9M FY 2020/21
Interim Financial Report

Kirk Beauty One GmbH / Douglas Group

as at June 30, 2021

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, 2020 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

Investors should read the following “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” 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, 2021 or any other period.

Following our current internal management approach all financial figures 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”.

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

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, 2020.

The results of operations and related cash flows in the following text and tables refer to the first nine months of the financial year 2020/21, i.e. from October 1, 2020 to June 30, 2021 compared to the first nine months of the financial year 2019/20, i.e. from October 1, 2019 to June 30, 2020.

Please note that our key performance indicator “Adjusted EBITDA” is no longer adjusted for credit card fees (in the past, credit card fees within EBITDA were adjusted and reclassified to the financial result). The COVID-19 pandemic accelerated the shift from brick-and-mortar to E-Commerce sales, thereby augmenting online or mobile cashless payments. Management expects that this trend will continue, turning credit card fees into regular transaction costs for sales. For comparison reasons, the previous year periods figures have been adapted accordingly to the new “Adjusted EBITDA” definition.

All the financial data presented in the text and tables below 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 adding up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

The Company

Kirk Beauty One GmbH (“DOUGLAS”, “DOUGLAS Group”, the “Company”, the “Group”) 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 platform-based 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, 2021, the DOUGLAS Group operated stores and online shops in 26 European countries.

As a leading beauty platform in Europe and in line with our #FORWARDBEAUTY.DigitalFirst strategy 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

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

		10/01/2020 - 06/30/2021 EUR m	10/01/2019 - 06/30/2020 EUR m	04/01/2021 - 06/30/2021 EUR m
1.	**Sales**	**2,367.3**	2,505.9	**643.9**
2.	Cost of raw materials, consumables and supplies and merchandise	-1,365.1	-1,382.6	-367.9
3.	**Gross Profit**	**1,002.2**	1,123.3	**276.0**
4.	Other operating income	186.8	194.7	49.9
5.	Personnel expenses	-451.7	-423.8	-121.5
6.	Other operating expenses	-776.6	-711.7	-227.3
7.	Result from impairments on financial assets	0.0	0.1	0.0
8.	**EBITDA (=reported EBITDA)**	**-39.3**	182.7	**-22.8**
	Non-recurring effects on a regular basis	*232.9*	*69.1*	*46.6*
	Adjusted EBITDA	*193.5*	*251.8*	*23.8*
9.	Amortization/depreciation	-93.2	-95.7	-33.6
10.	**EBIT**	**-132.5**	87.0	**-56.4**
11.	Financial income	143.9	37.2	13.4
12.	Financial expenses	-121.1	-89.1	-31.1
13.	Financial result	22.8	-51.9	-17.7
14.	**EBT**	**-109.7**	35.0	**-74.2**
15.	Income taxes	-31.2	-31.1	-6.1
16.	**Profit (loss) for the period**	**-140.9**	3.9	**-80.3**

Nine months ending June 30, 2021 compared to nine months ending June 30, 2020[1]

Strong E-Commerce growth as stores reopened

Our third quarter of the financial year 2020/21 was still marked by the COVID-19 pandemic with temporary closed stores and other restrictions across Europe significantly impacting our brick-and-mortar business.

Since June 2021 our stores are (re)open and our E-Commerce business continued to grow strongly by 19.9 % in the third quarter of the financial year 2020/21 compared to the third quarter of the previous financial year 2019/20.

In the first nine months of the financial year 2020/21 the COVID-19 pandemic led to a decline of our total net sales by 5.5 percent compared to the first nine months of the financial year 2019/20 and to a decline of 12.6 percent compared to the first nine months of the financial year 2018/19 (PPY – before COVID-19).

In view of the abnormal situation and uniqueness of the COVID-19 pandemic and in line with our previous COVID-19 impacted reporting, certain related expenses and income have also, in the opinion of management, to be adjusted and have been disclosed separately in the category "COVID-19-effects" in our Segment Reporting. These adjustments comprise in particular staff- and rent-related idle costs resulting from lockdown-caused store closures as well as other additional costs caused by the COVID-19 pandemic such as costs in relation with our health and safety measures for our customers and employees.

Changed customer behavior - optimization of our store network

The longstanding trend of shifting from store to E-Commerce purchases was further reinforced by the COVID-19 pandemic.

In response to this change in our customers' consumer behavior, we are currently closing about 500 of our around 2,400 stores across Europe. Our Store Optimization Program (SOP) is progressing successfully and we have already closed around 45% of the 500 stores that we planned to close. The majority of the permanent store closures will take place in the South-Western Europe region, which is particularly affected by the COVID-19 pandemic and in which there is a very dense, partially overlapping branch network due to previous acquisitions. The necessary downsizing of the branch network goes hand in hand with investments in flagship stores in top locations, product innovations and the expansion of digital retail throughout Europe, as part of the consistent execution of our #FORWARDBEAUTY.DigitalFirst growth strategy.

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

Against the background of the COVID-19 pandemic, our consolidated total sales (net) decreased by €138.6 million or 5.5 percent during the first nine months of our fiscal year ending June 30, 2021, compared to the corresponding reporting period of the previous fiscal year 2019/20.

Our focus and efforts on the E-Commerce channel, further accelerated by the COVID-19 pandemic, have been benefited in an outstanding strong increase in our online sale amounting to 55.5 percent compared to the corresponding first nine months reporting period of the previous fiscal year 2019/20, which partially mitigated the decline in our brick-and-mortar business. Online sales accounted for 41.9 percent of total sales during the first nine months of our fiscal year ending

[1] Like aforementioned, all figures stated in the MD&A are adjusted for IFRS 16 effects.

June 30, 2021 compared to 25.5 percent during the first nine months of our previous fiscal year ending June 30, 2020.

Overall, like-for-like sales (net) decreased by 2.1 percent.

In the first nine months of the fiscal year 2020/21, sales (net) in our four reportable segments – **Germany**, **France**, **South-Western Europe** and **Eastern Europe** – developed as follows compared to the corresponding reporting period of the previous fiscal year 2019/20.

Sales (net) in **Germany** decreased by €118.2 million or 12.1 percent to €862.7 million in particular resulting from the long-lasting lock down in the first nine months of the fiscal year 2020/21.

In **France** sales (net) dropped by only €4.0 million or 0.7 percent to €541.7 million reflecting the robust and healthy French business. Especially the strong E-Commerce business nearly compensated the drop in brick-and-mortar business.

Sales (net) in South-Western Europe, the region particularly affected by SOP, decreased by €19.8 million or 2.7 percent to €719.9 million.

Sales (net) even increased in **Eastern Europe** by €3.4 million or 1.3 percent to €262.7 million, showing catch-up effects, especially strong sales in our core country Poland and overall a growth region.

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 2020/21 decreased by €17.5 million or 1.3 percent to €1.365,1 million. Adjustments on cost of raw materials, consumables, supplies and merchandise amounted to €22.6 million resulting from inventory write-down related to COVID-19 and SOP especially in South-Western Europe.

Gross Profit

Despite the COVID-19 pandemic and SOP we managed to keep our adjusted gross margin still very attractive at 43.3 percent in the first nine months of the financial year 2020/21 compared to 44.8 percent in the corresponding reporting period of previous year.

Other operating income

In the first nine months of the financial year 2020/21, other operating income accounted for €186.8 million compared to €194.7 million for the corresponding reporting period of the previous year. The decrease of €7.9 million was mainly the result of lower marketing income and lower income for subleasing partially compensated by higher income from reversal of provisions.

Personnel expenses

In the first nine months of the financial year 2020/21, personnel expenses increased by €27.9 million to €451.7 million especially due to lower short-time allowances. Adjustments amounted to €102.1 million and were especially related to our Store Optimization Program (SOP) and COVID-19.

Other operating expenses

In the first nine months of the financial year 2020/21, other operating expenses increased by €64.9 million to €776.6 million especially due to increased goods handling costs and other services in connection with our successfully completed refinancing.

Adjusted for extraordinary effects amounting to €118.1 million and mainly due to COVID-19 and consulting fees related to our successfully completed refinancing, adjusted other operating expenses as percentage of total net sales accounted for 27.8 percent in the first nine months of the financial year 2020/21 compared to 25.8 percent in the corresponding reporting period of the previous financial year 2019/20.

EBITDA and Adjusted EBITDA

EBITDA dropped by €222.0 million from €182.7 million to minus €39.3 million during the first nine months of the financial year 2020/21, in particular due to lower Gross Profit and marketing income against the background of COVID-19 related temporary store closures and restrictions but also due to lower short-time allowances resulting in higher personnel expenses as well as increased other operating expenses in connection with our Store Optimization Program.

Adjusted EBITDA decreased by €58.2 million or 23.1 percent to €193.5 million[2] during the first nine months ending June 30, 2021 from €251.8 million during the first nine months ending June 30, 2020. As a percentage of sales (net), adjusted EBITDA margin decreased by only 1.9 percentage points.

Total adjustments on EBITDA, comprising especially SOP and COVID-19 effects as well as consulting fees, increased by €163.8 million to €232.9 million during the first nine months of the financial year 2020/21 compared to €69.1 million during the first nine months of the fiscal year 2019/20. This increase essentially results from COVID-19 and SOP.

Adjusted EBITDA in our four regions – Germany, France, South-Western Europe and Eastern Europe – developed as follows:

Adjusted EBITDA in Germany, which was affected by the longest-lasting lock-down periods in Europe resulting in lower store contribution, decreased by €26.4 million to €36.2 million during the first nine months ending June 30, 2021 from €62.6 million during the first nine months of the previous reporting period. Adjustments on EBITDA in the German region totaled €150.1 million during the nine months ending June 30, 2021, primarily resulting from SOP and COVID-19 effects and additionally consulting fees in connection with our successfully completed refinancing.

Adjusted EBITDA in France decreased by €6.6million to €86.9 million during the first nine months ending June 30, 2021 from €93.5 million during the first nine months ending June 30, 2020, due to a very strong E-Commerce business and overall strict cost discipline. Adjustments on EBITDA in the French region accounted for €25.8 million during the first nine months ending June 30, 2021 and mainly related to SOP and COVID-19.

Adjusted EBITDA in South-Western Europe, the region with a quite weak market environment and strongly affected by SOP, decreased by €29.9 million during the first nine months ending June 30, 2021 from €59.9 million to €30.0 million, resulting especially from lower store contribution. The adjustments in the South-Western region amounted to €49.1 million during the first nine months ending June 30, 2021 and were primarily related to SOP and COVID-19 effects.

During the first nine months of the financial year 2020/21 adjusted EBITDA in Eastern Europe increased by €6.7 million from €35.0 million to €41.7 million reflecting the strong E-Commerce growth especially in the core country Poland. The adjustments totaled €7.9 million during the first nine months of the fiscal year 2020/21 and mainly resulted from COVID-19 effects.

[2] Management Adjusted EBITDA as per the covenant calculations based on LTM as of March 31, 2021 accounted for €395 million.

EBIT

In the first nine months of the financial year 2020/21, EBIT decreased by €219.5 million to minus €132.5 million from €87.0 million during the first nine months ending June 30, 2020. Amortization, depreciation and impairment expenses of €93.2 million, including €5.7 million due to store impairment losses, slightly decreased by €2.5 million. We refer to the above section "EBITDA and adjusted EBITDA".

Financial result

Due to IFRS 9-valuation effects of our loan receivables from the shareholder Kirk Beauty Two GmbH accounting for €105.5 million and higher interests income partially offset by higher interest expenses and accrued financial expenses in connection with our successful refinancing, the financial result increased by €74.8 million to €22.8 million during the first nine months ending June 30, 2021 compared to the corresponding reporting period of the previous fiscal year 2019/20.

Income taxes

Income taxes accounted for €31.2 million during the first nine months period of the fiscal year 2020/21 compared to €31.1 million during the corresponding reporting period of the previous fiscal year 2019/20.

Profit or Loss and Adjusted Profit or Adjusted Loss

Driven by the positive IFRS 9-valuation effects, partially compensating our decrease in EBITDA, the Loss of the first nine months of the fiscal year ending June 30, 2021 amounted to €140.9 million, compared to a Profit accounting for €3.9 million during the first nine months of the fiscal year ending June 30, 2020.

Adjusted Loss during the first nine months ending June 30, 2021 amounted to €79.0 million compared to an Adjusted Profit of €51.1 million in the corresponding reporting period of the previous fiscal year 2019/20.

The adjustments in respect of EBITDA, already being disclosed above in the section "EBITDA and Adjusted EBITDA" and totaling €232.9 million in the first nine months of the fiscal year ending June 30, 2021 are partially compensated by effects from valuation of financial instruments amounting to minus €103.2 million. Income taxes on adjustments have a decreasing effect of €78.8 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. Besides net sales the segment key 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.

Unchanged to the financial year ending September 30, 2020, 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.

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

Sales

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

	10/01/2020 - 06/30/2021	10/01/2019 - 06/30/2020	04/01/2021 - 06/30/2021
	EUR m	EUR m	EUR m
Sales	**2,367.3**	2,505.9	**643.9**
Segments			
Germany			
Sales (net)	862.7	980.9	221.3
Intersegment sales	43.0	37.6	12.9
Sales	905.7	1,018.6	234.2
France			
Sales (net)	541.7	545.8	131.3
Intersegment sales	0.0	0.0	0.0
Sales	541.7	545.8	131.3
South-Western Europe			
Sales (net)	700.2	719.9	211.2
Intersegment sales	0.0	0.0	0.0
Sales	700.2	719.9	211.2
Eastern Europe			
Sales (net)	262.7	259.3	80.1
Intersegment sales	0.0	0.0	0.0
Sales	262.7	259.3	80.1

EBITDA and Adjusted EBITDA

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

		10/01/2020 - 06/30/2021	10/01/2019 - 06/30/2020	04/01/2021 - 06/30/2021
Douglas-Group				
EBITDA (=reported EBITDA)	EUR m	-39.3	182.7	-22.8
EBITDA-margin	%	-1.7	7.3	-3.5
Adjustments	EUR m	232.9	69.1	46.6
Adjusted EBITDA	EUR m	193.5	251.8	23.8
Adjusted EBITDA-margin	%	8.2	10.0	3.7
Segments				
Germany				
EBITDA (=reported EBITDA)	EUR m	-113.9	31.3	-47.1
EBITDA-margin	%	-13.2	3.2	-21.3
Adjustments	EUR m	150.1	31.3	39.9
Adjusted EBITDA	EUR m	36.2	62.6	-7.2
Adjusted EBITDA-margin	%	4.2	6.4	-3.3
France				
EBITDA (=reported EBITDA)	EUR m	61.1	84.9	14.3
EBITDA-margin	%	11.3	15.6	10.9
Adjustments	EUR m	25.8	8.6	2.9
Adjusted EBITDA	EUR m	86.9	93.5	17.2
Adjusted EBITDA-margin	%	16.0	17.1	13.1
South-Western Europe				
EBITDA (=reported EBITDA)	EUR m	-19.1	33.7	0.8
EBITDA-margin	%	-2.7	4.7	0.4
Adjustments	EUR m	49.1	26.2	2.5
Adjusted EBITDA	EUR m	30.0	59.9	3.3
Adjusted EBITDA-margin	%	4.3	8.3	1.6
Eastern Europe				
EBITDA (=reported EBITDA)	EUR m	33.8	32.0	9.7
EBITDA-margin	%	12.8	12.3	12.1
Adjustments	EUR m	7.9	3.0	1.3
Adjusted EBITDA	EUR m	41.7	35.0	11.0
Adjusted EBITDA-margin	%	15.9	13.5	13.7

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

	10/01/2020-06/30/2021 EUR m	10/01/2019-06/30/2020 EUR m
EBITDA (=reported EBITDA)	-39.3	182.7
Purchase Price Allocations (PPA)	4.2	2.6
Restructuring costs and severance payments	5.4	0.4
Consulting fees	27.0	12.3
COVID-19-effects	99.0	60.7
Store Optimization Program (SOP)	89.2	0.0
Other adjustments	8.1	-6.9
Sum of adjustments	232.9	69.1
Adjusted EBITDA	**193.5**	**251.8**
Amortization/depreciation	-93.2	-95.7
Impairment of non-current and current assets	11.0	0.0
Adjusted EBIT	111.3	156.1
Financial result	22.8	-51.9
Reclassification of valuation effects on financial instruments	-103.2	0.4
Adjusted EBT	30.9	104.5
Income taxes	-31.2	-31.1
Income taxes on adjustments	-78.8	-22.2
Adjusted Profit (+) or Loss (-)	**-79.0**	**51.1**

Liquidity and Capital Resources

Overview

The main sources of liquidity on an ongoing basis are the operating cash flows and a liquidity reserve amounting to €223.5 million as of June 30, 2021 and following the completion of the refinancing in April 2021, potential drawings under our new €170 million revolving credit facility.

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. We believe that, based on our successfully completed refinancing and the brightening outlook regarding the subsiding of the COVID-19 pandemic we have a sufficiently stable position to fund our operations, capital expenditures and debt service for at least the next twelve months.

As of June 30, 2021, the outstanding borrowings under the (new) revolving credit facility (the "Revolving Credit Facility") amounted to €0.0 million.[3]

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, 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:

	06/30/2021	06/30/2020
	EUR m	EUR m
Inventories	693.6	762.3
Trade accounts receivable	52.4	40.2
Trade accounts payable	-450.9	-437.0
Other	-43.1	-52.9
Net Working Capital	252.0	312.6

[3] Available amount for borrowings under the RCF of €170 million is reduced by outstanding securities, in particular in the form of rental guarantees, amounting to €25 million.

Net Working Capital decreased by €60.6 million to €252.0 million as of June 30, 2021 compared to June 30, 2020. This decrease is mainly a result of lower inventory reflecting our strong inventory limit control and shift from brick-and-mortar to E-Commerce business.

Investments in non-current assets

The investments made during the nine months ending June 30, 2021 mainly related to the refurbishment, maintenance and (re-)design of existing stores as well as IT and E-Commerce.

In the first nine months ending June 30, 2021, our cash-investment (Net cash flow from investing activities) in non-current assets amounted to €68.6 million, €6.2 million below prior year payments of €74.8 million.

The investments during the first nine months of the financial year 2020/21 in tangible and intangible assets (CAPEX) consisted of €50.8 million additions compared to €55.4 million during the corresponding reporting period of the previous fiscal year 2019/20.

Consolidated Cash Flow Data

			10/01/2020-06/30/2021 EUR m	10/01/2019-06/30/2020 EUR m
1.	=	EBITDA (=reported EBITDA)	-39.3	182.7
2.	+/-	Increase/decrease in provisions	43.4	-13.2
3.	+/-	Other non-cash expense/income	5.4	-1.4
4.	+/-	Changes in net working capital without liabilities from investments in non-current assets	15.5	-7.7
5.	+/-	Changes in other assets/liabilities not classifiable to investing or financing activities	24.9	92.8
6.	-/+	Paid/reimbursed taxes	-32.6	-13.8
7.	=	Net cash flow from operating activities	16.8	239.4
8.	+	Proceeds from the disposal of non-current assets	4.7	0.8
9.	-	Investments in non-current assets	-68.6	-74.8
10.	=	Net cash flow from investing activities	-63.8	-74.0
11.		Free cash flow (total of 7. and 10.)	-47.1	165.3
12.	-	Payments for the repayment of financial liabilities	-120.5	-20.6
13.	+	Proceeds from borrowings	18.7	170.9
14.	+	Proceeds from the repayment of shareholder loan	220.0	0.0
15.	-	Interest paid	-104.2	-57.1
16.	+	Interest received	0.2	0.2
17.	=	Net cash flow from financing activities	14.2	93.3
18.		Net change in cash and cash equivalents (total of 7., 10. and 17.)	-32.9	258.7
19.	+/-	Net change in cash and cash equivalents due to currency translation	0.1	-0.5
20.	+	Cash and cash equivalents at the beginning of the reporting period	256.3	81.0
21.	**=**	**Cash and cash equivalents at the end of the reporting period**	**223.5**	**339.2**

Nine months ending June 30, 2021, compared to nine months ending June 30, 2020

Cash Flow from operating activities

Cash provided by operating activities decreased by €222.6 million to €16.8 million during the first nine months of the fiscal year 2020/21, from €239.4 million during the nine months ending June 30, 2020. This decrease was mainly the result of lower EBITDA against the background of the COVID-19 pandemic and SOP.

Cash Flow from investing activities

Cash used for investing activities (cash outflows) decreased by €10.2 million to €63.8 million during the nine months ending June 30, 2021, from €74.0 million during the prior financial year reporting period.

Cash Flow from financing activities

During the nine months ending June 30, 2021, cash provided by financing activities (cash inflows) amounted to €14.2 million, compared to cash inflows of €93.3 million during the previous year reporting period. The decrease of €79.1 million primarily relates to the initial drawing of the RCF Ancillary Facility in the amount of €163.6 million during the previous financial year reporting period and the refinancing during the financial year 2020/21, partly compensated by the settlement of contingent purchase price liabilities from the LLG acquisition in the amount of €15.0 million in the nine months ending June 30, 2020.

Liquidity as of June 30, 2021

As of June 30, 2021, the cash balance amounted to €223.5 million. Our total nominal debt position includes in particular the nominal values of the Term Loan B Facility and the Notes.

	06/30/2021 Nominal amount EUR m
Term Loan B Facility	600.0
Senior Secured Notes	1,305.0
Liabilities related to Senior PIK Notes	475.0
Revolving Credit Facility (RCF)	0.0
Other borrowings	1.8
Total Debt	2,381.8
Cash and cash equivalents	223.5
Net Debt	**2,158.3**

Interim Consolidated Financial Statements

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

The consolidated statements have been prepared in millions of Euro (€ million). Due to rounding, numbers presented throughout this document may not add up precisely to the totals we provide and percentages may not precisely reflect the absolute figures.

Interim Consolidated Statement of Profit or Loss

of Kirk Beauty One GmbH for the period from October 1, 2020 through June 30, 2021

		10/01/2020-06/30/2021 EUR m	10/01/2019-06/30/2020 EUR m restated [4]	04/01/2021 - 06/30/2021 EUR m
1.	Sales	2,367.3	2,505.9	643.9
2.	Cost of raw materials, consumables and supplies and merchandise	-1,365.1	-1,382.6	-367.9
3.	Gross Profit	1,002.2	1,123.3	276.0
4.	Other operating income	184.1	187.5	51.4
5.	Personnel expenses	-451.7	-423.8	-121.5
6.	Other operating expenses	-568.5	-489.3	-161.8
7.	Result from impairments on financial assets	0.0	0.1	0.0
8.	EBITDA (=reported EBITDA)	166.2	397.8	44.2
9.	Amortization/depreciation	-296.3	-308.1	-103.7
10.	EBIT	-130.1	89.7	-59.6
11.	Financial income	144.1	37.4	13.4
12.	Financial expenses	-153.0	-106.4	-40.0
13.	Financial result	-8.9	-69.0	-26.6
14.	EBT	-139.0	20.7	-86.1
15.	Income taxes	-31.2	-31.1	-6.1
16.	**Profit (+) or Loss (-) of the period (Net Income)**	**-170.2**	**-10.4**	**-92.3**
	Attributable to owners of the parent	-170.2	-10.4	-92.3

[4] Restated; please refer to the chapter "Retrospective restatement of comparative information for the first nine months of the previous fiscal year ending as of June 30, 2020"

Interim Consolidated Reconciliation from Profit or Loss to Total Comprehensive Income

of Kirk Beauty One GmbH for the period from October 1, 2020 through June 30, 2021

	10/01/2020-06/30/2021 EUR m	10/01/2019-06/30/2020 EUR m restated [5]
Profit (+) or Loss (-) of the period (Net Income)	-170.2	-10.4
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	-2.2	-1.6
Components that will not be reclassified to profit or loss		
Actuarial gains/losses from pension provisions	0.0	0.0
Other comprehensive income	-2.2	-1.6
Total comprehensive income	**-172.4**	-12.0
Attributable to owners of the parent	-172.4	-12.0

[5] Restated; please refer to the chapter “Retrospective restatement of comparative information for the first nine months of the previous fiscal year ending as of June 30, 2020”

Interim Consolidated Statement of Financial Position

of Kirk Beauty One GmbH as of June 30, 2021

Assets		06/30/2021 EUR m	06/30/2020 EUR m restated [6]	09/30/2020 EUR m
A.	Non-current assets			
I.	Intangible assets	2,035.3	2,334.5	2,045.1
II.	Property, plant and equipment	236.6	277.8	278.0
III.	Right-of-use assets from leases	1,064.0	1,313.6	1,230.9
IV.	Financial assets	762.6	624.1	851.8
V.	Deferred tax assets	55.5	87.3	60.2
		4,154.0	4,637.4	**4,465.9**
B.	Current assets			
I.	Inventories	693.6	762.3	738.6
II.	Trade accounts receivable	52.4	40.2	37.5
III.	Tax receivables	38.3	41.8	23.2
IV.	Financial assets	157.4	142.6	164.8
V.	Other assets	44.7	46.2	34.8
VI.	Cash and cash equivalents	223.5	339.2	256.3
		1,209.8	1,372.3	**1,255.2**
Total		**5,363.8**	6,009.7	**5,721.1**

[6] Restated; please refer to the chapter "Retrospective restatement of comparative information for the first nine months of the previous fiscal year ending as of June 30, 2020"

Equity and Liabilities		06/30/2021 EUR m	06/30/2020 EUR m restated [7]	09/30/2020 EUR m
A.	Equity			
I.	Capital stock*	0.0	0.0	0.0
II.	Additional paid-in capital	1125.1	1,125.1	1,125.1
III.	Reserves	-623.7	-270.9	-457.8
IV.	Non-controlling interests	0.0	0.0	0.0
		501.4	854.3	**667.3**
B.	Non-current liabilities			
I.	Pension provisions	37.0	39.2	37.9
II.	Other non-current provisions	45.2	53.4	58.1
III.	Financial liabilities	3,345.3	3,433.9	3,371.5
IV.	Other liabilities	16.9	11.7	14.6
V.	Deferred tax liabilities	192.7	195.1	193.7
		3,637.0	3,733.3	**3,675.8**
C.	Current liabilities			
I.	Current provisions	163.6	102.6	123.5
II.	Trade accounts payable	450.9	437.0	503.5
III.	Tax liabilities	113.9	127.3	68.7
IV.	Financial liabilities	250.2	522.8	458.6
V.	Other liabilities	246.8	232.3	223.7
		1,225.4	1,422.1	**1,378.0**
Total		**5,363.8**	6,009.7	**5,721.1**

*) Capital stock amounts to €25.000,00.

[7] Restated; please refer to the chapter “Retrospective restatement of comparative information for the first nine months of the previous fiscal year ending as of June 30, 2020”

Interim Statement of Changes in Group Equity

of Kirk Beauty One GmbH for the period from October 1, 2020 through June 30, 2021

	Attributable to owners of the parent						
				Reserves			
	Capital stock* EUR m	Additional paid-in capital EUR m	Retained earnings EUR m	Reserves for pension provisions EUR m	Differences from currency translation EUR m	Total EUR m	Non-controlling interests EUR m
10/01/2020	0.0	1,125.1	-450.4	-2.0	-5.3	667.3	0.0
Currency translation					-2.2	-2.2	0.0
Profit (+) or Loss (-) of the period (Net Income)			-170.2			-170.2	0.0
Total comprehensive income	0.0	0.0	-170.2	0.0	-2.2	-172.4	0.0
Share-based payment			6.6			6.6	
Transactions with shareholders	0.0	0.0	6.6	0.0	0.0	6.6	0.0
06/30/2021	**0.0**	**1,125.1**	**-614.0**	**-2.0**	**-7.6**	**501.5**	**0.0**

	Attributable to owners of the parent						
				Reserves			
	Capital stock* EUR m	Additional paid-in capital EUR m	Retained earnings 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	859.2	0.0
Error correction in current accounts			9.4			9.4	
Adjustment on initial application of IFRS 16			-2.3			-2.3	
Adjusted balance 01/10/2018	0.0	1,125.1	-253.1	-2.9	-2.9	866.3	0.0
Currency translation					-1.6	-1.6	
Profit (+) or Loss (-) of the period (Net Income)			-10.4			-10.4	0.0
Total comprehensive income	0.0	0.0	-10.4	0.0	-1.5	-12.0	0.0
06/30/2020 restated [8]	0.0	1,125.1	-263.5	-2.9	-4.5	854.2	0.0

*) Capital stock amounts to €25.000,00.

[8] Restated; please refer to the chapter "Retrospective restatement of comparative information for the first nine months of the previous fiscal year ending as of June 30, 2020"

Interim Consolidated Statement of Cash Flows

of Kirk Beauty One GmbH for the period from October 1, 2020 through June 30, 2021

			10/01/2020-06/30/2021 EUR m	10/01/2019-06/30/2020 EUR m restated [9]
1.		Profit (+) or Loss (-) of the period (Net Income)	-170.2	-10.4
2.	+	Income taxes	31.2	31.1
3.	+	Financial result	8.9	69.0
4.	+	Amortization/depreciation	296.3	308.1
5.	=	EBITDA (=reported EBITDA)	166.2	397.8
6.	+/-	Increase/decrease in provisions	43.4	-13.2
7.	+/-	Other non-cash expense/income	5.4	-1.4
8.	+/-	Loss/profit on the disposal of non-current assets	-0.5	0.0
9.	+/-	Changes in net working capital without liabilities from investments in non-current assets	15.5	-7.7
10.	+/-	Changes in other assets/liabilities not classifiable to investing or financing activities	37.8	26.7
11.	-/+	Paid/reimbursed taxes	-32.6	-13.8
12.	=	Net cash flow from operating activities	235.2	388.5
13.	+	Proceeds from the disposal of non-current assets	4.7	0.8
14.	-	Investments in non-current assets	-68.6	-74.8
15.	=	Net cash flow from investing activities	-63.8	-74.0
16.		Free cash flow (total of 12. and 15.)	171.3	314.4
17.	-	Payments for the repayment of financial liabilities	-303.9	-157.8
18.	+	Proceeds from borrowings	18.7	170.9
19.	+	Proceeds from the repayment of shareholder loan	220.0	0.0
20.	-	Interest paid	-139.1	-69.1
21.	+	Interest received	0.2	0.2
22.	=	Net cash flow from financing activities	-204.2	-55.8
23.		Net change in cash and cash equivalents (total of 12., 15. and 22.)	-32.9	258.7
24.	+/-	Net change in cash and cash equivalents due to currency translation	0.1	-0.5
25.	+	Cash and cash equivalents at the beginning of the reporting period	256.3	81.0
26.	**=**	**Cash and cash equivalents at the end of the reporting period**	**223.5**	339.2

[9] Restated; please refer to the chapter "Retrospective restatement of comparative information for the first nine months of the previous fiscal year ending as of June 30, 2020"

Notes to the Interim Consolidated Financial Statements

of Kirk Beauty One GmbH for the period from October 1, 2020 through June 30, 2021

Segment Reporting

Reportable Segments

		Germany		France		South-Western Europe	
		10/01/2020-06/30/2021	10/01/2019-06/30/2020	10/01/2020-06/30/2021	10/01/2019-06/30/2020	10/01/2020-06/30/2021	10/01/2019-06/30/2020
Sales (net)	EUR m	862.7	980.9	541.7	545.8	700.2	719.9
Intersegment sales	EUR m	43.0	37.6	0.0	0.0	0.0	0.0
Sales	EUR m	905.7	1,018.6	541.7	545.8	700.2	719.9
EBITDA (=reported EBITDA)	EUR m	-49.5	105.1	97.6	119.0	62.1	119.5
EBITDA-margin	%	-5.7	10.7	18.0	21.8	8.9	16.6
Lease expenses and income according to former IAS 17 which are to be capitalized following IFRS 16	EUR m	-64.4	-73.8	-36.5	-34.0	-81.2	-85.8
Key performance indicator to be adjusted	EUR m	-113.9	31.3	61.1	84.9	-19.1	33.7
Sales-margin on Key Performance Indicator to be adjusted	%	-13.2	3.2	11.3	15.6	-2.7	4.7
Sum of adjustments	EUR m	150.1	31.3	25.8	8.6	49.1	26.2
Adjusted EBITDA	EUR m	36.2	62.6	86.9	93.5	30.0	59.9
Adjusted EBITDA-margin	%	4.2	6.4	16.0	17.1	4.3	8.3
Inventories	EUR m	250.3	243.1	118.7	128.6	236.0	301.4
Capital expenditure	EUR m	34.3	29.9	5.8	7.0	4.5	8.4

		Eastern Europe		Consolidation		Kirk Beauty One GmbH	
		10/01/2020-06/30/2021	10/01/2019-06/30/2020	10/01/2020-06/30/2021	10/01/2019-06/30/2020	10/01/2020-06/30/2021	10/01/2019-06/30/2020restated [10]
Sales (net)	EUR m	262.7	259.3	0.0	0.0	2,367.3	2,505.9
Intersegment sales	EUR m	0.0	0.0	-43.0	-37.6	0.0	0.0
Sales	EUR m	262.7	259.3	-43.0	-37.6	2,367.3	2,505.9
EBITDA (=reported EBITDA)	EUR m	57.1	53.5	-1.2	0.8	166.2	397.8
EBITDA-margin	%	21.7	20.6			7.0	15.9
Lease expenses and income according to former IAS 17 which are to be capitalized following IFRS 16	EUR m	-23.4	-21.5	0.0	0.0	-205.5	-215.2
Key performance indicator to be adjusted	EUR m	33.8	32.0	-1.2	0.8	-39.3	182.7
Sales-margin on Key Performance Indicator to be adjusted	%	12.8	12.3			-1.7	7.3
Sum of adjustments	EUR m	7.9	3.0	0.0	0.0	232.9	69.1
Adjusted EBITDA	EUR m	41.7	35.0	-1.2	0.8	193.5	251.8
Adjusted EBITDA-margin	%	15.9	13.5			8.2	10.0
Inventories	EUR m	94.5	93.3	-5.9	-4.1	693.6	762.3
Capital expenditure	EUR m	6.2	10.2	0.0	0.0	50.8	55.4

Chief Operating Decision Maker, reportable and operating segments

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, 2020, 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.

Segment Performance Indicator

The segment performance indicator is Adjusted EBITDA.

Alongside sales, adjusted EBITDA is the Douglas-Group’s key financial performance indicator that is used to assess the performance of the segments and manage resource allocation.

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.

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.

[10] Restated; please refer to the chapter “Retrospective restatement of comparative information for the first nine months of the previous fiscal year ending as of June 30, 2020”

Internal licensing costs and other similar costs charged from the segment Germany to the segments South-Western Europe and Eastern Europe were not included in the presentation of segment EBITDA and adjusted segment EBITDA, in accordance with the internal steering logic.

Adjusted EBITDA is defined as follows:

The EBITDA reported in the Consolidated Statement of Profit or Loss is adjusted for those lease expenses and income in accordance with the former IAS 17 that are to be capitalized in accordance with IFRS 16. The resulting "key performance indicator to be adjusted" is adjusted for those items which, in the opinion and decision of the management of Kirk Beauty One GmbH, are non-regularly recurring, exceptional or unsuitable for internal control. Adjusted EBITDA is also decisive for calculating the underlying covenants of loan financing.

The resulting "key performance indicator to be adjusted" is adjusted for those items which, in the opinion and decision of the management of Kirk Beauty One GmbH, are non-regularly recurring, exceptional or unsuitable for internal control.

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.

Adjustments

Adjustments include, but are not limited to PPA effects, consulting fees, restructuring costs and other extraordinary costs.

The adjustments are basically divided into the following four categories: “Purchase Price Allocations (PPA)," "Restructuring costs and severance payments," "Consulting fees" and "Other adjustments“.

Please note that our key performance indicator “Adjusted EBITDA” is no longer adjusted for credit card fees (in the past, credit card fees within EBITDA were adjusted and reclassified to the financial result). The COVID-19 pandemic accelerated the shift from brick-and-mortar to E-Commerce sales, thereby augmenting online or mobile cashless payments. Management expects that this trend will continue, turning credit card fees into regular transaction costs for sales. For comparison reasons, the previous year periods figures have been adapted accordingly to the new “Adjusted EBITDA” definition.

In view of the abnormal situation and uniqueness of the COVID-19 pandemic, certain related expenses and income have also, in the opinion of management, to be adjusted and have been disclosed separately in the category "COVID-19-effects". Due to the significance and materiality of our Store Optimization Program, the associated adjusted costs were shown as a separate category “Store Optimization Program (SOP)“.

- Purchase Price Allocations (PPA):
  EBITDA effects in profit or loss concerning the amortization of hidden reserves disclosed in connection with business combinations
- Restructuring costs and severance payments (without SOP – see below):
  Expenses in connection with the sale or termination of a business unit, the permanent closure or sale of a group of stores, significant changes in the structure of management or fundamental reorganizations or refinancing. Within this context, expenses in the form of severance payments and salary continuation payments without replacement of the position, furthermore in the case of management positions at national or Group level irrespective of the replacement of the position, are to be mentioned in particular.
- Consulting fees:

In relation to strategic projects, acquisitions and financing.

- COVID-19-effects:
  The COVID-19 related lockdown led to several temporary closures of our stores across Europe, resulting in a significant drop of our overall Net Sales. Furthermore, some of our employees were on short-time labor.
  COVID-19 adjustments particularly resulted from lockdown-caused temporary store closures, mainly in the form of rent-related idle costs and staff-related idle costs (comprising offsetting effects from payroll-related subsidies) as well as costs for external staffing. Additional direct costs included expenses for the purchase of hygiene articles such as disinfectants and masks as well as cleaning costs.
- Store Optimization Program (SOP)
  Effects related to our strategic Store Optimization Program (SOP) are adjusted and shown as separate line item. They comprise especially costs related to employee like ongoing salary payments, leave compensation and severance payments, promotion related write-downs on inventory, consulting expenses and ongoing rent obligation.
- Other adjustments
  Other matters that do not recur on a regular basis, are exceptional or are not suitable for internal management. These include in particular income from the reversal of previously adjusted provisions, restructuring expenses that are not personnel-related, write-downs of receivables that are not related to trade accounts receivables from customers in the ordinary course of business and impairment losses on inventories if not reported separately.

Reconciliation from EBITDA to Adjusted EBITDA

of Kirk Beauty One GmbH for the period from October 1, 2020 through June 30, 2021

	10/01/2020-06/30/2021 EUR m	10/01/2019-06/30/2020 EUR m
EBITDA (=reported EBITDA)	**166.2**	397.8
Lease expenses and income according to former IAS 17 which are to be capitalized following IFRS 16	-205.5	-215.2
Key performance indicator to be adjusted	**-39.3**	182.7
Purchase Price Allocations (PPA)	4.2	2.6
Restructuring costs and severance payments	5.4	11.3
Consulting fees	27.0	12.0
COVID-19-effects	99.0	14.7
Store Optimization Program (SOP)	89.2	0.0
Other adjustments	8.1	28.4
Sum of adjustments	232.9	69.1
Adjusted EBITDA	**193.5**	251.8

Other explanations on segment reporting

The recognized segment sales correspond to sales with external third parties. Internal sales account for sales between individual segments. The allocation of segment sales is based on the registered office of the selling unit. The allocation of sales to the reporting segment is based on the registered location of the selling company.

The monthly reporting to the chief operating decision-maker only shows the inventories of individual segments as segment assets. Inventories shown in segment reporting include purchased goods, raw materials, consumables and supplies and advance payments for inventories.

Capital expenditure shown in the segment reporting relates to additions made to intangible assets and property, plant and equipment.

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).

General principles

Kirk Beauty One GmbH ("DOUGLAS", "DOUGLAS Group", the "Company", the "Group") 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.

Douglas GmbH and Kirk Beauty SUN GmbH issued the Senior Secured Notes due 2026 and the Senior PIK Notes due 2026 in April 2021. These Interim Consolidated Financial Statements cover the period of the nine months of the financial year 2020/21 from October 1, 2020 through June 30, 2021 (interim period) as of June 30, 2021 (interim reporting date) and were prepared in compliance with the International Financial Reporting Standards (IFRS) endorsed by the European Union and mandatory for the financial year 2020/21.

These Interim Consolidated Financial Statements have been prepared in accordance with 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, 2020. They do not include all 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 Annual Consolidated Financial Statements.

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

Assumption of going concern as the basis for accounting

The financial risks represent a going concern risk for the Douglas-Group. The following material uncertainties exist:

- the necessary and planned increase in earning power in the Group's transformation process must be achieved and thus solvency maintained, and
- the liquidity of the Group must not be further burdened by further store closings or other restrictions due to COVID-19 pandemic.

The ongoing servicing of the cost of capital generally assumes that the Douglas-Group's planning will not be significantly missed in terms of sales, earnings and cash flow development.

The COVID-19 pandemic had a substantial impact on the Douglas-Group's business in the financial year 2020/21. As a consequence, a reduction of financial reserves has been observed. Potential additional weeks of lockdown-caused store closures or other restrictions would further increase the liquidity risk.

The massive shift in business from brick-and-mortar to digital retail accompanied by the optimization of the store network is thus seen as a necessary step to increase profitability.

According to the liquidity planning and before drawing the Revolving Credit Facility there are only limited liquidity reserves beyond the reporting date of September 30, 2021 in order to maintain solvency at all times even in the event of further budget shortfalls or an extended period of lockdown-caused store closures.

Therefore Douglas-Group may be unable to realize its assets and discharge its liabilities in the normal course of business.

Retrospective restatement of comparative information for the first nine months of the previous fiscal year ending as of June 30, 2020

The Group has identified and corrected the following errors in the nine months of the previous year 2019/20:

Some IFRS 16 related postings based on insufficient information were incomplete or incorrect (especially previously unidentified leases or subleases as well as incorrect lease terms). Based on current information appropriate corrections have been made with primary effects on right-of-use assets from leases, and corresponding financial liabilities as well as financial assets for sub leases.

The expected useful life of a building has been reconsidered. As a result, property plant and equipment were understated by €13.8 million. The error was corrected in equity partially offset by deferred tax liabilities.

All restatements of comparative information for the first nine months of the previous financial year 2019/20 have been considered and corrected in the last Annual Consolidated Financial Statements as at and for the financial year ending September 30, 2020.

The errors were corrected by adjusting the affected items in the financial statements for previous years accordingly. The following tables summarize the effects on the Interim Consolidated Financial Statements.

Restatement effects on Interim Consolidated Statement of Profit or Loss

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

		Effects of the restatements As previously reported EUR m	Restatements EUR m	Restated EUR m
4.	Other operating income	187.1	0.5	187.5
6.	Other operating expenses	-497.9	8.5	-489.3
8.	EBITDA (=reported EBITDA)	388.9	9.0	397.8
9.	Amortization/depreciation	-293.4	-14.7	-308.1
10.	EBIT	95.5	-5.7	89.7
11.	Financial income	37.2	0.2	37.4
12.	Financial expenses	-101.1	-5.3	-106.4
13.	Financial result	-63.9	-5.1	-69.0
14.	EBT	31.6	-10.9	20.7
16.	**Profit (+) or Loss (-) of the period (Net Income)**	**0.4**	**-10.9**	**-10.4**
	Attributable to owners of the parent	0.4	-10.9	-10.4

Restatement effects on Interim Consolidated Statement of Financial Position

of Kirk Beauty One GmbH as of June 30, 2020

Assets		Effects of the restatements As previously reported EUR m	Restatements EUR m	Restated EUR m
A.	Non-current assets			
II.	Property, plant and equipment	264.1	13.8	277.8
III.	Right-of-use assets from leases	1,140.6	173.0	1,313.6
IV.	Financial assets	603.0	21.1	624.1
		4,429.5	207.9	4,637.4
B.	Current assets			
IV.	Financial assets	146.2	-3.7	142.6
		1,376.0	-3.7	1,372.3
Total		5,805.5	204.2	6,009.7

		Effects of the restatements As previously reported EUR m	Restatements EUR m	Restated EUR m
A.	Equity			
III.	Reserves	-267.8	-3.1	-270.9
		857.4	-3.1	854.3
B.	Non-current liabilities			
I.	Pension provisions	39.2	0.0	39.2
II.	Other non-current provisions	50.3	3.1	53.4
III.	Financial liabilities	3,193.7	240.1	3,433.9
IV.	Other liabilities	11.7	0.0	11.7
V.	Deferred tax liabilities	190.7	4.4	195.1
		3,485.7	247.6	3,733.3
C.	Current liabilities			
II.	Trade accounts payable	437.0	0.0	437.0
IV.	Financial liabilities	563.1	-40.3	522.8
		1,462.4	-40.3	1,422.1
Total		5,805.5	204.2	6,009.7

Restatement effects on Interim Consolidated Statement of Cash Flows

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

			Effects of the restatements As previously reported EUR m	Restatements EUR m	Restated EUR m
1.		Profit (+) or Loss (-) of the period (Net Income)	0.4	-10.9	-10.4
3.	+	Financial result	63.9	5.1	69.0
4.	+	Amortization/Depreciation/ Impairment	293.4	14.7	308.1
5.	=	EBITDA (=reported EBITDA)	388.9	9.0	397.8
10.	+/-	Changes in other assets/liabilities not classifiable to investing or financing activities	92.8	-66.0	26.7
12.	=	Net cash flow from operating activities	445.5	-57.1	388.5
17.		Free cash flow	371.5	-57.1	314.4
18.	-	Payments for the repayment of financial liabilities	-226.8	69.0	-157.8
21.	-	Interest paid	-57.1	-12.0	-69.1
23.	**=**	**Net cash flow from financing activities**	**-112.9**	**57.1**	**-55.8**

Restatement effects on Reportable Segments

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

		Germany 10/01/2019-06/30/2020	10/01/2019-06/30/2020	10/01/2019-06/30/2020	Kirk Beauty One GmbH 10/01/2019-06/30/2020	10/01/2019-06/30/2020	10/01/2019-06/30/2020
			Effects of the restatements			Effects of the restatements	
		As previously reported	Restatements	Restated	As previously reported	Restatements	Restated
EBITDA (=reported EBITDA)	EUR m	96.1	9.0	105.1	388.9	9.0	397.8
Lease expenses and income according to former IAS 17 which are to be capitalized following IFRS 16	EUR m	-64.8	-9.0	-73.8	-206.2	-9.0	-215.2
Key performance indicator to be adjusted	EUR m	31.3	0.0	31.3	182.7	0.0	182.7
Adjusted EBITDA	EUR m	62.6	0.0	62.6	251.8	0.0	251.8

New accounting standards

In June 2021, the IFRS Interpretations Committee decided that when determining the net realizable value of inventories, the estimated necessary selling costs must not be limited to the incremental selling costs. The impact of this decision on the consolidated financial statements is currently being analyzed.

Any of the new standards not yet applied by Kirk Beauty One GmbH have no material impact on the presentation of the Interim Consolidated Financial Statements of Kirk Beauty One.

Reference is made to the overview summary of newly implemented or revised IASB accounting standards and interpretations in No. 2 of Kirk Beauty One's last Annual Consolidated Financial Statements as at and for the financial year ending September 30, 2020.

Consolidation principles

Group of consolidated companies

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

	Germany	Other countries	Total
10/01/2020	**23**	**33**	**56**
companies consolidated for the first time	0	0	0
deconsolidated companies	0	0	0
merged companies	0	0	0
06/30/2021	**23**	**33**	**56**

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 10/01/2020-06/30/2021 EUR	Closing rate 06/30/2021 EUR	Average exchange rate 10/01/2019-06/30/2020 EUR	Closing rate 06/30/2020 EUR
Bulgarian Lev	BGN	0.51130	0.51130	0.51130	0.51130
Swiss Franc	CHF	0.92125	0.91075	0.92600	0.93888
Czech Koruna	CZK	0.03815	0.03923	0.03846	0.03740
Croatian Kuna	HRK	0.13251	0.13349	0.13377	0.13209
Hungarian Forint	HUF	0.00280	0.00284	0.00296	0.00280
Polish Zloty	PLN	0.22199	0.22123	0.22944	0.22442
Romanian Lei	RON	0.20492	0.20292	0.20906	0.20662
Turkish Lira	TRY	0.10841	0.09689	0.14801	0.13027
U.S. Dollar	USD	0.83795	0.84147	0.90462	0.89302

Foreign currency transactions are recognized in the functional currency as translated at the applicable exchange rate at the time of the transaction. Monetary 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 (Interim) Consolidated Statement of Profit or Loss.

Accounting and valuation principles

The accounting and valuation principles for the reporting period are substantially consistent with those applied for Kirk Beauty One's Annual Consolidated Financial Statements as of September 30, 2020.

In calculating the expense relating to taxes on income, the interim tax expense is determined on the basis of the estimated effective income tax rate for the current fiscal year.

Comprising the Christmas season and besides events like Black Friday or Singles' Day, the first quarter of our fiscal year is measured in terms of Net Sales and Adjusted EBITDA the most important quarter, which is typical for a retailer in the consumer sector. All sales-related, seasonal or cyclical issues have been considered during the interim financial and business judgement was applied accordingly.

Use of judgements

Douglas makes discretionary decisions when determining terms of leases, considering renewal and / or termination options. The assessment of whether these options are exercised with sufficient certainty affects the term and consequently also the measurement of the lease liability and the right of use of a lease. The classification of lessor-related leases as operating or finance leases is also subject to discretionary decisions.

Assumptions and estimates

Assumptions and estimates have been made in the preparation of the 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, particularly, in assessing whether or not there are any triggering events indicating the need for testing non-financial assets for impairment and assessing the impairment losses under IFRS 9 with focus on the determination of the probability of occurrence of scenarios and the credit risk (loss rate), the determination of useful lives and valuing provisions and pension provisions and uncertain tax positions and estimating the probability that future tax refunds will be realized. 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. In particular, the impairments of financial and non-financial assets were significantly affected by the COVID-19 pandemic and may involve greater uncertainty.

Net sales

	Germany 10/01/2020-06/30/2021	10/01/2019-06/30/2020	France 10/01/2020-06/30/2021	10/01/2019-06/30/2020	South-Western Europe 10/01/2020-06/30/2021	10/01/2019-06/30/2020
Sales (net) Stores	305.1	585.6	380.6	458.2	491.5	591.4
Sales (net) E-Commerce	555.2	390.8	155.6	79.6	206.0	123.8
Sales (net) Other	2.4	4.6	5.5	7.9	2.7	4.7
Total	**862.7**	**980.9**	**541.7**	**545.8**	**700.2**	**719.9**

	Eastern Europe 10/01/2020-06/30/2021	10/01/2019-06/30/2020	Consolidation 10/01/2020-06/30/2021	10/01/2019-06/30/2020	Kirk Beauty One GmbH 10/01/2020-06/30/2021	10/01/2019-06/30/2020
Sales (net) Stores	186.8	209.2	0.0	0.0	1,364.0	1,844.4
Sales (net) E-Commerce	75.9	44.1	0.0	0.0	992.7	638.3
Sales (net) Other	0.0	6.0	0.0	0.0	10.6	23.2
Total	**262.7**	**259.3**	**0.0**	**0.0**	**2,367.3**	**2,505.9**

Impairment of Assets

Impairment tests at store level, as cash-generating units (CGUs), lead to write-downs totaling €5.7 million (prior year: €0.0 million), of which €3.3 million (prior year: €0.0 million) were attributable to the segment Germany, €0.3 million (prior year: €0.0 million) to France, €2.1 million (prior year: €0.0 million) to South-Western Europe and €0.0 million (prior year: €0.0 million) to Eastern Europe. Triggering events for stores subject to impairment testing are, in particular, negative contribution margins as a result of a decline in customer frequency, also due to COVID-19 and planned, approved and announced permanent store closures.
For impairment testing the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is calculated as being the value in use based on discounted future cash flows from internal forecasts. Planning assumptions include sales growth, gross profit/EBITDA forecasts, estimates of replacement investments in the store network, the ratio of personnel expenses to sales and other cost ratios relating to individual stores. The forecasts are based on the residual term of the respective lease agreements including any extension options. The forecast term is between one and fifteen years. Calculations are based on interest rates of between 5.5 percent and 9.0 percent, before taxes and materially unchanged compared to the last Annual Consolidated Financial Statements for the financial year ending September 30, 2020.

We also saw the ongoing COVID-19 pandemic as a trigger for performing a goodwill impairment test. The parameters used in the test are essentially unchanged to those used in the impairment test as of September 30, 2020; this applies in particular to the planning assumptions. The range of capitalization rates after taxes is 6.4% to 9.7%. The calculation of the perpetual annuity continues to be based on a risk-adjusted growth rate of 1.0%. For operating segments whose value in use was below the carrying amount of the cash-generating unit, the fair value less cost of disposal was also determined. The recoverable amount is in all cases above the carrying amount, so that there is no need for impairment.

Fair value of financial instruments[11,12]

Financial instruments categorized in accordance with IFRS 9 as of June 30, 2021

	Net book value EUR m	Category	Not measured at fair value EUR m	Fair value through profit or loss EUR m	Fair value through OCI EUR m	Fair value EUR m	Level
Trade accounts receivable	52.4	AC					
Cash and cash equivalents	223.5	AC					
Financial assets							
Receivables against shareholders	752.7	AC	752.7			752.7	2
Equity participations	2.1	FVtPL		2.1		2.1	2
Miscellaneous financial assets	165.2	AC	165.2			165.2	2
Total financial assets	**920.0**						
Trade accounts payable	450.9	AC					
Financial liabilities							
Purchase price liability arising from derivative financial instruments	0.2	AC	0.2			0.2	2
Liabilities to bank	602.3	AC	602.3			602.3	2
Liabilities from Senior Secured Notes	1,320.8	AC	1,320.8			1,299.0	1
Liabilities related to Senior PIK Notes	475.0	AC	475.0			471.4	1
Liabilities from minority options	11.8	AC	11.8			11.8	2
Liabilities from minority options	5.4	AC	5.4			5.4	3
Miscellaneous financial liabilities	27.6	AC	27.6			27.6	2
Total financial liabilities according to IFRS 9	2,443.1						
Lease liabilities according to IFRS 16	1,152.3						
Total financial liabilities	**3,595.4**						

[11] Abbreviations used for the categories of financial instruments according to IFRS 9
AC – Measured at amortized cost;
FVtPL – Measured at fair value through profit or loss

[12] The refinancing has been accrued and will be finalized at year end as of September 30, 2021.

Miscellaneous financial assets comprise several mainly short-term receivables.

Fair values of liabilities from or related to Notes – Senior Secured Notes, Senior PIK Notes – are calculated on the basis of market prices quoted on active markets (level 1).

A mark-to-market measurement based on yield curves available on the market is conducted for the interest rate caps as derivative financial instruments under “Assets” (level 2).

The contingent purchase price liability associated with the acquisition of the remaining 49 percent of the shares in Niche-Beauty.COM GmbH was recognized as a liability to minority shareholders at its fair value of €5.3 million as of the reporting date. The remaining 49 percent of the shares were acquired with economic effect from January 1, 2022 and subject to the condition precedent of payment of the second purchase price tranche. The purchase price of the 49 percent stake is also determined by the achievement of certain economic performance indicators. The expected value was determined on the basis of an equal distribution of the performance indicators within a range around the target achievement level. The expected value was discounted at an interest rate of 1.5 percent. The sensitivity of the fair value lies between the lower limit of €3.5 million and the upper limit of €6.0 million.

The contingent purchase price liability associated with the acquisition of the remaining 20 percent of the shares in Parfümerie AKZENTE GmbH was recognized as contingent consideration at its fair value of €8.0 million as of the reporting date. The put option can take place within a period of 90 days after October 1, 2021 for the remaining 20 percent of the shares. The purchase price of the 20 percent stake is nearly fix.

In terms of trade accounts receivable and trade accounts payable, fair values equal the carrying amounts due to the short maturities involved. In case of receivables from the parent company Kirk Beauty Two GmbH, the carrying amount is identical to the fair value as well, as the interest rate was negotiated in accordance with standard market conditions.

The IFRS 9-valuation of the receivables from the parent company Kirk Beauty Two GmbH as of March 31, 2021 resulted in a reversal of former write-down accounting for €105.5 million and is based on market parameters which are deducted from credit default swaps of a similar rating, without tax effects. Since then, both, market interest rates and credit risks have changed only slightly. As the carrying amount already takes the credit risk until maturity into account, it still equals fair value substantially.

Fair values of liabilities to banks are based on expected cash flows of contractual agreements, discounted with a credit-risk-adjusted interest rate. Calculating the fair value of the syndicated bank loan, a particularity exists. In addition to the variable EURIBOR base rate, adjustments to the credit margin are also regularly made within legally defined boundaries. Credit margins are reassessed on a quarterly basis, regarding the development of certain corporate key figures. The reassessment is based on ratios that the syndicate would also include in the assessment of credit risk. As a result, interest expectations as of the reporting date are largely equivalent to fair credit interest assessment. As there were no interest accruals as of the reporting date, the fair value only deviates from the nominal value of the liability to an immaterial extent.

Fair values of other financial instruments are calculated using the present values of contractually agreed payments in consideration of country-specific interest yield curves.

Equity participations are measured at fair value. No sale of these equity participations is planned as of the reporting date.

Financing - Borrowing liabilities

With the closing on April 8, 2021, Douglas successfully completed the refinancing; a refinancing package of €2.55 billion was agreed to replace the existing financing of €2.58 billion.

The financing package includes a Term Loan B in the amount of €600.0 million, Senior Secured Notes in the amount of €1,305.0 million, borrowings from Senior PIK Notes in the amount of €475.0 million and a Revolving Credit Facility (RCF) in the amount of €170.0 million.

The Douglas shareholders – including the financial investor CVC and the Kreke family – have also confirmed their commitment and continued support for the company by providing additional liquidity in the amount of €220.0 million.

	06/30/2021 Nominal amount EUR m
Senior Secured Notes	1,305.0
Liabilities related to Senior PIK Notes	475.0
Term Loan B Facility	600.0
Revolving Credit Facility (RCF)	0.0
Other borrowings	1.8
Total	**2,381.8**

The Revolving Credit Facility was not used through borrowings.[13]

Kirk Beauty One and its subsidiaries have to meet certain obligations and key financial covenants, in the event that 40.0 percent of the nominal value of €170.0 million of the Revolving Credit Facility is drawn (corresponds to €68.0 million). The utilization of the RCF through Ancillary Facilities as well as collateral in the form of rental guarantees is of no significance for the calculation of and compliance with financial covenants.

Besides these financial covenants Kirk Beauty One also has to meet certain 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.

Share-based payments

Second management participation program

On December 30, 2020, the Company implemented a new share-based payment plan, by establishing a second management participation company as a shareholder of Kirk Beauty Two GmbH, the direct parent of Kirk Beauty One GmbH.

Key management personnel and other senior employees were granted a participation in that entity which allows them to hold an indirect interest in the Douglas-Group and, in the event of the current majority shareholder departing (through a sale or Initial Public Offering), participate in the anticipated value increase. The interest granted is composed of ordinary shares in Kirk Beauty Two

[13] Available amount for borrowings under the RCF of €170 million is reduced by outstanding securities, in particular in the form of rental guarantees, amounting to €25 million.

GmbH representing 5.6% percent of those shares, and a portion of a shareholder loan, bearing interest at 2%, against Kirk Beauty Two GmbH.

The participation is linked to a service agreement of a member with the group and therefore is subject to good and bad leaver provisions until an IPO or trade sale occurs. Upon occurrence of a leaver event, the majority investor may exercise a call option and repurchase the participation at a specified price. Good leavers will receive a vested portion of the fair value of their participation, with 100% being received after five years.

Since the Company is not obliged to settle any obligation related to the participation in the second plan, this participation is classified as an equity-settled share-based payment award, which is considered an option. The grant date fair value is thus derived using an option-pricing model. The total amount of benefits granted was determined to be €18.6 million. The grant date fair value will be expensed over the variable vesting period till the expected exit event occurs.

For the second management plan, personnel expenses accounting for €6.6 million were recognized in the first nine months of the financial year 2020/21.

Events after the interim reporting date

The following events requiring consideration occurred between the Consolidated Financial Statements reporting date and the date on which the Consolidated Financial Statements were approved for publication:

Our stores are (re)open since June 2021, life has returned to “somewhat normal”, and our E-Commerce business is performing strongly. Nevertheless, the COVID-19 pandemic is still ongoing and present. As the total number of people vaccinated across Europe continues to grow, we expect the severity of the disease courses caused by COVID-19 to remain low and are confident that there will be no need for future store lockdowns and other restrictions with significant impact on brick-and-mortar business.

As a result of the Post-Closing Mergers described in the Offering Memorandum dated March 26, 2021, Kirk Beauty One GmbH and Douglas GmbH have merged into Kirk Beauty Two GmbH, which has been renamed Douglas GmbH (“TopCo”). TopCo, as the surviving entity has become the successor issuer of the Senior Secured Notes due 2026.

Effective July 31, 2021, Dr. Michael F. Keppel, Chief Restructuring Officer and executive director of Douglas Group resigned from the management board as planned.

Day of preparation and authorization for issue

Management prepared and authorized for issue the Interim Consolidated Financial Statements on August 25, 2021.

Düsseldorf, August 25, 2021

Douglas Group
Management

Tina Müller

Mark Langer

Vanessa Stützle

DOUGLAS

Appendix

Kirk Beauty Two GmbH

Interim Consolidated Statement of Profit or Loss

of Kirk Beauty Two GmbH for the period from October 1, 2020 through June 30, 2021

		10/01/2020-06/30/2021 EUR m	10/01/2019-06/30/2020 EUR m
1.	Other operating income	0.0	0.0
2.	Other operating expenses	-0.5	-0.1
3.	**EBITDA = EBIT**	**-0.4**	-0.1
4.	Financial income	10.0	0.0
5.	Financial expenses	-86.7	-80.7
6.	Financial result	-76.7	-80.7
7.	**EBT**	**-77.2**	-80.8
8.	Income taxes	0.8	0.0
9.	**Profit (+) or Loss (-) of the period (Net Income)**	**-76.4**	-80.8

Interim Consolidated Statement of Financial Position

of Kirk Beauty Two GmbH as of June 30, 2021

Assets		06/30/2021 EUR m	06/30/2020 EUR m
A.	Non-current assets		
	Financial assets	1,520.9	763.4
B.	Current assets		
I.	Tax receivables	0.4	0.5
II.	Financial assets	0.0	5.2
		0.4	5.8
Total		1,521.3	769.2

Equity and Liabilities		06/30/2021 EUR m	06/30/2020 EUR m
A.	Equity		
I.	Capital stock*	0.0	0.0
II.	Additional paid-in capital	668.8	448.8
III.	Reserves	-1,346.9	-1,202.0
		-678.1	-753.2
B.	Non-current liabilities		
	Financial liabilities	1,862.3	1,288.5
C.	Current liabilities		
I.	Current provisions	0.3	0.3
II.	Trade accounts payable	0.0	0.0
III.	Tax liabilities	10.0	8.4
IV.	Financial liabilities	326.8	225.2
		337.1	233.9
Total		**1,521.3**	**-519.3**

*) Capital stock amounts to €25.000,00.

Kirk Beauty SUN GmbH

Interim Consolidated Statement of Profit or Loss

of Kirk Beauty SUN GmbH for the period from October 1, 2020 through June 30, 2021

		10/01/2020-06/30/2021 EUR m	10/01/2019-06/30/2020 EUR m
1.	Other operating expenses	0.0	-
2.	**EBITDA (= EBIT)**	**0.0**	-
3.	Financial income	10.0	
4.	Financial expenses	-9.7	-
5.	**Financial result**	**0.3**	-
6.	EBT	0.3	-
7.	**Profit (+) or Loss (-) of the period (Net Income)**	**0.3**	-

Interim Consolidated Statement of Financial Position

of Kirk Beauty SUN GmbH as of June 30, 2021

Assets		06/30/2021 EUR m	06/30/2020 EUR m
A.	Non-current assets		
	Financial assets	485.0	-
B.	Current assets		
	Cash and cash equivalents	0.0	-
Total		**485.0**	**0.0**

Equity and Liabilities		06/30/2021 EUR m	06/30/2020 EUR m
A.	Equity		
I.	Capital stock*	0.0	-
	Profit retained	0.3	-
		0.3	-
B.	Non-current liabilities		
	Financial liabilities	484.7	-
C.	Current liabilities		
I.	Financial liabilities	0.0	-
II.	Trade accounts payable	0.0	-
		0.0	-
Total		**485.0**	0.0