9M FY 2019/20
Interim Financial Report

Kirk Beauty One GmbH

as at June 30, 2020

DOUGLAS

Content

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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 nine months of the financial year 2019/20, i.e. from October 1, 2019 to June 30, 2020 compared to the first nine months of the financial year 2018/19, i.e. from October 1, 2018 to June 30, 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 June 30, 2020, the Douglas Group operated in 26 European countries with about 2.248 own stores and round 139 franchise stores and diverse online shops and a dedicated beauty marketplace.

As a 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 of 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 - 06/30/2020 EUR m	10/01/2018 - 06/30/2019 EUR m	04/01/2020 - 06/30/2020 EUR m	04/01/2019 - 06/30/2019 EUR m
1.	Sales	2,505.9	2,709.8	557.1	761.9
2.	Cost of raw materials, consumables and supplies and merchandise	-1,382.6	-1,491.6	-298.8	-419.8
3.	Gross Profit	1,123.3	1,218.2	258.3	342.1
4.	Other operating income	194.7	221.2	44.5	67.3
5.	Personnel expenses	-423.8	-486.2	-103.9	-157.3
6.	Other operating expenses	-711.7	-706.7	-206.4	-211.6
7.	Result from impairments on financial assets	0.1	0.0	0.1	0.0
8.	EBITDA	182.7	246.5	-7.5	40.5
	Effects non-recurring on a regular basis	81.0	48.3	52.7	29.3
	Adjusted EBITDA	263.6	294.8	45.3	69.8
9.	Amortization/depreciation	-95.7	-90.6	-32.5	-31.3
10.	EBIT	87.0	155.9	-39.9	9.2
11.	Financial income	37.2	34.2	12.2	12.1
12.	Financial expenses	-89.1	-89.6	-30.6	-30.4
13.	Financial result	-51.9	-55.4	-18.4	-18.2
14.	Earnings (loss) before tax (EBT)	35.0	100.5	-58.3	-9.0
15.	Income taxes	-31.1	-40.6	2.2	-2.1
16.	Profit (loss) for the period	3.9	59.9	-56.1	-11.1

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

Nine Months Ending June 30, 2020 compared to Nine Months Ending June 30, 2019[3]

COVID-19 lockdown weighed on nine months results – E-Commerce as key growth driver across countries – various countermeasures ongoing

As was already apparent in the semi-annual interim financial report as of March 31, 2020, the COVID-19 crisis is also the key topic in the nine months report as of June 30, 2020.

At the end of March 2020 nearly all of our stores have been closed, deeply impacting our brick and mortar business. From mid-April on we started with the gradual ramp-up and end of June 2020, almost all of our stores were reopened, generating more than 90 percent net sales versus prior-year end of June, even though we operated in some stores still with reduced manpower and opening hours. Overall the Coronavirus pandemic led to a decline of our store sales by 17.2 percent in the nine months ending June 30, 2020 compared to the prior-year reporting period.

In response to COVID-19, we have taken various countermeasures to ensure our operations, including especially the following points still ongoing:

Business continuity ensured:

- Focused push on E-Commerce business
- COVID-19 health and safety measures for our customers and employees
- Gradual ramp-up of our stores considering all health and safety measures

Liquidity safeguarded:

- Revolving Credit Facility (RCF) drawn
- Purchase negotiations and agreements with suppliers
- Short-term labor programs / temporary dismissal and similar measures
- Hiring freeze
- Rent negotiations and agreements with landlords
- Use of non-payment obligation to rent in certain countries / jurisdictions due to pandemic situation
- Strict cost discipline

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)

In the context of our #FORWARDBEAUTY strategy with a clear focus on strengthening the digitalization and E-commerce of our business as well as accelerated by the COVID-19 pandemic our online business increased by outstanding 39.6 percent, accounting for €640.4 million in the first nine months of the fiscal year 2019/20 compared to €458.2 million in the prior-year reporting period.

Even though our very strong E-commerce business partially compensated the decrease of our brick and mortar business accounting for 17.2 percent, our total net sales decreased by 7.5 percent in the

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

nine months ending June 30, 2020 versus prior-year reporting period, reflecting the impact from COVID-19 lockdown.

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

Against the background of the COVID-19 pandemic and the resulting shutdown, a fundamental switch from offline to online business was recorded in **all of our four** reportable segments.

Net sales in **Germany** decreased by €24.7 million or 2.5 percent versus prior-year reporting period. On a like-for-like basis our net sales in Germany decreased by 3.5 percent.

In **France** net sales decreased versus prior-year reporting period by 11.3 percent and on a like-for-like basis our net sales in France decreased by 11.7 percent.

South-Western Europe includes with Italy and Spain two core countries most effected by the COVID-19 lockdown. This is reflected in a 12.6 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 12.5 percent.

In **Eastern Europe** net sales decreased by 2.2 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 2.3 percent.

Cost of raw materials, consumables, supplies and merchandise

The cost of raw materials, consumables, supplies and merchandise for the first nine months of the financial year 2019/20 amounted to €1,382.6 million (55.2 percent of total net sales) compared to €1,491.6 million (55.0 percent of total net sales) for the first nine months ending June 30, 2019.

Adjusted for "non-recurring effects on a regular basis" resulting from PPA-effects of our acquisitions and in the prior-year reporting period especially from the inventory write-down, the adjusted cost of raw materials, consumables, supplies and merchandise in the nine months ending June 30, 2020 accounted for €1,382.3 million compared to €1,468.7 million in the nine months ending June 30, 2019, as a percentage of total net sales a slight increase from 54.2 percent by 1.0 percentage point to 55.2 percent.

"Cost of raw material, consumables, supplies and merchandise" in Germany was positively affected by an additional income effect amounting to €9.2 million during the nine months ending June 30, 2020 compared to the prior-year reporting period. By building up a "timing accrual" in the first quarter, Germany was more conservative than our other segments in showing first quarter results. In subsequent quarters, this effect was offset by gradually reversing this accrual. This particular German accounting practice has been harmonized to the other segments by totally releasing the remaining "timing accrual" in the third quarter of the financial year 2019/20. All resulting effects are only shifts among the quarters of one financial year balancing to zero, hence with no effect on a full fiscal year. This interim one-off income effect of €9.2 million compared to the prior-year reporting period runs through Gross Profit, EBITDA up to the Net Income and has not been adjusted.

Gross Profit[4]

Our Gross Profit decreased by €94.9 million or 7.8 percent to €1,123.3 million during the first nine months of the financial year 2019/20, while we managed to keep our Gross Profit margin at prior-year's level.

Adjusted for the inventory write-down in the prior-year's nine months reporting period our adjusted Gross Profit margin decreased by 1.0 percentage points, to 44.8 percent, still reflecting our high operational trading profitability, especially against the background of the very competitive environment and the Coronavirus lockdown impact.

Other operating income

Other operating income accounted for €194.7 million compared to €221.2 million for the nine months ending June 30, 2019. This decrease was mainly affected by lower marketing income and lower reversal of provisions.

Adjusted for extraordinary effects resulting from "other non-recurring effects on a regular basis" accounting for €13.3 million, adjusted other operating income as a percentage of total sales accounted for 7.2 percent compared to 7.8 percent during the nine months ending June 30, 2019.

Personnel expenses

Personnel expenses accounted for €423.8 million compared to €486.2 million for the nine months ending June 30, 2019 also in percentage of total net sales an improvement accounting for 16.9 percent compared to 17.9 percent during the nine months ending June 30, 2019, reflecting our liquidity safeguard measures like hiring freeze as well as short-term labor programs

Adjusted for "non-recurring effects on a regular basis" amounting to €17.9 million, in particular resulting from Coronavirus pandemic costs, the adjusted personnel expenses as a percentage of total sales improved, accounting for 16.2 percent compared to 17.7 percent during the nine months ending June 30, 2019.

Other operating expenses

Other operating expenses accounted for €711.7 million compared to €706.7 million for the nine months ending June 30, 2019. This increase was mainly affected by higher goods handling costs and marketing expenses due to E-Commerce growth, partially compensated by lower rent and 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 COVID-19-related costs, other operating expenses as a percentage of total sales increased to 25.4 percent from 25.2 percent in the first nine months of the financial year 2018/19.

EBITDA and Adjusted EBITDA[5][6]

The severe impact of the COVID-19 caused shutdown of our stores led to a decline of EBITDA by €63.9 million to €182.7 million from €246.5 million during the first nine months of the financial year 2019/20. In the same reporting period Adjusted EBITDA decreased by 10.6 percent to €263.6 million from €294.8 million during the nine months ending June 30, 2019. As a percentage of total net sales, Adjusted EBITDA has been slightly below prior-year level with 0.4 percent points.

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[4] Including the interim one-off income effect from the release of the "timing accrual", non-adjusted, amounting to €9.2 million compared to prior-year reporting period.

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

[6] Including the interim one-off income effect from the release of the "timing accrual", non-adjusted, amounting to €9.2 million compared to prior-year reporting period.

Total adjustments for "non-recurring effects on a regular basis" and credit card fees increased by €32.7 million to €81.0 million during the first nine months of the financial year 2019/20 compared to €48.3 million during the first nine months of the financial year 2018/19. This increase essentially results from higher extraordinary costs caused by COVID-19 amounting to €60.7 million as well as higher consulting fees accounting for €12.3 million, partially compensated by inventory write-down in the nine months of the prior-year reporting period amounting to €21.8 million, higher extraordinary income reported in "other non-recurring effects on a regular basis", lower restructuring costs and lower PPA-effects.

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

Adjusted EBITDA in **Germany** decreased by €7.0 million to €66.9 million during the nine months ending June 30, 2020 from €73.9 million during the nine months ending June 30, 2019. Adjustments on EBITDA of the German reportable segment totaled €35.6 million during the nine months ending June 30, 2020, primarily resulting from, Coronavirus pandemic effects, consulting fees 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 7.3 percent to 6.8 percent.[7]

Adjusted EBITDA in **France** accounted for €97.2 million during the nine months ending June 30, 2020 compared to €101.4 million in the prior-year reporting period. Adjustments on EBITDA amounted to €12.2 million during the nine months ending June 30, 2020, relating primarily to COVID-19 effects and credit card fees. Despite the Coronavirus negatively impacting the French business, Adjusted EBITDA margin increased by 1.3 percentage points from 16.5 percent to 17.8 percent, reflecting the healthy French business at a high level.

Compared to prior-year period Adjusted EBITDA in **South-Western Europe** decreased during the nine months ending June 30, 2020 by €15.8 million from 78.6 million to €62.7 million, reflecting the particularly early and severe COVID-19 pandemic situation in Italy and Spain. Adjustments on EBITDA accounting for €29.0 million during the nine months ending June 30, 2020 are primarily attributable to Coronavirus pandemic effects and credit card fees, partially compensated by extraordinary income reported in "other non-recurring effects on a regular basis".

During the first nine months of the financial year 2019/20 Adjusted EBITDA in the **Eastern Europe** segment decreased by 11.0 percent from €36.1 million versus €40.6 million in the first nine months of the previous financial year. The adjustments on EBITDA accounted for €4.1 million during the nine months ending June 30, 2020 and resulted especially from Coronavirus pandemic effects and credit card fees.

EBIT[8]

In the first nine months of the financial year 2019/20, EBIT decreased by €68.9 million to €87.0 million from €155.9 million during the nine months ending June 30, 2019. €5.0 million are explained by higher amortization and depreciation expenses, €63.9 million are the result of lower EBITDA, we refer to the above section "EBITDA and adjusted EBITDA".

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[7] Including the interim one-off income effect from the release of the "timing accrual", non-adjusted, amounting to €9.2 million compared to prior-year reporting period.

[8] Including the interim one-off income effect from the release of the "timing accrual", non-adjusted, amounting to €9.2 million compared to prior-year reporting period.

Financial result

Due to higher interest income from loans and receivables, the financial result increased by €3.4 million to minus €51.9 million during the nine months ending June 30, 2020 from minus €55.4 million compared to the nine months of the financial year 2018/19.

Income taxes

Income tax expenses amounted to €31.1 million during the nine months ending June 30, 2020 compared to €40.6 million during the nine months ending June 30, 2019.[9]

Profit (Net Income) and Adjusted Profit(Adjusted Net Income)[10][11]

As a result of the foregoing, our Profit for the nine months ending June 30, 2020 amounted to €3.9 million, compared to €59.9 million during the nine months ending June 30, 2019. Adjusted Profit during the nine months ending June 30, 2020 amounted to €49.4 million compared to €85.4 million in the prior-year reporting period. The adjustments on EBITDA, already being disclosed above in the section “EBITDA and Adjusted EBITDA” and totaling €81.0 million in the first nine months ending June 30, 2020 are partially compensated by the reclassification of credit card fees and valuation effects of financial instruments totaling minus €11.5 million. The calculated income taxes on adjustments account for minus €21.4 million.

[9] In relation to EBT, income taxes appear to be relatively high. This results from the fact that tax losses cannot fully be offset against tax gains between legal entities as well as between countries and besides also due to the non-recognition of deferred tax assets.
[10] Like aforementioned, all figures stated in the MD&A are before the impact of IFRS 16.
[11] Including the interim one-off income effect from the release of the “timing accrual”, non-adjusted, amounting to €9.2 million compared to prior-year reporting period.

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[12]

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

	10/01/2019 - 06/30/2020	10/01/2018 - 06/30/2019
	EUR m	EUR m
Sales	**2,505.9**	2,709.8
Segments		
Germany		
Sales (net)	980.9	1,005.6
Intersegment sales	37.6	36.1
Sales	1,018.6	1,041.7
France		
Sales (net)	545.8	615.4
Intersegment sales	0.0	0.0
Sales	545.8	615.4
South-Western Europe		
Sales (net)	719.9	823.6
Intersegment sales	0.0	0.0
Sales	719.9	823.6
Eastern Europe		
Sales (net)	259.3	265.2
Intersegment sales	0.0	0.0
Sales	259.3	265.2

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

EBITDA and Adjusted EBITDA[13][14]

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

		10/01/2019 - 06/30/2020	10/01/2018 - 06/30/2019
Douglas-Group			
EBITDA	EUR m	182.7	246.5
EBITDA-margin	%	7.3	9.1
Effects non-recurring on a regular basis	EUR m	81.0	48.3
Adjusted EBITDA	EUR m	263.6	294.8
Adjusted EBITDA-margin	%	10.5	10.9
Segments			
Germany			
EBITDA	EUR m	31.3	39.9
EBITDA-margin	%	3.2	4.0
Effects non-recurring on a regular basis	EUR m	35.6	33.9
Adjusted EBITDA	EUR m	66.9	73.9
Adjusted EBITDA-margin	%	6.8	7.3
France			
EBITDA	EUR m	84.9	96.3
EBITDA-margin	%	15.6	15.6
Effects non-recurring on a regular basis	EUR m	12.2	5.1
Adjusted EBITDA	EUR m	97.2	101.4
Adjusted EBITDA-margin	%	17.8	16.5
South-Western Europe			
EBITDA	EUR m	33.7	71.0
EBITDA-margin	%	4.7	8.6
Effects non-recurring on a regular basis	EUR m	29.0	7.6
Adjusted EBITDA	EUR m	62.7	78.6
Adjusted EBITDA-margin	%	8.7	9.5
Eastern Europe			
EBITDA	EUR m	32.0	38.9
EBITDA-margin	%	12.3	14.7
Effects non-recurring on a regular basis	EUR m	4.1	1.7
Adjusted EBITDA	EUR m	36.1	40.6
Adjusted EBITDA-margin	%	13.9	15.3

[13] Like aforementioned, all figures stated in the MD&A are before the impact of IFRS 16.
[14] Concerning Douglas-Group and Germany: Including the interim one-off income effect from the release of the "timing accrual", non-adjusted, amounting to €9.2 million compared to prior-year reporting period.

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 €339.2 million as of June 30, 2020.

Mid-March 2020, against the background of the Coronavirus pandemic, we secured our liquidity and drew the available amount of our senior secured multi-currency revolving credit facility[15] (the "Revolving Credit Facility" or "RCF"). As of June 30, 2020, the outstanding borrowings under the RCF amounted to €164.8 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 COVID-19 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:

	06/30/2020	06/30/2019
	EUR m	EUR m
Inventories	762.3	750.8
Trade accounts receivable	40.2	49.6
Trade accounts payable	-437.0	-483.1
Other	-52.9	-28.6
Net Working Capital	**312.6**	288.7

[15] RCF – total amount of €200.0 million; available amount is reduced by rental guarantees amounting to €15.6 million and a non-cash credit facility reserved for guarantees accounting for €11.0 million.

Net Working Capital increased by €23.9 million to €312.6 million as of June 30, 2020. This increase is primarily the result of lower payables due to COVID-19-caused smaller order volumes, partially being compensated by longer payment terms; please note that payables in the previous year were affected by a positive timing effect. Slightly higher inventories due to the very short-term closure of the majority of our stores were largely compensated by lower trade account receivables in connection with timing effects. Less bonus receivables and more gift vouchers not yet redeemed both included in “Other” mitigated the increase of Net Working Capital.

Investments in non-current assets

The investments made during the first nine months of the financial year 2019/20 mainly related to investments in the refurbishment, maintenance, design and re-design of existing stores 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 nine months ending June 30, 2020, our investments in non-current assets (cash outflow) amounted to €74.8 million, compared to €96.3 million in the prior-year reporting period.

The investments in non-current assets during the first nine months of the financial year 2019/20 consisted of €55.4 million additions to tangible and intangible assets as well as the use of provisions for outstanding invoices on fixed assets amounting to €19.4 million.

Consolidated Cash Flow Data[16]

			10/01/2019-06/30/2020 EUR m	10/01/2018-06/30/2019 EUR m
1.	=	EBITDA	182.7	246.5
2.	+/-	Increase/decrease in provisions	-13.2	-12.0
3.	+/-	Other non-cash expense/income	-1.4	-0.6
4.	+/-	Changes in net working capital without liabilities from investments in non-current assets	-7.7	-28.6
5.	+/-	Changes in other assets/liabilities not classifiable to investing or financing activities	92.8	13.5
6.	-/+	Paid/reimbursed taxes	-13.8	-33.6
7.	=	Net cash flow from operating activities	239.4	185.2
8.	+	Proceeds from the disposal of non-current assets	0.8	1.9
9.	-	Investments in non-current assets	-74.8	-96.3
10.	=	Net cash flow from investing activities	-74.0	-94.4
11.		Free cash flow (total of 7. and 10.)	165.3	90.8
12.	-	Payments for the repayment of financial liabilities	-20.6	-3.6
13.	+	Proceeds from borrowings	170.9	2.6
14.	-	Interest paid	-57.1	-70.4
15.	+	Interest received	0.2	0.0
16.	=	Net cash flow from financing activities	93.3	-71.4
17.		Net change in cash and cash equivalents (total of 7., 10. and 16.)	258.7	19.4
18.	+/-	Net change in cash and cash equivalents due to currency translation	-0.5	0.1
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**	**339.2**	122.4

Cash Flow from operating activities

Cash provided by **operating activities** increased by €54.2 million, to €239.4 million during the nine months ending June 30, 2020, from €185.2 million during the nine months ending June 30, 2019.

This increase was mainly the result of the development of "Changes in other assets/liabilities not classifiable to investing or financing activities" comprising especially rent liabilities as well as taxes and social securities, which significantly increased compared to the prior-year reporting period. In response to the COVID-19 pandemic, we began negotiating successfully with our landlords about longer payment terms as well as reduced rent payments. In addition, moratoria for taxes and social securities had also a positive effect on Cash Flow from operating activities.

Cash Flow from investing activities

Cash used for **investing activities** (cash outflows) decreased by €20.3 million to €74.0 million during the nine months ending June 30, 2020, from €94.4 million during the nine months ending June 30, 2019. This decrease is related to lower investments in non-current assets, as we have

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

finished rebranding our stores and less overspill in the first nine months of the financial year 2019/20 compared to the prior-year reporting period.

Cash Flow from financing activities

During the nine months ending June 30, 2020, cash raised or used for **financing activities** amounted to €93.3 million (cash inflows) compared to cash outflows of €71.4 million during the nine months ending June 30, 2019. The increase of €164.7 million primarily relates to the borrowings under the Revolving Credit Facility (RCF) accounting for €164.8 million partially compensated by repayment of financial liabilities related to a remaining purchase price.

Liquidity as at June 30, 2020

As at June 30, 2020 the cash balance amounted to €339.2 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 June 30, 2020.

	06/30/2020	06/30/2019
	EUR m	EUR m
Term Loan B	-1,670.0	-1,670.0
Revolving Credit Facility (RCF)	-164.8	0.0
Senior Notes	-335.0	-335.0
Senior Secured Notes	-300.0	-300.0
Accrued interests	-38.1	-22.5
Other financial indebtedness	-2.2	-0.6
Total Debt	-2,510.2	-2,328.0
Cash and cash equivalents	339.2	122.4
Net Debt	**-2,171.0**	-2,205.6

Interim Consolidated Financial Statements

of Kirk Beauty One GmbH for the period from October 1, 2019 through June 30, 2020 and for the period from October 1, 2018 through June 30, 2019.

Interim Consolidated Statement of Profit or Loss

of Kirk Beauty One GmbH for the period from October 1, 2019 through June 30, 2020 and for the period from October 1, 2018 through June 30, 2019.

		10/01/2019-06/30/2020 EUR m	10/01/2018-06/30/2019 EUR m	04/01/2020 - 06/30/2020 EUR m	04/01/2019 - 06/30/2019 EUR m
1.	Sales	2,505.9	2,709.8	557.1	761.9
2.	Cost of raw materials, consumables and supplies and merchandise	-1,382.6	-1,491.6	-298.8	-419.8
3.	Gross Profit	1,123.3	1,218.2	258.3	342.1
4.	Other operating income	187.1[17]	221.2	44.0.	67.3
5.	Personnel expenses	-423.8	-486.2	-103.9	-157.3
6.	Other operating expenses	-497.9[18]	-706.7	-138.3	-211.6
7.	Result from impairments on financial assets	0.1	0.0	0.1	0.0
8.	EBITDA	388.9[19]	246.5	60.1	40.5
9.	Amortization/depreciation	-293.4	-90.6	-85.9	-31.3
10.	EBIT	95.5	155.9	-25.8	9.2
11.	Financial income	37.2	34.2	12.2	12.1
12.	Financial expenses	-101.1	-89.6	-34.0	-30.4
13.	Financial result	-63.9[20]	-55.4	-21.8	-18.2
14.	Earnings (loss) before tax (EBT)	31.6	100.5	-47.6	-9.0
15.	Income taxes	-31.1	-40.6	2.2	-2.1
16.	**Profit (+) or Loss (-) of the period (Net Income)**	**0.4[21]**	59.9	**-45.4**	-11.1
	Attributable to owners of the parent	*0.4*	*59.9*	*--45.4*	*-11.1*
	Attributable to non-controlling interests	*0.0*	*0.0*	*0.0*	*0.0*

[17] Included IFRS 16 effect: Other operating income decreased by €7.7 million.
[18] Included IFRS 16 effect: Other operating expenses decreased by €213.9 million.
[19] EBITDA for the nine months of the financial year 2019/20 included the positive lease effect from applying "IFRS 16 leases" amounting to €206.2 million. Adjusted for this IFRS16 effect, EBITDA accounted for €182.7 million.
[20] Included IFRS 16 effect: Financial expenses increased by €11.9 million (and hence so the Financial result).
[21] Included IFRS 16 effect: Profit decreased by €3.5 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 June 30, 2020 and for the period from October 1, 2018 through June 30, 2019.

	10/01/2019-06/30/2020 EUR m	10/01/2018-06/30/2019 EUR m	04/01/2020 - 06/30/2020 EUR m	04/01/2019 - 06/30/2019 EUR m
Profit (+) or Loss (-) of the period	0.4	59.9	-59.6	-11.1
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	-2.3	0.6	2.2	1.1
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	-2.3	0.6	2.2	1.1
Total comprehensive income	**-1.9**	60.5	**-57.4**	-10.0
Attributable to owners of the parent	-1.9	60.5	-57.4	-10.0
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 June 30, 2019 and 2018 and as of September 30, 2019.

Assets		06/30/2020 EUR m	06/30/2019 EUR m	09/30/2019 EUR m
A.	Non-current assets			
I.	Intangible assets	2,334.5	2,346.8	2,347.6
II.	Property, plant and equipment	264.1	300.9	292.8
III.	Right-of-use assets from leases[22]	1,140.6[23]	0.0	0.0
IV.	Tax receivables	0.0	0.0	0.0
V.	Financial assets	603.0	404.4	569.8
VI.	Shares in associated companies	0.0	0.0	0.0
VII.	Deferred tax assets	87.3	64.2	85.6
		4,429.5	3,116.3	3,295.8
B.	Current assets			
I.	Inventories	762.3	750.8	744.4
II.	Trade accounts receivable	40.2	49.6	45.7
III.	Tax receivables	41.8	64.2	30.6
IV.	Financial assets	146.2[24]	363.0	155.4
V.	Other assets	46.2	33.2	30.1
VI.	Cash and cash equivalents	339.2	122.4	81.0
		1,376.0	1,383.2	1,087.3
Total		**5,805.5**	**4,499.5**	**4,383.0**

[22] Predominantly from store leasing.
[23] Full IFRS 16 effect from capitalization of discounted lease payment obligations.
[24] Included IFRS 16 effect: Financial assets increased by €8.8 million.

Equity and Liabilities

		06/30/2020 EUR m	06/30/2019 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	-267.8[25]	-167.6	-266.0
IV.	Non-controlling interests	0.0	0.0	0.0
		857.4	957.5	**859.1**
B.	Non-current liabilities			
I.	Pension provisions	39.2	32.7	40.1
II.	Other non-current provisions	50.3	41.6	53.8
III.	Financial liabilities	3,193.7[26]	2,307.0	2,313.5
IV.	Other liabilities	11.7	8.2	8.9
V.	Deferred tax liabilities	190.7	202.3	196.9
		3,485.7	2,591.9	**2,613.2**
C.	Current liabilities			
I.	Current provisions	102.6	91.5	114.6
II.	Trade accounts payable	437.0	483.1	487.0
III.	Tax liabilities	127.3	107.5	60.9
IV.	Financial liabilities	563.1[27]	46.1	37.5
V.	Other liabilities	232.3	222.0	210.8
		1,462.4	950.1	**910.8**
Total		**5,805.5**	4,499.5	**4,383.0**

[25] Included IFRS 16 effect: Reserves decreased by €2.9 million, resulting from Profit or Loss.

[26] Included IFRS 16 effect: non-current financial liabilities increased by €878.8 million.

[27] Included IFRS 16 effect: current financial liabilities increased by €277.1 million.

Interim Statement of Changes in Group Equity

of Kirk Beauty One GmbH for the period from October 1, 2019 through June 30, 2020 and for the period from October 1, 2018 through June 30, 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					-2.3	-2.3	
Profit (+) or Loss (-) of the period			0.4			0.4	0.0
Total comprehensive income	0.0	0.0	0.4	0.0	-2.3	-1.9	0.0
Transactions with shareholders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
06/30/2020	**0.0**	**1,125.1**	**-259.8**	**-2.9**	**-5.2**	**857.3**	**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					0.6	0.6	
Profit (+) or Loss (-) of the period			59.9			59.9	0.0
Total comprehensive income	0.0	0.0	59.9	0.0	0.6	60.5	0.0
Transactions with shareholders	0.0	0.0	0.0	0.0	0.0	0.0	0.0
06/30/2019	0.0	1,125.1	-169.2	2.5	-1.0	957.4	0.0

Interim Consolidated Statement of Cash Flows

of Kirk Beauty One GmbH for the period from October 1, 2019 through June 30, 2020 and for the period from October 1, 2018 through June 30, 2019.

			10/01/2019-06/30/2020 EUR m	10/01/2018-06/30/2019 EUR m
1.		Profit (+) or Loss (-) of the period	0.4	59.9
2.	+	Income taxes	31.1	40.6
3.	+	Financial result	63.9	55.4
4.	+	Amortization/depreciation	293.4	90.6
5.	=	EBITDA	388.9	246.5
6.	+/-	Increase/decrease in provisions	-13.2	-12.0
7.	+/-	Other non-cash expense/income	-1.4	-0.6
8.	+/-	Changes in net working capital without liabilities from investments in non-current assets	-7.7	-28.6
9.	+/-	Changes in other assets/liabilities not classifiable to investing or financing activities	92.8	13.5
10.	-/+	Paid/reimbursed taxes	-13.8	-33.6
11.	=	Net cash flow from operating activities	445.5[28]	185.2
12.	+	Proceeds from the disposal of non-current assets	0.8	1.9
13.	-	Investments in non-current assets	-74.8	-96.3
14.	=	Net cash flow from investing activities	-74.0	-94.4
15.		Free cash flow (total of 11. and 14.)	371.5	90.8
16.	-	Payments for the repayment of financial liabilities	-226.8[29]	-3.6
17.	+	Proceeds from borrowings	170.9	2.6
18.	-	Interest paid	-57.1	-70.4
19.	+	Interest received	0.2	0.0
20.	=	Net cash flow from financing activities	-112.9	-71.4
21.		Net change in cash and cash equivalents (total of 11., 14. and 20.)	258.6	19.4
22.	+/-	Net change in cash and cash equivalents due to currency translation	-0.5	0.1
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**	**339.2[30]**	122.4

[28] Included IFRS 16 effect: corresponding to the amount of higher EBITDA, Net cash flow from operating activities increased by €206.2 million (and so Free Cash Flow)

[29] Included IFRS 16 effect: Payments for the repayment of financial liabilities (and hence Net cash flow from financing activities) decreased by €206.2 million.

[30] 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 June 30, 2020 and for the period from October 1, 2018 through June 30, 2019.

COVID-19 lockdown weighed on nine months results – E-Commerce as key growth driver across countries – various countermeasures ongoing

At the end of March 2020 nearly all of our stores have been closed, deeply impacting our brick and mortar business. From mid-April on we started with the gradual ramp-up and end of June 2020, almost all of our stores were reopened, generating more than 90 percent net sales versus prior-year end of June, even though we operated in some stores still with reduced manpower and opening hours. Overall the Coronavirus pandemic led to a decline of our store sales by 17.2 percent in the nine months ending June 30, 2020 compared to the prior-year reporting period.

Given the extraordinary situation and unique nature of the Coronavirus pandemic, some of 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 10/01/2019-06/30/2020	10/01/2018-06/30/2019	France 10/01/2019-06/30/2020	10/01/2018-06/30/2019	South-Western Europe 10/01/2019-06/30/2020	10/01/2018-06/30/2019
Sales (net)	EUR m	980.9	1,005.6	545.8	615.4	719.9	823.6
Intersegment sales	EUR m	37.6	36.1	0.0	0.0	0.0	0.0
Sales	EUR m	1,018.6	1,041.7	545.8	615.4	719.9	823.6
EBITDA	EUR m	96.1	39.9	119.0	96.3	119.5	71.0
EBITDA-margin	%	9.8	4.0	21.8	15.6	16.6	8.6
Non-recurring effects on a regular basis and credit card fees- adjustments	EUR m	35.6	33.9	12.2	5.1	29.0	7.6
IFRS 16 effects- adjustments	EUR m	-64.8	0.0	-34.0	0.0	-85.8	0.0
Adjusted EBITDA	EUR m	66.9	73.8	97.2	101.4	62.7	78.6
Adjusted EBITDA-margin	%	6.8	7.3	17.8	16.5	8.7	9.5
Inventories	EUR m	243.1	241.1	128.6	131.6	301.4	285.8
Capital expenditure	EUR m	29.9	31.5	7.0	9.3	8.4	14.2

		Eastern Europe 10/01/2019-06/30/2020	10/01/2018-06/30/2019	Consolidation 10/01/2019-06/30/2020	10/01/2018-06/30/2019	Kirk Beauty One GmbH 10/01/2019-06/30/2020	10/01/2018-06/30/2019
Sales (net)	EUR m	259.3	265.2			2,505.9	2,709.8
Intersegment sales	EUR m	0.0	0.0	-37.6	-36.1	0.0	0.0
Sales	EUR m	259.3	265.2	-37.6	-36.1	2,505.9	2,709.8
EBITDA	EUR m	53.5	38.9	0.8	0.4	388.9	246.5
EBITDA-margin	%	20.6	14.7			15.5	9.1
Non-recurring effects on a regular basis and credit card fees- adjustments	EUR m	4.1	1.7			81.0	48.3
IFRS 16 effects- adjustments	EUR m	-21.5	0.0	0.0	0.0	-206.2	0.0
Adjusted EBITDA	EUR m	36.1	40.6	0.8	0.4	263.6	294.8
Adjusted EBITDA-margin	%	13.9	15.3			10.5	10.9
Inventories	EUR m	93.3	96.3	-4.1	-4.6	762.3	750.2
Capital expenditure	EUR m	10.2	10.9			55.4	65.9

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.

	06/30/2020 EUR m	06/30/2019 EUR m
Germany	25.2	5.9
Other countries	6.8	7.4
Total	**32.0**	13.3

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

	10/01/2019- 06/30/2020 EUR m	10/01/2018- 06/30/2019 EUR m
EBITDA	388.9	246.5
Purchase Price Allocations (PPA)	2.6	5.1
Restructuring costs and severance payments	0.4	3.7
Consulting fees	12.3	5.2
Other non-recurring effects on a regular basis	-6.9	0.8
Write-down of inventories	0.0	21.8
Coronavirus pandemic effects- adjustments	60.7	0.0
Credit card fees	11.9	11.7
Non-recurring effects on a regular basis and credit card fees- adjustments	81.0	48.3
IFRS 16 effects- adjustments	-206.2	0.0
Sum of adjustments	-125.2	48.3
Adjusted EBITDA	263.6	294.8
Amortization/depreciation	-293.4	-90.6
Impairment of non-current and current assets	-2.6	-1.3
IFRS 16 effects- adjustments	197.7	0.0
Adjusted EBIT	165.3	202.9
Financial result	-63.9	-55.4
Reclassification of credit card fees and valuation effects of financial instruments	-11.5	-9.5
IFRS 16 effects- adjustments	11.9	0.0
Adjusted EBT	101.9	138.0
Income taxes	-31.1	-40.6
Income taxes on adjustments	-21.4	-12.0
Adjusted Profit (+) or Loss (-)	**49.4**	85.4

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 nine months of the financial year 2019/20 from October 1, 2019 through June 30, 2020 (interim period) as of June 30, 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.

This Interim Consolidated Financial Statements were authorized for issue by the Company's management board on August 12, 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 June 30, 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 2.250 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 nine months ending as at June 30, 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	2	2
06/30/2020	22	35	57

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 10/01/2019-06/30/2020 EUR	Closing rate 06/30/2020 EUR	Average exchange rate 10/01/2018-06/30/2019 EUR	Closing rate 06/30/2019 EUR
Bulgarian Lev	BGN	0.51130	0.51130	0.51130	0.51130
Swiss Franc	CHF	0.92600	0.93888	0.88125	0.90050
Czech Koruna	CZK	0.03846	0.03740	0.03886	0.03930
Croatian Kuna	HRK	0.13377	0.13209	0.13479	0.13518
Hungarian Forint	HUF	0.00296	0.00280	0.00311	0.00309
Polish Zloty	PLN	0.22944	0.22442	0.23275	0.23532
Romanian Lei	RON	0.20906	0.20662	0.21286	0.21122
Turkish Lira	TRY	0.14801	0.13027	0.15630	0.15231
U.S. Dollar	USD	0.90462	0.89302	0.87645	0.87873

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 June 30, 2020, the borrowings comprise Senior Notes and bank liabilities including the drawn Revolving Credit Facility[31], excluding current accounts as follows:

	06/30/2020		06/30/2019		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	305.3	300.0	303.8	300.0	299.5
Senior Notes	335.0	343.4	335.0	341.8	335.0	334.9
Term Loan B Facility	1,670.0	1,684.6	1,670.0	1,670.3	1,670.0	1670.0
Revolving Credit facility (RCF)	164.8	166.3	0.0	0.0	0.0	0.0
Total	**2,469.8**	**2,499.7**	2,305.0	2,315.9	**2,305.0**	**2304.4**

Individual companies also have access to bilateral credit lines, of which €2.2 million had been utilized as of June 30, 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 June 30, 2020, the Company was in compliance with all covenants.

[31] RCF – total amount of €200.0 million; available amount is reduced by guarantees amounting to €15.6 million and a non-cash credit facility reserved for guarantees accounting for €11.0 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 30, 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 30, 2021. The Term Loan B Facility agreement contains an interest rate floor at 0.0 percent EURIBOR.

	06/30/2020		06/30/2019	
	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:

Michael Keppel joined the management board of Kirk Beauty One GmbH on July 1, 2020 as Chief Restructuring Officer. With Michael Keppel we hired an expert who will develop a concept for repositioning and future-proofing the Douglas store network within our #FORWARDBEAUTY strategy against the background of the changed market environment caused by the coronavirus.