



**HFC Prestige International
Denmark ApS**

Kirkebjerg Parkvej 11 B
2605 Brøndby
CVR No. 37293407

**Annual report 01.07.2020 -
30.06.2021**

The Annual General Meeting adopted the
annual report on 21.12.2021

Derek de Hoogh

Chairman of the General Meeting

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Entity details

Entity

HFC Prestige International Denmark ApS
Kirkebjerg Parkvej 11 B
2605 Brøndby

Business Registration No.: 37293407
Registered office: Brøndby
Financial year: 01.07.2020 - 30.06.2021

Board of Directors

Derek de Hoogh, Chairman
Kenneth Lundskov
Henrik Rolf Haverkamp

Executive Board

Henrik Rolf Haverkamp, CEO

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of HFC Prestige International Denmark ApS for the financial year 01.07.2020 - 30.06.2021.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2021 and of the results of its operations for the financial year 01.07.2020 - 30.06.2021.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 21.12.2021

Executive Board

Henrik Rolf Haverkamp
CEO

Board of Directors

Derek de Hoogh
Chairman

Kenneth Lundskov

Henrik Rolf Haverkamp

Independent auditor's report

To the shareholders of HFC Prestige International Denmark ApS

Opinion

We have audited the financial statements of HFC Prestige International Denmark ApS for the financial year 01.07.2020 - 30.06.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2021 and of the results of its operations for the financial year 01.07.2020 - 30.06.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical 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 opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. 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 financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, 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 opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one 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 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 the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 21.12.2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Jan Larsen

State Authorised Public Accountant
Identification No (MNE) mne16541

Management commentary

Primary activities

The Company is engaged in buying, selling, trading and distributing products and services including without limitations salon and retail hair care products and services and other products of every kind, promoting the marketing of such products and services, including consulting, and conducting any other related business.

Development in activities and finances

Result for the year after tax is a profit of DKK 285k against a profit of DKK 1,003k in 2019/20.

In 2021, COVID-19 continued to influence the global markets. Despite the COVID-19 headwinds, HFC Prestige International Denmark ApS reported net income for the year, but continues to be cautious, and remains flexible for changes in customers' buying patterns, especially in the digital and e-com sectors.

Ownership

On December 1, 2020, KKR & Co. Inc. with IRS number 26-0426107, listed on the NYSE, became the new majority shareholder of HFC Prestige International Denmark ApS by acquiring 60% of the shares from Coty. The company became part of the newly formed Wella Company.

HFC Prestige International Denmark ApS is a wholly owned subsidiary of Waves UK Divestco Ltd with corporate identity number 12625660. The holding company is headquartered in London, United Kingdom. The company's ultimate owner is KKR & Co Inc., New York City, USA, listed on the NYSE.

Events after the balance sheet date

Since the balance sheet date, the business has seen encouraging results in all sectors, whilst continuing to strongly control expenditure and cash management activities to protect against the impact of future COVID-19 measures.

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2020/21

	Notes	2020/21 DKK	2019/20 DKK
Gross profit/loss		18,022,294	17,499,490
Staff costs	1	(16,588,663)	(15,210,203)
Depreciation, amortisation and impairment losses	2	(869,420)	(873,803)
Operating profit/loss		564,211	1,415,484
Other financial income		108,667	160,697
Other financial expenses		(264,013)	(284,967)
Profit/loss before tax		408,865	1,291,214
Tax on profit/loss for the year	3	(128,514)	(287,980)
Profit/loss for the year		280,351	1,003,234
Proposed distribution of profit and loss			
Retained earnings		280,351	1,003,234
Proposed distribution of profit and loss		280,351	1,003,234

Balance sheet at 30.06.2021

Assets

	Notes	2020/21 DKK	2019/20 DKK
Goodwill		185,680	928,400
Intangible assets	4	185,680	928,400
Other fixtures and fittings, tools and equipment		206,942	346,461
Property, plant and equipment	5	206,942	346,461
Other receivables		167,268	506,414
Deferred tax		175,234	175,681
Financial assets	6	342,502	682,095
Fixed assets		735,124	1,956,956
Trade receivables		6,082,979	8,063,630
Receivables from group enterprises		1,785,098	2,417,720
Other receivables		117,723	21,946
Prepayments		706,387	1,312,182
Receivables		8,692,187	11,815,478
Cash		26,175,160	4,349,136
Current assets		34,867,347	16,164,614
Assets		35,602,471	18,121,570

Equity and liabilities

	Notes	2020/21 DKK	2019/20 DKK
Contributed capital		50,001	50,001
Retained earnings		1,052,519	7,120,038
Equity		1,102,520	7,170,039
Trade payables		5,020,680	3,516,229
Payables to group enterprises		5,729,383	0
Income tax payable		527,525	599,459
Other payables		23,222,363	6,835,843
Current liabilities other than provisions		34,499,951	10,951,531
Liabilities other than provisions		34,499,951	10,951,531
Equity and liabilities		35,602,471	18,121,570

Group relations

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Statement of changes in equity for 2020/21

	Contributed capital DKK	Retained earnings DKK	Total DKK
Equity beginning of year	50,001	7,120,038	7,170,039
Extraordinary dividend paid	0	(6,347,870)	(6,347,870)
Profit/loss for the year	0	280,351	280,351
Equity end of year	50,001	1,052,519	1,102,520

Notes

1 Staff costs

	2020/21 DKK	2019/20 DKK
Wages and salaries	14,758,919	12,336,903
Pension costs	1,191,118	1,195,461
Other social security costs	437,025	621,545
Other staff costs	201,601	1,056,294
	16,588,663	15,210,203
Average number of full-time employees	25	24

2 Depreciation, amortisation and impairment losses

	2020/21 DKK	2019/20 DKK
Amortisation of intangible assets	742,720	742,720
Depreciation of property, plant and equipment	126,700	131,083
	869,420	873,803

3 Tax on profit/loss for the year

	2020/21 DKK	2019/20 DKK
Current tax	128,067	328,927
Change in deferred tax	447	(40,947)
	128,514	287,980

4 Intangible assets

	Goodwill DKK
Cost beginning of year	3,713,600
Cost end of year	3,713,600
Amortisation and impairment losses beginning of year	(2,785,200)
Amortisation for the year	(742,720)
Amortisation and impairment losses end of year	(3,527,920)
Carrying amount end of year	185,680

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK
Cost beginning of year	1,263,753
Disposals	(506,127)
Cost end of year	757,626
Depreciation and impairment losses beginning of year	(917,292)
Depreciation for the year	(126,700)
Reversal regarding disposals	493,308
Depreciation and impairment losses end of year	(550,684)
Carrying amount end of year	206,942

6 Financial assets

	Other receivables DKK	Deferred tax DKK
Cost beginning of year	506,414	175,681
Additions	0	(447)
Disposals	(339,146)	0
Cost end of year	167,268	175,234
Carrying amount end of year	167,268	175,234

7 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Europe is Rainbow UK Midco2 Ltd, United Kingdom.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Reclassification of Account Balances has been carried out in the year. However, these have no effect on results. The comparative figures have also been adjusted accordingly.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of

receivables recognised in current assets.

Property costs

Property costs include costs incurred to operate the Entity's properties in the financial year, including repair and maintenance costs, property tax and electricity, water and heating, which are not charged directly from the lessee.

Staff costs

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities, and tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet**Goodwill**

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. The estimated useful life of Goodwill is determined to 5 years. This is in line with the longest length of our customer contracts that were part of the purchase of assets and liabilities from Procter and Gamble.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment 3-5 years

For leasehold improvements and assets subject to finance leases, the depreciation period cannot exceed the contract period.

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less writedowns for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Tax receivable or payable

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.