. Projections indicate that the secondhand market is poised to outgrow other segments in the medium to long term. The Curated Platform serves as a catalyst for us to enhance our offering of secondhand luxury items, making us even more appealing to our customer base. Venturing into these new market segments presents a promising avenue for additional growth, both in terms of sales and profitability. Another trend that we deem beneficial for us is the shift towards more sustainable consumer behavior. Increasing consumer interest in sustainability is also being reflected in purchases of clothing and footwear. This favors our business model and may lead to additional future sales.

Logistics

To enable further growth of our operations, ensure more storage capacity and improve efficiency, we are planning to further expand our fulfillment center in Poland (FCII) and invest in automation. Warehouse automation solutions will enable us to streamline the processes, reduce order processing time and eliminate errors caused by manual tasks.

Through automated warehouse management we will strengthen customer satisfaction, reduce dependency on the labor market and reduce logistics operational costs in the mid-term (e.g.: reducing staff administration and training costs, optimizing product handling and storage costs, minimizing inventory errors, and eliminating the risk of mishandling and product loss).

IT and Tech

A solid and adaptable IT framework is essential for the efficacy of our business operations. The planned deployment of the SAP S/4HANA ERP system in 2024 is an important step towards enhancing our process automation and control and is expected to bring more stability to our interconnected systems. Through the integration of various applications, we aim to streamline our business functions—encompassing applications, processes, workflows, and data. This effort is geared towards improving operational efficiency and supporting more informed business decision-making.

Additionally, we are exploring the potential of AI, with a specific focus on Generative AI (GenAI). GenAI offers promising avenues in automation, particularly in areas of data analysis and pattern recognition. Its application could be beneficial in enhancing and automating our core processes, aiding in product development, and potentially improving customer experiences.

## 4. Forecast

Management expects Group revenue to grow in a high-teens percent range in 2024, driven by its viral customer growth model in core markets and continued international expansion. Group adjusted EBITDA growth is anticipated to be slightly above revenue growth with a moderate improvement in adjusted EBITDA margin vs. 2023.

Considering the high uncertainty arising from continued elevated inflation rates, geopolitical instability and lower private consumption growth rates, management cannot rule out that the future performance in 2024 will deviate from today's expectations.

Aschheim, 08 March 2024

PrestigeBidCo GmbH

Dr. Moritz Hahn

Axel Salzmann

# 3. Consolidated Financial Statements

# Consolidated statement of comprehensive income

## Consolidated income statement

| in EUR k | Note | 2023 | 2022 |
|---|---|---|---|
| Revenue | *4.1, 6.3* | 1,225,999 | 1,051,027 |
| Cost of sales | *4.2, 6.3* | (708,520) | (604,165) |
| **Gross profit** | **6.3** | **517,479** | **446,862** |
| Selling and distribution expenses | *4.2* | (358,958) | (313,942) |
| Administrative expenses | *4.2* | (94,110) | (94,422) |
| Other operating income | *4.3* | 7,940 | 4,809 |
| Other operating expenses | *4.4* | (7,022) | (6,289) |
| **Earnings before interest and taxes (EBIT)** | | **65,329** | **37,018** |
| Financial income | *4.6* | 16,420 | 6,765 |
| Financial expenses | *4.5* | (61,644) | (39,231) |
| **Earnings before taxes (EBT)** | | **20,105** | **4,552** |
| Income taxes | *5.16* | (7,771) | (2,433) |
| **Net income/ (net loss) for the period** | | **12,334** | **2,119** |

## Consolidated statement of comprehensive income

| in EUR k | Note | 2023 | 2022 |
|---|---|---|---|
| **Net income/ (net loss) for the period** | | **12,334** | **2,119** |
| Items that will be reclassified to profit or loss in subsequent periods | | | |
| Hedging gains/losses | | (1,059) | 0 |
| Deferred tax hedge accounting | | 291 | 0 |
| Currency translation difference | | 21 | 15 |
| **Other comprehensive loss / (income)** | | **(747)** | **15** |
| **Total comprehensive income/ (loss)** | | **11,587** | **2,134** |

# Consolidated statement of financial position

## Consolidated statement of financial position – assets

| in EUR k | Note | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | *5.1* | 203,548 | 203,548 |
| Other intangible assets | *5.2* | 234,083 | 250,675 |
| Property, plant and equipment | *5.3* | 100,726 | 78,711 |
| Right-of-use assets | *5.4* | 127,045 | 100,176 |
| Non-current financial assets | *5.5* | 4,551 | 4,374 |
| **Total non-current assets** | | **669,953** | **637,484** |
| **Current assets** | | | |
| Inventories | *5.6* | 352,633 | 263,693 |
| Trade and other receivables | *5.7* | 12,041 | 8,743 |
| Other current financial assets | *5.5* | 18,828 | 6,203 |
| Other current non-financial assets | *5.8* | 43,194 | 27,578 |
| Income tax receivable | *5.16* | 1,267 | 1,267 |
| Cash and cash equivalents | *5.9* | 243,239 | 152,470 |
| **Total current assets** | | **671,202** | **459,954** |
| **TOTAL ASSETS** | | **1,341,155** | **1,097,438** |

## Consolidated statement of financial position – equity and liabilities

| in EUR k | Notes | 31 Dec 2023 | 31 Dec 2022* |
|---|---|---|---|
| **Equity** | | | |
| Issued capital | *5.10* | 25 | 25 |
| Capital reserves | *5.10* | 474,177 | 474,177 |
| Retained earnings | | (44,771) | (52,601) |
| Other components of equity | | (161) | 586 |
| **Total equity** | | **429,270** | **422,187** |
| **Non-current liabilities** | | | |
| Non-current provisions | *5.11* | 632 | 714 |
| Non-current interest bearing loans and borrowings | *5.12* | 363,052 | 290,157 |
| Non-current lease liabilities | *5.4* | 141,873 | 107,052 |
| Other non-current financial liabilities | | 2 | 0 |
| Deferred tax liabilities | | 60,973 | 68,022 |
| **Total non-current liabilities** | | **566,532** | **465,945** |
| **Current liabilities** | | | |
| Trade and other payables* | *5.13* | 129,415 | 57,285 |
| Current provisions | *5.11* | 0 | 65 |
| Current interest bearing loans and borrowings | *5.12* | 8,787 | 6,059 |
| Current lease liabilities | *5.4* | 7,453 | 9,095 |
| Other current financial liabilities* | *5.14* | 88,745 | 46,033 |
| Current non-financial liabilities | *5.15* | 103,530 | 73,057 |
| Income tax payable | | 7,423 | 17,712 |
| **Total current liabilities** | | **345,353** | **209,306** |
| **TOTAL EQUITY AND LIABILITIES** | | **1,341,155** | **1,097,438** |

* These liabilities were previously reported under "Trade payables and other liabilities". Due to the change in presentation in the reporting year, they are now reported under "Other current financial liabilities". The previous year's figures have been adjusted accordingly. For further information, see note 5.13.

# Consolidated statement of cash flows

## Consolidated statement of cash flows

| | in EUR k | Note | 2023 | 2022 |
|---|---|---|---|---|
| | **Earnings before tax** | | **20,105** | **4,552** |
| + | Depreciation of property, plant and equipment and right-of-use assets | *5.3, 5.4* | 23,698 | 19,647 |
| + | Amortization and impairment of intangible assets and goodwill | *5.1, 5.2* | 65,583 | 60,573 |
| +/- | Net foreign exchange differences | *4.3, 4.4* | (142) | 1,048 |
| - | Gain on disposal of property, plant and equipment | | 167 | 0 |
| - | Financial income | *4.6* | (16,420) | (6,765) |
| + | Financial expenses | *4.5* | 61,644 | 39,231 |
| +/- | Increase/decrease in other liabilities and provisions | | 26,040 | 8,193 |
| +/- | Increase/decrease in other assets | | (9,333) | (2,498) |
| +/- | Decrease/increase in trade and other receivables | | (3,298) | 726 |
| +/- | Decrease/increase in inventories and similar assets | | (98,734) | (29,778) |
| +/- | Increase/decrease in trade payables and other payables | | 114,736 | (11,522) |
| +/- | Other non-cash transactions | | (9,518) | 0 |
| - | Income tax paid | | (24,824) | (8,608) |
| + | Interest received | | 2,921 | 204 |
| = | **Net cash flow from operating activities** | | **152,626** | **75,003** |
| - | Purchase of property, plant and equipment | | (33,495) | (9,461) |
| - | Purchase of intangible assets | | (9,922) | (5,903) |
| - | Capitalised development costs | | (22,389) | (22,140) |
| - | Cash advances and loans to other parties | | 0 | (2,950) |
| + | Cash received from disposals of property, plant and equipment | | 0 | 33 |
| = | **Net cash flow from investing activities** | | **(65,806)** | **(40,421)** |
| - | Payment of lease liabilities | | (8,898) | (8,491) |
| - | Payments for transaction costs on the revolving credit facility (RCF) | | 0 | (2,531) |
| - | Interest paid | | (44,736) | (24,894) |
| + | Proceeds from Senior Secured Notes | | 50,000 | 297,500 |
| + | Proceeds from borrowings | | 13,944 | 0 |
| - | Repayment of previous Senior Secured Notes | | 0 | (260,000) |
| - | Payment of transaction costs on issue of Senior Secured Notes | | (1,860) | (9,227) |
| - | Dividends paid | | (4,500) | 0 |
| = | **Net cash flow from financing activities** | | **3,951** | **(7,643)** |
| = | Net change in cash and cash equivalents | | 90,770 | 26,939 |
| +/- | Net foreign exchange differences | | (1) | 1 |
| + | Cash and cash equivalents as of 1 January | | 152,470 | 125,530 |
| = | **Cash and cash equivalents as of 31 December** | **5.9** | **243,239** | **152,470** |

## Reconciliation of liabilities arising from financing activities

| in EUR k | 1 Jan 2023 | Cash flows | Changes in leases | Other* | 31 Dec 2023 |
|---|---|---|---|---|---|
| Current interest-bearing loans and borrowings | 6,059 | 0 | 0 | 2,728 | 8,787 |
| Non-current interest-bearing loans and borrowings | 290,157 | 62,084 | 0 | 10,812 | 363,052 |
| Lease liabilities | 116,147 | (8,898) | 41,209 | 868 | 149,326 |
| **Total liabilities from financing activities** | **412,363** | **53,186** | **41,209** | **14,408** | **521,165** |

| in EUR k | 1 Jan 2022 | Cash flows | Changes in leases | Other* | 31 Dec 2022 |
|---|---|---|---|---|---|
| Current interest-bearing loans and borrowings | 852 | 5,207 | 0 | 0 | 6,059 |
| Non-current interest-bearing loans and borrowings | 256,838 | 25,742 | 0 | 7,577 | 290,157 |
| Lease liabilities | 115,984 | (8,491) | 8,628 | 26 | 116,147 |
| **Total liabilities from financing activities** | **373,674** | **22,458** | **8,628** | **7,603** | **412,363** |

* The "Other" column includes the effects of applying the effective interest method, the effect of accrued but unpaid interest on interest-bearing loans and borrowings, including lease liabilities, and the reclassification of the non-current portion of interest-bearing loans and borrowings, including lease liabilities, to current items due to the passage of time.

# Consolidated statement of changes in equity

| in EUR k | Issued capital (Note 5.10) | Other capital reserves (Note 5.10) | Retained earnings | Foreign currency translation reserve | Cash flow hedge reserve after tax | Total |
|---|---|---|---|---|---|---|
| **As of 1 Jan 2023** | **25** | **474,177** | **(52,601)** | **586** | **0** | **422,187** |
| Net income for the period | 0 | 0 | 12,334 | 0 | 0 | 12,334 |
| Dividends paid | 0 | 0 | (4,500) | 0 | 0 | (4,500) |
| Other comprehensive income | 0 | 0 | 0 | 21 | (768) | (747) |
| Comprehensive income | 0 | 0 | (4,500) | 21 | (768) | (5,247) |
| **As of 31 Dec 2023** | **25** | **474,177** | **(44,771)** | **607** | **(768)** | **429,270** |

| in EUR k | Issued capital (Note 5.10) | Other capital reserves (Note 5.10) | Retained earnings | Foreign currency translation reserve | Cash flow hedge reserve after tax | Total |
|---|---|---|---|---|---|---|
| **As of 1 Jan 2022** | 25 | 474,177 | (54,720) | 571 | 0 | 420,053 |
| Net income for the period | 0 | 0 | 2,119 | 0 | 0 | 2,119 |
| Other comprehensive income | 0 | 0 | 0 | 15 | 0 | 15 |
| **As of 31 Dec 2022** | 25 | 474,177 | (52,601) | 586 | 0 | 422,187 |

# Notes to the consolidated financial statements

## 1. Company information

The consolidated financial statements for the period ended 31 December 2023 of PrestigeBidCo GmbH and its subsidiaries (collectively referred to hereinafter as the "Group" or the "BestSecret Group") were authorized by the Management Board by the signed financial statements dated 8 March 2024. The registered office of PrestigeBidCo GmbH (the parent) is located at Margaretha-Ley-Ring 27, Aschheim, Germany. The Company is registered with Munich Local Court (HRB 227078).

PrestigeBidCo GmbH is a wholly owned subsidiary of Best Secret Group SE (former Best Secret Group AG). PrestigeBidCo GmbH publishes consolidated financial statements in accordance with Sec. 291 HGB ["Handelsgesetzbuch": German Commercial Code] and voluntarily in accordance with International Financial Reporting Standards (IFRS).

# 2. Basis of preparation of the consolidated financial statements

## 2.1. General information and application of IFRS

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRS IC) as adopted in the European Union (EU). A Group management report and the obligatory disclosures to be made under German commercial law pursuant to Sec. 315e (1) HGB were added to the consolidated financial statements.

To improve the clarity of presentation, various items in the consolidated statement of financial position and consolidated statement of comprehensive income have been aggregated. These items are shown and explained separately in the notes to the consolidated financial statements.

The presentation and the components of the consolidated financial statements comply with the rules in IAS 1.10. The consolidated statement of comprehensive income is prepared based on the function of expense method.
The consolidated statement of cash flows is prepared based on IAS 7.

With the exception of certain items, which are measured at fair value (See 2.17.), the consolidated financial statements are prepared mainly based on historical costs on the reporting date, 31 December 2023. Historical costs are generally based on the fair value of the consideration transferred in exchange for the asset. The fair value is the price that would be received in orderly transactions between market participants on the measurement date for the sale of an asset or paid for the transfer of liabilities. This applies regardless of whether the price can be directly observed or is estimated using a measurement method.

The consolidated financial statements are presented in euros (EUR) and all values are rounded to the nearest thousand (EUR k), unless otherwise indicated. Due to rounding, it is possible that figures may not add up exactly to the total stated, and the percentages presented may not precisely reflect the figures they correspond to.

The fiscal year corresponds to the calendar year. The fiscal year of the consolidated entities also corresponds to the calendar year.

The management prepared the consolidated financial statements on a going concern basis.

## 2.2. Amended standards and interpretations

### *2.2.1 New or amended IFRS applied in the fiscal year*

The Group applied all standards and interpretations (including amendments) as adopted by the EU in its consolidated financial statements which are mandatory for reporting periods starting on or after 1 January 2023.

Amendments to standards that were mandatory from 1 January 2023 relate to amendments to IAS 1 (Clarifications to Accounting Policies), IAS 8 (Accounting Estimates), IAS 12 (Income Taxes - Deferred Tax related to Assets and Liabilities arising from a single transaction and Amendment for IAS 12 Income Taxes: International Tax Reform - Pillar Two Model Rules) as well as IFRS 17 (Insurance Contracts).

The Group capitalizes customer acquisition costs beginning on 1 January 2023. For more information on customer acqusition costs, see note 2.4.11 and 4.1..

The presentation of liabilities from supply chain financing has been changed in the Consolidated statement of financial position as at 31 December 2023, in order to provide better and more reliable information. Previously, these liabilities were reported under "Trade and other payables". For further detail, refer to note 2.4.12 and 5.14..

Application of the amendments did not have any effect on the consolidated financial statements as of 31 December 2023.

### *2.2.2 New or amended IFRS not yet applied*

The following accounting standards relevant for the Group had already been issued by the IASB before the consolidated financial statements were authorized for issue, but their adoption is not yet mandatory and they have not yet been adopted by the Group and do not have any material impact on the Group's assets, liabilities, financial position and performance.

| Standards / Interpretations | Impending change | Valid / EU endorsement*) | Anticipated effects |
|---|---|---|---|
| Amendments to IAS 1 Classification of Liabilities as Current or Non-current and<br>Non-current liabilities with Covenants | Relates to the presentation of liabilities in the financial statements. The classification of liabilities as current or non-current must be based on rights that are in existence as of the reporting date. | 1 January 2024<br>No | No material effects on the consolidated financial statements are expected. |
| IAS 7 and IFRS 7 Amendment Supplier Finance Arrangements | Address the disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. | 1 January 2024<br>No | No material effects on the consolidated financial statements are expected. |
| Amendments to IFRS 16<br>Lease Liability in a Sale and Lease Back Transaction | Due to the amendments to IFRS 16, the standard now specifies that, in subsequently measuring the lease liability, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains. | 1 January 2024<br>No | No material effects on the consolidated financial statements are expected. |
| Amendments to IAS 21 Lack of Exchangeability | Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. | 1 January 2025<br>No | No material effects on the consolidated financial statements are expected. |

* For standards and amendments to standards not yet endorsed by the EU, the date of first-time adoption scheduled by the IASB is assumed for the time being as the likely date of first-time adoption.

## 2.3. Principles of consolidation

### *2.3.1 Basis of consolidation and group information*

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as of 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, it has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

As a general rule, subsidiaries are included in the consolidated financial statements by way of full consolidation from the time when the Group obtained control over or the ability to control the subsidiary. A change in the ownership interest of a subsidiary without a loss of control is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The consolidated financial statements of the Group include the parent company PrestigeBidCo GmbH and its fully consolidated subsidiaries summarized in the following table:

| Company name | Location | Shareholding in % 31 Dec 2023 |
|---|---|---|
| PrestigeBidCo GmbH (Germany) | Aschheim | |
| Best Secret GmbH (Germany) | Aschheim | 100 |
| Lawrence Grey GmbH (Germany) | Aschheim | 100 |
| Best Secret Logistik GmbH (Germany) | Poing | 100 |
| Best Secret Retail Wien GmbH (Austria) | Vienna | 100 |
| Best Secret Hellas S.M. S.A. (Greece) | Ioannina | 100 |
| Best Secret Poland sp. z o.o. (Poland) | Sulechów | 100 |
| Swiss Online Shopping AG i.L. (Switzerland) | Zürich | 100 |
| Best Secret S.r.l. (Italy) | Milano | 100 |

In the context of the Group's continued growth and internationalization Best Secret S.r.l. was established on 27 July 2023. The entity will mainly provide technical and commercial support services in the textile and fashion retail sector, in particular purchasing activities.

Swiss Online Shopping AG i.L. is in liquidation.

## The holding company

The next-senior holding company of PrestigeBidCo GmbH is Best Secret Group SE (Aschheim). The consolidated financial statements of Best Secret Group SE (smallest and largest consolidated group) are published in the electronic German Federal Gazette ("Bundesanzeiger"). The ultimate holding company of Best Secret Group SE is Permira Holdings Limited (St. Peter Port, Guernsey).

### *2.3.2 Consolidation methods*

Capital consolidation is performed by offsetting the acquisition costs against the Group share of the fair value of the net assets of the consolidated subsidiaries at the time of acquisition. At this juncture, the acquisition method is used. Receivables and corresponding liabilities of Group entities were offset against each other. Significant intercompany results from intra-Group service transactions were eliminated in the consolidated financial statements. Sales and other income from intra-Group supply and service relationships were offset against the corresponding expenses. The financial statements of all subsidiaries included in the consolidated financial statements are prepared as of 31 December 2023.

## 2.4. Use of estimates and assumptions

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, assumptions and estimates that have effects on the amounts carried and the related disclosures. Although these estimates are based on the current events and measures to the best of management's knowledge, there may be deviations between estimated and actual results. Significant estimates and assumptions have been used for the following matters in particular:

- Impairment of non-financial assets (including forecasts)
- Determination and assessment of the realizability of deferred tax assets on unused tax losses and income taxes
- Assumptions for the calculation of returns and unredeemed coupons
- Inventory valuation
- Segment reporting
- Assessment of the necessity and amount of allowances on receivables
- Interest rate in connection with IFRS 16
- Assumptions with regard to making use of termination or extension options in connection with IFRS 16
- Assumptions with regards to notes measurement including separation of embedded derivatives
- Assumptions with regards to fair value measurement of derivative financial instruments
- Customer acquisition costs

- Presentation of amounts related to supply chain financing
- Factoring agreements

These key forward-looking assumptions and estimates, which involve a significant risk of changing the carrying amounts of assets and liabilities within the next fiscal year, are discussed below.

*2.4.1 Impairment of non-financial assets (including forecasts and the war in Ukraine)*

All non-financial assets that fall within the scope of IAS 36 are tested for impairment if there are indicators that the asset may be impaired. Regardless of indicators of impairment, goodwill acquired in business combinations is tested for impairment once a year at the level of the cash-generating unit to which the asset belongs.

This assessment implies significant judgment and estimates, in particular in light of the uncertainties in connection with the ongoing war in Ukraine. The ongoing war in Ukraine has been a source of continuous disruptions in global supply chains, leading to inflationary pressures on the supply, shipping, and fulfillment processes of the online market business in general. This was taken into account during the impairment testing for goodwill and the review of useful lives for the intangible assets recognized by using the purchase method in compliance with IFRS 3. Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount. This is the higher of its fair value less costs of disposal and its value in use. The recoverable amount is sensitive to the discount rate used for the DCF model that is the basis for the calculation of the value in use used as well as the expected future cash flows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill. The key assumptions used to determine the recoverable amount for the goodwill, including a sensitivity analysis, are disclosed and further explained in note 5.1.

*2.4.2 Assessment of realizability of deferred tax assets on unused tax losses and income taxes*

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Different interpretations of tax laws may result in additional tax payments for prior years. Various factors such as past experience with tax field audits and different treatment of tax regulations by tax authorities are considered.

Deferred tax assets are recognized to the extent that it is probable that they will be recovered, which is dependent on the generation of sufficient future taxable profit. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These judgments and estimates are subject to risks and uncertainty. Consequently, there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognized at the reporting date. In such circumstances, some or all of the carrying amount of recognized deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the income statement.

### *2.4.3 Calculation of returns and unredeemed gift vouchers*

**Returns**

For transactions with a statutory 14-day or longer refund policy, the Group calculates the amount of the expected returns as of the reporting date based on historical return rates under consideration of the actual returns until the date of preparing the consolidated financial statements, which are taken into account in order to reduce revenue. As of 31 December 2023, deferred revenues amounted to EUR 49,005k (prior year: EUR 37,952k). The right to recover possession of expected returns is reported under other current non-financial assets.

**Unredeemed gift vouchers**

The acquiring customer has a claim from the sale of vouchers for fulfillment up to a period of three years. If vouchers sold are not redeemed within this period, the Group realizes the revenue from the voucher sale. Liabilities from the sale of gift vouchers are recognized under other liabilities and amounted as of 31 December 2023 to EUR 1,617k (prior year: EUR 2,036k).

### *2.4.4 Inventory valuation*

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated necessary costs to make the sale. Estimates are necessary to determine the sales proceeds that can be achieved in the normal course of business. Further details are given in note 5.6.

### *2.4.5 Segment reporting*

IFRS 8 requires that operating segments be defined on the basis of the internal reports of corporate divisions that are regularly reviewed by the chief operating decision maker (CODM) of the Group for the purpose of making decisions about the allocation of resources and assessing the financial performance of the respective segments. Since fiscal year 2021, the Group segments are "Germany" and "International". Primary emphasis is placed on the key performance indicators, revenue and adjusted EBITDA. The group defines adjusted EBITDA as EBITDA excluding exceptional items and including pro forma synergies. Therefore, the reconciliation from EBITDA to adjusted EBITDA includes non-recurring, extraordinary and other non-operational items as well as run rate cost synergies from the fulfillment center network expansion (calculated as percentage of revenue). The recognition and measurement methods of the reportable segments correspond to the consolidated recognition and measurement methods described in note 6.3.

### *2.4.6 Assessment of the necessity and amount of allowances on receivables*

The determination of the necessity and amount of valuation allowances on receivables requires assumptions and estimates regarding the credit risk and underlying time intervals. In the case of a return debit, the Company informs the customer and defines a period for payment. When the defined time period has elapsed, written warnings are sent to the customers. Further details are given in note 5.7. and note 5.17.

The Group uses a provision matrix to calculate expected credit losses for receivables. The provision rates are based on days past due and the Group's historical default rates. The default rates are evaluated based on expectations as to the collectability of the receivables.

### *2.4.7 Interest rate in connection with IFRS 16*

The interest rate in connection with IFRS 16 was determined considering the debt structure of the Group and the useful life of the leased assets. To measure lease liabilities the Group uses the incremental borrowing rate. The Group estimates the incremental borrowing rate by using observable input factors.

### *2.4.8 Assumptions with regard to making use of termination or extension options in connection with IFRS 16*

The lease term of an asset is determined by considering options to terminate or extend the lease that are reasonably certain to be exercised. The possibility of the use of termination or extension options is appreciated by considering the overall business development as well as the term of existing leases.

### *2.4.9 Assumptions with regards to notes measurement including separation of embedded derivatives*

The embedded redemption option for the note issued in 2022 is considered to be not closely related to the host contract according to IFRS 9, neither the option's exercise price is equal to the carrying amount of the host contract on each exercise date, nor the lender is reimbursed for an amount up to the present value of lost interest for the remaining term of the host contract. Since both, the prepayment option and the interest rate floor relate to the interest risk, both derivatives are treated as a single compound embedded derivative.

The methodology used to determine the fair value of the embedded derivatives is based on the approach of a Monte Carlo simulation. The refinancing rate is divided into a risk-free component and a credit risk component in the form of a credit spread. The simulation of the risk-free rate is based on a Hull/White 1-factor model and the simulation of the credit spread is based on a standard Wiener process. The optimal trade-off is determined on the basis of the Longstaff/ Schwartz approach. The starting point for the floor component is the simulated risk-free interest rates. Based on the simulated interest rates, floorlets are formed for each individual quarter during the term of the notes, which are then valued using the Black76 approach. The floorlet component is valued taking into account any exercise of the call option during the simulation.

### *2.4.10 Assumptions with regards to fair value measurement of derivative financial instruments*

The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed for hypothetical zero coupon bonds due on the date of each future net settlement of the swap. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty, this is calculated based on credit spreads derived from current credit default swap or bond prices.

### *2.4.11 Customer acquisition costs*

The Group issues vouchers in connection with the "friends recommend friends" program. For the fair value estimation of the customer referral service, the group implements a portfolio-based derivation as an average value of the commission payments actually made (i.e. taking into account the actual redemption rates of the vouchers). By applying the portfolio approach, an estimated value is determined, that has been raised on the basis of a large population. Due to the fact that management performs very detailed customer-related evaluations of the consideration paid, it can be assumed that this is an appropriate consideration for the customer referral services received.

The Group capitalizes customer acquisition costs beginning on 1 January 2023 since a reasonable estimate of the fair value of the referral fee was not possible before, for further details see note 4.1.

*2.4.12 Presentation of amounts related to supply chain financing*

The Group uses reverse factoring to enable efficient payment processing of supplier invoices which result in derecognition of the original trade payables as a debt-discharging payment is made by the financing partner to settle the corresponding trade payables. As a discretionary management decision in respect of supply chain financing, the liabilities covered by the reverse factoring program are considered to be a component of working capital and the payments to the factoring service provider continue to be included in cash flows from operating activities because they remain part of the Group's normal operating cycle and their key character remains operational, i.e., indirect payments for the purchase of goods and services. Payment terms under this program are modified to an extent customary in the retail industry. The liabilities to the factor are recognized under other current financial liabilities (see note 5.14.), the interest expenses on the liabilities under financial expenses (see note 4.5.)

*2.4.13 Factoring agreements*

The Group engages in factoring and regularly sells receivables to third parties. The contractual rights to receive the cashflow of the financial assets are transferred to the factor. In accordance with IFRS 9, receivables are derecognized because the Group loses control over the receivables. The derecognized receivables are no longer reported in the Group's balance sheet.

## 2.5. Business combinations and goodwill

Business combinations are accounted for using the acquisition method according to IFRS 3. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquire at fair value or at the proportionate share of the acquirees's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquirees a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. In case of any structural changes of the respective CGUs within the Group, an impairment review and potential reallocation of the Goodwill according to IAS 36 is performed. More detailed information on impairment testing can be found in note 5.1.

## 2.6. Current and non-current portions

The Group classifies its assets and liabilities in the statement of financial position as current and non-current assets or liabilities.

An asset is classified as current when:

- it is expected to be realized, or intended to be sold or consumed, within the normal operating cycle,
- it is expected to be realized within 12 months after the reporting period or
- it is cash or a cash equivalent, unless the asset is restricted from being exchanged or used to settle a liability for a period of at least 12 months.

All other assets are classified as non-current.

A liability is classified as current if:

- it is expected to be settled within the normal operating cycle,
- it is expected to be realized within 12 months of the end of the reporting period or
- the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current assets or liabilities.

## 2.7. Fair value measurement

The Group applies measurement techniques that are appropriate under the respective circumstances and for which sufficient data is available for fair value measurement. In the process, observable market inputs are to be preferred to non-observable inputs.

Assets and liabilities measured or presented at fair value in the consolidated financial statements are classified on the basis of the following fair value hierarchy. The classification uses the input parameters of the lowest category that is material to the fair value measurement.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly
- Level 3: Unobservable inputs for the assets and liabilities

## 2.8. Revenue recognition

The Group recognizes revenue according to IFRS 15 at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods to the customers, net of taxes and duties, and taking into account agreed payment terms. Revenue is reported net of discounts, rebates, taxes and returns. Since the Group has price discretion in its sales transactions and also bears the inventory and credit risk, the Group generally acts as a principal and is therefore the principal party of all sales transactions.

In addition, the Group purchases some products, such as jewelry, on a commission basis. In this case, the Group is acting as an agent, but is free in the setting of prices. Moreover, the Group enables selected partners to sell goods directly to BestSecret's closed customer community over its Curated Platform. In both cases, revenue is earned in the amount of the commission received. The amount remains immaterial for 2023.

Revenue recognition requires the fulfillment of the following recognition criteria:

### Sale of goods and products

The Group's contracts with customers for the sale of merchandise generally include a single performance obligation. The Group has concluded that revenue from the sale of merchandise should be recognized at the point in time when control of the asset is transferred to the customer. In the stationary retail business, revenue is therefore recognized upon handing over the goods and in online trading upon delivery of the goods to the customer.

The Group enables selected partners to sell goods directly to BestSecret's closed customer community over its Curated Platform. The revenue is recognized in the amount of the commissions expected to be received from partners as the group acts as agent.

## Accounting treatment of returns in the online business

Under IFRS 15, the consideration received from the customer is variable because the contract allows the customer to return the products. The Group uses the expected value method to estimate the merchandise that will be returned, because this method predicts most accurately the amount of variable consideration to which the Group will be entitled. The Group applies the requirements in IFRS 15 on constraining estimates of variable consideration such as return rate to determine the amount of variable consideration that can be included in the transaction price. The Group presents a refund liability (other current financial liabilities) and an asset (other current non-financial assets) for the right to recover possession of goods from a customer separately in the statement of financial position, taking into account the costs incurred for processing the return and the losses resulting from disposing of these goods. The Group presents the expected returns of goods on a gross basis in the statement of comprehensive income and reduces revenue by the full amount of sales that it estimates to be returned. The dispatch of goods that is recorded in full when they are shipped is then corrected by the estimated value of the returns. Generally, the Group allows goods to be returned within a period of 14 days of receipt. Longer periods may be agreed upon contractually.

## Friends recommend friends – customer acquisition program

The Group has implemented a recommendation program for customers. The first time the invitee (recommended customer) places an order and does not return it in full, the inviting customer (inviter) receives a one-time commission voucher of 10% to 20%. The inviter also receives a 5% to 7% voucher based on the total purchases of the invitee within a period of 12 months. According to IFRS 15, both vouchers represent payments to the inviting customer under IFRS 15 as costs to initiate a contract with a new customer (invitee). The purchase of the service is to be accounted for in the same way as purchases from suppliers (IFRS 15.71). The customer referral service is to be measured at fair value (or the lower transaction price). If the consideration payable to the customer exceeds the fair value of the customer referral service, the difference is recognized as a reduction of the transaction price. In the event that the fair value of the customer referral service cannot be estimated with sufficient reliability, the entire consideration payable to the customer is to be recognized as a reduction of revenue.

## 2.9. Taxes

### Current income taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

For the purpose of measuring current German taxes, a uniform corporate income tax rate of 15% is applied to distributed and retained earnings and a solidarity surcharge rate of 5.5% is applied to that amount. That yields a tax rate of 15.83%. In addition, German trade tax is imposed on profits earned in Germany. The trade tax is based on the assessment rates of the various municipalities and the basic federal rate, which has been a flat rate of 3.5% according to Sec. 11 (2) GewStG ("Gewerbesteuergesetz": German Trade Tax Act) since the corporate tax reform in 2008. The trade tax varies depending on the different assessment rates of the municipalities, but a flat rate of 11.38% is applied in the consolidated financial statements of the Group.

The profits earned by the non-German Group companies are calculated on the basis of the national tax laws applicable in each country and taxed at the tax rates in effect in those countries. The country- specific tax rates range from 19% to 28%. The Group tax rate is 27.21% (2022: 27.12%). Current tax expenses are calculated on the basis of the taxable income for the year. Taxable income differs from the net profit presented in the consolidated statement of comprehensive income as a result of the expenses and income that will not be taxable or that become tax-exempt in later years. The Group's liability for current taxes is calculated on the basis of the tax rates enacted or substantively enacted in the near future.

### Deferred taxes

Deferred taxes are provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The initial recognition exemption to leases is not applied, IAS 12 amendments on deferred tax related to assets and liabilities arising from a single transaction have no effect on the financial statement.

The Amendments to IAS 12 "International Tax Reform - Pillar Two Model Rules" with their publication on May 23, 2023 provide for a temporary exemption from the recognition of deferred taxes for the top-up tax, which are in principle applicable retrospectively for the prior fiscal year as a result of the adoption by the EU on November 8, 2023. The Group is affected by the scope of the OECD rules on international minimum taxation (Pillar Two), which are effective from January 1, 2024 and may increase income tax expenses in future. Tax effects that may result from the future application of the rules on global minimum taxation are not taken into account in determining deferred taxes.

Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the pre-tax accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the end of the reporting period.

Deferred income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or directly in equity and not in the profit or loss.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

## Value added tax

Revenues, expenses, assets and liabilities are recognized net of the amount of value added tax (VAT) except:

- If VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of expense item as applicable; and
- Where receivables, payables and finance lease liabilities are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

## 2.10. Foreign currencies

Generally, foreign currency transactions in the single-entity financial statements of the Group and its subsidiaries included in the basis of consolidation are translated at the exchange rates prevailing at the transaction dates. Therefore, foreign currency monetary items are recognized at the closing date in the balance sheet. The differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Thus, in the event of a discrepancy between the local and functional currency, financial statements of subsidiaries and associates in currencies outside the eurozone are translated using the functional currency method.

### Foreign currency transactions and balances

Generally, foreign currency transactions in the single-entity financial statements of the company and its subsidiaries are translated at the exchange rates prevailing at the transaction dates. Therefore, foreign currency monetary items are recognized at the closing date in the balance sheet. The differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Thus, in the event of a discrepancy between the local and functional currency, financial statements of subsidiaries and associates in currencies outside the eurozone are translated using the functional currency method.

### Foreign operations

The Group has analyzed the Group companies and concluded that for each company the currency of origin represents the functional currency. During consolidation, all assets and liabilities of Group companies denominated in foreign currencies are translated into euros at the closing rate. Assets and liabilities are translated at the exchange rate on the respective reporting date, while equity is translated at historical exchange rates. Income and expenses are translated at average exchange rates. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognized in profit or loss.

## 2.11. Intangible assets

Intangible assets acquired in the context of a business combination under IFRS 3 are recognized separately from goodwill and measured at fair value at the acquisition date. This includes customer bases and brand names. These are recognized as an intangible asset according to IAS 38, measured at fair value and amortized over their expected useful lives.

An intangible asset is derecognized upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognized.

Intangible assets which are not acquired as part of a business combination but as purchased licenses are initially recognized at cost.

Intangible assets with a finite useful life are amortized on a straight-line basis over their economic useful life. Intangible assets with finite useful lives are reviewed for possible impairment if there are indications of impairment at the reporting date. The remaining useful life and the amortization method for intangible assets with a finite useful life are reviewed at least at the end of a reporting period. If the reasons for impairment have been eliminated, a reversal to a maximum of the historical cost is set as the upper limit. Required changes in the amortization period and method are treated as changes in estimates. Impairment losses on intangible assets, e.g., customer base and brand names, with finite useful lives are included in amortization within selling expenses.

| | **Total useful life in years** |
|---|---|
| Purchased franchises, industrial and similar rights and assets as well as licenses in such rights and assets | 3-10 |
| Own industrial rights and assets | 4 |
| "BestSecret" brand name | 20 |
| "Schustermann & Borenstein" customer base | 8* |
| "BestSecret" customer base | 8 |
| Customer acquisition costs | 7 |

*The total useful life of the customer base “Schustermann & Borenstein” was reduced from 20 years to 14 years. Reviewing the useful lives at the end of 2021 showed the need for prospective alignment of the remaining useful life of the respective customer bases to 3 years from the 2022 reporting period onwards. This reduces the total useful life for the “Schustermann & Borenstein” customer base accordingly to 8 years.

In the case of internally generated intangible assets, IAS 38 makes a distinction between the research phase and the development phase. Costs incurred during the research phase cannot be capitalized; instead they must be recognized as an expense. Though, development costs are capitalized, if the development costs can be reliably measured, the product or process is technically and commercially appropriate, a future commercial benefit is probable, and the Group intends and has adequate resources to complete the development and use or sell the asset. The Group primarily develops key components of software (BestSecret website and the BestSecret app as well as expenses for the Group's other IT-systems and infrastructure) used by the Group. A useful life of 4 to 5 years is assumed for development activities in connection with the software.

## 2.12. Property, plant and equipment

Property, plant and equipment are recognized at cost and depreciated in accordance with their expected useful life using the straight-line method. The Group treats changes in the residual values or useful lives that arise during use as a change in estimates. Depreciation is charged over the following useful lives.

| | Total useful life in years |
|---|---|
| Land, property rights and buildings including buildings on third-party land | 5-20 |
| Plant and machinery | 11-13 |
| Other equipment | 3-23 |

An item of property, plant and equipment is derecognized upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognized.

The residual values, useful lives, and methods of depreciation of property, plant and equipment are reviewed at the end of each reporting period and adjusted prospectively, if appropriate. If the carrying amount of a tangible asset exceeds the recoverable amount, an impairment loss is recognized, in addition to systematic depreciation, in order to lower the carrying amount to the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell (net selling price) and the present value of the net cash flows expected to result from the continued use of the asset. Whenever possible, the net selling price is derived from the most recently observed market transactions.

## 2.13. Inventories

Merchandise accounted for as inventories is recognized at cost pursuant to IAS 2. Cost is calculated on the basis of an item-by-item measurement, factoring in the additions from the point of view of the sourcing market or on the basis of the moving average price of the goods. Incidental acquisition costs are generally measured on a monthly basis. Supplier payments that are to be classified as a reduction of cost reduce the carrying amount of inventories. Consumption of inventories is recognized within the cost of sales in the statement of comprehensive income.

Merchandise as of the reporting date is measured at the lower of cost or net realizable value. The net realizable value is the expected selling price less the costs necessary to make the sale. Adequate write-downs to net realizable value were made to consider all risks due to slow-moving goods and/or reduced salability. When the circumstances that previously caused merchandise to be written down below cost no longer exist, the write-down is reversed.

## 2.14. Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that a non-financial asset reported in the statement of financial position may be impaired. If any indication exists, or when annual impairment testing is required, the Group carries out an impairment test. Further details are given in note 5.1.

## 2.15. Cash and cash equivalents

Cash and cash equivalents are measured at amortized cost. The "Cash and cash equivalents" item in the consolidated statement of financial position comprises cash, bank balances and credit balances with Payment Service Providers with a banking license (cash in transit). Credit balances with Payment Service Providers not holding a banking license are reported as 'trade and other receivables' in the consolidated statement of financial position. The cash in transit balances are presented as cash equivalents as these balances are immediately credited to the bank account with the payment service providers over which the company has direct power of disposal.

For the purpose of the statement of cash flows, the cash and cash equivalents defined above are presented less overdraft facilities that have been drawn, as these are an integral part of the Group's available cash.

## 2.16. Leases

### The Group as a lessee

The Group leases various properties, equipment and vehicles. Leases are typically entered into for periods of 2 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date on which the leased asset is available for use by the Group. Each lease payment is broken down into an interest component and a principal repayment. Interest is recognized in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for the reporting period (effective interest method). It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term. When the term of the lease liability is reassessed, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- lease payments covering renewal periods considered in the determination of the lease term
- variable lease payments that are based on an index or an (interest) rate to the extent that a change in the index or rate has actually triggered a change in the lease payments
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the the Group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability
- any lease payments made at or before the commencement date
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases (lease term of 12 months or less) and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

### The Group as lessor

The Group sub-lets office and retail space.

When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

In case of finance leases, rental income is recognized using the effective interest method over the term of the subleases and reported in interest income. Payments received from operating subleases are recognized within other operating income.

## 2.17. Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

## Financial assets

Financial assets (unless it is a trade receivable without a significant financing component) are measured at fair value on initial recognition plus transaction costs that are directly attributable to the acquisition of the asset. The fair values recognized in the balance sheet generally correspond to the market prices of the financial assets and liabilities. If these are not directly available, they are calculated using recognized valuation models and current market parameters. Trade receivables without a significant financing component are initially measured at transaction price in accordance with IFRS 15.

On initial recognition, a financial asset is classified and subsequently measured at: Amortised cost, fair value through other comprehensive income (FVOCI) – debt investment, FVOCI – equity investment or fair value through profit or loss (FVTPL). The Group assesses the objective of the business model in which a financial asset is held at portfolio level.

For the "held to collect" business model and the "held to collect and to sell" business model, the prerequisite is that the cash flows of the financial instrument consist exclusively of interest payments and repayments (Solely Payment of Principal and Interest - SPPI). Instruments that meet the SPPI test must be measured at amortized cost in the "held to collect" business model and at FVOCI in the "held to collect and to sell" business model, subject to the continued possibility of exercising the fair value option under certain conditions. Financial instruments that do not pass the SPPI test must be classified and measured at FVTPL under the "Held for trading" business model. No financial assets are allocated to the category “held to collect and sell” in financial year 2023.

Trade receivables are subsequently measured at amortized cost, which is usually the original invoice value less a loss allowance for expected impairment losses. The loss allowance for trade receivables is determined based on lifetime expected credit losses, which are calculated as the present value of expected cash shortfalls. Changes are recognized as other operating expenses in the consolidated statement of comprehensive income. For its online customers, the Group offers the option to purchase on account. In connection with this payment option, the Group works with a factoring provider, transferring substantially all risks and rewards resulting from the receivables to the factoring company and derecognizing receivables in the statement of financial position. Credit balances with Payment Service Providers not holding a banking license are reported as ‘trade and other receivables’ in the consolidated statement of financial position.

Within the senior secured notes, the Group identified an embedded derivative, which is recognized separately and measured at fair value through profit or loss. The embedded redemption option for the note is considered to be not closely related to the host contract according to IFRS 9. The redemption option and the interest rate floor of the host contract are treated as a single compound embedded derivative, see note 2.4.10.

Other financial assets are classified as "at amortized cost", see note 5.5.

Financial assets that are held for collection of contractual cash flows, where those cash flows represent solely repayments of principal and interest on the principal amount, are measured "at amortized cost". A gain or loss on such an instrument subsequently measured at amortized cost is recognized in profit or loss when the asset is sold or impaired. Interest income from this type of financial asset is included in the income statement using the effective interest rate method.

Credit risks related to debt instruments at amortized cost held by the Group at the reporting date are considered to be low. Therefore, the regular approach in accordance with IFRS 9 requires the Group to determine, at inception as well as on an ongoing basis during the lifetime of the debt instrument, the allowance as the credit losses expected in the next 12 months. If the credit risk were to increase and no longer be regarded as low-risk, lifetime expected credit losses would have to be recognized. The Group considers credit risk as significantly increased if debt instruments are past due for more than 30 days. For trade receivables, a separate approach is applied for measuring impairment, see note 5.7. and 5.17.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

## Financial liabilities

Financial liabilities are recognized initially at fair value net of transaction costs incurred. Financial liabilities are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the duration of the obligation using the effective interest rate method. The effective interest method is used to calculate the amortized cost of a financial liability and to allocate interest expenses to the respective periods. The effective interest rate is the interest rate that is necessary to discount the estimated future cash outflows, including all fees and remuneration paid and received that are an integral component of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the financial instrument, or a shorter period to equal the net carrying amount upon initial recognition.

Other financial liabilities, for instance loans accepted, trade and other payables and other liabilities, are measured at amortized cost, see note 5.12. and 5.17. Trade and other payables are amounts owed as consideration for goods or services provided to the Group in the normal course of business including amounts owed to a payment service provider governing the settlement of supplier liabilities. In the normal business cycle, all liabilities are due in one year or less and are therefore classified as current; otherwise, they are presented as non-current liabilities, see note 5.14. For current liabilities, that means they are measured at their repayment or settlement amount, while non-current liabilities and long-term debts are measured at amortized cost in accordance with the effective interest method. Non-interest-bearing or low-interest-bearing financial liabilities are measured at their settlement value or nominal value.

The Group derecognizes a financial liability when the related obligation has been paid, canceled or has expired. The difference between the carrying amount of the derecognized financial liability and the consideration received or due is recognized in the statement of comprehensive income.

## Derivative financial instruments

The Group uses derivative financial instruments only for hedging purposes in order to reduce interest rate risks from the senior secured notes. Certain derivative instruments embedded in host contracts are also accounted separately as derivatives, see note 5.17.

Derivatives are recognized in the balance sheet on the trade date and are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are generally recognized in profit or loss or under certain criteria with no effect on income. Positive fair values lead to the recognition of a financial asset, negative fair values to the recognition of a financial liability.

The Group applies cash flow hedges as of the reporting date.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

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## 2.18. Provisions

Provisions are recognized in accordance with IAS 37 when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

A best estimate is made of the amount of the provisions, taking into consideration all the discernible risks arising from the obligation. This refers to the amount that is most likely needed to settle the liability. Provisions with a residual term of more than one year are discounted on the reporting date.

## 2.19. Share-based payment

Certain executives and executive management (managers) were given the opportunity to invest in different German limited partnerships, which indirectly own interests of approximately 5% in the Group. The subscription price for the partnership interests subscribed by the managers in the limited partnership corresponded to their fair value at grant date.

The acquisition qualifies as a share-based payment under IFRS 2, and the managers' interests in the limited partnership are recognized as an equity-settled share-based payment arrangement in the financial statements. As the investments in the partnership were acquired at fair value, no expense is recognized as a result of this transaction. The participation rights in form of partnership interests were acquired from an entity outside the Group, and the Group has no obligation to make any payments on the partnership interests to the managers. The share-based payment arrangements are fully vested at grant date. The sales constitute a performance vesting condition that is considered a non-market performance condition. If the service condition is met, then the manager can exercise his or her option at the market value per share. The investment program provides for various industry-standard cancellation and settlement events. There was no change in the year 2023.

## 3. Capital management

The Group analyses its capital based on the equity attributable to the equity holders of the parent, including all components of equity as shown on the face of the consolidated statement of financial position. The primary objective of the Group's capital management is to maximize the value of the Group.

It is the objective of the capital management of the Group to ensure amongst other things that it meets the financial covenants, which define leverage ratio thresholds. Breaches in meeting the financial covenants would permit the RCF banks to call any drawing under the Revolving Credit Facility. The Group manages its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors capital using both, a senior secured leverage ratio and an interest ratio, which is Senior Secured Net Debt*/Adjusted EBITDA and Adjusted EBITDA/ Interest Expense respectively as of particular effective date. The Group's policy is to keep the leverage ratio well below the level 4,75:1 and the interest ratio above 2:1 and to reduce net debt over time. The Group achieved these targets in 2023.

No changes were made in the objectives, policies or processes for managing capital during the reporting period ended 31 December 2023.

* Senior Secured Net Debt consists of the Senior Secured Notes and the Revolving Credit Facility less cash and cash equivalents.

# 4. Notes to the statement of comprehensive income

## 4.1. Revenue

In fiscal year 2023 the Group recognized revenue of EUR 1,225,999k (prior year: EUR 1,051,027k). The Group operates based on the internal management structure with the two segments Germany and International. The Group's strong revenue growth was driven by a further growth in the number of active customers combined with robust order economics. The international segment was the main growth driver in revenue in 2023.

| in EUR k | 2023 | 2022 |
|---|---|---|
| **Type of goods or service** | | |
| Sale of merchandise | 1,225,999 | 1,051,027 |
| **Total revenue from contracts with customers** | **1,225,999** | **1,051,027** |
| **Geographical markets** | | |
| Germany | 736,775 | 693,278 |
| International | 489,224 | 357,750 |
| **Total revenue from contracts with customers** | **1,225,999** | **1,051,027** |

The amount of revenue included in the contract liability at the beginning of the year is EUR 17,723k (prior year: EUR 12,580k).

No element of financing is deemed present as the payment of the customer is completed within several days, and satisfaction of the performance obligation is within a short period of time.

There are no contracts with customer with a duration longer than one year. Consequently, no disclosure of the transaction price is necessary, since the entity elects to apply the practical expedient in IFRS 15.121(a).

## Change in accounting estimate

The Group issues vouchers in connection with the "friends recommend friends" program. According to IFRS 15, vouchers issued to existing customers for the acquisition of new customers represent consideration payable to a customer. The consideration paid to the customer for the customer referral received is a payment for a distinct service. Accordingly, the Group shall account for the procurement of the service in the same way as it accounts for purchases from its suppliers according to IFRS 15.71. The customer referral service has to be measured at fair value (or the lower transaction price). If the consideration payable to the customer exceeds the fair value of the customer referral arrangement, the Group shall recognise the difference as a reduction of the transaction price. In case that the fair value of the referral service cannot be estimated reasonably, the entire consideration payable to the customer shall be recognised as a reduction in revenue. In the past, the Group was unable to reasonably estimate the fair value of the referral fee, and consequently the consideration payable to the customer was recognised as a reduction of revenue when the customer redeems it.

As from 1 January 2023 the Group is able to reasonably estimate the fair value of the referral fee. Consequently, the Group capitalizes the corresponding customer acquisition costs as costs for obtaining a contract according to IFRS 15.71 in conjunction with IFRS 15.91-15.94.

The change is a change in accounting estimate and shall be recorded prospectively according to IAS 8. For the consolidated financial statements for 2023 revenue contribution due to the change in accounting estimate was EUR 11,174k. This amount is reported in the cashflow statement under net cashflow from operating activities as ‘other non-cash transactions’. As a consequence of the change, other intangible assets as “customer acquisition costs” and current non-financial liabilities as the corresponding “contract liability” increased by EUR 15,758k and EUR 5,809k due to the change in accounting estimate. The intangible asset “customer acquisition costs” is amortized over seven years reflecting the customer life cycle.

The changes in Customer Acquisition costs are described in 2.4.11.

## 4.2. Operating expenses

| | 2023 | | | |
|---|---|---|---|---|
| in EUR k | Cost of sales | Selling and distribution expenses | Administrative expenses | Total |
| Cost of materials | (699,707) | (11,996) | 0 | (711,703) |
| Personnel expenses | (7,925) | (118,537) | (44,248) | (170,710) |
| Depreciation of property, plant and equipment and amortization of intangible assets | (888) | (30,344) | (9,294) | (40,526) |
| Amortization and impairment of PPA assets | 0 | (48,755) | 0 | (48,755) |
| Other expenses | 0 | (149,326) | (40,568) | (189,894) |
| **Total operating expenses** | **(708,520)** | **(358,958)** | **(94,110)** | **(1,161,588)** |

| in EUR k | 2022<br>Cost of sales | Selling and distribution expenses | Administrative expenses | Total |
|---|---|---|---|---|
| Cost of materials | (596,893) | (12,440) | 0 | (609,333) |
| Personnel expenses | (6,255) | (103,553) | (53,081) | (162,889) |
| Depreciation of property, plant and equipment and amortization of intangible assets | (1,017) | (22,747) | (7,697) | (31,461) |
| Amortization and impairment of PPA assets | 0 | (48,755) | 0 | (48,755) |
| Other expenses | 0 | (126,447) | (33,644) | (160,091) |
| **Total operating expenses** | **(604,165)** | **(313,942)** | **(94,422)** | **(1,012,529)** |

Selling and distribution expenses amounted to EUR 358,958k (prior year: EUR 313,942k). These mainly contain fulfillment expenses of EUR 221,518k (prior year: EUR 188,937k), marketing expenses of EUR 21,130k (prior year: EUR 20,277k), selling expenses of EUR 37,210k (prior year: EUR 33,226k) and amortization, depreciation and impairment expenses of EUR 79,100 (prior year: EUR 71,502).

The Group carried out development work to create software and app solutions. All non-capitalizable development costs are recognized as administrative expenses in the reporting period in which they are incurred. In 2023, this expense amounted to EUR 13,181k (prior year: EUR 16,284k).

The state financial support related to COVID-19, in particular government-subsidized short-term work allowances, reduced personnel expenses by EUR 0k in the 2023 reporting period (prior year: EUR 37k).

The "Other expenses" item contains shipping costs of EUR 67,273k (prior year: EUR 56,977k) as well as shipping costs for returns in the amount of EUR 29,077k (prior year: EUR 23,720k). Also included are advertising costs of EUR 21,130k (prior year: EUR 20,277k) and costs for means of payment in the amount of EUR 16,230k (prior year: EUR 14,163k). Further expenses, which are included in "Other expenses" are general administrative expenses amounting to EUR 10,250k (prior year: EUR 9,849k). Further are consulting fees of EUR 6,748k (prior year: EUR 9,774k), insurance costs for outgoing freight of EUR 3,304k (prior year: EUR 1,973k) and general administrative expenses from affiliated companies amounting to EUR 9,749k (prior year: EUR 0k)

## 4.3. Other operating income

| in EUR k | 2023 | 2022 |
|---|---|---|
| Foreign exchange rate gains | 3,096 | 1,441 |
| Income from affiliated companies | 1,854 | 304 |
| Reversal of provisions and accruals | 1,539 | 1,029 |
| Compensation for damages | 800 | 727 |
| Income relating to other periods | 288 | 961 |
| Rental income from subleases | 73 | 172 |
| Refund of dunning fees | 18 | 12 |
| Other | 272 | 163 |
| **Total** | **7,940** | **4,809** |

Due to the addition of the item “Income from affiliated companies" there is a change in the prior years figures for the item “Other”. EUR 304k was reclassified from item “Other” to “Income from affiliated companies”.

## 4.4. Other operating expenses

| in EUR k | 2023 | 2022 |
|---|---|---|
| Foreign exchange rate losses | (2,954) | (2,489) |
| Expenses for recharges by the parent company | (2,131) | (1,827) |
| Expenses relating to other periods | (727) | (583) |
| Levies in lieu of employing persons with severe disabilities | (233) | (232) |
| Bad debt losses | (145) | (103) |
| Donations | (44) | (330) |
| Other | (788) | (725) |
| **Total** | **(7,022)** | **(6,289)** |

Due to the addition of the items “Expenses for recharges by the parent company" and “Levies in lieu of employing persons with severe disabilities” there is a change in the prior years figures for the “Other” item. EUR 1,827k was reclassified from Other to “Expenses for recharges by the parent company” and EUR 232k was reclassified from “Other” to “Levies in lieu of employing persons with severe disabilities”.

The item "Other" mainly consists of expenses for voluntary social benefits.

## 4.5. Financial expenses

| in EUR k | 2023 | 2022 |
|---|---|---|
| Senior Secured Note and RCF | (45,098) | (30,096) |
| Lease liabilities | (10,785) | (8,048) |
| Interest expense on short-term liabilities | (3,822) | (628) |
| Interest expense on liabilities from affiliated companies | (1,320) | (223) |
| Hedge ineffectiveness interest expense | (518) | 0 |
| Other | (101) | (236) |
| **Total** | **(61,644)** | **(39,231)** |

Due to the addition of the items "Interest expense on short-term liabilities" and "Interest expense on liabilities from affiliated companies" there is a change in the prior years figures for the item "Other". EUR 628k was reclassified from Other to "Interest expense on short-term liabilities" and EUR 223k was reclassified from "Other" to "Interest expense on liabilities from affiliated companies". "Interest expenses for current liabilities" mainly relate to supply chain financing. The higher volume explains the increase.

## 4.6. Financial income

| in EUR k | 2023 | 2022 |
|---|---|---|
| Valuation of embedded derivatives | 8,003 | 6,143 |
| Income from exchange rate differences | 3,650 | 0 |
| Credit Interest | 3,085 | 205 |
| Interest income from affiliated companies | 1,371 | 264 |
| Income from hedge ineffectiveness | 193 | 0 |
| Interest on tax refunds | 108 | 0 |
| Interest income from sublease | 9 | 153 |
| **Total** | **16,420** | **6,765** |

The notes issued in fiscal year 2022 include an embedded derivative. The financial income under "Valuation of embedded derivatives" results from the positive change in fair value at the reporting date. For further details, also see 2.4.9.

The interest income from affiliated companies comprises mainly interests on the clearing account with the parent company.

The change in the income from exchange rate differences results from the valuation of lease liabilities and loans in a currency other than the functional currency.

# 5. Notes to the consolidated statement of financial position

## 5.1. Goodwill

| 2023 in EUR k | Goodwill |
|---|---|
| **Net carrying amount** | |
| As of 1 Jan 2023 | 203,548 |
| Impairment | 0 |
| **As of 31 Dec 2023** | **203,548** |

| 2022 in EUR k | Goodwill |
|---|---|
| **Net carrying amount** | |
| As of 1 Jan 2022 | 203,548 |
| Impairment | 0 |
| **As of 31 Dec 2022** | **203,548** |

The goodwill allocated to the cash-generating units as of 31 December 2023 was as follows:

| in EUR k | Germany | International | Total |
|---|---|---|---|
| Goodwill | 172,956 | 30,592 | 203,548 |

Goodwill is tested for impairment at least once a year by comparing the carrying amounts of the CGUs to which goodwill is allocated with their recoverable amount. The value in use is determined using the discounted cash flow method based on the current midterm plan for the CGU concerned.

The major planning assumptions are:

- Revenue/EBITDA margin
- Discount rates
- Growth rates used for the extrapolation of the cash flow forecasts beyond the financial planning period

Revenue/EBITDA margin – The budgeted revenues and earnings for each CGU are based on freely available economic and industry-specific data and take into account past trends and events alongside current market forecasts.

Discount rates – The underlying discount rates reflect the current market forecasts with regards to the CGU-specific risks, including interest rate and asset-specific risks for which no adjustments regarding the forecast future cash flows were performed.

The assumptions underlying the impairment test performed are stated for the CGUs Germany and International in the table below.

| | Germany 2023 | International 2023 |
|---|---|---|
| Weighted average cost of capital after taxes | 9.8 % | 10.9 % |
| Long-term growth rate | 2.0 % | 3.0 % |
| Revenue growth | Solid growth | Solid growth |
| EBIT growth | Solid growth | Solid growth |

| | Germany 2022 | International 2022 |
|---|---|---|
| Weighted average cost of capital after taxes | 9.1 % | 10.1 % |
| Long-term growth rate | 2.0 % | 2.5 % |
| Revenue growth | Solid growth | Solid growth |
| EBIT growth | Solid growth | Solid growth |

To conduct the impairment test, the total carrying amount of the cash-generating units is compared against the recoverable amount. The recoverable amount is calculated as the value in use, based on discounted future cash flows. Expected cash flows are determined based on a suitable planning process. Internal information and external macroeconomic indicators are taken into consideration. The current detailed planning period covers four years. Generally, a long-term growth rate of 2.0% to 3.0% (see table above) is applied. As a general rule, the discount factor is calculated as the weighted average cost of capital (WACC) applying the capital asset pricing model. For this purpose, a peer group is used for all groups of cash-generating units operating in the same business segment. The beta factor is calculated annually based on freely available market data. For both CGUs the same beta factor was applied. A country risk premium was applied for the CGU International in addition.

Furthermore, the discount factors are determined on the basis of the following assumptions: a base interest rate of 2.75% (prior year: 2.00%) and a market risk premium of 7.0% (prior year:

7.5%) as of 31 December 2023 for Germany. Country-specific risk premiums are applied to both the equity capital cost rate and the debt capital cost rate, based on the credit rating of the respective country.

The corresponding pre-tax WACC amount to 12.8% (prior year: 11.6%) for the CGU Germany and 13.5% (prior year: 12.6%) for the CGU International.

For the purposes of estimating the development of sustainable revenues, specific long-term growth rates were assumed in conducting the impairment test of the respective CGUs. Furthermore, customary market based EBITDA margins were assumed for calculating sustainable earnings.

The company is not directly affected by the consequences of the war in Ukraine. There have been indirect effects, driven by the continuing inflationary pressure on supply, shipping and fulfillment in the short-term, which led to temporary negative EBITDA margin effects. These aspects were taken into account in the impairment test.

The annual impairment test as of 31 December 2023 confirmed the recoverability of the capitalized goodwill for the CGU Germany and CGU International respectively, each with substantial headroom also after performing sensitivity analysis taking into consideration reasonably possible changes of material assumptions.

## 5.2. Intangible assets

### Development of intangible assets 2023

| in EUR k | Own industrial rights and assets | Purchased franchises, industrial and similar rights and assets as well as licenses in such rights and assets | Prepayments made | Customer acquisition costs | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As of 1 Jan 2023 | 53,839 | 502,118 | 13,567 | 0 | 569,524 |
| Additions (internal) | 22,389 | 0 | 0 | 0 | 22,389 |
| Additions (acquired) | 0 | 1,919 | 8,002 | 16,983 | 26,904 |
| Reclassifications | 0 | 0 | (303) | | (303) |
| **As of 31 Dec 2023** | **76,228** | **504,039** | **21,266** | **16,983** | **618,516** |
| **Amortization / impairment** | | | | | |
| As of 1 Jan 2023 | 22,049 | 296,306 | 494 | 0 | 318,849 |
| Amortization / impairment for the period | 13,016 | 51,343 | 0 | 1,225 | 65,584 |
| Disposals | 0 | 0 | 0 | 0 | |
| **As of 31 Dec 2023** | **35,064** | **347,651** | **494** | **1,225** | **384,434** |
| **Net carrying amount** | | | | | |
| **As of 1 Jan 2023** | 31,790 | 205,812 | 13,073 | 0 | 250,675 |
| **As of 31 Dec 2023** | **41,164** | **156,388** | **20,773** | **15,758** | **234,083** |

## Development of intangible assets 2022

| in EUR k | Own industrial rights and assets | Purchased franchises, industrial and similar rights and assets as well as licenses in such rights and assets | Prepayments made | Customer acquisition costs | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As of 1 Jan 2022 | 32,865 | 502,113 | 6,499 | 0 | 541,477 |
| Additions (internal) | 22,140 | 0 | 0 | 0 | 22,140 |
| Additions (acquired) | 0 | 5 | 5,902 | 0 | 5,907 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| Reclassifications | (1,166) | 0 | 1,166 | 0 | 0 |
| **As of 31 Dec 2022** | **53,839** | **502,118** | **13,567** | **0** | **569,524** |
| Amortization / impairment | | | | | |
| As of 1 Jan 2022 | 13,407 | 244,375 | 494 | 0 | 258,276 |
| Amortization / impairment for the period | 8,642 | 51,931 | 0 | 0 | 60,573 |
| Disposals | 0 | 0 | 0 | 0 | 0 |
| **As of 31 Dec 2022** | **22,049** | **296,306** | **494** | **0** | **318,849** |
| **Net carrying amount** | | | | | |
| **As of 1 Jan 2022** | 19,458 | 257,738 | 6,005 | 0 | 283,201 |
| **As of 31 Dec 2022** | **31,790** | **205,812** | **13,073** | **0** | **250,675** |

The purchased franchises, industrial and similar rights and assets mainly relate to PPA assets acquired in business combinations.

As of 31 December 2023, the carrying amount for the "BestSecret" brand name is EUR 111,303k (prior year: EUR 119,833k), EUR 24,019k (prior year: EUR 48,037k) for the Online customer base and EUR 16,207k (prior year: EUR 32,413k) for the originally acquired retail customer base. In general, the COVID-19 pandemic has accelerated the move to the online market segment. The acquired customer bases reflect the future profit contribution within the online business and takes into account the shift in customer behavior from offline to online shopping. Consequently, the remaining useful lives at the end of 2021 have been aligned prospectively to 3 years from the 2022 reporting period onwards. Further details with regard to the useful lives are given in note 2.11.

Customer Acquisitions Costs have been added. Customer acquisition costs are primarily vouchers from programs such as "friends recommend friends". Capitalization is reported in the balance sheet under "Other intangible assets". For more information on customer acquisition costs, see 2.4.11 and 4.1.

It is assumed that the software developments reported under “own industrial rights and assets” will be completed and put into operation in 2024. At the present time, there was no need to recognize an impairment loss for software under development in 2023.

## 5.3. Property, plant and equipment

### Development of property, plant and equipment 2023

| in EUR k | Leasehold Improvements | Plant and machinery | Other equipment | Prepayments made | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As of 1 Jan 2023 | 51,077 | 38,103 | 21,213 | 7,747 | 118,140 |
| Additions | 11,285 | 611 | 1,851 | 17,736 | 31,483 |
| Disposals | (15) | (1) | (926) | (34) | (976) |
| Reclassifications | 456 | 0 | 578 | (730) | 304 |
| **As of 31 Dec 2023** | **62,803** | **38,713** | **22,716** | **24,719** | **148,951** |
| | | | | | |
| **Depreciation** | | | | | |
| As of 1 Jan 2023 | 15,694 | 11,438 | 12,135 | 162 | 39,430 |
| Depreciation / impairment for the period | 3,713 | 3,137 | 2,870 | 0 | 9,720 |
| Disposals | 0 | 0 | (924) | 0 | (924) |
| **As of 31 Dec 2023** | **19,407** | **14,575** | **14,081** | **162** | **48,225** |
| | | | | | |
| **Net carrying amount** | | | | | |
| As of 1 Jan 2023 | 35,383 | 26,665 | 9,078 | 7,585 | 78,711 |
| **As of 31 Dec 2023** | **43,396** | **24,138** | **8,635** | **24,557** | **100,726** |

### Development of property, plant and equipment 2022

| in EUR k | Leasehold Improvements | Plant and machinery | Other equipment | Prepayments made | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As of 1 Jan 2022 | 49,448 | 37,920 | 20,849 | 933 | 109,150 |
| Additions | 599 | 183 | 3,022 | 7,886 | 11,690 |
| Disposals | (24) | 0 | (2,676) | 0 | (2,700) |
| Reclassifications | 1,054 | 0 | 18 | (1,072) | 0 |
| **As of 31 Dec 2022** | **51,077** | **38,103** | **21,213** | **7,747** | **118,140** |
| | | | | | |
| **Depreciation / Impairment** | | | | | |
| As of 1 Jan 2022 | 12,394 | 8,410 | 11,682 | 0 | 32,486 |
| Depreciation for the period | 3,324 | 3,028 | 3,095 | 162 | 9,609 |
| Disposals | (24) | 0 | (2,642) | 0 | (2,666) |
| **As of 31 Dec 2022** | **15,694** | **11,438** | **12,135** | **162** | **39,429** |
| | | | | | |
| **Net carrying amount** | | | | | |
| As of 1 Jan 2022 | 37,054 | 29,510 | 9,167 | 933 | 76,664 |
| **As of 31 Dec 2022** | **35,383** | **26,665** | **9,078** | **7,585** | **78,711** |

This year's additions to property, plant and equipment of EUR 31,483k (prior year: EUR 11,690k) are mainly related to IT-equipment, leasehold improvements as well as expenditure for assets due to investments related to the warehouse extension in Poland.

## 5.4. Right-of-use assets and lease liabilities

*Leases as lessee*

The right-of-use-assets refer to leased assets recognized within the statement of financial position according to IFRS 16. For further details on the accounting policy for leasing please refer to note 2.16.

## Development of right-of-use assets

| in EUR k | 2023 | 2022 |
|---|---|---|
| **Cost** | | |
| As of 01 Jan | 143,567 | 134,958 |
| Additions | 41,635 | 9,904 |
| Disposals | (1,927) | (1,295) |
| **As of 31 Dec** | **183,275** | **143,567** |
| | | |
| **Depreciation / Impairment** | | |
| As of 01 Jan | 43,391 | 33,346 |
| Depreciation and impairment for the period | 14,161 | 10,038 |
| Disposals | (1,322) | 7 |
| **As of 31 Dec** | **56,230** | **43,391** |
| | | |
| **Net carrying amount** | | |
| As of 01 Jan | 100,176 | 101,612 |
| **As of 31 Dec** | **127,045** | **100,176** |

The right-of-use assets as of 31 December 2023 mainly arise from leases of rented space in the amount of EUR 126,405k (prior year: EUR 99,506k) and leased vehicles in the amount of EUR 640k (prior year: EUR 670k).

In 2023 depreciation and impairment in the amount of EUR (13,673)k (prior year: EUR 9,568k) was recognized on rented space. Depreciation on leased vehicles amounted to EUR (488)k (prior year: EUR 470k). The right-of-use asset of the store in Frankfurt has been impaired by EUR 3,211k in 2023 (prior year: EUR 278k). The triggering event of the impairment is mainly based on the fact that there are persistent difficulties in finding a suitable sub-lessee.The right-of-use asset belongs to the segment Germany.

As of 31 December 2023 total lease liabilities amounted to EUR 149,326k (prior year: EUR 116,147k). Maturity of these lease liabilities is as follows:

### Maturity of lease liabilities as of 31 December 2023

| in EUR k | Maturity as of 31 December 2023 | | | | | |
|---|---|---|---|---|---|---|
| Lease liability | Up to 12 months | 1-5 years | 5-10 years | 10-15 years | More than 15 years | **Total** |
| | 7,453 | 26,633 | 41,882 | 46,480 | 26,878 | **149,326** |

## Maturity of lease liabilities as of 31 December 2022

| in EUR k | Maturity as of 31 December 2022 | | | | | |
|---|---|---|---|---|---|---|
| Lease liability | Up to 12 months | 1-5 years | 5-10 years | 10-15 years | More than 15 years | **Total** |
| | 9,095 | 22,099 | 33,328 | 37,053 | 14,572 | **116,147** |

The non-discounted payments are shown in Note 5.17.

The future undiscounted payments relating to signed but not yet commenced lease agreements amounted to EUR 2,100k in the reporting period.

### Notes to the consolidated income statement

| in EUR k | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| Depreciation and impairment of right-of-use assets | (14,161) | 10,038 |
| Interest for lease liabilities | (10,785) | 8,048 |
| Short-term lease expenses | 885 | 283 |
| Lease expenses relating to lease of low-value assets that are not short-term leases | 578 | 340 |

### Notes to the consolidated statement of cash flows

| in EUR k | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| Total cash outflows for leases | 18,283 | 17,136 |

### Notes to the consolidated statement of financial position

| in EUR k | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| Carrying amount of right-of-use assets | 127,045 | 100,176 |
| Carrying amount of lease liabilities | 149,326 | 116,147 |

*Extension options*

Some property leases contain extension options exercisable by the Group. At the lease commencement dates the Group assesses whether it is reasonably certain to exercise the extension options. If there is a significant event or changes in circumstances the Group reassesses whether it is reasonably certain to exercise the extension options.

*Leases as lessor*

The Group sub-leases office and retail space. All sub-leases are classified as finance sub-lease.

In 2023, the Group has sub-leased office space that has been presented as part of a right-of-use asset. Consequently, the Group recognized a gain of EUR 43k (prior year: EUR 65k) on derecognition of the right of-use asset.

In 2023, the Group recognized interest income on lease receivables of EUR 9k (prior year: EUR 153k).

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

### Maturity of lease receivables

| in EUR k | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| Up to 12 months | 126 | 122 |
| 1-5 years | 1 | 117 |
| **Total undiscounted lease receivable** | **127** | **239** |
| Unearned finance income | 0 | 0 |
| **Net investment in the lease** | **127** | **239** |

## 5.5. Financial assets

| in EUR k | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| **Non-current** | | |
| Loans to affiliated companies | 3,223 | 2,950 |
| Receivables from subleasing | 1 | 117 |
| Financing fees for revolving credit facility | 883 | 1,271 |
| Rent deposits | 444 | 36 |
| **Total** | **4,551** | **4,374** |
| **Current** | | |
| Creditors with debit balances | 5,363 | 2,035 |
| Financing fees for revolving credit facility | 424 | 424 |
| Derivative financial instruments | 12,689 | 3,294 |
| Receivables from subleasing | 126 | 122 |
| Receivables from the German Federal Employment Agency | 109 | 88 |
| Other | 117 | 240 |
| **Total** | **18,828** | **6,203** |

The financing fees (transaction costs) incurred for revolving credit facilities in the amount of 1,307k are reported under financial assets as the revolving credit facility has not been drawn by the reporting date.

The increase in derivative financial instruments is due to the fair value measurement as at the reporting date. For further information regarding the derivative financial instruments refer to note 5.17.

As in the prior year, there are no receivables from subleasing with a term of more than five years. Loans to affiliated companies include a loan made in amount of EUR 2,950k to PTGMidco S.à.r.l. located in Luxembourg, in December 2022.

## 5.6. Inventories

Inventories of merchandise, mainly consisting of apparel, shoes and accessories, amount to EUR 352,633k (prior year: EUR 263,693k).

As of 31 December 2023, the expenses for allowance on inventories amount to EUR 12,250k (prior year: EUR 9,213k). The change in expenses for allowance on inventories came to EUR 3,037k in the reporting period (prior year: increase of EUR 1,002k) driven by an increase in gross inventories. Expenses for allowance were recognized within the cost of sales. Further details on cost of sales are given in note 4.2.

In 2023, inventories of EUR 699,707k (prior year: EUR 596,893k) were recognized as an expense during the year and included in cost of sales.

## 5.7. Trade and other receivables

Trade and other receivables amounted to EUR 12,041k as of 31 December 2023 (prior year: EUR 8,743k).

Trade and other receivables are due from Payment Service Providers (EUR 11,998k, prior year: EUR 8,641k) and customers (EUR 43k, prior year: EUR 101k). Receivables against Payment Service Providers not holding a banking license are reported as “trade and other receivables” in the consolidated statement of financial position.

Trade receivables are non-interest bearing and are generally due for immediate payment.

As of 31 December 2023, trade receivables with a value of EUR 0k (prior year: EUR 18k) (including VAT) were subject to enforcement measures and were fully impaired. See below for the development of the loss allowance for trade receivables:

| in EUR k | 2023 | 2022 |
|---|---|---|
| As of 1 Jan | 28 | 123 |
| Additions | 145 | 96 |
| Utilization | (160) | (191) |
| **As of 31 Dec** | **13** | **28** |

## Age structure of the receivables as of 31 December 2023

| | | | Days past due | | |
|---|---|---|---|---|---|
| in EUR k | **Total** | Current | < 30 days | 30-60 days | 60-90 days |
| Loss rate (weighted average) | | | 26.5 % | n/a | n/a |
| Gross carrying amount | 12,054 | 12,005 | 49 | 0 | 0 |
| Loss allowance | 13 | 0 | 13 | 0 | 0 |

## Age structure of the receivables as of 31 December 2022

| | | | Days past due | | | | |
|---|---|---|---|---|---|---|---|
| in EUR k | **Total** | Current | < 30 days | 30-60 days | 60-90 days | 90-120 days | >120 days |
| Loss rate (weighted average) | | | 14.8 % | 31.6 % | 79.8 % | n/a | 31.5 % |
| Gross carrying amount | 8,771 | 8,664 | 73 | 23 | 2 | 0 | 9 |
| Loss allowance | 28 | 0 | 11 | 13 | 1 | 0 | 3 |

The Group uses a provision matrix in order to measure the expected credit losses on trade receivables from individuals, which comprise a very large number of small balances. When calculating the expected credit losses, non-representative individual cases (receivables from wholesale customers) are excluded. The impairment is calculated individually for those individual cases. The table above shows both the expected credit losses from receivables from individuals and for individual cases.

In 2022, a new process was introduced for dunning in the receivables area. Overdue receivables are tracked more precisely and are consistently adjusted or derecognized at an earlier stage.

Details on the credit risk from trade receivables are included in note 5.17. The control and measurement of credit quality in connection with trade receivables is also explained there. As of the reporting date, all trade receivables are pledged as security for the Senior Secured Notes at carrying amount.

## 5.8. Non-financial assets

| in EUR k | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| **Current** | | |
| Right to recover possession of goods | 24,447 | 20,680 |
| Prepayments for inventories | 6,771 | 743 |
| Other | 11,976 | 6,155 |
| **Total** | **43,194** | **27,578** |

The change in prepayments for inventories to EUR 6,771k (prior year: EUR 743k) is due to the change in purchasing policy and larger inventory. In addition, the build-up of inventory in the previous year was low compared to the course of business.

Other non-financial assets consist mainly of prepaid expenses of EUR 4,073k (prior year: EUR 2,004k) and VAT receivables of EUR 7,056k (prior year: EUR 3.477k).

## 5.9. Cash and cash equivalents

Cash and cash equivalents comprise the categories as presented in the following table:

| in EUR k | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| Bank balances | 234,777 | 140,678 |
| Cash in transit | 7,744 | 11,073 |
| Cash | 718 | 719 |
| **Total** | **243,239** | **152,470** |

As of the reporting date, the maximum default risk corresponded to the carrying amount.

As of 31 December 2023, the Group had credit lines with banks in an amount of EUR 110,000k (prior year: EUR 110,000k). EUR 12,088 of the total revolving credit facility amount were utilized for trade finance related instruments and reduced the available revolving credit facility. As of the reporting date, the unutilized credit lines with banks amounted to EUR 97,912k.

Credit balances with Payment Service Providers not holding a banking license are reported as "trade and other receivables" in the consolidated statement of financial position.

## 5.10. Equity

### Issued Capital

PrestigeBidCo GmbH was founded with a issued capital of EUR 25k paid in cash. Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Group. At the reporting date, Best Secret Group SE holds 100% of the shares in PrestigeBidCo GmbH.

### Capital reserves

The capital reserves of EUR 474,177k (prior year: EUR 474,177k) consist of the capital contribution made by the parent Best Secret Group SE.

### Retained earnings

The legal and contractual obligations of the Group – mainly based on the Senior Secured Notes – include restrictions with regards to dividend distributions by several ratios, thresholds and preconditions. The Group monitors all existing and agreed ratios, thresholds and required preconditions prior to distributing any profits. As of the reporting date, loss carried forward from the previous year amounted to EUR 44,771k (prior year: EUR 52,601)

### Other components of equity

The foreign currency translation reserve in the amount of EUR 607k (prior year: EUR 586k) contains the cumulative translation differences into the reporting currency of the group. Foreign currency translation reserve is included in the comprehensive income.

The group applies hedge accounting and recognizes the effective portion of changes in the fair value of derivative instruments designated as cash flow hedges in line item Other comprehensive income, net of income taxes, and any ineffective portion is recognized immediately in net income. Amounts accumulated in equity are reclassified into net income in the same periods in which the hedged item affects net income. The effects of the of cash flow hedge reserve for the reporting date is negative, amount to EUR 768k (prior year: EUR 0)

## 5.11. Other provisions

### Development of other provisions 2023

| in EUR k | Provisions for restructuring | Provisions for restoration obligations | Other provisions | Total |
|---|---|---|---|---|
| As of 1 Jan 2023 | **65** | **607** | **107** | **779** |
| Time value of money | 0 | (137) | 0 | (137) |
| Addition | 0 | 55 | 0 | 55 |
| Reversal | (65) | 0 | 0 | (65) |
| Utilization | 0 | 0 | 0 | 0 |
| **As of 31 Dec 2023** | **0** | **525** | **107** | **632** |
| Non-Current | 0 | 525 | 107 | 632 |
| Current | 0 | 0 | 0 | 0 |

### Development of other provisions 2022

| in EUR k | Provisions for restructuring | Provisions for restoration obligations | Other provisions | Total |
|---|---|---|---|---|
| As of 1 Jan 2022 | **0** | **567** | **107** | **674** |
| Time value of money | 0 | 40 | 0 | 40 |
| Addition | 65 | | | 65 |
| **As of 31 Dec 2022** | **65** | **607** | **107** | **779** |
| Non-Current | 0 | 607 | 107 | 714 |
| Current | 65 | 0 | 0 | 65 |

Provisions for restoration obligations are recognized for the leasehold improvements in the leased warehouse in Poing and Poland.

## 5.12. Loans and borrowings

The Group's debt financing is based on the following components:

| | | | Carrying amount of loans and borrowings as of 31 December 2023 | | |
|---|---|---|---|---|---|
| Item | Effective interest rate | Maturity | Long-term (in EUR k) | Short-term (in EUR k) | **Total (in EUR k)** |
| Senior Secured Notes | 14.53 % | 15 Jul 2027 | 349,108 | 8,787 | 357,895 |
| **Total** | | | **349,108** | **8,787** | **357,895** |

| | | | Carrying amount of loans and borrowings as of 31 December 2022 | | |
|---|---|---|---|---|---|
| Item | Effective interest rate | Maturity | Long-term (in EUR k) | Short-term (in EUR k) | **Total (in EUR k)** |
| Senior Secured Notes | 12.09 % | 15 Jul 2027 | 290,157 | 6,059 | 296,215 |
| **Total** | | | **290,157** | **6,059** | **296,215** |

### Senior Secured Notes

In 2022 the Group issued senior rate notes due 2027 in the amount of EUR 315,000k on 25 July, 2022 and EUR 35,000k on 28 July, 2022 for an issue price of 85%. On June 19, 2023 the Group issued a further EUR 50,000k. Further information can be found in the notes in section 5.17. Additional disclosures regarding financial instruments and risk management. Interest accrues at a rate per annum, reset quarterly, equal to the sum of the three-month Euro Interbank Offered Rate (EURIBOR) (which is subject to a 1.0% floor) plus 6.0%. Interest payment dates are quarterly in arrears on 15 January, 15 April, 15 July and 15 October of each year.

### Revolving Credit Facility Agreement

PrestigeBidCo GmbH entered into a new revolving credit facility agreement totaling EUR 110,000k on 14 July, 2022 which replaced any previous revolving credit facility agreement. The original lenders are Deutsche Bank Aktiengesellschaft, Goldman Sachs Bank Europe SE, JPMorgan Chase Bank N.A., London Branch and UniCredit Bank AG. The Revolving Credit Facility may be utilized by any current or future borrower under the Revolving Credit Facility by the drawing of cash advances, the issue of Letters of Credit (upon the appointment of an Issuing Bank) and by way of any Ancillary Facilities that may be made available thereunder (each as defined in the Revolving Credit Facility Agreement). Subject to certain exceptions, loans may be borrowed, repaid and re-borrowed at any time. Borrowings are available to be used for general corporate and working capital purposes of the Group. As of the reporting date, EUR 12,088k (prior year: EUR 4,555k) of the total facility amount were utilized by issued guarantees and reduced the available amount. The facility increases BestSecret Group's flexibility with regards to the financing of its increased working capital needs due to its growing business volume and the seasonality of the fashion business, as well as its growth investments into a new fulfillment center and a notably improved tech and data structure of the Group. The maturity of the facility is 15 April, 2027.

## 5.13. Trade and other payables

| in EUR k | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| Trade payables | 92,696 | 37,774 |
| Accruals for outstanding supplier invoices for goods received and goods in transit | 36,719 | 19,511 |
| **Total** | **129,415** | **57,285** |

The Group participates in a supply chain financing arrangement in form of reverse factoring. In order to improve the informative value of the consolidated financial statements and increase comparability with other companies, the presentation of liabilities from supply chain financing has been changed in the Consolidated statement of financial position as at 31 December 2023. Previously, these liabilities were reported under "Trade and other payables". Due to the change in presentation in the year under review, they are now reported under "Other current financial liabilities" (refer also to note 5.14.). This does not change the nature of the liabilities as a component of (net) working capital. The change in presentation also does not result in any changes in measurement. The comparative period has been adjusted accordingly.

For explanations on the Group's liquidity risk management processes, refer to note 5.17.

## 5.14. Other current financial liabilities

| in EUR k | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| **Current** | | |
| Refund liabilities (liabilities for goods returns) | 49,005 | 37,952 |
| Supply Chain Financing | 38,727 | 8,045 |
| Other | 1,013 | 36 |
| **Total** | **88,745** | **46,033** |

Due to the revenue growth, the refund liabilities increased from EUR 37,952k to EUR 49,005k at the end of financial year 2023. The largest item of other current financial liabilities is attributable to the interest rate swap in the amount of EUR 1.002k (prior year: EUR 0k).

Presentation of liabilities from supply chain financing has been changed in the Consolidated statement of financial position as at 31 December 2023 and are now reported under "Other current financial liabilities". Previously, these liabilities were reported under "Trade and other payables" (refer also to note 5.13.). This does not change the nature of the liabilities as a component of (net) working capital. The change in presentation also does not result in any changes in measurement. The comparative period has been adjusted accordingly. The Group recognises cash inflow from the factor in its cash flow statement from providing the payment on behalf of the Group that equals the cash outflow. This results, due to the set-off of both cash flows, in substance in a non-cash transaction. The subsequent payment by the Group to the factor is classified as a cash outflow from operating activities.

## 5.15. Other current non-financial liabilities

| in EUR k | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| **Current** | | |
| Contract liabilities (prepayments received) | 33,889 | 17,723 |
| Trade and other payables due to affiliated companies | 26,078 | 22,221 |
| Accrued expenses | 22,252 | 16,218 |
| Personnel liabilities | 9,957 | 11,544 |
| Liabilities from customer referrals | 5,809 | 0 |
| Gift vouchers | 1,617 | 2,306 |
| VAT liabilities | 1,183 | 1,049 |
| Other | 2,745 | 1,997 |
| **Total** | **103,530** | **73,058** |

Contract liabilities relate to prepayments received from customers on orders. The amount of EUR 17,723k included in contract liabilities as at 31 December 2022 has been recognized as revenue in the reporting period 2023.

The EUR 16,166k increase in contract liabilities is due to the increased revenue in the international market, for which the delivery of goods takes longer than the deliveries of goods within Germany. Therefore the revenue cut-off effect as of year-end has been increased.

The presentation of “Other” has been adjusted compared to the last annual financial statements. Trade and other payables due to affiliated companies EUR 26,078k (prior year: EUR 22,221k) were reported under Other in the previous year while they are now shown as separate line item.

Liabilities from customer referrals are liabilities for referrals arising from customer acquisition costs such as "friends recommend friends". For more information on customer acquisition costs, see note 2.4.11 and 4.1.

## 5.16. Taxes

As of 31 December 2023, the following main items were recognized as income taxes:

| in EUR k | 2023 | 2022 |
|---|---|---|
| Current income taxes | (14,529) | (10,692) |
| Deferred taxes | 6,758 | 8,259 |
| **Income taxes recognized in the income statement** | **(7,771)** | **(2,433)** |

Reconciliation of tax expense and the accounting profit for the period ended 31 December:

| | | 2023 | | 2022 |
|---|---|---|---|---|
| Earnings before income taxes | | 20,105 | | 4,552 |
| Expected taxes (tax rate of 27.21%, prior year: 27.12%) | | (5,471) | | (1,235) |
| **Effects from** | | | | |
| Tax effect on the trade tax additions | | (1,696) | | (871) |
| Change in group tax rate | | (74) | | 84 |
| Non-deductible expenses | | (35) | | (56) |
| Taxes prior years | | (204) | | (257) |
| Effects from entities abroad | | (369) | | (95) |
| Other events | | 79 | | (3) |
| **Income taxes recognized in the income statement** | **38.65 %** | **(7,771)** | **53.45 %** | **(2,433)** |

The group tax rate of 27.21% (prior year: 27.12%) reflects corporate income tax plus surcharges as follows:

| | | 2023 | 2022 |
|---|---|---|---|
| Corporate income tax | | 15.00 % | 15.00 % |
| Solidarity surcharge | | 0.83 % | 0.83 % |
| Trade tax | | 11.38 % | 11.29 % |
| **Group tax rate (total)** | | **27.21 %** | **27.12 %** |

The deferred tax assets and liabilities as of 31 December 2023 are based on the following components:

### Allocation and source of deferred taxes 2023

| in EUR k | Deferred tax assets 2023 | Deferred tax liabilities 2023 | Net 2023 |
|---|---|---|---|
| Intangible assets | 71 | (52,432) | (52,361) |
| Leases | 40,336 | (34,273) | 6,063 |
| Inventories | 0 | (4,706) | (4,706) |
| Financial assets | 0 | (3,842) | (3,842) |
| Interest bearing loans and borrowings | 0 | (3,661) | (3,661) |
| Non-financial liabilities | 1,547 | (4,393) | (2,846) |
| Other financial liabilities | 379 | 0 | 379 |
| **Total** | **42,333** | **(103,307)** | **(60,974)** |
| **Netting of deferred tax assets and liabilities** | **(42,333)** | **42,333** | **0** |
| **Deferred tax liabilities** | **0** | **(60,974)** | **(60,974)** |

The deferred tax assets and liabilities as of 31 December 2022 are based on the following components:

### Allocation and source of deferred taxes 2022

| in EUR k | Deferred tax assets 2022 | Deferred tax liabilities 2022 | Net 2022 |
|---|---|---|---|
| Intangible assets | 213 | (62,939) | (62,726) |
| Leases | 31,499 | (27,168) | 4,331 |
| Inventories | 0 | (4,970) | (4,970) |
| Financial assets | 0 | (1,418) | (1,418) |
| Interest bearing loans and borrowings | 0 | (3,276) | (3,276) |
| Non-financial liabilities | 37 | 0 | 37 |
| Other financial liabilities | 0 | 0 | 0 |
| **Total** | **31,749** | **(99,771)** | **(68,022)** |
| **Netting of deferred tax assets and liabilities** | **(31,749)** | **31,749** | **0** |
| **Deferred tax liabilities** | **0** | **(68,022)** | **(68,022)** |

The following table shows the changes in deferred tax liabilities:

| in EUR k | 2023 | 2022 |
|---|---|---|
| As of 1 Jan | 68,022 | 76,281 |
| Temporary differences | (7,048) | (8,259) |
| **As of 31 Dec** | **60,974** | **68,022** |

No deferred taxes were recognized on unused tax losses as there are no unused tax losses existing.

The Group offsets tax assets and liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities related to income taxes levied by the same tax authority.

Deferred tax assets have not been recognized in case it is not likely that the Company will be able to generate enough taxable profits during the planning period. If a tax group has been implemented the unused tax losses are frozen.

There are temporary differences in connection with investments in subsidiaries, and no deferred tax liabilities were recognized on these.

The temporary differences associated with investments in the Group's subsidiaries, aggregate to EUR 2,381k (2022: EUR 2,081k). The Group has determined that the undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

## 5.17. Additional disclosures regarding financial instruments and risk management

The following table shows the carrying amounts of all financial instruments recognized in the consolidated statement of financial position by category:

| in EUR k | Category according to IFRS 9 | Financial instruments as of 31 December 2023 | |
|---|---|---|---|
| | | Carrying amount in the statement of financial position | Fair value |
| **Assets** | | | |
| Trade and other receivables | AC* | 12,041 | 12,041 |
| Derivative financial instruments | FVPL** | 12,689 | 12,689 |
| Other financial assets | AC | 10,690 | 10,690 |
| Cash and cash equivalents | AC | 243,239 | 243,239 |
| **Total financial assets** | | **278,659** | **278,659** |
| | | | |
| **Equity and liabilities** | | | |
| Trade and other payables | FLAC*** | 129,415 | 129,415 |
| Senior Secured Notes | FLAC | 357,895 | 391,951 |
| Other interest bearing loans and borrowings | FLAC | 13,945 | 13,945 |
| Lease liabilities | n.a. | 149,326 | - |
| Derivatives (hedge accounting) | n.a. | 1,002 | 1,002 |
| Other financial liabilities | FLAC | 87,742 | 87,742 |
| **Total financial liabilities** | | **739,327** | **624,055** |

*AC: Amortized Cost
**FVPL: Fair Value through Profit and Loss
***FLAC: Financial Liabilities at Amortized Cost

| in EUR k | Category according to IFRS 9 | Financial instruments as of 31 December 2022 | |
|---|---|---|---|
| | | Carrying amount in the statement of financial position | Fair value |
| **Assets** | | | |
| Trade and other receivables | AC* | 8,743 | 8,743 |
| Derivative financial instruments | FVPL** | 3,294 | 3,294 |
| Other financial assets | AC | 7,283 | 7,283 |
| Cash and cash equivalents | AC | 152,470 | 152,470 |
| **Total financial assets** | | **171,790** | **171,790** |
| | | | |
| **Equity and liabilities** | | | |
| Trade and other payables | FLAC*** | 57,286 | 57,286 |
| Interest bearing loans and borrowings | FLAC | 296,215 | 322,350 |
| Lease liabilities | n.a. | 116,147 | - |
| Other financial liabilities | FLAC | 46,033 | 46,033 |
| **Total financial liabilities** | | **515,681** | **425,669** |

*AC: Amortized Cost
**FVPL: Fair Value through Profit and Loss
***FLAC: Financial Liabilities at Amortized Cost

The carrying amounts of trade and other receivables, financial assets (current and non-current), cash and cash equivalents as well as trade and other payables and financial liabilities (current) equal their fair values, as they are mainly short term. The fair value of the interest bearing loans and borrowings (Senior Secured Notes) are disclosed separately in the table above.

The fair value hierarchy reflects the significance of the inputs used to determine fair values. Financial instruments with fair value measurement based on quoted prices in active markets are disclosed in Level 1. In Level 2, determination of fair values is based on observable inputs, e.g., foreign exchange rates and interest rates. Level 3 comprises financial instruments for which the fair value measurement is based on unobservable inputs.

| 2023 in EUR k | Total | Fair value measurement using<br>quoted prices in active markets (Level 1) | significant observable inputs (Level 2) | significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivative financial instruments | 12,689 | — | 12,689 | — |
| **Equity and Liabilities** | | | | |
| Senior Secured Floating Rate Notes | 391,951 | 391,951 | — | — |
| Derivatives (hedge accounting) | 1,002 | — | 1,002 | — |

| 2022 in EUR k | Total | Fair value measurement using<br>quoted prices in active markets (Level 1) | significant observable inputs (Level 2) | significant unobservable inputs (Level 3) |
|---|---|---|---|---|
| **Assets** | | | | |
| Derivative financial instruments | 3,294 | — | 3,294 | — |
| **Equity and Liabilities** | | | | |
| Senior Secured Floating Rate Notes | 322,350 | 322,350 | — | — |

Unchanged to prior year, no financial instruments were set off and no enforceable master netting arrangements or similar agreements are in place as of 31 December 2023.

The Group issued Senior Secured notes due 2027 in the amount of EUR 315,000k on 25 July 2022 and EUR 35,000k on 28 July 2022 for an issue price of 85%. Interest accrues at a rate per annum, reset quarterly, equal to the sum of the three-month Euro Interbank Offered Rate (EURIBOR) (which is subject to a 1.0% floor) plus 6.0%. Interest payment dates are quarterly in arrears on 15 January, 15 April, 15 July and 15 October of each year. On June 6 2023 PrestigeBidCo GmbH successfully agreed with investors to issue an additional EUR 50,000k through a private placement, thereby increasing the already existing Senior Secured notes in the amount of EUR 350,000k to a total volume of EUR 400,000k. The private placement had an issue price of 99% with an initial interest rate of 9.177% (EURIBOR plus 6% margin).

The Group identified several embedded derivatives within the senior secured floating rate notes which are accounted as one. The embedded derivative is separated and measured at fair value through profit and loss. Details on the valuation technique and the inputs used in the fair value measurement are included in note 2.4.9.

The following table shows net losses from financial instruments by measurement categories:

| in EUR k | 31 Dec 2023 | 31 Dec 2022 |
|---|---|---|
| Financial assets at amortized cost (trade receivables and financial assets) | (145) | (96) |
| Financial liabilities at amortized cost | (61,680) | (38,526) |

Net losses in “financial assets at amortized cost” and “financial liabilities at amortized cost” mainly comprise loss allowances, foreign currency effects, credit adjustments and interest based on the effective interest method. Net losses of “financial liabilities at amortized cost” are also affected by the extent of Senior Secured Notes issued in 2023.

Net gains in “financial assets at fair value through profit and loss” are included in note 4.6.

## Nature and extent of risks arising from financial instruments

The Group’s principal financial liabilities comprise a Senior Secured Notes as well as trade and other payables. The main purpose of these financial liabilities is to finance the Group’s operations and to provide guarantees to support its operations. The Group’s principal financial assets include trade and other receivables as well as cash and cash equivalents that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. Group treasury oversees these risks. The Group’s senior management is supported by group treasury with advice on financial risks for the Group. The Management Board reviews and agrees processes for managing each of these risks, which are summarized below.

## Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

The sensitivity analyses in the following sections relate to the position as of 31 December 2023. The sensitivity analyses have been prepared on the basis that the amount of net liabilities, the ratio of fixed to floating interest rates of the liabilities and the proportion of financial instruments in foreign currencies are all constant. The analyses exclude the impact of movements in market variables on the carrying values of provisions, the non-financial assets and liabilities of foreign operations.

The sensitivity analyses demonstrate how profit or loss items are affected by the assumed changes in respective market risks.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of 31 December 2023, the Senior Secured Notes are affected by floating interest rates.

Sensitivity of Group earnings to a change in underlying interest rates by a rise of 100 basis points and a fall of 100 basis points on variable-rate loans and borrowings as well as on the present value of derivative financial instruments and interest rate swaps are evaluated. Changes in the market interest rates of interest rate derivatives have an impact on the financial result and are therefore taken into account in the sensitivity analysis.

| in EUR k | 31 Dec 2023 | | 31 Dec 2022 | |
|---|---|---|---|---|
| | +100 bps | -100 bps | +100 bps | -100 bps |
| Interest bearing loans and borrowings | (2,000) | 2,000 | (3,500) | 1,323 |
| Derivative financial instruments | 352 | (418) | (674) | 572 |
| Interest rate swap | 1,728 | (1,543) | — | — |
| **Total** | **80** | **39** | **(4,174)** | **1,895** |

Derivatives are used to manage interest risks. In January 2023, PrestigeBidCo GmbH entered into two hedging agreements to mitigate its exposure to interest rate risks arising from the Senior Secured Notes. The group applies hedge accounting and recognizes the effective portion of changes in the fair value of derivative instruments designated as cash flow hedges in line item Other comprehensive income, net of income taxes, and any ineffective portion is recognized immediately in net income. Amounts accumulated in equity are reclassified into net income in the same periods in which the hedged item affects net income.

The agreements of the hedging instruments were conducted on 23 January 2023 and 25 January 2023, respectively, and have both the maturity date on 15 January 2026. The total nominal value is EUR 200,000k. The hedging instruments are contracted to achieve a 1:1 hedge ratio on an economic basis to ensure an economic relationship between hedging instruments and hedged items. For accounting purposes certain ineffectiveness may result as the derivatives and the underlying are not totally consistent. The maturity date of the hedged item is on 15 July 2027. This implies that the major part of the hedged item's duration has been hedged. Under the hedge agreements, the Group receives variable rates of EURIBOR on each January 15, April 15, July 15 and October 15 and pays fixed rates of interest of 3.066% and 3.089%, respectively, on the same periods.

The Group assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method. The effectiveness of the economic relationship between the hedged item and the hedging instrument are determined based on maturities, interest rates and nominal amounts. The hypothetical derivative method is used to check whether the designated derivatives effectively hedge the cash flows of the hedged items. In the hedge relationships, the main sources of ineffectiveness are the credit risk of the counterparties and changes in the timing of the hedged highly probable future transactions.

In the 2023 financial year, cumulative effect from cash flow hedge of EUR 1,059k (2022: EUR 0) was recognized directly in equity. A gain of EUR 193k (2022: EUR 0) from hedge accounting ineffectiveness  was recognized in the result for the period, as the hedging relationship was not completely effective.

*Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. This year's effect from currency differences on the financial statements is mainly attributable to translation of certain lease liabilities and loans into the functional currency of the Group. The exposure of this effect on the financial statements is expected to remain at this level. Other than that, the Group’s exposure to the risk of changes in foreign exchange rates is insignificant.

## Credit risk and risk concentration

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss.

Concentration risks arising from the delivery of goods to major customers are subject to a special credit watch. In the case of a return debit, the Group has implemented a dunning process operated by an external service provider. The maximum exposure to credit risk of financial assets, without taking account of any collateral, is represented by their carrying amount. The Group offers under certain conditions purchase on account. Due to the introduction of non-recourse factoring, there is no exposure to credit risk.

The Group is exposed to credit risk from its operating activities (primarily trade and other receivables, including receivables from Payment Service Providers not holding a banking license) and from its financing activities, including deposits with banks and financial institutions. The Group does not hold collateral as security. There were no significant credit risks or concentration of risk as of 31 December 2023.

*Financial instruments and cash deposits*

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department. Investments of surplus funds are made only with approved counterparties, which have a long-term rating of at least "A-" by S&P or "A3" by Moody's. The restrictions are set to minimize the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

## Liquidity risk

The Group provides sufficient liquidity for each individual entity by cash pooling. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. The Group has access to a sufficient variety of sources of funding and debt maturing within 12 months can be rolled over with existing lenders. The Group has access to a sufficient variety of sources of funding with no major debt maturing before 2027. The Revolving Credit Facility of EUR 110,000k was only partially utilized for trade finance related instruments (EUR 12,088k).

The Group also participates in a supply chain financing arrangement with the principal purpose of facilitating efficient payment processing of supplier invoices. Although there is a concentration of risk because payables previously distributed among a high number of creditors are now concentrated in the financial institutions involved, the liquidity risk from supply chain financing is deemed to be low as the Group diversified the relevant financial instruments among different bank partners with an investment grade rating.

The following table shows future undiscounted cash outflows from financial liabilities based on contractual agreements:

| As of 31 December 2023 (in EUR k) | Carrying amount | Up to 12 months | 1-5 years | More than 5 years |
|---|---|---|---|---|
| Senior Secured Note | 357,895 | 39,860 | 501,311 | - |
| Trade and other payables | 129,415 | 129,415 | - | - |
| Lease liabilities | 149,326 | 17,055 | 68,468 | 181,538 |
| Financial liabilities | 87,742 | 87,742 | - | - |
| Other interest bearing loans and borrowings | 13,945 | 326 | 9,168 | 7,861 |
| Interest rate swap | 1,002 | 74 | 1,071 | |
| **Total** | **739,325** | **274,472** | **578,947** | **189,399** |

| As of 31 December 31 2022 (in EUR k) | Carrying amount | Up to 12 months | 1-5 years | More than 5 years |
|---|---|---|---|---|
| Senior Secured Notes | 296,215 | 24,500 | 441,875 | - |
| Trade and other payables | 57,286 | 57,286 | - | - |
| Lease liabilities | 116,147 | 16,283 | 49,523 | 123,300 |
| Financial liabilities | 46,033 | 46,033 | - | - |
| **Total** | **515,681** | **144,102** | **491,398** | **123,300** |

As of 31 December 2023, EUR 128,308k (prior year: EUR 135,532k) of contractual lease liabilities are due to related parties. The amount disclosed relates to undiscounted contractually agreed payments. The increase is attributable in the main to the new fullfilment center.

# 6. Other explanatory notes

## 6.1. Contingencies and other financial obligations

### Short-term lease payments

As of 31 December 2023, the Group has short-term obligations not recognized as liabilities amounting EUR 158k (prior year: EUR 128k).

### Pending disputes

As of 31 December 2023, the Group is not involved in any significant court cases or threatened legal disputes. This is unchanged to prior year.

### Other financial obligations

As of 31 December 2023, the Group has other financial obligations amounting to EUR 46,275k (prior year: EUR 28,589k). These mainly include obligations resulting from service contracts, licenses and IT maintenance and personnel related agreements. The increase is mainly due to an agreement in Poland. This involves a warehouse facility that automates the flow of goods.

## 6.2. Related party disclosures

The Company has identified related parties in relation to the Group (key management personnel, members of the board and parent companies) in accordance with IAS 24. Certain Group companies had transactions with related parties in the reporting period in the ordinary course of business. The transactions were carried out in accordance with the arm's length principle. The following business transactions have been identified as related party transactions. Further details on share-based payment are given in note 2.19.

### Transaction with the parent company

The Group consists of wholly owned subsidiaries of Best Secret Group SE (former Best Secret Group AG). Employees of administration departments of the Best Secret Group SE, such as legal department, finance department and people and organization department, provide administrative services to the Group companies. The amount charged for these services is EUR 9,781k in 2023 (prior year: EUR 1,722k). The increase is mainly due to the relocation of employees to the above-mentioned departments Additionally, certain companies of the Group obtain key management personnel services from Best Secret Group SE.

## Leases

Certain Group companies have entered into lease agreements regarding business premises from third parties. Certain such lease agreements are concluded with private partnerships in which some members of the Schustermann and Borenstein families as well as certain members of the advisory board or close family members of those related parties are partners.

The leases with related parties are exclusively for storage, logistics, administrative and sales space and comprise rental agreements for administrative and sales space with a term of up to 14 years, taking into account the extension options that are reasonably certain to be exercised, as well as rental agreements for storage and logistics space with a term of 17 years, taking into account the extension options that are reasonably certain to be exercised. The rental agreements were concluded at arm’s length. The future undiscounted cash outflows from these leases as of 31 December 2023 amount to EUR 32,792k for the leases for administrative and sales space (prior year: EUR 35,946k) and EUR 95,516k for the leases for the storage and logistics space (prior year: EUR 99,586k).

In the 2023 reporting period, total expenses amounted to EUR 8,807k (prior year: EUR 8,463k).

## Management remuneration

Expenses for remuneration to corporate management in 2023 amounted to EUR 1,200k (prior year: EUR 3,106k) and for termination benefits to EUR 0 (prior year: EUR 1,358k).

The expenses for the remuneration of the advisory and supervisory board amounted to EUR 257k in 2023 (prior year: EUR 443k).

For further information regarding Share-Based payments, see note 2.19.

## Loan to controlling party

On 23 December 2022, a Group company entered into a loan agreement with PTGMidCo S.à.r.l under which the former provided a loan of up to EUR 3,450k to the latter. As of 31 December 2023, the loan was drawn in an amount of EUR 2,950k. The total amount of receivables from this amounts to EUR 3,223k including accrued interests. The agreed interest rate is the same as under the Senior Secured Notes (three-month EURIBOR, subject to a 1.0% floor, plus 6.0%). Repayment of the loan is due by 31 December 2027.

PTGMidCo S.à.r.l. holds 89.62% of PTGLUX S.à.r.l., which wholly owns the Best Secret Group SE and is therefore a controlling party to the Group.

During the reporting period ended 31 December 2023, the Group has not been a party to any other material transaction, or proposed transactions, in which any related party had or was to have a direct or indirect material interest. This is unchanged to prior year.

## 6.3. Additional disclosures on the consolidated statement of comprehensive income

### Segment reporting

The reportable segments for fiscal year 2023, the Group segments are "Germany" and "International".

As of 31 December 2023, non-current assets (excluding financial assets) of EUR 511,906k (prior year: EUR 534,794k) are located in Germany and EUR 153,496k (prior year: EUR 98,316k) are located in other countries.

Management measures the performance of the segments on the basis of revenues and adjusted EBITDA. EBITDA is defined as net income/loss for the period before interest and similar expenses, tax and depreciation, amortization and impairment losses and the reversal of impairment losses. Adjusted EBITDA is defined as EBITDA excluding exceptional items and including pro forma synergies. Therefore, the reconciliation from EBITDA to adjusted EBITDA includes non-recurring, extraordinary and other non-operational items as well as run rate cost synergies from fulfillment center network expansion (calculated as percentage of revenue). The Group intends to achieve meaningful cost synergies from the expansion of its fulfillment operations. The expected cost synergies result from improved unit economics on the basis of capacity optimization (reduction of utilization rate of existing fulfillment center and the elimination of the need to rent additional warehouse capacity) as well as from wage and automation benefits.

There are no intersegment transactions in the internal reporting structure. No information on segment assets or liabilities is available or relevant for decision-making. No single customer accounted for more than 10% of the Group's revenue.

### Segment 2023

| in EUR m | Germany | International | Total Group |
|---|---|---|---|
| **Revenue** | **736,775** | **489,224** | **1,225,999** |
| **Adjusted EBITDA*** | **120,850** | **62,833** | **183,683** |
| Exceptional items | (6,939) | (4,241) | (11,180) |
| Run rate cost synergies from fulfillment center network expansion | (10,758) | (7,136) | (17,894) |
| **Earnings before interest, taxes, depreciation and amortization (EBITDA)** | **103,153** | **51,456** | **154,609** |
| Depreciation and amortization and impairment loss | (59,210) | (30,071) | (89,281) |
| **Earnings before interest and taxes (EBIT)** | **43,943** | **21,385** | **65,328** |
| Financial result | | | (45,224) |
| **Earnings before taxes (EBT)** | | | **20,104** |

* The group reports expected cost synergies from the fulfillment center network expansion from Q4 2022 onwards and until the fulfillment center in Poland is fully operational. As a result, the figures are only comparable with 2023 to a limited extent. In 2023, the savings from automation amounted to EUR 0.5m. EUR 17.9m are still to be realized. The calculation is based on 1.5 % of revenues.

### Segment 2022

| in EUR m | Germany | International | Total Group |
|---|---|---|---|
| **Revenue** | **693,278** | **357,750** | **1,051,027** |
| **Adjusted EBITDA*** | **103,690** | **33,998** | **137,688** |
| Exceptional items | (10,331) | (4,956) | (15,287) |
| Run rate cost synergies from fulfillment center network expansion | (3,342) | (1,825) | (5,167) |
| **Earnings before interest, taxes, depreciation and amortization (EBITDA)** | **90,017** | **27,217** | **117,234** |
| Depreciation and amortization and impairment loss | (54,325) | (25,891) | (80,216) |
| **Earnings before interest and taxes (EBIT)** | **35,692** | **1,326** | **37,018** |
| Financial result | | | (32,466) |
| **Earnings before taxes (EBT)** | | | **4,552** |

* The group reports expected cost synergies from the fulfillment center network expansion from Q4 2022 onwards and until the fulfillment center in Poland is fully operational. As a result, the figures are only comparable with 2023 to a limited extent. In 2023, the savings from automation amounted to EUR 0.5m. EUR 17.9m are still to be realized. The calculation is based on 1.5 % of revenues.

## Additional information on the personnel expenses

| in EUR k | 2023 | 2022 |
|---|---|---|
| Wages and salaries | 99,452 | 92,589 |
| Social insurance contribution | 17,473 | 16,413 |
| **Total** | **116,924** | **109,002** |

Contributions to the statutory pension insurance scheme amounted to EUR 12,707k in 2023 (prior year: EUR 6,333k).

## Annual average number of employees

| | 2023 | 2022 |
|---|---|---|
| **Function** | | |
| Commercial | 233 | 214 |
| Operations | 1,373 | 1,268 |
| Technology | 302 | 270 |
| Administration | 44 | 151 |
| **Total** | **1,952** | **1,903** |

| | 2023 | 2022 |
|---|---|---|
| **Geography** | | |
| Germany | 1,647 | 1,636 |
| International | 305 | 267 |
| **Total** | **1,952** | **1,903** |

## Audit services

In 2023, Auditors' fees are expected to result in total EUR 367k (prior year: EUR 418k).

## Disclosure exemption

In accordance with Sec. 264 (3) HGB, the following subsidiaries are exempt from the requirement to disclose their financial statements and to prepare notes to the financial statements and a management report: Best Secret GmbH, Lawrence Grey GmbH and Best Secret Logistik GmbH.

## 6.4. Significant events after the reporting date

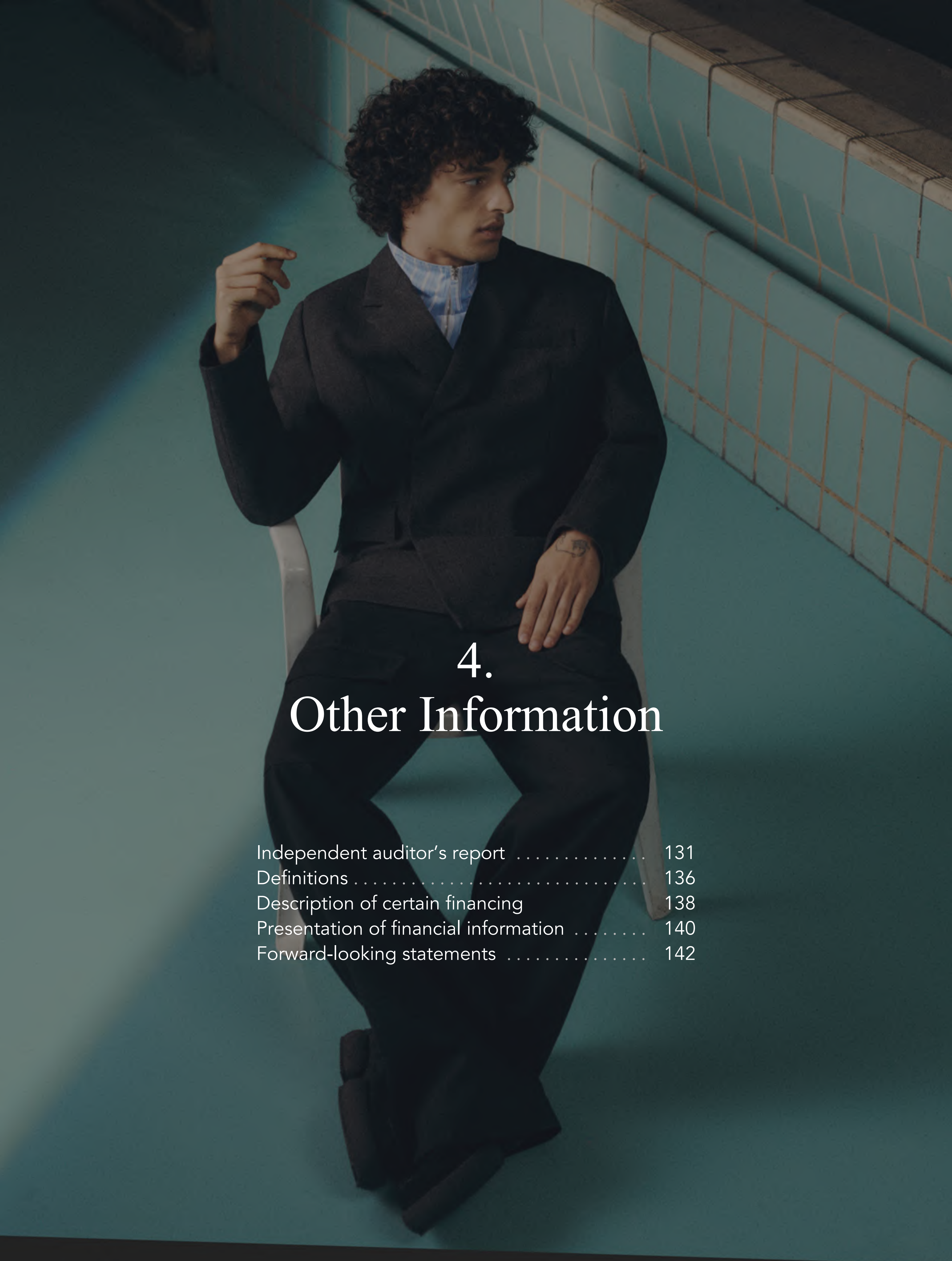
No significant reportable events occurred between January 1, 2024 and the date of preparation of the consolidated financial statements on March 8, 2024. There have been no material fundamental changes in the economic and business environment in which the Group operates.

Aschheim, 08 March 2024

PrestigeBidCo GmbH

Dr. Moritz Hahn

Axel Salzmann



# 4.
# Other Information

# Independent auditor's report

To PrestigeBidCo GmbH

## Opinions

We have audited the consolidated financial statements of PrestigeBidCo GmbH, Aschheim and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income for the fiscal year from 1 January 2023 to 31 December 2023, the consolidated balance sheet as at 31 December 2023, the consolidated cash flow statement and the consolidated statement of changes in equity for the fiscal year from 1 January 2023 to 31 December 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Group management report of PrestigeBidCo GmbH for the fiscal year from 1 January 2023 to 31 December 2023.

In our opinion, on the basis of the knowledge obtained in the audit

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2023 and of its financial performance for the fiscal year from 1 January 2023 to 31 December 2023, and

- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

## Basis for the opinions

We conducted our audit of the consolidated financial statements and the Group management report in accordance with section 317 HGB, and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer

[Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the Group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

## Other Information

The executive directors are responsible for the other information, which probably will be provided after the issuance of our audit opinion. The other information comprises the Annual Bond Report 2023, but not the consolidated financial statements, not the audited parts of the group management report and not our audit opinion.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

## Responsibilities of the executive directors for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and, that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

## Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) [and supplementary compliance with the ISAs] will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Munich, 08 March 2024

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Christ | Winderlich |
| Wirtschaftsprüfer<br>[German Public Auditor] | Wirtschaftsprüfer<br>[German Public Auditor] |

# Definitions

## Active customers

We define active customers as the number of members who have placed at least one order in the last 12 months during the reporting period, irrespective of returns.

## App sessions

We define app sessions as user sessions happening exclusively on our native apps for IOS and Android devices.

## BestSecret Group

BestSecret Group, Group, we, us, our refers to the issuer (PrestigeBidCo GmbH) including Best Secret GmbH, Best Secret Logistik GmbH (former: S&B Logistik), Lawrence Grey GmbH (former: S&B Outlet), Best Secret Retail Wien GmbH (former: S&B Wien), Best Secret Hellas S.M. S.A., Best Secret Poland sp. z o.o., Swiss Online Shopping AG i. L. (SOS) and Best Secret S.r.l. with respect to the information as of and for the year ended December 31, 2023.

## Issuer

PrestigeBidCo GmbH, a company with limited liability ("Gesellschaft mit beschränkter Haftung") incorporated and existing under the laws of Germany with its registered office at Margaretha-Ley-Ring 27, 85609 Aschheim, Germany and registered with the commercial register at the local court (Amtsgericht) of Munich under number HRB 227078.

## Operating net working capital

We define operating net working capital as the sum of (i) inventories and prepayments for inventories, (ii) trade and other receivables, (iii) trade and other payables and (iv) others, including refund liabilities and the right to recover possession for expected returns as well as financial liabilities in connection with supply chain financing.

## Number of orders

We define the number of orders as the number of orders placed by customers during the reporting period, irrespective of cancellations or returns. An order is counted on the day the customer places the order. The number of orders placed may differ from the number of orders delivered because the orders at the end of the reporting period may still be in transit or may have been canceled.

## Number of user sessions

We define user sessions as the number of series of page views from the same device and the same source (via websites, mobile sites, tablet sites or apps) during the relevant period. The series is considered ended when a page view is not recorded for longer than 30 minutes.

## Senior secured net debt

We define senior secured net debt as the principal amount of the Senior Secured Notes and the Revolving Credit Facility less cash and cash equivalents.

# Description of certain financing arrangements

## Senior Secured Notes due 2027

PrestigeBidCo GmbH, a company with limited liability ("Gesellschaft mit beschränkter Haftung") incorporated and existing under the laws of Germany (the Issuer), offered EUR 400m aggregate principal amount of its Senior Secured Floating Rate Notes due 2027 (the "Notes"). The Notes were issued on July 25, 2022 (EUR 315m), July 28, 2022 (EUR 35m) and June 19, 2023 (EUR 50m). The Issuer is an entity beneficially owned principally by funds advised by Permira Funds.

The Notes will mature on, July 15, 2027. The Issuer pays interest on the outstanding principal amount of the Notes at a per annum rate equal to three-month EURIBOR (subject to a 1.0% floor) plus 6.0%, reset quarterly. Interest is paid on the Notes quarterly in arrears on each January 15, April 15, July 15 and October 15. At any time on or after July 15, 2023, the Issuer may, at its option, redeem all or a portion of the Notes at the applicable redemption prices. At any time prior to July 15, 2023, the Issuer may, at its option, redeem all or a portion of the Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date, plus the applicable "make whole" premium. Upon the occurrence of certain events constituting a change of control, the Issuer may be required to make an offer to repurchase all of the Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to but excluding the date of purchase. In addition, the Issuer may redeem all, but not less than all, of the Notes upon the occurrence of certain changes in applicable tax law.

## Revolving Credit Facility Agreement

On July 14, 2022, PrestigeBidCo GmbH (as an original borrower and an original guarantor), Best Secret Group SE (as direct shareholder of PrestigeBidCo GmbH), Best Secret GmbH (as an original borrower and an original guarantor), Best Secret Logistik GmbH (as an original guarantor), Deutsche Bank Aktiengesellschaft, Goldman Sachs Bank Europe SE, JPMorgan Chase Bank, N.A., London Branch and UniCredit Bank AG (as original lenders), UniCredit Bank AG (as facility agent) and UniCredit Bank AG (as security agent) (amongst others) entered into the New Revolving Credit Facility Agreement.

The New Revolving Credit Facility Agreement provides for borrowings of up to EUR110.0m on a committed basis. The New Revolving Credit Facility may be utilized by any current or future borrower under the New Revolving Credit Facility Agreement in euro, Swiss francs, sterling or certain other currencies (if agreed) by the drawing of cash advances, the issue of Letters of Credit (the "Letters of Credit") (upon the appointment of an issuing bank) and by way of any Ancillary Facilities that may be made available thereunder (each as defined in the New Revolving Credit Facility Agreement). Subject to certain exceptions, loans may be borrowed, repaid and re-borrowed at any time. Borrowings are available, amongst other things, to be used for general corporate and working capital purposes of the Group (as defined in the New Revolving Credit Facility Agreement) including, without limitation, for payment of interest under the Notes. The maturity of the facility is 25 January, 2027.

# Presentation of Financial Information

## Financial Information

The consolidated financial statements included in this Report have been prepared in accordance with International Financial Reporting Standards (IFRS).

The financial information in this Report is based on that of PrestigeBidCo GmbH. In particular, this Report includes the audited consolidated financial statements of PrestigeBidCo GmbH, Aschheim and its subsidiaries (the Group), which comprise the consolidated statements of comprehensive income for the fiscal year from January 1 to December 31, 2023, the consolidated balance sheet as at December 31, 2023, the consolidated statements of cash flows and the consolidated statements of changes in equity for the fiscal year from January 1 to December 31, 2023 and notes to the consolidated financial statements, including a summary of significant accounting policies; and in addition the group management report of PrestigeBiCo GmbH for the fiscal year from January 1 to December 31, 2023.

The Audited Consolidated Financial Statements have been audited by Ernst & Young Wirtschaftsprüfungsgesellschaft GmbH (EY), in accordance with Section 317 German Commercial Code ("Handelsgesetzbuch") (HGB), and German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors ("Institut der Wirtschaftsprüfer").

## Non-GAAP Financial Measures

This Report contains non-GAAP measures and ratios, including EBITDA and adjusted EBITDA that are not required by, or presented in accordance with, IFRS. Our non-GAAP measures are defined by us as set out below.

We define EBITDA as net income/loss for the period before interest and similar expenses, tax and depreciation, amortization and impairment losses and the reversal of impairment losses.

We define adjusted EBITDA as EBITDA excluding exceptional items and including pro forma synergies. Therefore, the reconciliation from EBITDA to adjusted EBITDA includes non-recurring, extraordinary and other non-operational items as well as run rate cost synergies from the fulfillment center network expansion (calculated as percentage of revenue).

We present non-GAAP measures because we believe that they are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-GAAP measures may not be comparable to other similarly titled measures of other companies and should not be considered in isolation or be used as a substitute for an analysis of our earnings after taxes as reported under IFRS. Non-GAAP measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to net income/loss for the period or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

## Rounding

Certain numerical figures set out in this Report, including financial information presented in millions or thousands and percentages, have been subject to rounding adjustments and, as a result, the totals of the data in this Report may vary from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other information are calculated using the rounded numerical data included in this Report and not the numerical data in each of the Consolidated Financial Statements or PrestigeBidCo's internal accounting system. With respect to financial information set out in this Report, a dash ("—") signifies that the relevant figure is not available, while a zero ("0.0") signifies that the relevant figure is available but is or has been rounded to zero.

# Forward-looking Statements

This Report includes forward-looking statements. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Report, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which we participate or are seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "plan," "potential," "predict," "projected," "should," or "will" or the negative of such terms or other comparable terminology.

By their nature, forward-looking statements involve known and unknown risks, uncertainties, and other factors because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that our actual results of operations, including our financial condition and liquidity and the development of the industry in which we operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this Report. In addition, even if our results of operations, including our financial condition and liquidity and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this Report, those results or developments may not be indicative of results or developments in subsequent periods.

B E S T S E C R E T