6M FY 2019/20
Interim Financial Report

Kirk Beauty One GmbH

as at March 31, 2020

DOUGLAS

DOUGLAS

Content

This Financial Report was produced in-house with firesys

Important Notice

This financial report has been prepared exclusively for use by any holder of the Senior Secured Notes due 2022 or the Senior Notes due 2023 (collectively, the “Notes”) or any prospective investor, securities analyst, broker-dealer or any market maker in the Notes in accordance with Section 4.10 of the indentures relating to the Notes. This financial report may not be distributed to the press or to any other persons, may not be redistributed or passed on, directly or indirectly, to any person, or published, in whole or in part, by any medium or for any purpose. You agree to the foregoing by accepting delivery of, or access to, this financial report.

The information contained in this financial report has not been independently verified and no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness, reasonableness or correctness of the information or opinions contained herein unless stated otherwise. None of Kirk Beauty One GmbH, its subsidiaries or any of their respective employees, advisers, representatives or affiliates shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this financial report. The information contained in this financial report is provided as at the date of this financial report and is subject to change without notice.

The information in this financial report does not constitute investment, legal, accounting, regulatory, taxation or other advice, and this financial report does not take into account your investment objectives or legal, accounting, regulatory, taxation or financial situation or other needs. You are solely responsible for forming your own opinions and conclusions on such matters and for making your own independent assessment of this financial report.

This financial report does not purport to contain all information that may be required by any party to assess Douglas, its business, financial condition, results of operations and prospects for any purpose. This financial report includes information Douglas has prepared on the basis of publicly available information and sources believed to be reliable. The accuracy of such information (including all assumptions) has been relied upon by Douglas and has not been independently verified by Douglas. Any recipient should conduct its own independent investigation and assessment as to the validity of the information contained in this presentation, and the economic, financial, regulatory, legal, taxation and accounting implications of that information.

All of the financial data presented in the text and tables in this financial report are shown in millions of Euro, except as otherwise stated. Certain financial data (including percentages) in the following tables have been rounded according to established commercial standards. This may lead to individual numbers presented throughout this report not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures. In respect of financial data set out in this financial report, a dash (“—”) signifies that the relevant figure is not available or not applicable, while a zero (“0”) signifies that the relevant figure is available but has been rounded to or equals zero.

Disclosure Regarding Forward-Looking Statements

This financial report includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "aims," "targets," "anticipates," "expects," "intends," "may," "will" or "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this financial report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate, other statements relating to our future business performance and general economic, regulatory and market trends and other circumstances relevant to our business.

By their nature, forward-looking statements involve risks and uncertainties 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 that our actual results of operations, financial condition and liquidity and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this financial report. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this financial report, those results or developments may not be indicative of results or developments in subsequent periods.

We undertake no obligation, and do not expect, to publicly update or revise any forward-looking statement to reflect actual results, changes in assumptions based on new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this financial report.

We suggest you to read the section of this financial report entitled *"Management's Discussion and Analysis of Financial Condition and Results of Operations" and the section "Risk Factors" of our Financial Report as at September 30, 2019* for a more detailed discussion of the factors that could affect our future performance and the industry in which we are operating.

Management’s Discussion and Analysis of Financial Condition and Results of Operations[1]

Investors should read the following “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (hereinafter also referred to as “MD&A”) together with the additional financial information contained elsewhere in this financial report including the financial statements and the related notes thereto. Our historical results are not necessarily indicative of the results to be expected in the future, and our interim results are not necessarily indicative of the results to be anticipated for the full financial year ending September 30, 2020 or any other period.

These Interim Consolidated Financial Statements have been prepared following IAS 34 Interim Financial Reporting and should be read in conjunction with the Company’s last Annual Consolidated Financial Statements as at and for the financial year ending September 30, 2019.

As of October 1, 2019, we are applying the new lease accounting standard “IFRS 16 Leases”.

For the first-time application of IFRS 16 we choose, in accordance with the transitional requirements of IFRS 16, the modified retrospective approach. Accordingly, the comparative figures for the prior-year reporting period or any other historical comparative figures (before October 1, 2019) have not been adjusted.

Following our current internal management approach and to provide decision-useful, comparable financial information, all current financial figures (from October 1, 2019) included in this section “Management’s Discussion and Analysis of Financial Condition and Results of Operations” are stated before the impact of IFRS 16 lease effects.

For any IFRS 16 effects and disclosures we refer to the section “Interim Consolidated Financial Statements” of this report.

The results of operations and related cash flows in the following text and tables refer to the first six months of the financial year 2019/20, i.e. from October 1, 2019 to March 31, 2020 compared to the first six months of the financial year 2018/19, i.e. from October 1, 2018 to March 31, 2019.

[1] All figures stated in the MD&A are before the impact of IFRS 16.

The Company

Kirk Beauty One GmbH ("Douglas", "Douglas-Group", "Kirk Beauty One Group", the "Group", the "Company",) is a German limited liability company (Gesellschaft mit beschränkter Haftung) incorporated on April 10, 2015 and has its registered office at Luise-Rainer-Straße 7-11, 40235 Düsseldorf/Germany.

Douglas is a leading European specialist retailer of selective beauty and personal care products who generates the vast majority of its sales in the selective beauty distribution channel, i.e. it requires the formal approval by a supplier to distribute a selective product, as opposed to the mass market channel. As of March 31, 2020, the Douglas Group operated in 26 European countries with about 2,270 own stores and round 140 franchise stores and diverse online shops and a dedicated beauty marketplace.

As the leading online and offline platform in European beauty and in line with our #FORWARDBEAUTY strategy - incorporating our five strategic pillars DOUGLAS Brand, Stores, E-Commerce, Assortment and CRM – we are closely monitoring our present footprint and constantly rethinking our market presence. Embedded in our mission to encourage people to live their own kind or beauty, our overall goal is to expand our position as first point of contact on all beauty lifestyle needs and desires.

Result of Operations[2]

The following table summarizes our financial performance for the periods indicated:

		10/01/2019 - 03/31/2020 EUR m	10/01/2018 - 03/31/2019 EUR m
1.	Sales	1,948.8	1,947.8
2.	Cost of raw materials, consumables and supplies and merchandise	-1,083.8	-1,071.8
3.	Gross profit from retail business	865.0	876.1
4.	Other operating income	150.2	153.9
5.	Personnel expenses	-319.8	-328.9
6.	Other operating expenses	-505.3	-495.1
7.	EBITDA	190.1	206.0
	Effects non-recurring on a regular basis	*28.2*	*19.0*
	Adjusted EBITDA	*218.4*	*225.0*
8.	Amortization/depreciation	-63.2	-59.3
9.	EBIT	126.9	146.6
10.	Financial income	25.0	22.2
11.	Financial expenses	-58.6	-59.3
12.	Financial result	-33.6	-37.1
13.	Earnings (loss) before tax (EBT)	93.3	109.5
14.	Income taxes	-33.3	-38.5
15.	Profit (loss) for the period	60.0	71.0

[2] Like aforementioned, all figures stated in the MD&A are before the impact of IFRS 16.

Six Months Ending March 31, 2020 compared to Six Months Ending March 31, 2019[3]

COVID-19 pandemic – extraordinary effects weighs on second quarter results – various countermeasures taken to ensure business

Due to the spreading Coronavirus pandemic, many European governments decided to close stores of non-essential retailers from mid-March 2020.

End of March 2020, almost all of our stores were closed, heavily impacting our brick and mortar business and leading to a decline of our store sales in March 2020 by 59.5 percent compared to March 2019.

In response to COVID-19, we took various countermeasures to ensure our operations, including especially the following points:

Business continuity ensured:

- Focused push on E-Commerce business
- COVID-19 health and safety measures for our customers and employees

Liquidity Safeguarded:

- Revolving Credit Facility (RCF) drawn
- Purchase negotiations and agreements with suppliers
- Short-term labor programs
- Rent negotiations and agreements with landlords
- Use of non-payment obligation to rent in certain countries / jurisdictions due to pandemic situation
- Strict cost discipline
- Partial management salary waiver

Given the extraordinary situation and unique nature of the Coronavirus pandemic, some to the Coronavirus related costs have been adjusted as "non-recurring effects on a regular basis" and disclosed as separate line item "Coronavirus pandemic effects" in our Segment Reporting. These adjustments comprise in particular staff- and rent-related idle costs in connection with our closed stores as well as other additional costs caused by the Coronavirus pandemic such as costs in relation with our health and safety measures for our customers and employees.

Net Sales (i.e. sales generated from third parties)

Starting from our strong first quarter 2019/20 position with an increase of net sales by 6.0 percent versus the first quarter 2018/19, we continued our excellent first quarter momentum into January and February 2020 increasing our total net sales in the first two months of the second quarter of the financial year 2019/20 by 5.9 percent versus previous year's January and February.

Against the background of strengthening the digitalization and e-commerce of our business in the context of our #FORWARDBEAUTY strategy our online business increased by outstanding 51.3 percent in March 2019/20 partially compensating the decrease of our brick and mortar business accounting for 59.5 percent and leading to an overall decrease of total net sales by 40.2 percent in March 2019/20 versus March 2018/19.

[3] Like aforementioned, all figures stated in the MD&A are before the impact of IFRS 16.

Despite the global Coronavirus pandemic, severe impacting our stationary business from March 2020 onwards, our total net sales remained relatively flat during the first half of the financial year 2019/20 versus previous year reporting period by 0.1 percent.

Net sales in our four reportable segments – **Germany**, **France**, **South-Western Europe** and **Eastern Europe** – developed in the first half year of the financial year 2019/20 compared to the prior-year reporting period as follows:

Regardless of the Coronavirus severely impacting our business in March, net sales in **Germany** increased by €26.1 million or 3.6 percent. On a like-for-like basis our net sales in Germany increased by 2.7 percent, driven by particularly strong e-commerce growth of 26.4 percent.

In **France** net sales decreased versus prior-year reporting period by 3.1 percent and on a like-for-like basis our net sales in France decreased by 3.5 %.

South-Western Europe includes with Italy and Spain two core countries most effected by the Coronavirus pandemic. This is reflected in a 4.0 percent decline of net sales compared to prior-year reporting period. On a like-for-like basis our net sales in South-Western Europe decreased by 3.4 %.

In **Eastern Europe** net sales increased by strong 6.8 percent. This increase was driven by a solid store performance as well as a significant increase in online sales. On a like-for-like basis our sales (net) in Eastern Europe increased by 4.6 percent.

Cost of raw materials, consumables, supplies and merchandise

The cost of raw materials, consumables, supplies and merchandise for the first six months of the financial year 2019/20 amounted to €1,083.8 million (55.6 percent of total net sales) compared to €1,071.8 million (55.0 percent of total net sales) for the six months ending March 31, 2019.

Adjusted for "non-recurring effects on a regular basis" resulting from PPA-effects of our acquisition the adjusted cost of raw materials, consumables, supplies and merchandise for the six months ending March 31, 2020 stays unchanged (55.6 percent of total sales) compared to (54.9 percent of total sales) for the six months ending March 31, 2019.

Gross Profit

Our Gross Profit decreased by €11.0 million or 1.3 percent to €865.0 million during the first six months of the financial year 2019/20.

Our for PPA-effects adjusted gross margin decreased slightly by 0.7 percentage points, to 44.4 percent, still reflecting our high operational trading profitability, especially against the background of the very competitive environment and the Coronavirus impact from mid-March onwards.

Other operating income

Other operating income accounted for €150.2 million compared to €153.9 million for the six months ending March 31, 2019. This decrease was mainly affected by lower income from reversal of provisions.

Adjusted for extraordinary effects resulting from "other non-recurring effects on a regular basis" accounting for €7.4 million, adjusted other operating income as a percentage of total sales accounted for 7.3 percent compared to 7.8 percent during the six months ending March 31, 2019.

Personnel expenses

Personnel expenses accounted for €319.8 million compared to 328.9 million for the six months ending March 31, 2019 also in percentage of total net sales an improvement, accounting for 16.4 percent compared to 16.9 percent during the six months ending March 31, 2019.

Adjusted for "non-recurring effects on a regular basis" amounting to €5.9 million, in particular resulting from Coronavirus pandemic costs, the adjusted personnel expenses as a percentage of total sales improved, accounting for 16.1 percent compared to 16.7 percent during the six months ending March 31, 2019.

Other operating expenses

Other operating expenses accounted for €505.3 million compared to €495.1 million for the six months ending March 31, 2019. This increase was mainly affected by higher goods handling costs and marketing expenses partially compensated by lower other expenses.

Adjusted for the reclassification of credit card fees to the financial result and "non-recurring effects on a regular basis" such as consulting fees and Coronavirus-related costs, other operating expenses as a percentage of total sales decreased to 24.4 percent from 24.7 percent in the first six months of the financial year 2018/19.

EBITDA and Adjusted EBITDA[4]

The EBITDA decreased by 7.7 percent to €190.1 million from €206.0 million during the first six months of the financial year 2019/20, due to the shutdown of the vast majority of our branches mid-March 2020, caused by the Coronavirus.

In line with the development of our total net sales we start from a strong first quarter 2019/20 position with an increase of Adjusted EBITDA by 5.1 percent versus the first quarter 2018/19 and continued our excellent first quarter momentum into January and February 2020 increasing our Adjusted EBITDA by 33.0 percent to €23 million from €17 million compared to previous year's January and February 2019. The severe impact of the Coronavirus pandemic in March 2020 led to a decline of Adjusted EBITDA by almost one hundred percent to €0 million from €22 million in March 2019.

During the first half of the financial year 2019/20, Adjusted EBITDA decreased by 3.0 percent to €218.4 million from €225.0 million during the six months ending March 31, 2019.

As a percentage of total net sales, Adjusted EBITDA has been slightly below prior-year level. Total adjustments for "non-recurring effects on a regular basis" and credit card fees increased by €9.2 million to €28.2million during the first six months of the financial year 2019/20 compared to €19.0 million during the first six months of the financial year 2018/19. This increase essentially results from higher extraordinary costs related to the Coronavirus pandemic, amounting to €14.7 million as well as higher consulting fees accounting for €8.3 million, partially compensated by higher extraordinary income reported in "other non-recurring effects on a regular basis", lower PPA-effects and lower restructuring costs.

EBITDA and Adjusted EBITDA in our four reportable segments – Germany, France, South-Western Europe and Eastern Europe – developed in the first half year of the financial year 2019/20 compared to the prior-year reporting period as follows:

Adjusted EBITDA in Germany decreased by €1.2 million to €46.0 million during the six months ending March 31, 2020 from €47.3 million during the six months ending March 31, 2019.

[4] Like aforementioned, all figures stated in the MD&A are before the impact of IFRS 16.

Adjustments on EBITDA of the German reportable segment totaled €10.3 million during the six months ending March 31, 2020, primarily resulting from consulting fees, Coronavirus pandemic effects and credit card fees partially compensated by extraordinary income reported in "other non-recurring effects on a regular basis".

Adjusted EBITDA margin decreased by 0.4 percentage points from 6.6 percent to 6.2 percent.

Adjusted EBITDA in France accounted for €82.8 million during the six months ending March 31, 2020 and remained at the same level compared to the prior-year reporting period.

Adjustments on EBITDA amounted to €4.3 million during the six months ending March 31, 2020, relating to credit card fees and Coronavirus pandemic effects.

Despite the Coronavirus negatively impacting the French business, Adjusted EBITDA margin increased by 0.6 percentage points from 18.2 percent to 18.8 percent, reflecting the healthy French business at a high level.

Compared to prior-year period adjusted EBITDA in South-Western Europe decreased during the six months ending March 31, 2020 by €5.9 million from €63.0 million to €57.1 million, corresponding to the sales development and reflecting the particularly early and severe Coronavirus pandemic situation in Italy and Spain.

Adjustments on EBITDA accounting for €11.0 million during the six months ending March 31, 2020 are primarily attributable to Coronavirus pandemic effects and credit card fees.

During the first half year of the financial year 2019/20 Adjusted EBITDA in the Eastern Europe segment remained quite stable with €31.6 million versus €31.8 million in the first half year of the previous financial year.

The adjustments on EBITDA accounted for €2.6 million during the six months ending March 31, 2020 and resulted from Coronavirus pandemic effects and credit card fees.

EBIT

In the first six months of the financial year 2019/20, EBIT decreased by €19.7 million to €126.9 million from €146.6 million during the six months ending March 31, 2019. €3.9 million are explained by higher amortization and depreciation expenses, €15.9 million are the result of lower EBITDA, we refer to the above section "EBITDA and adjusted EBITDA".

Financial result

Due to higher interest income from receivables, the financial result increased by €3.5 million to minus €33.6 million during the six months ending March 31, 2020 from minus €37.1 million compared to the six months of the financial year 2018/19.

Income taxes

Income tax expenses amounted to €33.3 million during the six months ending March 31, 2020 compared to €38.5 million during the six months ending March 31, 2019.

Profit and Adjusted Profit[5]

As a result of the foregoing, our profit for the six months ending March 31, 2020 amounted to €60.0 million, compared to €71.0 million during the six months ending March 31, 2019.

[5] Like aforementioned, all figures stated in the MD&A are before the impact of IFRS 16.

Adjusted profit during the six months ending March 31, 2020 amounted to €73.1 million compared to €78.9 million in the prior-year reporting period.

The adjustments on EBITDA, already being disclosed above in the section "EBITDA and Adjusted EBITDA" and totaling €28.2 million in the first six months ending March 31, 2020 are partially compensated by the reclassification of credit card fees and valuation effects of financial instruments totaling minus €9.0 million. The calculated income taxes on adjustments account for €6.2 million.

Segment Reporting

The reportable segments are categorized based on their organizational and decision-making structure and the content of the internal reporting to the chief operating decision-maker. The segment performance indicator and DOUGLAS Group's key performance indicator is Adjusted EBITDA, that is used to assess the performance of the segments and manage resource allocation.

For more details please refer to the section *"Interim Consolidated Financial Statements", chapter "Segment Reporting".*

Sales[6]

The following table shows the external sales of our segments, which exclude sales between segments, for the periods indicated:

	10/01/2019 - 03/31/2020	10/01/2018 - 03/31/2019
	EUR m	EUR m
Sales	**1,948.8**	1,947.8
Segments		
Germany		
Sales (net)	743.5	717.4
Intersegment sales	28.3	28.3
Sales	771.8	745.7
France		
Sales (net)	441.2	455.5
Intersegment sales	0.0	0.0
Sales	441.2	455.5
South-Western Europe		
Sales (net)	561.8	585.5
Intersegment sales	0.0	0.0
Sales	561.8	585.5
Eastern Europe		
Sales (net)	202.3	189.4
Intersegment sales	0.0	0.0
Sales	202.3	189.4

[6] Like aforementioned, all figures stated in the MD&A are before the impact of IFRS 16.

EBITDA and Adjusted EBITDA[7]

The following table shows our EBITDA and Adjusted EBITDA separated by segments for the periods indicated:

		10/01/2019 - 03/31/2020	10/01/2018 - 03/31/2019
Douglas-Group			
EBITDA	EUR m	190.1	206.0
EBITDA-margin	%	9.8	10.6
Effects non-recurring on a regular basis	EUR m	28.2	19.0
Adjusted EBITDA	EUR m	218.4	225.0
Adjusted EBITDA-margin	%	11.2	11.6
Segments			
Germany			
EBITDA	EUR m	35.8	38.6
EBITDA-margin	%	4.8	5.4
Effects non-recurring on a regular basis	EUR m	10.3	8.7
Adjusted EBITDA	EUR m	46.0	47.3
Adjusted EBITDA-margin	%	6.2	6.6
France			
EBITDA	EUR m	78.4	78.5
EBITDA-margin	%	17.8	17.2
Effects non-recurring on a regular basis	EUR m	4.3	4.3
Adjusted EBITDA	EUR m	82.8	82.8
Adjusted EBITDA-margin	%	18.8	18.2
South-Western Europe			
EBITDA	EUR m	46.1	58.2
EBITDA-margin	%	8.2	9.9
Effects non-recurring on a regular basis	EUR m	11.0	4.8
Adjusted EBITDA	EUR m	57.1	63.0
Adjusted EBITDA-margin	%	10.2	10.8
Eastern Europe			
EBITDA	EUR m	29.0	30.5
EBITDA-margin	%	14.3	16.1
Effects non-recurring on a regular basis	EUR m	2.6	1.3
Adjusted EBITDA	EUR m	31.6	31.8
Adjusted EBITDA-margin	%	15.6	16.8

[7] Like aforementioned, all figures stated in the MD&A are before the impact of IFRS 16.

Liquidity and Capital Resources

Overview

The main sources of liquidity on an ongoing basis are the operating cash flows and a liquidity reserve (Cash and cash equivalents), amounting to €308.6 million as of March 31, 2020.

Mid-March 2020, against the background of the Coronavirus pandemic, we secured our liquidity and draw our €200.0 million[8] senior secured multi-currency revolving credit facility (the "Revolving Credit Facility" or "RCF"). As of March 31, 2020, the outstanding borrowings under the Revolving Credit Facility amounted to € 163.6 million.

Our ability to generate cash depends on our operating performance which in turn depends to some extent on general economic, financial, competitive, legislative, regulatory and other factors, many of which are beyond our control.

Despite the severe impact of the Coronavirus pandemic negatively affecting our brick and mortar business, we believe that, based on our current level of operations and the outlook on the Coronavirus pandemic, our cash flows from operating activities and our liquidity reserve will be sufficient to fund our operations, capital expenditures and debt service for at least the next twelve months.

The ability of the subsidiaries to pay dividends and make other payments to us may be restricted by, among other things, legal prohibitions on such payments or otherwise distributing funds to us, including for the purpose of servicing debt.

We anticipate that we will continue to be leveraged in the foreseeable future. Our current level of debt may have negative consequences. In addition, any additional indebtedness that we do incur could reduce the amount of our cash flow available to make payments on our then existing indebtedness and increase our leverage.

Net Working Capital

We define our net working capital as the sum of the line items (i) inventories, (ii) trade accounts receivable, (iii) trade accounts payable (including trade accounts payable related to investments in non-current assets), as well as (iv) other receivables and liabilities related to supplier receivables for rebates/bonuses and marketing subsidies and outstanding voucher liabilities. Our net working capital shows seasonal patterns with investments in inventory generally reaching a peak in October and November while our trade payables typically peak in December. The development of our net working capital is a key factor for our operating cash flow.

The following table summarizes our net working capital as at the dates indicated:

	03/31/2020	03/31/2019
	EUR m	EUR m
Inventories	821.6	810.8
Trade accounts receivable	34.6	47.4
Trade accounts payable	-513.6	-525.7
Other	-58.2	-39.1
Net Working Capital	**284.4**	293.3

[8] RCF- available amount of €200.0 million is reduced by rental guarantees amounting to €13.5 million and a non-cash credit facility reserved for guarantess accounting for €10.0 million.

Net Working Capital decreased by €8.9 million to €284.4 million as of March 31, 2020. This decrease is a result of various and partially opposite effects: lower trade account receivables in connection with timing effects, higher inventories due to the very short-term closure of the majority of our stores, lower payables due to reduction of purchases, and furthermore in particular less bonus receivables and more coupons not yet redeemed both included in "Other".

Investments in non-current assets

The investments made during the first half year of the financial year 2019/20 mainly related to investments in the refurbishment, maintenance, design and re-design of existing stores and new store openings as well as IT and E-commerce.

The main source of funding for these investments has been positive cash flow from operating activities.

In the six months ending March 31, 2020, our investments in non-current assets (cash outflow) amounted to €55.4 million, compared to €69.6 million in the prior-year reporting period.

The investments in non-current assets during the first half year of the financial year 2019/20 consisted of €38.1 million additions in tangible and intangible assets as well as provisions for outstanding invoices on fixed assets of €15.5 million.

Consolidated Cash Flow Data[9]

			10/01/2019-03/31/2020 EUR m	10/01/2018-03/31/2019 EUR m
1.	=	EBITDA	190.1	206.0
2.	+/-	Increase/decrease in provisions	-16.3	-13.5
3.	+/-	Other non-cash expense/income	-2.2	-1.0
	+/-	Loss/profit on the disposal of non-current assets	0.0	0.0
4.	+/-	Changes in net working capital without liabilities from investments in non-current assets	22.1	-38.2
5.	+/-	Changes in other assets/liabilities not classifiable to investing or financing activities	8.7	9.7
6.	-/+	Paid/reimbursed taxes	-10.7	-12.5
7.	=	Net cash flow from operating activities	191.8	150.3
8.	+	Proceeds from the disposal of non-current assets	0.2	2.1
9.	-	Investments in non-current assets	-55.6	-69.6
10.	=	Net cash flow from investing activities	-55.4	-67.4
11.		Free cash flow (total of 8. and 12.)	136.4	82.9
12.	-	Payments for the repayment of financial liabilities	-17.6	-2.3
13.	+	Proceeds from borrowings	165.2	1.8
14.	-	Interest paid	-55.6	-55.0
15.	+	Interest received	0.1	0.0
16.	=	Net cash flow from financing activities	92.0	-55.5
17.		Net change in cash and cash equivalents (total of 8., 12. and 20.)	228.4	27.4
18.	+/-	Net change in cash and cash equivalents due to currency translation	-0.9	0.0
19.	+	Cash and cash equivalents at the beginning of the reporting period	81.0	102.9
20.	**=**	**Cash and cash equivalents at the end of the reporting period**	**308.6**	130.3

Cash Flow from operating activities

Cash provided by **operating activities** increased by €41.5 million, to €191.8 million during the six months ending March 31, 2020, from €150.3 million during the six months ending March 31, 2019.

This increase was mainly the result of the development of trade accounts payable leading to a significant increase in "Changes in net working capital without liabilities from investments in non-current assets". Starting from lower trade accounts payable as of the beginning of the financial year 2019/20 compared to the prior financial year 2018/19, we began in March 2020, in response to the COVID-19 pandemic, negotiating successfully with our suppliers about longer payment terms.

Cash Flow from investing activities

Cash used for **investing activities** (cash outflows) decreased by €12.0 million to €55.4 million during the six months ending March 31, 2020, from €67.4 million during the six months ending

[9] Like aforementioned, all figures stated in the MD&A are before the impact of IFRS 16.

March 31, 2019. This decrease is related to lower investments in non-current assets, as we have finished rebranding of our stores and related less overspill in the first half year of the financial year 2019/20 compared to the prior year reporting period.

Cash Flow from financing activities

During the six months ending March 31, 2020, cash raised or used for **financing activities** amounted to €92.0 million (cash inflows) compared to cash outflows of €55.5 million during the six months ending March 31, 2019. The increase of €147.5 million primarily relates to the borrowings under the Revolving Credit Facility (RCF) accounting for €163.6 million partially compensated by repayment of financial liabilities related to a remaining purchase price.

Liquidity as at March 31, 2020

As at March 31, 2020 the cash balance amounted to € 308.6 million. Our net debt position includes the nominal values of the Term Loan B Facility, the Revolving Credit Facility (RCF) and the Notes as of March 31, 2020.

	03/31/2020	03/31/2019
	EUR m	EUR m
Term Loan B	-1,670.0	-1,670.0
Revolving Credit Facility (RCF)	-163.6	0.0
Senior Notes	-335.0	-335.0
Senior Secured Notes	-300.0	-300.0
Accrued interests	-10.3	-10.5
Other financial indebtedness	-0.2	-0.6
Total Debt	-2,479.2	-2,316.0
Cash and cash equivalents	308.6	130.3
Net Debt	**-2,170.6**	-2,185.7

Interim Consolidated Financial Statements

of Kirk Beauty One GmbH for the period from October 1, 2019 through March 31, 2020 and for the period from October 1, 2018 through March 31, 2019.

Interim Consolidated Statement of Profit or Loss

of Kirk Beauty One GmbH for the period from October 1, 2019 through March 31, 2020 and for the period from October 1, 2018 through March 31, 2019.

		10/01/2019-03/31/2020 EUR m	10/01/2018-03/31/2019 EUR m	01/01/2020 - 03/31/2020 EUR m	01/01/2019 - 03/31/2019 EUR m
1.	Sales	1,948.8	1,947.8	655.9	728.1
2.	Cost of raw materials, consumables and supplies and merchandise	-1,083.8	-1,071.8	-344.0	-379.6
3.	Gross profit from retail business	865.0	876.1	311.9	348.6
4.	Other operating income	143.0[10]	153.9	46.1	58.0
5.	Personnel expenses	-319.8	-328.9	-146.9	-158.1
6.	Other operating expenses	-359.5[11]	-495.1	-146.9	-217.8
7.	Result from impairments on financial assets	0.0	0.0	0.2	0.0
8.	EBITDA	328.8[12]	206.0	64.4	30.7
9.	Amortization/depreciation	-207.5[13]	-59.3	-104.4	-31.0
10.	EBIT	121.3	146.6	-40.0	-0.3
11.	Financial income	25.0	22.2	12.2	11.2
12.	Financial expenses	-67.1[14]	-59.3	-33.7	-29.6
13.	Financial result	-42.1	-37.1	-21.5	-18.4
14.	Earnings (loss) before tax (EBT)	79.1	109.5	-61.5	-18.7
15.	Income taxes	-33.3	-38.5	0.6	-0.8
16.	**Profit (+) or Loss (-) of the period**	**45.9[15]**	71.0	**-60.8**	-19.5
	Attributable to owners of the parent	*45.9*	*71.0*	*-60.8*	*-19.5*
	Attributable to non-controlling interests	*0.0*	*0.0*	*0.0*	*0.0*

[10] Included IFRS 16 effect: Other operating income decreased by €7.1 million.

[11] Included IFRS 16 effect: Other operating expenses decreased by €145.8 million.

[12] EBITDA for the first half of the financial year 2019/20 included the positive lease effect from applying “IFRS 16 leases” amounting to €138.7 million. Adjusted for this IFRS16 effect, EBITDA accounted for €190.1 million.

[13] Included IFRS 16 effect: Depreciation increased by €144.3 million.

[14] Included IFRS 16 effect: Financial expenses increased (hence the Financial result decreased) by €8.5 million.

[15] Included IFRS 16 effect: Profit decreased by €14.2 million.

Interim Consolidated Reconciliation from Profit or Loss to Total Comprehensive Income

of Kirk Beauty One GmbH for the period from October 1, 2019 through March 31, 2020 and for the period from October 1, 2018 through March 31, 2019.

	10/01/2019-03/31/2020 EUR m	10/01/2018-03/31/2019 EUR m	01/01/2020 - 03/31/2020 EUR m	01/01/2019 - 03/31/2019 EUR m
Profit (+) or Loss (-) of the period	45.9	71.0	-60.8	-19.5
Components that are or may be reclassified subsequently to the income statement				
Foreign currency translation differences arising from translating the financial statements of a foreign operation	-4.5	-0.5	1.1	0.0
Components that will not be reclassified to profit or loss				
Actuarial gains/losses from pension provisions	0.0	0.0	0.0	0.0
Other comprehensive income	-4.5	-0.5	1.1	0.0
Total comprehensive income	**41.3**	70.5	**-59.7**	-19.5
Attributable to owners of the parent	41.3	70.5	-59.7	-19.5
Attributable to non-controlling interests	0.0	0.0	0.0	0.0

Interim Consolidated Statement of Financial Position

of Kirk Beauty One GmbH as of March 31, 2019 and 2018 and as of September 30, 2019.

Assets		03/31/2020 EUR m	03/31/2019 EUR m	09/30/2019 EUR m
A.	Non-current assets			
I.	Intangible assets	2,338.5	2,352.9	2,347.6
II.	Property, plant and equipment	275.1	303.2	292.8
III.	Right-of-use assets from leases[16]	1,352.4[17]	0.0	0.0
IV.	Tax receivables	0.0	0.0	0.0
V.	Financial assets	589.4	395.9	569.8
VI.	Shares in associated companies	0.0	0.0	0.0
VII.	Deferred tax assets	87.6	65.2	85.6
		4,643.0	3,117.2	3,295.8
B.	Current assets			
I.	Inventories	821.6	810.8	744.4
II.	Trade accounts receivable	34.6	47.4	45.7
III.	Tax receivables	49.3	49.9	30.6
IV.	Financial assets	147.5[18]	355.7	155.4
V.	Other assets	34.6	39.3	30.1
VI.	Cash and cash equivalents	308.6	130.3	81.0
		1,396.0	1,433.4	1,087.3
Total		**6,039.1**	**4,550.5**	**4,383.0**

[16] Predominantly from store leasing.
[17] Full IFRS 16 effect from capitalization of discounted lease payment obligations.
[18] Included IFRS 16 effect: Financial assets increased by €4.7 million.

Equity and Liabilities

		03/31/2020 EUR m	03/31/2019 EUR m	09/30/2019 EUR m
A.	Equity			
I.	Capital stock	0.0	0.0	0.0
II.	Additional paid-in capital	1,125.1	1,125.1	1,125.1
III.	Reserves	-224.6[19]	-157.6	-266.0
IV.	Non-controlling interests	0.0	0.0	0.0
		900.5	967.5	**859.1**
B.	Non-current liabilities			
I.	Pension provisions	39.6	32.9	40.1
II.	Other non-current provisions	52.9	41.8	53.8
III.	Financial liabilities	3,415.5[20]	2,306.7	2,313.5
IV.	Other liabilities	10.8	7.5	8.9
V.	Deferred tax liabilities	192.8	204.3	196.9
		3,711.6	2,593.3	**2,613.2**
C.	Current liabilities			
I.	Current provisions	99.7	89.5	114.6
II.	Trade accounts payable	513.6	525.7	487.0
III.	Tax liabilities	111.3	108.6	60.9
IV.	Financial liabilities	468.8[21]	42.8	37.5
V.	Other liabilities	233.6	223.1	210.8
		1,427.0	989.7	**910.8**
Total		**6,039.1**	4,550.5	**4,383.0**

[19] Included IFRS 16 effect: Reserves decreased by €14.2 million, resulting from Profit or Loss.
[20] Included IFRS 16 effect: non-current financial liabilities increased by €1,101.4.0 million.
[21] Included IFRS 16 effect: current financial liabilities increased by €269.9 million.

Interim Statement of Changes in Group Equity

of Kirk Beauty One GmbH for the period from October 1, 2019 through March 31, 2020 and for the period from October 1, 2018 through March 31, 2019.

			Attributable to owners of the parent				
				Reserves			
	Capital stock EUR m	Additional paid-in capital EUR m	Other reserves EUR m	Reserves for pension provisions EUR m	Differences from currency translation EUR m	Total EUR m	Non-controlling interests EUR m
10/01/2019	0.0	1,125.1	-260.2	-2.9	-2.9	859.1	0.0
Currency translation					-4.5	-4.5	
Profit (+) or Loss (-) of the period			45.9			45.9	0.0
Total comprehensive income	0.0	0.0	45.9	0.0	-4.5	41.3	0.0
Transactions with shareholders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
03/31/2020	**0.0**	**1,125.1**	**-214.3**	**-2.9**	**-7.4**	**900.5**	**0.0**

			Attributable to owners of the parent				
				Reserves			
	Capital stock EUR m	Additional paid-in capital EUR m	Other reserves EUR m	Reserves for pension provisions EUR m	Differences from currency translation EUR m	Total EUR m	Non-controlling interests EUR m
10/01/2018	0.0	1,125.1	-229.0	2.5	-1.6	896.9	0.0
Currency translation					-0.5	-0.5	
Profit (+) or Loss (-) of the period			71.0			71.0	0.0
Total comprehensive income	0.0	0.0	71.0	0.0	-0.5	70.5	0.0
Transactions with shareholders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
03/31/2019	0.0	1,125.1	-158.0	2.5	-2.1	967.5	0.0

Interim Consolidated Statement of Cash Flows

of Kirk Beauty One GmbH for the period from October 1, 2019 through March 31, 2020 and for the period from October 1, 2018 through March 31, 2019.

			10/01/2019- 03/31/2020 EUR m	10/01/2018- 03/31/2019 EUR m
1.		Profit (+) or Loss (-) of the period	45.9	71.0
2.	+	Income taxes	33.3	38.5
3.	+	Financial result	42.1	37.1
4.	+	Amortization/depreciation	207.5	59.3
5.	=	EBITDA	328.8	206.0
6.	+/-	Increase/decrease in provisions	-16.3	-13.5
7.	+/-	Other non-cash expense/income	-2.2	-1.0
8.	+/-	Changes in net working capital without liabilities from investments in non-current assets	22.1	-38.2
9.	+/-	Changes in other assets/liabilities not classifiable to investing or financing activities	15.9	9.7
10.	-/+	Paid/reimbursed taxes	-10.7	-12.5
11.	=	Net cash flow from operating activities	337.7[22]	150.3
12.	+	Proceeds from the disposal of non-current assets	0.2	2.1
13.	-	Investments in non-current assets	-55.6	-69.6
14.	=	Net cash flow from investing activities	-55.4	-67.4
15.		Free cash flow (total of 11. and 14.)	282.2	82.9
16.	-	Payments for the repayment of financial liabilities	-163.4[23]	-2.3
17.	+	Proceeds from borrowings	165.2	1.8
18.	-	Interest paid	-55.6	-55.0
19.	+	Interest received	0.1	0.0
20.	=	Net cash flow from financing activities	-53.8	-55.5
21.		Net change in cash and cash equivalents (total of 11., 14. and 20.)	228.5	27.4
22.	+/-	Net change in cash and cash equivalents due to currency translation	-0.9	0.0
23.	+	Cash and cash equivalents at the beginning of the reporting period	81.0	102.9
24.	**=**	**Cash and cash equivalents at the end of the reporting period**	**308.6[24]**	130.3

[22] Included IFRS 16 effect: Net cash flow from operating activities increased by €145.8 million.
[23] Included IFRS 16 effect: Payments for the repayment of financial liabilities (and hence Net cash flow from financing activities) decreased by €145.8 million.
[24] IFRS 16 has no impact on Total Net Cash Flow (Net change in cash and cash equivalents).

Notes to the Interim Consolidated Financial Statements

of Kirk Beauty One GmbH for the period from October 1, 2019 through March 31, 2020 and for the period from October 1, 2018 through March 31, 2019.

Coronavirus pandemic – extraordinary effects weighs on second quarter results

In March 2020 the effects of the Coronavirus pandemic begun to be felt on European economies.

In response to the coronavirus spread many European governments decided to close stores of non-essential retailers from mid-March 2020.

Within two weeks, starting with Italy as from March 12, 2020 onwards, in most of the countries Douglas operates stores, in particular in all our core countries – Germany, France, Italy, Spain, Poland and The Netherlands – store trading was suspended.

End of March 2020, almost all of our stores were closed, heavily impacting our brick and mortar business and leading to a decline of our store sales in March 2020 by 59.5 percent compared to March 2019.

Given the extraordinary situation and unique nature of the Coronavirus pandemic, some to the Coronavirus related costs have been adjusted as ”non-recurring effects on a regular basis” and disclosed as separate line item “Coronavirus pandemic effects” in our Segment Reporting. These adjustments comprise in particular staff- and rent-related idle costs in connection with our closed stores as well as other additional costs caused by the Coronavirus pandemic such as costs in relation with our health and safety measures for our customers and employees.

Segment Reporting

In conformity with IFRS 8 “Operating Segments”, the reporting segments are categorized based on their organizational and decision-making structure and the content of the internal reporting to the chief operating decision-maker. Unchanged to the financial year ending September 30, 2019, the Douglas Group’s countries are classified as operating segments which are allocated to the reportable segments Germany, France, South-Western Europe and Eastern Europe.

Except for the adjustments of the expenses and income that the management considers to be “non-recurring effects on a regular basis”, credit card fees which are reclassified to the financial result, and all IFRS 16 effects, in accordance with the internal steering logic, the segment results of the operating segments are determined in accordance with the IFRS accounting and valuation methods.

Transfers between segments are generally performed at the same prices that would apply if the transaction were executed with third parties (arm’s length transactions).

Segment sales represent sales with external third parties. Intersegment sales present sales between individual segments. The allocation of segment sales is based on the registered office of the selling unit. The segment performance indicator is Adjusted EBITDA. Adjusted EBITDA is the DOUGLAS Group’s key performance indicator that is used to assess the performance of the segments and manage resource allocation. Adjusted EBITDA is also decisive for calculating the underlying covenants of loan financing. To calculate this key performance indicator, EBITDA is adjusted for items that the Kirk Beauty One management considers to be non-recurring effects on a regular basis and credit card fees which are reclassified to the financial result, and all IFRS 16 effects, in accordance with the internal steering logic.

We evaluate each of our business segments using a measure that reflects all the segment's income and expenses. We believe the most appropriate measure in this regard is Adjusted EBITDA as it is helpful for investors as a measurement of the segment's ability to generate cash and to service financing obligations. EBITDA and Adjusted EBITDA are non-IFRS measures. To obtain Adjusted EBITDA, we adjust our EBITDA for non-recurring items on a regular basis, credit card fees which are reclassified to the financial result and all IFRS 16 effects. Non-recurring items on a regular basis include, but are not limited to PPA effects, consulting fees, restructuring costs, extraordinary financing costs such as fees and other extraordinary costs. The definition of items included in non-recurring items on a regular basis is unchanged compared to the Kirk Beauty One IFRS Consolidated Financial Statements as at September 30, 2019.

Because not all companies that publish financial information calculate EBITDA and Adjusted EBITDA on a uniform basis, our presentation of these measures may not be comparable to measures under the same or similar names used by other companies. Accordingly, undue reliance should not be placed on these measures.

Reportable Segments

		Germany		France		South-Western Europe	
		10/01/2019-03/31/2020	10/01/2018-03/31/2019	10/01/2019-03/31/2020	10/01/2018-03/31/2019	10/01/2019-03/31/2020	10/01/2018-03/31/2019
Sales (net)	EUR m	743.5	717.4	441.2	455.5	561.8	585.5
Intersegment sales	EUR m	28.3	28.3	0.0	0.0	0.0	0.0
Sales	EUR m	771.8	745.7	441.2	455.5	561.8	585.5
EBITDA	EUR m	77.1	38.6	100.9	78.5	104.0	58.2
EBITDA-margin	%	10.4	5.4	22.9	17.2	18.5	9.9
Non-recurring effects on a regular basis and credit card fees- adjustments	EUR m	10.3	8.7	4.3	4.3	11.0	4.8
IFRS 16 effects- adjustments	EUR m	-41.4	0.0	-22.5	0.0	-57.8	0.0
Adjusted EBITDA	EUR m	46.0	47.3	82.8	82.8	57.1	63.0
Adjusted EBITDA-margin	%	6.2	6.6	18.8	18.2	10.2	10.8
Inventories	EUR m	261.7	279.5	135.9	136.9	322.5	299.8
Capital expenditure	EUR m	18.1	21.7	4.8	5.6	6.8	10.2

		Eastern Europe 10/01/2019-03/31/2020	10/01/2018-03/31/2019	Consolidation 10/01/2019-03/31/2020	10/01/2018-03/31/2019	Kirk Beauty One GmbH 10/01/2019-03/31/2020	10/01/2018-03/31/2019
Sales (net)	EUR m	202.3	189.4			1,948.8	1,947.8
Intersegment sales	EUR m	0.0	0.0	-28.3	-28.3	0.0	0.0
Sales	EUR m	202.3	189.4	-28.3	-28.3	1,948.8	1,947.8
EBITDA	EUR m	46.0	30.5	0.8	0.1	328.8	206.0
EBITDA-margin	%	22.7	16.1			16.9	10.6
Non-recurring effects on a regular basis and credit card fees- adjustments	EUR m	2.6	1.3			28.2	19.0
IFRS 16 effects- adjustments	EUR m	-17.0	0.0	0.0	0.0	-138.7	0.0
Adjusted EBITDA	EUR m	31.6	31.8	0.8	0.1	218.4	225.0
Adjusted EBITDA-margin	%	15.6	16.8			11.2	11.6
Inventories	EUR m	105.4	99.3	-4.0	-4.8	821.6	810.8
Capital expenditure	EUR m	8.4	6.4			38.1	43.9

Non-current assets

The non-current assets recognized on a cross-segment basis include all non-current assets in Germany and abroad except for non-current tax items. Segment debt is not reported to the chief operating decision-maker on a regular basis.

	03/31/2020 EUR m	03/31/2019 EUR m
Germany	25.3	6.0
Other countries	7.1	8.4
Total	**32.4**	14.4

Reconciliation from EBITDA to Adjusted Profit (+) or Loss (-)

	10/01/2019- 03/31/2020 EUR m	10/01/2018- 03/31/2019 EUR m
EBITDA	328.8[25]	206.0
Purchase Price Allocations (PPA)	1.8	4.3
Restructuring costs and severance payments	0.3	2.8
Consulting fees	8.3	2.5
Other non-recurring effects on a regular basis	-5.9	0.9
Credit card fees	9.1	8.6
Coronavirus pandemic effects	14.7	0.0
Non-recurring effects on a regular basis and credit card fees - adjustments	28.2	19.0
IFRS 16 effects- adjustments	-138.7	0.0
Sum of adjustments	-110.4	19.0
Adjusted EBITDA	218.4	225.0
Amortization/depreciation	-207.5	-59.3
Impairment of non-current and current assets	0.0	-1.3
IFRS 16 effects- adjustments	144.3	0.0
Adjusted EBIT	155.2	164.4
Financial result	-42.1	-37.1
Reclassification of credit card fees and valuation effects of financial instruments	-9.0	-6.9
IFRS 16 effects- adjustments	8.5	0.0
Adjusted EBT	112.6	121.1
Income taxes	-33.3	-38.5
Income taxes on adjustments	-6.2	-3.0
Adjusted Profit (+) or Loss (-)	73.1	78.8

[25] EBITDA for the first half of the financial year 2019/20 include the IFRS 16 lease effect amounting to 138.7 million. Adjusted for this IFRS16 effect EBITDA account for €190.1 million.

General principles

Kirk Beauty One GmbH (Kirk Beauty One, parent company, company) is a German limited liability company (Gesellschaft mit beschränkter Haftung), has its registered office at Luise-Rainer-Str. 7-11, 40235 Düsseldorf, Germany and is registered in commercial register B of the district court of Düsseldorf under the registration number 79429.

Kirk Beauty One and Douglas GmbH issued Senior Secured Notes and Senior Notes at GEM segment of the Irish Stock Exchange in July 2015.

These Interim Consolidated Financial Statements cover the period of the first six months of the financial year 2019/20 from October 1, 2019 through March 31, 2020 (interim period) as of March 31, 2020 (interim reporting date) and were prepared according to the International Financial Reporting Standards (IFRS) taking into account all mandatory accounting standards and interpretations in the European Union adopted at that time.

These Interim Consolidated Financial Statements have been prepared by following IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Company's last Annual Consolidated Financial Statements for the financial year ending September 30, 2019. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last (Interim) consolidated financial statements.

Except for IFRS 16 Leases, which became mandatory for the first time on October 1, 2019, all accounting and valuation principles as well as the consolidation principles for the reporting period are substantially consistent with those applied for the Kirk Beauty One's Annual Consolidated Financial Statements as of September 30, 2019. All sales-related, seasonal or cyclical issues have been deferred during the financial year in accordance with sound business judgement.

These Interim Consolidated Financial Statements were authorized for issue by the Company's management board on May 26, 2020.

The Interim Consolidated Financial Statements were prepared in euros (EUR/€). All figures are stated in millions of euros (EUR m) unless otherwise stated.

New accounting standards

Kirk Beauty One's Interim Consolidated Financial Statements as at March 31, 2020 were prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union and mandatory for the financial year 2019/20.

Apart from IFRS 16 Leases, all other new accounting standards applied for the first time on October 1, 2019 or not yet applied have no or no material impact on the presentation of Kirk Beauty One's Interim Consolidated Financial Statements. Reference is made to the overview summary of newly implemented or revised IASB accounting standards and interpretations on page F-11 of the Kirk Beauty One's Annual IFRS Consolidated Financial Statements as at September 30, 2019.

IFRS 16 Leases – the new lease accounting, mandatory first-time adoption for our financial year 2019/20

Douglas has initially adopted IFRS 16 Leases from October 1, 2019. IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the Group, as a lessee, has recognized right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make payments. The (new) international financial reporting standard for leases "IFRS

16 Leases", replaced "IAS 17 Leases" and "IFRIC 4 Determining Whether an Arrangement Contains a Lease".

As of October 1, 2019, Douglas recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. Payment obligations from contracts previously classified as operating leases have been discounted at the corresponding incremental borrowing rate and recognized as a lease liability (present value of lease payments).

After initial recognition, the lease liability is measured at amortized cost using the effective interest method. Therefore, the current lease payments are split into a repayment and an interest expenses component, whereby the repayment reduces the lease liability. The interest expense is recognized in the Statement of Profit- or Loss over the term of the lease.

The right-of-use asset is depreciated in accordance with the requirements of IAS 16 – i.e. the depreciation method reflects the pattern in which the future economic benefits of the right-of-use asset are consumed. In general, this will result in a straight-line depreciation charge. The depreciation period runs to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Douglas used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- We applied the exemption not to recognize right-of-use assets and liabilities for both leases with less than 12 months of lease term and low value leases.
- We used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

In general, Douglas recognizes the lease payments associated with the short term and low value leases in the Interim Consolidated Statement of Profit or Loss as other expenses on a straight-line basis over the lease term.

Transition:

Previously, Douglas classified property leases as operating leases under IAS 17. These primarily include warehouse, retail stores and other facilities.

Douglas has applied IFRS using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at October 1, 2019. Accordingly, the comparative figures for the 2018/19 financial year have not been adjusted.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as of October 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all leases.

We excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

Due to the fact that Douglas is leasing about 2.270 own stores as lessee, IFRS 16 has the following significant effects on the assets, financial position, profit or loss and cash flows of the Group for the first half year ending as at March 31, 2020.

- Recognition of the rights-of-use, predominantly from store leases, as right-of-use asset and corresponding to as lease liabilities / financial liabilities (balance sheet extension)

- Reduction of lease expenses / other operating expenses leading to higher EBITDA
- Increase of depreciation due to the depreciation of the recognized right-of-use assets
- Increase of interest expenses due to the compounding of the lease liability leading to a lower Profit (or higher Loss) of the period
- Increase of net cash flow from operating activities and corresponding decrease of net cash flow from financing activities (overall net cash flow remains unchanged)

Consolidation principles

Group of consolidated companies

All the German and foreign companies over which Kirk Beauty One GmbH has direct or indirect control are fully consolidated in the Consolidated Financial Statements.

	Germany	Other countries	Total
10/01/2019	22	37	59
companies consolidated for the first time	0	0	0
deconsolidated companies	0	0	0
merged companies	0	0	0
03/31/2020	22	37	59

Currency translation

The Interim Consolidated Financial Statements are presented in euros (Group currency), the functional currency of the parent company. The annual financial statements of foreign subsidiaries whose functional currency is not the same as the Group currency are translated into euros according to the functional currency concept.

The following exchange rates have been used for currency conversion for the foreign subsidiaries:

		Average exchange rate 10/01/2019-03/31/2020 EUR	Closing rate 03/31/2020 EUR	Average exchange rate 10/01/2018-03/31/2019 EUR	Closing rate 03/31/2019 EUR
Bulgarian Lev	BGN	0.51130	0.51130	0.51130	0.51130
Swiss Franc	CHF	0.91221	0.94473	0.87094	0.89437
Czech Koruna	CZK	0.03898	0.03661	0.03888	0.03876
Croatian Kuna	HRK	0.13450	0.13114	0.13489	0.13452
Hungarian Forint	HUF	0.00303	0.00278	0.00312	0.00311
Polish Zloty	PLN	0.23241	0.21975	0.23306	0.23253
Romanian Lei	RON	0.21005	0.20711	0.21427	0.21005
Turkish Lira	TRY	0.15349	0.13877	0.16558	0.15761
U.S. Dollar	USD	0.89988	0.91274	0.86165	0.89008

Foreign currency transactions are recognized in the functional currency as translated at the applicable exchange rate at the time of the transaction. Assets and liabilities nominally denominated in such foreign currencies are translated at the exchange rate on the interim reporting date. All differences resulting from currency translation are recognized in profit or loss in the consolidated income statement.

Accounting and valuation principles

The accounting and valuation principles for the reporting period are substantially consistent with those applied for the Kirk Beauty One's Annual Consolidated Financial Statements as of September 30, 2019. All sales-related, seasonal or cyclical issues have been deferred during the financial year in accordance with sound business judgement.

Use of judgements

Judgement was applied in particular in relation to the assessment of the level of control in determining the scope of consolidation and to determine whether leases were operating leases or finance leases and judging the lease term.

Assumptions and estimates

Assumptions and estimates have been made in the preparation of this Interim Consolidated Financial Statements that impact the disclosure and amount of the assets and liabilities, income and expenses carried in these statements. These assumptions and estimates were used, in particular, in the determination of useful lives, assessing the lease term as the non-cancellable period of the lease together with extension and termination options, valuing provisions and pension provisions, assessing the impairment of goodwill, measuring provisions, uncertain tax positions and measuring instruments which are issued as part of share based payment programs as well as estimating the probability that future tax refunds will be realized. In addition, assumptions and estimates are of significance in determining the fair values and acquisition costs associated with business combinations. Actual values may vary in individual cases from the assumptions and estimates made. Changes are recognized in income as soon as more detailed information is known.

Borrowing liabilities

As of March 31, 2020, the borrowings comprise Senior Notes and bank liabilities including the drawn Revolving Credit Facility[26], excluding current accounts as follows:

	03/31/2020		03/31/2019		09/30/2019	
	Nominal amount EUR m	Carrying amount EUR m	Nominal amount EUR m	Carrying amount EUR m	Nominal amount EUR m	Carrying amount EUR m
Senior Secured Notes	300.0	300.3	300.0	298.7	300.0	299.5
Senior Notes	335.0	335.7	335.0	334.0	335.0	334.9
Term Loan B Facility	1,670.0	1,670.0	1,670.0	1,670.3	1,670.0	1670.0
Revolving Credit facility (RCF)	163.6	163.9	0.0	0.0	0.0	0.0
Total	**2,468.6**	**2,469.9**	2,305.0	2,303.1	**2,305.0**	**2304.4**

Individual companies also have access to bilateral credit lines, of which €0,2 million had been utilized as of March 31, 2020.

Kirk Beauty One and its subsidiaries have to meet certain obligations and qualitative covenants. If the obligations are not met, the lenders are entitled to cancel the loan agreements with immediate effect and call upon all pledged collateral. As of March 31, 2020, the Company was in compliance with all covenants.

[26] RCF- available amount of €200.0 million is reduced by rental guarantees amounting to €13.5 million and a non-cash credit facility reserved for guarantess accounting for €10.0 million.

Hedging of financing liabilities

Interest rate caps are in place to hedge against the risk of interest rate fluctuations over a variable nominal volume of up to €1,100.0 million and a term until August 31, 2021. As of the balance sheet date, the nominal volume amounts to €1,100.0 million. The interest rate caps reduce the risk of an inclining EURIBOR to a maximum of 1.0 percent. The cash flows will affect interest income during the period from October 1, 2015 through August 31, 2021. The Term Loan B Facility agreement contains an interest rate floor at 0.0 percent EURIBOR.

		03/31/2020		03/31/2019
	Reference amount EUR m	Fair values: Financial assets EUR m	Reference amount EUR m	Fair values: Financial assets EUR m
Interest rate caps	1,100.0	0.0	1,100.0	0.1
of which not part of a hedge relationship	1,100.0	0.0	1,100.0	0.1

Events after the interim reporting date

Between the consolidated balance sheet date and the date of approval of the Interim Consolidated Financial Statements for publication several events occurred:

Mid-April, 2020, the reopening of stores started, as of May 26, 2020, more than 90% of our stores across Europe are open. Since the lockdown continued into April and May, our third quarter performance of the financial year 2019/20 will also be affected.

Compared to the “pre-Coronavirus-time” our store-traffic is lower, also due to various COVID-19 safeguard measures we have taken to protect our customers and employees.

Our countermeasures are in full execution mode and our E-Commerce business continues to show strong outperformance compared to pre-COVID-19 times.

On May 11, 2020, Vanessa Stützle has been appointed as Chief Digital Officer and third member of the Management Board alongside Tina Müller and Douglas Group CFO Matthias Born with immediate effect. Under her leadership as Executive Vice President E-Commerce & CRM, Douglas' e-commerce has developed into a leading pan-European beauty destination, grown more than 50 percent, and recently successfully expanded into a marketplace platform.

Douglas Group CEO Tina Müller will be absent for the time being as she is undergoing medical rehabilitation following an emergency surgery. At this time, it cannot yet be determined when she will be able to resume her responsibilities as Group CEO. Vanessa Stützle and Matthias Born are jointly taking over the tasks of Tina Müller ad interim.