



FY 2021/22

Financial Report

Kirk Beauty A GmbH¹
as of 30 September 2022

DOUGLAS

¹ The prior-year financial report 2020/21 was prepared at the level of Douglas GmbH.

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IMPORTANT NOTICE

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The information contained in this financial report has not been independently verified and no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness, reasonableness or correctness of the information or opinions contained herein unless stated otherwise. None of Kirk Beauty A², its subsidiaries (Douglas-Group, the Group, Group) or any of their respective employees, advisers, representatives or affiliates shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this financial report. The information contained in this financial report is provided as at the date of this financial report and is subject to change without notice.

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

All the financial data presented in the text and tables below are shown in millions of Euros, (€ million, EUR m) 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.

² Kirk Beauty A GmbH (Douglas, Group Parent Company) is a limited liability company and has its registered office in Hagen, Germany and is registered with the Commercial Register B of the Local Court of Hagen under HRB 12244.

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. Important risks, uncertainties and other factors that could cause these differences include, but are not limited to:

- our future financial position and developments in international financial markets
- our ability to implement our strategic plans and the impact of those plans on our financial position and results of operations
- macroeconomic trends and developments in the markets in which we operate
- our ability to successfully compete in our markets
- our ability to obtain quality selective and exclusive products from our suppliers
- risk of rising labor costs, as well as work stoppages, strikes or other collective actions, supply shortages and interruptions in our supply chain and possible insolvency of suppliers
- developments in the distribution of our products, including acceptance of internet retailing, user behavior on mobile devices, our ability to attract more internet traffic and translate such traffic into purchases
- the risk of interruption to our operations as a result of failures in our information technology systems
- technological advances and our ability to successfully expand our omni- and cross-channel capabilities
- our ability to effectively integrate acquired businesses, future acquisitions and joint ventures, and achieve expected synergies as well as manage unexpected liabilities
- our ability to anticipate and effectively respond to consumer tastes and trends and to offer our customers an inspirational and attractive purchasing experience online and in our Brick-and-Mortar stores
- changes in the strength of our brands, the brands of our suppliers, products of our private label, the “Douglas Nocibé Collection”, or our reputation
- our ability to identify suitable sites for our future Brick-and-Mortar stores and our ability to negotiate, terminate or extend store leases on acceptable terms
- changes in the competitive environment
- changes in law and regulations and compliance with laws
- protection of our and our suppliers’ intellectual property rights, including trademarks and domain names
- currency effects
- our ability to attract and retain key management and personnel
- misappropriation of funds and products in our stores, warehouses and logistics centers and of customer data
- legal proceedings and tax risks

- seasonality
- our substantial leverage and ability to generate sufficient cash to service our debt and to refinance these borrowings upon maturity and restrictive covenants in current and any future indebtedness; and
- risks associated with our structure and our other borrowings inclusive changes of trade credit.

We encourage you to read the sections of this financial report entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" for a more detailed discussion of the factors that could affect our future performance and the industry in which we are operating.

We undertake no obligation, and do not expect, to publicly update or publicly revise any forward-looking statement, whether as a result of 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.

Risk Factors

In addition to other information included in this financial report, the following risk factors should be read carefully in connection with evaluating Douglas and its business and this financial report. Any of the risks described below could have a material adverse impact on our business, prospects, results of operations and financial condition and could therefore have a negative effect on the trading price of the Notes and our ability to pay all or part of the interest or principal on the Notes. Additional risks not currently known to us or that we now deem immaterial may also harm us and affect your investment.

This financial report also contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this financial report. See section "Disclosure Regarding Forward-Looking Statements."

Financial Risk

As we are dependent on external financing to a considerable extent, adverse conditions in the financial markets may compromise our ability to access additional financing and increase our financing costs, in particular if we are unable to lower or maintain our leverage.

We are exposed to adverse changes of conditions in the financial markets. Such adverse changes may limit our ability to access credit at a time when deemed necessary or reasonable. Any limitation in the availability of new debt funding could have an impact on our ability to refinance any maturing debt or react to changing economic or business conditions.

Our ability to raise further debt financing to fund our operations, as well as the equity and liquidity requirements of our subsidiaries, should we need or choose to do so, will largely depend on our financial results. We may fail to obtain debt financing due to a perceived low creditworthiness, a lack of credit ratings, our ability to negotiate with existing or potential lenders, as well as external factors such as general market interest rates, banks' and other lenders' credit policies. Furthermore, any debt financing, if available, may involve restrictive covenants that could reduce our operational flexibility or profitability. In addition, our lenders under existing or future finance agreements may be entitled to accelerate and terminate the agreements in case of a breach of such covenant by exceeding the agreed leverage ratio. Should our lenders call their loans before maturity, we may not be able to enter into an agreement to secure refinancing on similar terms, on a timely basis or at all. This risk could be exacerbated in case of a deterioration of the global financial markets, which would negatively affect the willingness of lenders to provide financing. Any inability to raise adequate funds on commercially reasonable terms could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, should the interest rates be higher at the time of such refinancing, our finance costs could increase.

Furthermore, an increased leverage could make us vulnerable to a deterioration of our business or general economic conditions, and it could limit our flexibility when reacting to competition or changes in our markets. Moreover, it could adversely affect the economic terms of some of our finance agreements or lead to their early termination and generally negatively impact the terms and conditions with our creditors.

In the past, we underwent a transformation process during which we integrated our E-Com business, our Partner Program, and our stores on a digitally networked, data-based beauty platform, and streamlined our store network. There was material uncertainty that the planned increase in earnings power in connection with our transformation process would not be achieved in full or at all due to the current general economic conditions.

Risks Relating to Our Market Environment and Business

The coronavirus outbreak had a significant impact on our business and there is a risk that this or another pandemic could re-emerge and similarly affect our operating results and cash flows

On March 11, 2020, the World Health Organization declared the recent novel Coronavirus and the respiratory disease that it causes ("COVID-19") a global pandemic (the "COVID-19 pandemic"). and governmental authorities around the world have implemented measures to reduce the spread of COVID-19. Key aspects of these measures included restrictions on travel and the closure of national borders, as well as the imposition of quarantines, stay-at-home orders, workplace closures, curfews, limitations on building occupancies and other social distancing measures. A significant feature of these measures was the order for non-essential shops to temporarily close.

There is also a future risk of a new pandemic outbreak and similar impacts. The impact of this on our business, results of operations and financial condition is uncertain and depends on future developments that cannot be predicted. These future developments include, among others, the duration, spread, severity and impact of the pandemic, the possibility and/or impact of further waves of infection in the countries in which we operate, the timing and ability of vaccinations and other treatments to combat the pandemic, the impact of the pandemic on our customers and suppliers, the duration of future declarations of emergency and any remedial and economic measures adopted by the governments of the countries in which we operate and the European Union ("EU"), and the extent to which normal economic and operating conditions can be restored. We are also unable to predict the extent, implementation and effectiveness of government-funded relief programs and stimulus packages on our employment levels, demand for our products or other aspects of our business.

The COVID-19 or another pandemic could have further material adverse effects on our business, results of operations and financial condition if:

- the duration, scope and severity of the COVID-19 or another pandemic result in sustained deterioration in the economic environment in the regions in which we operate
- as a result of the current and future pandemic outbreaks or other deterioration in public health in the regions in which we operate, governments approve new emergency measures which result in us having to reclose our physical stores, restrictions on deliveries of purchases from e-commerce platform or disruptions in our supply chains. For example, in November 2021, Austria has introduced a lockdown for people who have not been fully vaccinated. At December 19, 2021, the Netherlands have declared another hard lockdown with nearly all shops being closed until mid-January
- continued requirements for social distancing and other policies implemented to slow the further spread of a pandemic like Covid 19 impacts the operation and appeal of our stores, as customers who dislike wearing face coverings or observing social distancing guidance may choose to shop online or not shop at all
- any customers or employees' contract pandemic, which could result in a temporary closure of our stores or other facilities for cleaning, staff shortages or customers becoming reluctant to visit our stores;
- governments in the regions where we operate impose new travel restrictions, including temporary suspension of flight and other modes of travel
- political, legal and regulatory actions and policies in response to the COVID-19 or another pandemic are adverse to our business, such as governmental actions or proposed actions limiting retail operations or delivery services, which may prevent us from opening our physical stores or online services or result in material increases in our costs in our effort to comply with such laws and regulations;

- supply chains were, or continued to be, disrupted because of current or future outbreaks of the COVID-19 or another pandemic, emergency response measures by governments in affected countries or in connection with a recovery of economies around the world;
- as a result of unemployment or reduced income or increased costs ensuing from the COVID-19 or another pandemic, consumers respond by decreasing their spending or changing their long-term behavior;
- consumers continue spending more time at home and not socializing or meeting others in person, which in turn negatively affects the demand for selective beauty and personal care products;
- we are unable to maintain staffing at the levels necessary to operate our business due to the continued spread or increased virulence of COVID-19 or another pandemic virus or related coronavirus strains or resultant health complications, causing employees to be unable or unwilling to work;
- adverse capital and credit market conditions increase our cost of capital or affect our ability to raise capital, and our cash generation is not sufficient to sustain our needs;
- tax rates are increased to fund the cost of various government initiatives initiated in connection with the COVID-19 or another pandemic; or
- we suffer cyber-security incidents or data breaches because of an increase in the number or severity of cyber-attacks, or increased vulnerability while a larger proportion of our employees work remotely.

To the extent that a pandemic adversely affects our business, financial condition and results of operations, it may also cause many of the other risks described in this "Risk Factors" section to intensify or worsen, including, but not limited to, "-We are subject to changes in general economic and political conditions, particularly in our six core countries", "-Our sales, revenues, liquidity and inventory levels fluctuate significantly seasonally", "-We are largely dependent on a limited number of third parties for the supply of the products we sell", "-We are subject to risks relating to the quality and timely delivery of our private label products and our relationships with the manufacturers of such products", "-We may not be able to successfully implement our investment strategy for our businesses or our investments in new geographic markets and/or product areas", "We are subject to certain risks relating to past and future acquisitions and joint ventures. including the failure to effectively integrate the businesses and achieve anticipated synergies and unexpected liabilities", "Our strategy and reorganisation efforts may not achieve expected results", "Negotiating, terminating or renewing shop leases may prove difficult or costly, which could adversely affect our competitive position, growth strategy and profitability", "We may not be able to effectively manage our costs and inventory", "We are dependent on a limited number of facilities and logistics partners for the distribution of the products we sell to our shops and could experience interruptions or delays in the distribution and delivery of the products we sell", "We are exposed to the risk of rising labour costs as well as work stoppages, strikes or other collective actions" and "Our insurance coverage may prove to be inadequate".

The outbreak of war in Ukraine has and will likely continue to have an impact on our business and the inflation trend

The war in Ukraine has a major impact on the entire economic situation in Europe and brings with it a lot of uncertainty for our economic actions. The effects also have the risk for us that they could lead to a negative influence on our business, earnings and financial situation.

Many of the risks arising directly or indirectly from the war have already been mentioned elsewhere. However, due to their great significance, they are highlighted separately here.

The Russian war of aggression against Ukraine has triggered a huge energy crisis and supply shortages that are driving inflation. Rising inflation affects both the customer and procurement.

For the customer, there is a risk that this will have a negative impact on purchasing behavior and that the customer will buy fewer products or cheaper products, which can put an economic strain on us. There is then also the risk of higher inventory levels.

The negative effects are also reflected in rising purchase prices on the procurement market for our merchandise. There is a risk here that the price increase cannot be passed on to the customer, or cannot be passed on in full, and that our profitability will be burdened as a result. In addition, the war has increased the risk of supply bottlenecks, which can lead to increased out-of-stock situations, which can also burden profitability.

Inflation is also having an impact on operating costs, especially in energy and logistics. Here, there is also the risk that Douglas' profitability will be reduced due to increased procurement prices. In addition, there is also the risk of rising market salaries due to high inflation, which brings us the risk of rising personnel costs and thus reduced profitability.

We are exposed to changes in the economic conditions in the markets in which we operate, in particular, our channels.

The development in E-Com and Brick & Mortar depends on various economic conditions. These economic conditions include, among others, levels of employment, inflation or deflation, real disposable income, interest rates, taxation, currency exchange rates, the availability of consumer credit, levels of consumer debt, consumer confidence, consumer perception of economic conditions and related willingness or ability to spend, all of which are beyond our control.

Future negative economic developments in the global economy, the Eurozone or the countries in which we operate could have an adverse impact on the European premium beauty market in general or in the countries in which we operate. In addition, market disruptions due to natural disasters, health hazards including the COVID-19 pandemic or other major events could also affect consumer spending and confidence levels. As a result, consumers may change their purchasing habits and buy more affordable products than those on offer in the premium beauty market, which could have a material adverse effect on our business, results of operations and financial position.

Adverse economic developments may lead to lower overall sales of the products that we offer or require us to change our product mix in ways that affect our overall profitability or result in slower inventory turnover and higher markdowns on inventory. In addition, changes in economic conditions may lead to higher costs associated with our operations, such as longer payment terms for customers, changes to supplier credit terms and the need to restructure or implement cost-saving measures. Any such adverse economic developments could materially negatively affect our business, results of operations and financial position.

Geopolitical tensions could negatively affect the demand for our products, including current tensions between Western countries and Russia or China, if they further deteriorate. Furthermore, if the European Monetary Union ceased to exist or one or more countries were to leave the European Monetary Union, the future economic development and consumer spending in general could be adversely affected, which could in turn have a material adverse impact on the European premium beauty market and on our business, results of operations and financial position.

We may fail to anticipate, identify or respond adequately to changing consumer tastes or new trends

Our growth and results of operations depend on our ability (and the ability of our suppliers) to anticipate, assess and react to changes in consumer spending patterns and preferences for specific beauty products. We may fail to recognize relevant trends or translate market trends into appropriate and saleable products that are competitively priced.

Market trends and demand for retail products generally and, in particular, for our premium beauty and personal care products, are difficult to predict accurately and can change rapidly due to a number of factors, most of which are beyond our control, including demographics, consumer spending, trends relating to premium and low-cost products or temporary fashion trends. In addition, the success of our business depends on brand and industry perceptions as well as shopping habits of our customers.

During the COVID-19 pandemic, we experienced shifts in the mix of products purchased by our customers, which we attribute to the hygiene measures implemented to reduce the spread of COVID-19 such as the widespread wearing of masks, the increased prevalence of working from home and the reduced number of opportunities for, or reluctance of people for, in person social interactions. For example, we experienced a higher share of sales from skin and body care while sales attributable to make-up decreased. If we misjudge either the demand for the products and services, or our customers' purchasing habits and preferences, we may be faced with lower sales and excess inventories. Strong reduction in product range for cost reasons may lead to the fact that customers buy less from Douglas. As a result, we may be required to increase our promotional activities or mark down the price of unsold inventories and as a result face reduced liquidity levels and higher working capital requirements.

Any such failure to anticipate, identify or respond adequately to changing consumer tastes and preferences in a timely manner could have a material adverse effect on our business and brand image and our results of operations and financial position.

We may fail to adapt or respond appropriately to changing customer behavior including the shift towards online retailing.

The internet, including the dissemination of information via social media, is becoming increasingly important and is changing the role of Brick-and-Mortar retail. As a result, we continuously evaluate our offerings and the way we communicate with our customers. E-commerce enables consumers to quickly compare different online suppliers and their prices and increases the risk that we may lose sales to other e-commerce retailers. If we fail to adapt our offerings and the way we communicate with our customers to meet such trends, then this could have a material adverse effect on our business, results of operations and financial position.

We believe that the COVID-19 pandemic has accelerated the shift to e-commerce. As a result of the restrictions put in place by governments to deal with the COVID-19 pandemic, many Brick-and-Mortar retailers, including us, have been forced to shut their physical stores temporarily or permanently and have shifted their business online, focusing more on their online sales and online presence. This has led customers to increasingly shop online. In particular, the change in purchasing behavior based on the COVID pandemic poses a threat to Brick-and-Mortar retail, so permanent monitoring of the store network and product ranges is necessary. If more Brick-and-Mortar retailers switch their focus to online retailing, if other e-commerce sites enter the market or if existing e-commerce sites expand their online presence, we may be faced with more competition, which may have a material and adverse effect on our business, results of operations and financial position. See also "—The outbreak of the Coronavirus has had, and is likely to continue to have, a material impact on our business and results of operations and cash flows."

We largely depend upon a limited number of third parties for the supply of products that we sell

Our supply chain is susceptible to various risks, including failure by our suppliers to deliver products due to operational or production disruptions, financial problems, labor issues, product quality issues, lack of raw material or other reasons. If one or more suppliers were to fail to deliver the products to us of adequate quality in time or at all, or if we fail to acquire, maintain or strengthen relationships with our suppliers, in particular with respect to premium products, our ability to obtain a sufficient amount and variety of products may be limited and may become insufficient to meet demand. There can be no assurance that

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additional or alternative suppliers will be available when required on terms that are acceptable to us. Furthermore, in such cases, we might need to make changes to our supply chain and enter into other business arrangements in order to ensure supply of quality products in a timely manner, which could result in additional costs and temporary supply shortages or disruptions. Additionally, any resulting prolonged negative impact on the quality of the products or services supplied to us could materially adversely affect our reputation and business.

As in the past, pandemics such as COVID-19 may cause disruptions in the future. This disruptions in countries where our suppliers are located may result in a slow-down of their production or logistics activities. For example, we have and may again face supply shortages from suppliers who divert their production facilities to focus on products dealing with the COVID-19 pandemic such as fragrance suppliers who start producing disinfectant products. Similarly, we have and may again face supply shortages from suppliers who have central or large warehouses, which may be closed due to pandemic area restrictions or COVID-19 cases among their operational teams. In addition, the flow of goods between countries may be impacted by the restrictions imposed on cross border trade. As a result of the COVID-19 pandemic as well as the ongoing recovery of economies worldwide, we have experienced increasing sea freight rates for products within our supply chain that are made in Asia. An outbreak of COVID-19 could also occur at any time among our employees or those of our logistics service providers, which could lead to the implementation of additional hygiene procedures, including complete lockdowns of our logistics facilities or warehouses. These disruptions, while difficult to predict given changing circumstances, may cause a disruption to our supply chain, which may have a material adverse effect on our business, results of operations and financial position. See also “–The outbreak of the Coronavirus has had, and is likely to continue to have, a material impact on our business and results of operations and cash flows.”

Many of our largest suppliers negotiate their supply terms with us across multiple brands and, in particular in Eastern Europe, local distributors generally negotiate with us on behalf of various manufacturers. Consequently, our supply terms for such brands and products may deteriorate in the future due to the increased bargaining power of such suppliers and distributors. If we fail to maintain strong relationships with our existing suppliers and local distributors or fail to continue acquiring and strengthening relationships with additional or new suppliers, our ability to source a sufficient amount and variety of products and our ability to obtain such products on terms acceptable to us may be limited, which could have a negative impact on our competitive position.

We are also dependent on our suppliers to ensure the quality and quantity of the premium products we offer, and we rely on them to provide supplier bonuses, advertising grants and pricing terms that make the offering of their respective brands commercially worthwhile for us, all of which could be negatively affected in case of deterioration or termination of a relationship with a supplier. In addition, we rely on suppliers to provide market development funds (i.e., funds made available by the brand manufacturers to distributors like us to help sell their products and create local brand awareness). Such market development funds are typically very significant, and a supplier’s decision to discontinue using our marketing channels, and therefore the withdrawal of such funds, could have a material adverse effect on the results of our operations. Moreover, if we fail to comply with terms of the supply agreements, we could face penalties, potential termination of a contract for cause, or a supplier not renewing our contract at the end of its term. In addition, we cannot eliminate the risk of default by any of our major suppliers under the terms of our agreements with them.

Our inability to acquire products on terms and conditions acceptable to us in the future or at all, the loss of any of our largest suppliers or several smaller suppliers, any changes in exclusivity arrangements with one of our key suppliers or delays or a significant disruption to the supply chain could have a material adverse effect on our business, results of operations and financial position and a negative impact on our competitive position.

Our sales, liquidity and inventory levels fluctuate significantly on a seasonal basis

We experience substantial seasonal fluctuations in our sales. Our most important sales period is the eight-week period leading to Christmas (including Singles Day and Black Friday) and over the New Year. Other sales periods that are important to us are those around Valentine's Day, Easter and Mother's Day and Epiphany (in some countries). The uplift in sales around our most important trading periods is often followed by a period of price markdowns.

Any decrease in sales during peak selling periods, in particular during the Christmas season, could have a material adverse effect on our business and results of operations for a particular financial year.

For example, unusual adverse weather conditions, a significant interruption in the supply of products (whether attributable to suppliers, the supply chain or logistics or other product delivery problems), or a sharp decline in consumer traffic in our store network during peak seasons, could materially affect sales during the relevant financial year. In 2020, a second wave of lockdowns were implemented by governments in Germany, France and certain of our other core countries during the Christmas season as a result of the ongoing COVID-19 pandemic. As a result, our stores in Germany and the Netherlands were closed from mid-December, while partial lockdowns were in place in our other core countries, which contributed to a 3.5% percent decrease in total Group sales in the financial year 2020/2021 as compared to the financial year 2020/2120. In addition, as we could only guarantee delivery of e-commerce orders by Christmas if such orders were placed several days in advance of December 24, the decrease in Brick-and-Mortar store sales was only partially compensated by e-commerce sales.

Seasonal fluctuations also have a significant impact on our working capital, liquidity levels and inventory. We incur additional expenses in the preparation for the increased demand we typically expect leading up to, and around, the Christmas season and other peak selling periods and must carry a significant amount of inventory before such periods, which is also reflected in our liquidity (with a certain time lag due to the payment terms that we have agreed with our suppliers). This trend typically results in peak liquidity at the end of the calendar year, followed by significant outflows in the following months as payments for the Christmas period inventory and VAT on peak sales become due.

If sales during our peak selling periods are significantly lower than expected, we may be unable to adjust our expenses in a timely manner and may be faced with excess inventory and be forced to rely on higher than usual price markdowns, promotional sales to dispose of excess inventory or inventory write-offs, thus affecting our working capital and liquidity. Higher levels of inventory would also lead to us ordering fewer goods in subsequent periods, which would reduce bargaining power with our suppliers. Conversely, if we purchase insufficient quantities of products that sell well during peak selling periods, we may not have an adequate supply of products to meet consumer demand and may fail to maximize our sales opportunities. Any such event could have a material adverse effect on our business, results of operations and financial position.

We face competition in the markets in which we operate and such competition may intensify further

We operate in the competitive European beauty and personal care market, and, within this market, we focus on the premium beauty market. We compete primarily with other specialist retailers with Brick-and-Mortar stores or e-commerce activities, including perfumery chains, independent perfumeries, perfume departments of selected (typically high-end) department stores, retailers selling products under their own labels, duty-free shops, pharmacies and para-pharmacies (which increasingly focus on skin care and natural cosmetics) as well as drugstores, hypermarkets, pure online retailers or online beauty selling platforms and

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certain of our suppliers which sell directly to consumers through their own Brick-and-Mortar stores or online shops (so-called “mono-brand stores”).

While many of these competitors currently compete with us only in certain segments of the beauty and personal care market, they may extend their offerings to compete with us more broadly in the future. For example, drugstores, which currently mostly offer mass beauty and personal care products, could increase their range of selective products, and large non-selective online retailers may be able to leverage their significant market presence, logistics infrastructure and cross-selling opportunities to increase their presence in the beauty and personal care market.

Some of our competitors (including online retailers and other direct sellers) have in recent years invested in their product offering and services on a large scale, and may further increase their investment in order to improve their competitive position and market share. Drugstores in the low-price segment could also expand their product ranges to include selective products, increasing the competitive pressure we face. Such increased competition could place pressure on our sales, pricing strategy, margins and profitability. Industry consolidation, including by way of mergers and acquisitions, or new competitors that may enter the European beauty and personal care market (and in particular the European premium beauty market) or existing competitors which may expand into other European countries in which they are not yet present but in which we operate, may also lead to increased competition and cause our market position to deteriorate, which could have a material adverse effect on our business, results of operations and financial position.

Such consolidation could also give our competitors increased negotiating leverage with suppliers and greater marketing resources, allowing them to compete more effectively with us. We also face the risk of new competitors offering cheaper imitations of original fragrances or focusing on the entry price sales directed at younger age groups, thus attracting some of our existing or potential customers.

Some of our competitors’ greater market presence in one or more of the countries in which we operate and strong brands may be perceived by consumers as offering higher quality products and services than we offer, or the same quality of products and services at more attractive prices. Certain competitors may also be able to react more swiftly to changes in market conditions or trends or may be able to utilize their market presence, strong brand or other advantages when operating in new or changing markets. They may also be willing to accept lower prices or higher costs than we are prepared to accept in order to win market share. The adoption by competitors of aggressive pricing, intensive promotional activities and markdown strategies, or other similar actions could have a material adverse effect on our business, market share, results of operations and financial position. In certain regional markets, low-cost competitors offering products at discount prices have in recent years gained substantial weight and continue to put pressure on our business.

In addition, we face the risk of increased competition from the so-called “grey market,” i.e., the sale of selective beauty products through channels other than the official channels explicitly allowed by the manufacturers as part of their selective distribution system. These include, for example, (i) selective products that are regularly imported into the European Union or sold by distribution partners outside the selective distribution system or in violation of distribution contracts and (ii) selective products that are sold more cheaply in emerging or developing markets which are reimported into established markets at lower prices. These products are typically offered at discounted prices that can be substantially lower than those of the selective distributors and could increasingly undermine the selective distribution channel on which our business model is partially based. These products can appear first in online/mobile searches for a particular product, for example through online price comparison tools as well as through listings by large non-selective retailers. We also face increased competition from grey market products for our Brick-and-Mortar business, especially when drugstores and discounters expand their selective offerings and source selective products from the grey market. These types of offerings sometimes also extend to counterfeit products.

If we are unable to compete effectively in our marketplace, our business, results of operations and financial position could be materially adversely affected.

The basis of our business model could be restricted or eliminated

The majority of our sales are generated in the premium beauty market and there, partially through the selective beauty distribution channel, which requires compliance with specific criteria and the formal approval of a supplier before a retailer can carry a selective product, as opposed to the mass distribution channel.

Selective distribution currently benefits from a specific legal framework provided by Art. 101 (1) of the Treaty on the Functioning of the European Union ("TFEU"), and a so-called "block exemption", which is scheduled to expire in May 2022. The European Commission has proposed a revised version of the regulation providing for the "block exemption" reflecting the results of a public consultation on possible amendments. There can be no assurances that the existing legal framework applicable to the selective beauty distribution channel will remain unchanged. The EU Commission has published the new guidelines which came into force as of 01.06.2022. Any change in the structure of the selective beauty market or the legal framework to which it is subject as a result of changes in laws or court decisions could result in increased compliance costs, increased competition or require a change to our business model, which in turn could materially adversely affect our competitive position and our sales, which in turn could have a material adverse effect on our business, results of operations and financial position. See "–Legal, Regulatory and Tax Risks–We may be adversely affected by changes in antitrust and competition laws and regulations, in particular with respect to selective distribution contracts" below.

The strength of the "Douglas" and the "Nocibé" brand, our own brand products or the brand products of our suppliers may deteriorate

Our success is largely dependent on the strength and reputation of, and value associated with, the "Douglas" brand, the "Nocibé" brand and our other brands, for example, those relating to our own brand products and other smaller perfumeries brands owned by us, as well as the brands of our suppliers of selective or exclusive products.

Such brand reputation can be negatively affected by various factors, many of which are beyond our control. They include, among other things, unsuccessful or insufficient marketing and merchandising efforts, the inability to adequately respond to consumer tastes and preferences or a deterioration of the public image or reputation of a brand because of unfavorable publicity concerning our Group, the products that we sell or services we provide, our stores, our personnel or other negative publicity. With respect to premium products from third-party brands, which accounted for a vast majority of our sales in the most recent financial year, we are dependent on our suppliers' investments in marketing and promotion of their brands.

Primarily in France under the "Nocibé" brand, but also in other countries, we have stores that operate through franchisees. The level of control over our franchisees is limited. Our franchisees typically benefit from supplier conditions negotiated by us, have their own purchase processes with suppliers, and purchase certain own brand products and exclusive products directly from us. Franchisees may not have the business acumen or financial resources necessary to operate stores successfully in a manner consistent with our standards and may not hire and train qualified store managers and other personnel. Our brand image and reputation may suffer materially and our sales could decline if our franchisees do not operate according to external or internal standards or do not operate successfully. Disputes with franchisees could also damage our brand reputation and/or our relationships with the broader franchisee group.

Furthermore, any customer complaints, breach or perceived breach of relevant laws, regulations, permits or licenses relating to the beauty, cosmetic or other health-related products sold by us, or failure to achieve or maintain particular standards by us or our suppliers (including those of our own brand products or any of our franchised stores) could also negatively affect our key brands and affect the reputation of our other products, which could damage our customer relationships and lead to a decline in our sales.

Any such deterioration of the strength of our brands and products or the brand products of our suppliers could have a material adverse effect on our business, results of operations and financial position. We are subject to risks in connection with the quality and timely delivery of our own brand products and our relationship with the manufacturers of these products

A portion of our sales relates to our own brand products, which we acquire from diverse suppliers mainly in Europe and Asia. These suppliers generally also manufacture products for our competitors and their suppliers. Our agreements with the manufacturers of our own brand products which set forth the production and delivery of own products, are typically based on an order-by-order concept for each own brand product or product line rather than long-term supply agreements and may typically be terminated with six-months' notice. In case an agreement with an own brand product manufacturer is terminated, there can be no assurance that we will find other manufacturers that will be able to produce comparable products for us at competitive prices or at all. In addition, we typically do not own the recipes to these products, and manufacturers may sell the same products to other retailers, who may offer them under a different brand and packaging. If these products were sold by other retailers under a different brand and packaging at a lower price, this could reduce our sales of the relevant products, which could have a material adverse effect on our business, results of operations and financial condition.

Since we only have limited control over manufacturers of our "Douglas Nocibé Collection" products, there is no guarantee that these products will continue to meet our specifications. Furthermore, any breach or perceived breach of relevant laws, regulations, permits or licenses relating to the own brand products sold by us, or failure to achieve or maintain particular standards could also lead to adverse publicity, which could materially adversely affect the reputation of our own brands as well as the "Douglas" and "Nocibé" brands, damage our customer relationships and lead to a decline in our sales.

As we are the "responsible person" for our own brand products within the context of the applicable European regulations on product safety applicable to cosmetics, any quality defect could lead (on the basis of EU law or similar applicable national laws) to substantial customer claims, administrative or criminal proceedings, penalties or similar. See also "–Legal, Regulatory and Tax Risks–We are subject to numerous laws and regulations in the many jurisdictions in which we operate and may be adversely affected by changes in legislation and regulation." We could also face damage to our own brands' reputation.

In addition, if the manufacturing, delivery, sources or supply chain management processes relating to our "Douglas Nocibé Collection" products are disrupted for a variety of reasons, we may be delayed in restoring our inventory of the affected own brand products and we may experience a significant increase in our cost of sales.

Any of these factors relating to our own products could have a material adverse effect on our business, results of operations and financial position.

We face the risk in connection with product safety and product liability

See section "Business"

We are a distributor of cosmetics and other products. We do not manufacture the products that we sell and thus depend on third parties to ensure that such products comply with applicable quality standards.

At the same time, we qualify as a “producer” of certain cosmetic and other products because (i) we sell our “Douglas Brand” products, which are manufactured by third parties, under our own brands and (ii) import certain products from outside the EU. Producers and distributors who place products on the market in the European Union must ensure that the products comply with general safety requirements as implemented in individual European countries. Producers must also provide consumers with the necessary information so that consumers are able to assess a product’s inherent threat, particularly when this is not directly obvious. Furthermore, producers must adopt the necessary measures to avoid potential harm to consumers, for example, by withdrawing unsafe products from the market, informing customers and recalling products that have already been supplied to customers. We have in the past recalled products and may have to do so in the future. Distributors are generally required to assist with ensuring compliance with the safety requirements, for example by monitoring the safety of products placed on the market and by immediately informing the competent authorities of the Member States if they know or should have known that a product that they have placed on the market poses risks to the consumer.

Any failure by us to comply with applicable product safety regulation through the sale of unsafe products, including through our marketplace, could result in damages, fines or reputational damage, which in turn could have a material adverse effect on our business, results of operations and financial position.

If a product that we supply, including via our marketplace, is defective and therefore causes damage to the property or health of our customers or third parties, we may be liable under product liability legislation. This does generally only apply to those cases, however, in which we qualify as a producer of the defective product, as distributors are only liable in exceptional cases. In cases where we qualify as a producer, we are liable jointly and severally together with the manufacturer or other liable persons, but national laws may contain rights of contribution or recourse.

Our e-commerce platform is subject to several risks including the functioning of hardware and software, customer acceptance and integration with our Brick-and-Mortar stores

Our omnichannel offerings have become increasingly important, as we also sell products via our e-commerce platform and our marketplace in addition to our Brick-and-Mortar sales, and our success is, among other factors, dependent on our ability to maintain attractive online shops, continue to expand our online and mobile presence, generate e-commerce traffic and convert this traffic into sales. For the last financial year total sales still split into over 60 percentage from Brick-and-Mortar and over 30 percentage from e-commerce. The remainder is related to other sales (e.g., wholesale).

Our e-commerce operations are subject to a number of risks, including reliance on third parties for computer hardware, software, services and support, the need to keep up with rapid technological change and the implementation of new systems and platforms, as well as the risk that our e-commerce platform or any of our online shops may become unstable, unavailable or subject to cyber-attacks or that customer data may be misappropriated.

In addition, in October 2019 in Germany, we launched our beauty marketplace where we list products from third party suppliers and brands and set their prices on our online shop. Until now we launched our marketplace in 4 other countries. If a customer orders a product, we process the payment and then in turn order that product from the relevant third-party partner. Our partners then deliver the products directly to the end customer. While our partners are solely responsible for the sourcing and supply of products, the

marketplace is fully integrated into our existing e-commerce framework. Although the information about the delivery from a partner is displayed on the product detail page and in the basket, customers may perceive that they are purchasing products directly from us. As a result, any issues related to product quality, timing of deliveries or similar matters could adversely affect our brand and reputation among our customers.

We also face the risk that customers find the websites of our online shops difficult to use. Customers may also be unwilling to share personal information online or via our mobile applications, less willing to use the sites than we expect, or not confident that the sites are secure. Furthermore, unexpected costs in connection with the further development of our e-commerce platform and/or our online shops may arise. We may face difficulties in further coordinating our e-commerce platform and our Brick-and-Mortar store network, particularly in managing the interface between in-store merchandising and online shopping, which may result in complications for both our e-commerce and cross-channel customers.

We may also be held liable for online content, security breaches and consumer privacy concerns and may be unable to honor our usual delivery terms in case of an unexpected or a higher than expected spike in customer orders or for other reasons which may cause negative reputational consequences. Similarly, negative online reviews from dissatisfied customers may deter other potential customers from using our e-commerce platform and may affect our brands' reputation and sales in our Brick-and-Mortar stores.

We use e-mail, app push notifications and newer media channels, including social media channels such as Facebook, Instagram, Pinterest, TikTok and YouTube and our own beauty blog "beautystories" (the German version of which is available under <http://blog.douglas.de>) to promote our products or marketing messages. The delivery of such e-mails, app push notifications and messages via social media channels may fail or be delayed for technical reasons, customers may not take note of them, or they may be marked as "spam" or "junk". Actions by third parties to block, impose restrictions on or charge for the delivery of e-mails or other messages, as well as legal or regulatory changes limiting our right to send such messages or imposing additional requirements on us in connection with them, could impair our ability to communicate with our customers using e-mails or other means. In addition, certain customers may be dissatisfied when exposed to too many advertising campaigns or newsletters and to what they may consider to be e-mail or text message "flooding".

Our failure to respond appropriately to these risks and uncertainties could reduce our sales (in particular our e-commerce sales) as well as damage our reputation and brands, especially since e-commerce is a significant part of our growth strategy. The realization of any of these risks could have a material adverse effect on our business, results of operations and financial position.

We depend on a limited number of facilities and logistics partners for the distribution of the products that we sell at our stores and could experience interruptions or delays in the distribution and delivery of the products that we sell

The continuous optimization of our procurement and logistics processes significantly affects our operational performance. The demands on logistics have continued to rise, especially with the growing e-commerce business and the increasing interlinking of Brick-and-Mortar stores and e-commerce platforms. Due to the accelerated shift of consumer demand towards online retailing, we have seen an increase in demand for supply chain capacity at our e-commerce fulfillment facilities. Any failure of our supply chain or logistics service providers to keep up with increased demand for capacity, either because of the shift towards online retailing or of any other market trend, could result in delays, disruptions or additional costs.

We have outsourced the vast majority of our logistics operations and cooperate with a few logistic partners who, for example, run our e-commerce fulfillment centers in Germany, Italy, Poland, France and the Netherlands. We apply the same outsourcing approach to some of our warehouses and cross-docking centers. It may be difficult to replace our current logistics providers due to a lack of alternative offerings at comparable prices and/or service quality, and we may face higher costs when an existing logistics contract is renewed or replaced.

As part of our #FORWARDBEAUTY.DigitalFirst strategy, we are in the process of moving towards a One Warehouse, All Channels ("OWAC") approach to our physical supply chain where we will replace our existing logistics facilities with five warehouses that will service our physical stores and e-commerce customers as well as handle partner fulfillment for our marketplace. In December 2020, we started construction on the first OWAC site in Hamm, Germany. We currently expect that all five facilities will be owned, staffed and managed by third party logistics partners, and thus our dependency on our logistics partners will likely increase. There can be no assurance that our logistics will successfully transition into the OWAC approach, and the transition process may lead to additional costs, disruptions or delays in the distribution and delivery of our products.

Any disruption to our relationship with any external transporters, major logistic partners or brand manufacturers/brand suppliers with respect to logistic costs or similar could also adversely affect our business or result in increased shipping costs, which could negatively affect our results of operations.

In addition, the delivery of the products that we sell (both the delivery to our Brick-and-Mortar store network as well as to customers who purchased the products via our e-commerce platform) could be delayed or fail due to technical problems, strikes or force majeure, including adverse weather conditions and pandemics. Furthermore, any major operational disruptions or accidents in our warehouses and centers, and any breakdowns or disruptions of the operations of our suppliers, might significantly affect our ability to distribute products and maintain an adequate product supply chain and in-store inventory. For example, an outbreak of COVID-19 or any other pandemic could occur at any time among our employees or those of our logistics service providers, which could lead to the implementation of additional hygiene procedures, including complete lockdowns of our logistics facilities. In addition to delivery disruptions, our business could be negatively affected if we receive damaged goods from our suppliers.

The realization of any of these logistics-related risks could have a material adverse effect on our business, results of operations and financial position.

A failure to adopt and apply technological advances in a timely manner and to successfully expand our omni- and cross-channel capabilities could limit our growth and prevent us from maintaining profitability

We face risks in connection with continuous technological development and the shift from traditional sales channels such as Brick-and-Mortar stores to online and mobile-based channels and omni- and cross-channel models, both of which can increase competitive pressure. For example, our online and mobile offerings must keep pace with the technological development of the devices used by our customers, the technological progress of our competitors and any consequential new shopping behaviors and trends. Recently, specialized online or mobile applications relating to beauty in general and beauty products in particular have increased significantly, contributing to substantial changes in shopping behavior and the use of distribution channels by customers.

Furthermore, our success, in particular with respect to our e-commerce sales, depends on our ability to improve our technological platform continuously and to develop new applications in line with the technological development and trends in order to remain competitive. For example, the introduction of new payment solutions may entail substantial costs and effort and there is no guarantee that such new

solutions will be accepted by customers, which may result in frustrated expenses. We may fail to adopt and apply new technological advances in a timely manner, or experience difficulties or compatibility issues.

Any such failure to adopt and apply technological advances in a timely and effective manner and to invest further into omni-channel strategies and their implementation could have a material adverse effect on our business, financial position and results of operations.

Our initiatives to support our brands, generate customer traffic and build or retain a loyal customer base, as well as other marketing initiatives may not be effective

In an environment characterized by increasing levels of promotions and associated customer discounts, the growth of our sales depends on the success of our marketing and communications strategy and our ability to respond to changing customer tastes and competitors' promotional activities. We use various tools, such as marketing events, online advertising, visual merchandizing, social media and in-store events to support the positioning of our brand, acquire new customers, increase the number of customer visits to our websites, the number of orders and the purchase size per order. We have made and will continue to make significant investments in brand awareness and enhancement, customer acquisition and customer loyalty, and there is a risk that such investments will prove ineffective.

The operating expenditures to support marketing initiatives may turn out to be higher than estimated and require more management time than planned. There can be no assurance that our assumptions supporting our marketing strategies will prove to be correct and that such expenditures will result in increased sales or increased profitability. In addition, there can be no assurance that expenditures with respect to new concepts and re-branding, or changes and updates to existing concepts, will be met with the expected customer acceptance and lead to the anticipated results.

In addition, blogging and social media activities can heavily influence our business success. Critique in blogs, forums and social media, based on ecological, ethical or many other considerations, regardless of whether reasonable or not, may rapidly spread online. In such cases, a certain product may have to be withdrawn or a campaign to be stopped, which may cause damage to our reputation and our brands and as well as result in additional cost.

Furthermore, certain advertising or marketing methods currently used by us may become less effective or legally restricted in the future, marketing systems may malfunction, our online couponing system may be disrupted or may be affected from outages, or our customer relationship management system may not be available or suffer from poor quality of customer data.

In addition, changes to the terms and conditions of social networking services as well as changes to search algorithms of online search engines could limit our promotional capabilities, and there could be a decline in the use of such social networking services by customers and potential customers in the future.

Failure to implement our marketing initiatives or our customer relationship management system successfully, or their failure to result in improved profitability, could have an adverse effect on our liquidity, financial position and results of operations and on the implementation of our growth strategy.

We may be unable to successfully implement our store investment strategy or our investments into new geographical markets and/or product areas

Part of our growth strategy includes investments in our existing stores as well as, from time to time, new store openings and expansion of our franchise program. However, we may not be able to implement our strategy successfully or at the envisaged pace if our investments into selected locations are unsuccessful or if we fail to identify and lease attractive store locations on acceptable terms, attract and hire skilled sales staff or implement the required infrastructure. We may also face difficulties in obtaining adequate financing

to fund future investments or expansion or in estimating customer demand for Brick-and-Mortar sales correctly. In addition, the opening of additional franchised stores depends, in part, upon the availability of prospective franchisees who meet our criteria.

In addition, we still intend to enter selectively new geographies from time to time. Entering a new geographical market requires substantial investments and may not lead to the desired results, or occur at the desired pace. Our success in pursuing this strategy will be dependent on various factors including our understanding of the target market, our ability to position ourselves within such new markets, as well as our ability to offer products adapted to local preferences on competitive terms. No assurance can be given that we will be able to successfully penetrate and operate in any new markets on a sustainable and profitable basis.

Factors that may negatively influence the planned expansion and result in higher-than-expected costs or delays include, in particular, political or economic instability, difficulties in finding reliable local partners and in recruiting and retaining a sufficient number of skilled staff, difficulties in prevailing over local competition and in generating a sufficient level of sales, difficulties related to labor relations or compliance issues, as well as any imposition of restrictions on import, investment or currency, such as tariffs and import quotas on the repatriation of earnings and capital, and greater-than-expected competition. Furthermore, entering a new market entails operational complexities and risks, such as adapting the product offerings as well as our logistics, payment, fulfillment and customer care practices to take account of local tastes and practices and the operation of country-specific online shops. If we fail to manage these challenges adequately or if any of these risks materialize, the significant investments made may not be recovered and substantial losses may occur.

Moreover, we have explored different product offerings beyond our core beauty focus, and we plan to continue to develop selected non-core product offerings in the future. For example, we launched “beauty food”, a non-core product category that includes food supplements. There can be no assurance that we will be successful in expanding into areas beyond our core beauty portfolio, that any new product categories will perform as expected, and that the investments incurred in connection with such expansion will be recovered. Even if new products begin to gain traction with our customers, we may need to sustain or increase our advertising and marketing activities to ensure their continued success. In addition, our existing or new competitors may also target these segments and may be able to pre-empt some of our expansion plans. Our expansion into different product offerings or product categories may also subject us to new regulatory regimes or lead to increased regulatory scrutiny, any of which could lead to increased compliance costs. Furthermore, our plans to grow our business, among others, through the growth of products sold under our own brands, may result in our taking greater risks on holding inventory. If we are left with excess inventory of our own brand products, due to such products’ failure to meet customers’ tastes or preferences or for other reasons, we may not be able to make arrangements with the suppliers of these products to dispose of the excess inventory or offset all or part of the costs incurred. There is a risk that this will materially affect our working capital and liquidity, which could have a material adverse effect on our business, results of operations and financial position.

Our selected expansion into service offerings may not be successful due to its substantially different business model, financial parameters and margins. In addition, customers may not accept us as a legitimate point of service. For example, in the past, we installed hairdressing and beauty cabins across a number of stores, testing different store concepts in selected locations. However, many of them were closed, since they did not achieve the expected demand.

Given the various challenges to which we are exposed and the uncertainties inherent in our business, there can be no assurance that our expansion strategy can be successfully implemented. The realization of any of these risks could have a material adverse effect on our business, results of operations and financial position.

We face certain risks in connection with past and future acquisitions and joint ventures, including failure to effectively integrate the businesses and achieve expected synergies as well as unexpected liabilities

We have strategically pursued acquisitions and entered into participations in order to expand our footprint and operations. Such activities include both large-scale acquisitions, as well as smaller bolt-on acquisitions across different countries with the aim of strengthening our presence and market position in the respective jurisdictions. For example, in July 2017, we acquired Grupo Bodybell ("Bodybell") in Spain, which comprised 223 stores, two online shops and Bodybell's logistics platform. In November 2017, we acquired a portfolio of 103 stores and the e-commerce platform of Perfumerias If in Spain and Andorra as well as Limoni S.p.A. ("Limoni") and La Gardenia Beauty S.p.A. ("La Gardenia"), which together comprised approximately 500 stores across Italy. In August 2018, we acquired an 80.0 percent interest in Parfümerie AKZENTE GmbH ("Parfumdreams"), which comprised an online shop and Brick-and-Mortar stores in Germany. In July 2019, we acquired a 51.0 percent interest in Niche-Beauty.COM GmbH ("Niche Beauty"), an online portal for luxury, niche and trend cosmetic brands. In April 2022 we acquired DisApo Apotheke B.V. ("Disapo"), an online pharmacies located in the Netherlands next to the German border. We have also entered into various joint ventures and cooperations.

In the future, we may consider selected acquisition opportunities, enter into joint ventures or undertake investments or disinvestments in a targeted manner. There can be no assurance that we will be able to identify suitable targets and consummate an acquisition or enter into joint ventures or investments on favorable terms or at all. It is also possible that not all material risks in connection with acquisitions or the establishment of joint ventures will be identified in the due diligence process and that such risks will not be taken into account in the decision-making process or the respective agreements to a sufficient level or at all. In addition, future acquisitions may also entail financial and tax restructuring measures which, even if designed with the aim of achieving a tax-efficient structure, may expose us to risks, e.g., if the tax authorities were to challenge any of the implemented measures.

Furthermore, past and future acquisitions, joint ventures and investments in businesses entail risks relating to the integration of businesses, including the employees, processes, IT, logistics and other systems, as well as product offerings. Such integration may be a complex, time consuming and expensive process and will likely involve several uncertainties. These include the costs and expenses associated with unexpected difficulties, the diversion of management's attention from our daily operations and/or strategic business decisions, the potential loss of key employees, difficulties in competing with existing stores or business or diverting sales from existing stores or business, difficulties in complying with foreign regulatory requirements and the additional demands on management related to the increase in the size and scope of our operations following an acquisition.

For example, we have in the past been, and may in the future be, required by antitrust authorities to dispose of certain stores as part of an acquisition. While we typically aim to divest franchised stores, in order to meet such conditions, we have disposed and may need to continue to dispose of certain directly operated stores, which would have a more substantial adverse impact on our profitability than the termination of franchises (which would mostly result in the loss of the respective royalties only). Due to our already large footprint and the concentration of the selective beauty market in Europe, it may become increasingly difficult to meet the requirements of antitrust and competition regulation when pursuing acquisition targets.

Even if we are able to integrate newly acquired businesses successfully, this integration may not result in the realization of the full synergies, cost savings, revenue and cash flow enhancements, operational efficiencies and other benefits that we expect. Furthermore, changes in brand name in the context of an integration following a major acquisition are associated with additional costs and the risk of a potential loss of business and reputation.

The realization of any of these risks in connection with past and future acquisitions and joint ventures may have a material adverse effect on our competitive position, profitability and growth, and thus on our business, results of operations and financial position.

Douglas incurred certain obligations and may face certain risks (subletting risk and non-fulfillment risk with respect to transitional service agreements) in connection with the divestiture of our non-perfumeries business

See section "Consolidated Financial Statements".

In 2014, certain of our non-core businesses, including the book retail business ("Thalia"), the fashion retail business ("Appelrath"), the jewelry retail business ("Christ") and the confectionary business ("Hussel", together with Thalia, Appelrath and Christ, the "Disposed Businesses") were carved out from our group and later sold to third parties.

However, we remain party (as lessee) to some of the lease agreements relating to stores of the Disposed Businesses, i.e. stores that are operated by the Disposed Businesses as sub-lessees and are thus dependent on their punctual payment of rent. In addition, we remain liable for the Disposed Businesses' payment obligations, as either guarantor or joint and several debtor, under certain lease agreements that have been transferred to the Disposed Businesses. As a result, if one or more of the Disposed Businesses are in default under the sub-lease, we may be held liable by the main lessor.

If and to the extent the Disposed Businesses no longer perform (or are no longer able to perform) their obligations (in particular their payment obligations) or do not pay their rent punctually to the respective lessor, there is a risk that we will suffer a shortfall in income, or are held liable for the Disposed Businesses' obligations, which could have a material adverse effect on our business, results of operations and financial condition.

Our strategy and reorganization measures may not achieve the expected results

There can be no assurances that any of our strategies including any reorganization measures will be successful. For example, we have started to implement the next phase of our #FORWARDBEAUTY strategy, known as #FORWARDBEAUTY.DigitalFirst, where we focus on digitalization in order to further develop our integrated beauty platform that links our Brick-and-Mortar stores and e-commerce platform. We may be required to invest more than currently budgeted in order to implement our #FORWARDBEAUTY.DigitalFirst strategy, we may be unsuccessful in recruiting and retaining suitable talent in particular any technology specialists. Furthermore, we may not realize the anticipated benefits associated with the strategy and may fail to implement the strategy in the desired time frame or at all. The realization of any of these risks could have a material adverse effect on our business, results of operations and financial position.

In addition, we have carried out reorganization measures in the past few years and will continuously adapt our structures and processes to the current needs of our markets. In light of the shift in customer behavior towards online retailing, which has been accelerated by the COVID-19 pandemic, we have done our Store Optimization Program (SOP). Our SOP targets was closing approximately 500 Brick-and-Mortar stores by the end of September 2022 across our network but with a focus on Southern Europe, where our sales from Brick-and-Mortar stores were particularly affected by the COVID-19 pandemic and where there was a high overlap in store locations due to our historical acquisitions. The associated costs have been reflected to a lesser degree in our financial statements for the financial year 2021/2022. We may also carry out further reorganization measures from time to time.

Such measures, including the SOP, entail costs, may divert management's attention from our daily business and/or strategic business decisions, and may otherwise be disruptive to our business. In addition, the SOP or further reorganization measures in our store portfolio anticipates a decrease in revenue in an attempt to

optimize our portfolio. There can be no assurance that such reorganization measures may lead to the expected efficiency improvements or cost savings, or be completed within the planned timeframe, for example should we wrongly identify stores that should be closed. Furthermore, reorganization measures in store portfolio assumes that a portion of sales from closed Brick-and-Mortar stores will be transferred to our other stores in the same catchment area or our e-commerce platform, and there can be no assurances that such transfer will materialize to the extent anticipated or at all, in particular if governments in the countries where we operate implement further lockdowns as a result of the COVID-19 pandemic or other pandemics. Additional lockdowns could also prolong periods of inventory recovery. Furthermore, any such reorganization process may have a disruptive effect on our work force, including through strike action or lead to adverse publicity as a result of store closures or otherwise. We may also face additional costs resulting from negotiations with trade unions, employee representatives or employees relating to severance payments or other compensations as well as landlord negotiations relating to Brick-and-Mortar stores that we intend to close.

Any of these factors could have a material adverse effect on our competitive position, profitability and growth, and thus on our business, results of operations and financial position.

We may be unable to manage our growing business activities effectively

Our business has grown significantly over the last decade and continues to selectively expand whether via acquisitions or otherwise. . As of 30 September 2022, we operated with over 1,837 Brick-and-Mortar stores (including 133 franchised stores) in 20 countries and online shops in 25 countries. Our online shops which we operate in 25 countries include several shops that were launched during the past few years, and we plan to launch additional online shops in the near future. We cannot guarantee that opening or acquiring additional Brick-and-Mortar stores, the launch of new online shops or the further expansion of our e-commerce platform will not adversely affect our existing operations.

Our operating complexity will continue to increase as we implement our growth strategy and will require a continuous expansion and improvement of our operating capabilities and the training and management of a growing employee base. Developing and refining the appropriate internal management, accounting and book-keeping processes, organizational compliance and risk monitoring structures required for this growth and the increasingly complex group structure places high demands on us and our management, as well as on our operational and financial infrastructure, with no assurance that sales and profitability will increase accordingly. As our operations grow further, we will need to continue to improve and upgrade our systems and infrastructure to deal with the greater scale and complexity of operations. Delays in improving these systems and in reaching an appropriate level of staffing may result in business and administrative oversights and errors, which may also lead to higher operating expenses.

In addition, our growth could make it difficult for us to predict the expenditures we will need to make in the future adequately. This growth could also affect the operational flexibility of the supply chain organization and impair our ability to react promptly to changing customer demands and new market trends. If we do not make the necessary capital or other expenditures to accommodate our future growth, we may not be successful in our growth strategy. Continued growth could also strain our ability to maintain reliable service levels for our customers and to develop and improve our internal controls. Moreover, certain businesses we have acquired or may in the future acquire may have less robust internal controls than the rest of the Group, which might create additional control challenges until the relevant standards can be upgraded to those used by the rest of the Group.

We may be unable to anticipate all the demands that our expanding operations will impose on our business, personnel, systems and controls and procedures accurately, and the failure to address such demands appropriately, or the realization of any of the above-mentioned risks, could have a material adverse effect on our business, results of operations and financial position.

Negotiating, terminating or extending store leases may be difficult or costly, which could negatively impact our competitive position, growth strategy and profitability

The success of our business depends, in part, on our ability to identify suitable premises for our Brick-and-Mortar stores in attractive locations and to negotiate acceptable lease terms. We compete with other global and regional retailers to obtain favorable store locations and lease terms in shopping malls and in city centers. If we are not able to secure attractive sites for new stores on acceptable terms, our further expansion would be significantly affected, which could have a material adverse effect on our business, results of operations and financial condition. Furthermore, new stores from other retailers or our own new stores in the proximity of our existing stores could compete with our existing stores for customers.

Our commercial leases typically provide for an adjustment of the rent due to changes in certain public indices. Such adjustments are intended to counteract inflation risks of long-term contracts. If the relevant indices increase at a higher rate compared to past performances, or if there are adverse changes in terms of calculations relating to such indices, rents linked to these indices will be adjusted at higher levels which could increase our expenses and have a negative impact on our profitability and results of operation which could have a material adverse effect on our business, results of operations and financial position. In addition, many of our lease agreements contain sales-related additional variable lease payments and hence, the ultimate level of our rent will depend on the level of our sales. As part of our SOP, we intend to terminate leases of Brick-and-Mortar stores that we are closing and re-negotiate certain other existing leases of our continuing store portfolio. There is no guarantee that these re-negotiations will be successful, and the cost, difficulty or time associated with such re-negotiations may materially and adversely affect our business, results of operations and financial condition.

Our ability to attract customers to our stores depends, in part, on the success of shopping centers and city centers in which our stores are located, and any decrease in footfall at those retail destinations could adversely impact our sales

Sales from our Brick-and-Mortar stores accounted above 60 percent of our sales for the last financial year. Our Brick-and-Mortar stores are typically located in prominent locations within shopping centers and town centers. Our sales at these stores are dependent, to a significant extent, on the volume of customer traffic in such retail destinations and the surrounding areas. This in turn benefits and is dependent on the ability of other retailers in those destinations to generate customer traffic in the proximity of such stores.

Our sales may, thus, be adversely affected by a decrease in popularity of the retail destinations or anchor stores in the proximity of our stores, the closing of anchor stores or a deterioration in the financial position of retail destination operators or developers that could, for example, limit their ability to finance tenant improvements for us and other retailers. Store closures by other retailers and vacancies in shopping centers and other retail destinations may also decrease footfall. There can be no assurance that we will be able to obtain alternative store leases in prime locations based on commercially acceptable terms. Moreover, properties currently considered prime locations may deteriorate and become less desirable in the future.

The COVID-19 pandemic and the government measures undertaken to reduce the spread of COVID-19, including the forced (full or part-time) closure of non-essential shops, curfews, social distancing and hygiene requirements, as well as precautionary measures taken by many individual consumers to minimize their contact with other individuals in public, have significantly affected footfall in shopping centers and retail destinations. This can also be caused by another pandemic. A decrease in footfall resulting from these or other factors constitutes a major challenge for the like-for-like growth of our store business.

The realization of any of these risks could have a material adverse effect on our business, results of operations and financial position.

We may be unable to effectively manage our costs and inventories

Our profitability depends on our ability to effectively manage operating costs, including the implementation of cost-control programs relating to store leases and operations, cost-effective purchasing programs for the products sold, the optimization of personnel costs, achieving central overhead cost synergies and improving supply chain and inventory management. Our cost structure may be negatively affected by cost increases, in particular those relating to rental, electricity and personnel costs, as well as transportation and logistics costs, among others. In particular with respect to fulfillment costs, we have experienced such cost increases in a significant manner in recent financial years, because of a higher share of e-commerce sales and our OWAC strategy, which has led to a higher volume of outbound goods. In addition, the increasing shift towards e-commerce may further affect our operating costs such as by increasing delivery costs.

Failure to control the amount and quality of our significant inventory could also reduce profitability and increase losses. For example, constraints in our inventory management systems and/or processes may cause excess inventory in one location and insufficient inventory in another. Conversely, failure to order enough inventory or problems in the delivery and distribution of inventory could result in unfilled orders and missed sales opportunities.

If we are unable to continue to achieve these economies of scale and cost efficiencies due to fluctuations in our operating costs or for other reasons, this could also have a negative impact on our results of operations. In addition, if we fail to effectively manage our operating costs or inventory, our profitability and growth could be adversely affected, which could have a material adverse effect on our business, results of operations and financial position.

Our operations may be interrupted or otherwise adversely affected as a result of failures in our information technology systems

Technical progress and networking are leading to a growing complexity in the IT landscape for mapping business processes we may not be able to handle. A failure of business-relevant systems could have an impact on the net assets, financial position, and results of operations. Our success and daily operations depend on the continuous and uninterrupted availability and quality of our information technology ("IT") systems and the relevant data. This data includes orders and other customer transactions, to manage inventory, to purchase and ship the products that we sell, and to manage the operations of our Brick-and-Mortar stores and e-commerce platform effectively. We also depend on our IT systems to be able to manage our customer relationships effectively. With technological advances, greater networking and an increasing integration of business processes, the need for the permanent availability of our IT systems has become even more critical. In addition, certain of the IT systems used for our Brick-and-Mortar business and substantially all IT systems used for our e-commerce platform are hosted externally (including cloud services) by third-party service providers.

Management uses certain IT-based demand-forecast tools and other IT systems to support decision-making and to monitor business performance. In case of a system disruption, including any difficulties during rollouts, we may fail to generate accurate and complete financial and operational reports essential for making decisions at various levels of management, which could lead to less-informed decisions being made.

We may be unable to handle, implement our identify cyber-security-systems which secure us against attacks

Cyber security is the protection of networks and computer systems against theft or damage to their hardware and software. For the Douglas Group, external as well as internal attacks, so-called phishing mails, can lead to the illegal withdrawal of data or damage to software. The Douglas Group has installed the IT SECURITY AWARENESS CAMPAIGN.

We have purchased cyber insurance coverage to cover a limited number of risks, which could be caused by an interruption of our IT systems through hacking or other cyber-attacks, but the risk of disruption to our IT systems cannot be eliminated. Our cyber insurance coverage is subject to limitations, caps and deductibles, so that our insurance coverage may not be sufficient. See also “—Our insurance coverage could prove inadequate.” Such disruptions may result from a range of factors, including events beyond our control, such as telecommunication problems, software errors, hardware failures, power outages or damages, user errors, inadequate capacity at IT centers, computer viruses, attacks by hackers or other third parties or other security issues, fire or natural disasters. Any cyber-attack can bring material disruption or slowdown of our IT systems could cause information, including data related to customer orders, to be lost or delayed, and functionalities to be interrupted, both of which could disrupt our ability to market, offer and sell our products, as well as our ability to track, record and analyze the sales of our products, which could negatively impact our operations and result in lost sales, in particular if occurring in one of our peak selling periods. In addition, our business could be adversely affected if changes in technology cause our IT systems to become obsolete or outdated or if our IT systems are inadequate to handle our growth. Moreover, certain of our subsidiaries, especially ones that have recently been acquired by us, may have less robust IT systems and cyber security frameworks, which could increase their vulnerability to disruption or cyber-attacks until they can be upgraded to the standards used by the rest of the Group. Any of these factors could have a material adverse effect on our business, results of operations and financial position.

We depend on our ability to attract and retain qualified managerial staff and skilled, motivated personnel

The success of our business depends significantly on our ability to retain senior management, other qualified managers and employees in key positions, many of whom have many years of experience and specialized expertise in our business. Competition for qualified, motivated personnel is intense, and we may not be able to attract and retain all members of our senior management team or a sufficient number of qualified personnel in the future. Furthermore it is important to attract new employees, especially in the E-Commerce and IT sector to stay on track for the growth strategy.

Possible future restructurings could result in staff reductions or fluctuations among employees and managers. The loss of know-how and a possible temporary drop in productivity against the background that new employees still have to be trained or inducted could be the consequence.

In addition, as we centralize and standardize many tasks which were previously performed by store personnel, we may lose some of our employees due to difficulties or motivational issues relating to the loss of autonomy of individual stores.

Any failure to attract and retain senior management or qualified staff could impair our growth and ability to manage our operations effectively, and may have a material adverse effect on our business, financial position and results of operations.

We are exposed to the risk of rising labor costs, as well as work stoppages, strikes or other collective actions

Personnel expenses represent a significant part of our cost base. We may face considerable wage increases in the future, for example in connection with increasing statutory minimum wages due to collective bargaining agreements that apply to our Group in certain jurisdictions or otherwise as a result of general rising wages. If we are not successful in limiting such increases in personnel costs or the effects thereof, or if cost increases cannot be passed on to our customers, this may have a material adverse effect on our business, financial position and results of operations.

In addition, since our business is labor intensive, maintaining good relationships with our employees, trade unions and other employee representatives is crucial for our operations. Works councils have been established at certain Group companies, and it cannot be excluded that employees will demand the

establishment of further works councils. As certain of our employees are members of trade unions or enjoy similar rights due to applicable laws in the countries where we operate, we have in the past experienced and are subject to the risk of, strikes, in particular if employees are dissatisfied with salary levels or proposed salary increases, personnel or other business measures affecting our workforce or during busy trading periods such as Christmas. For example, during SOP Program and the closure of Brick-and-Mortar stores across our store network and resulted in a local strike in France in February 2021, and a strike in Spain in March 2021. There can be no assurances that we will not face further strikes or work stoppages or other types of conflicts with trade unions, employee representatives or our employees in the future in connection with reorganization measures or otherwise.

Any deterioration of our relationships or disputes with trade unions, employee representatives or our employees or any material work stoppages, strikes, further unionization efforts or other types of conflicts with trade unions, employee representatives or our employees could have a material adverse effect on our business, results of operations and financial position. Occasionally, works councils were established on the operational level and it cannot be excluded that further entities or regions may follow.

We have financial obligations to our employees, in particular retirement benefit obligations, the calculations of which are based on a number of assumptions, which may differ from actual rates

As part of the employment compensation package, we provide different retirement benefit arrangements or similar benefits. Our defined benefit obligations are based on certain actuarial assumptions that can vary by country, including discount rates, life expectancies and rates of an increase in compensation levels. Provisions are recognized for funded and non-funded employer-financed commitments arising from retirement benefit entitlements and ongoing payments to employees and former employees and their surviving dependents. They are also recognized for purely employee-funded commitments from deferred compensation. These commitments are accounted for in accordance with the requirements of IAS 19 (Employee Benefits).

A change in actuarial assumptions or market conditions with respect to, for example, discount rates, life expectancies or compensation figures, could affect the present value of our liabilities and lead to an increase in our defined benefit obligation and to additional provisioning required, which may have a material adverse effect on our financial position and results of operations

Our assets, such as goodwill and the “Douglas”, “Nocibé” and other key brands owned by us are particularly subject to the risk of impairment

As of 30 September 2022, we had goodwill, other intangible assets and right-of-use assets from leases totaling €2,900.0 million. The other intangible assets mainly consisted of the “Douglas” brand and the “Nocibé” brand. The right-of-use assets reflect our leasehold interests accounted for under IFRS 16. We determine the value of the intangible assets in accordance with applicable accounting principles and distinguish between amortizable intangible assets and non-amortizable assets, such as goodwill.

Especially with respect to goodwill, to the other intangible assets that are not amortized and to the right-of-use assets from leases, an impairment loss may have to be recognized if the expectations on which the current carrying amount is based are not fulfilled and the recoverable amount of any cash generating unit is less than the Group’s carrying amount, such as if market and industry conditions deteriorate or interest rates rise.

In performing impairment tests of assets, such as goodwill and other intangible assets, including our main brands, management considers several assumptions and carries out analyses that are based on projections and judgments. Economic downturns, including deteriorating economic conditions in the industries and regional markets in which we operate and resulting e.g. from the COVID-19 pandemic, as well as legal, regulatory, competitive, contractual and other factors may affect these assumptions and therefore the value

of our assets. In addition, impairments on property, plant and equipment and right of use assets from real estate-leases are recorded from time to time triggered by ongoing negative contribution margins of certain stores and intended store closures. Recognition of an impairment charge would reduce our reported assets and earnings.

An impairment loss with respect to intangible assets and/or deferred tax assets may have a material adverse effect on our net assets, financial position and results of operations. In the fiscal year 2021/22 we recorded an impairment loss on goodwill of €231.9 million to former acquisitions. We cannot predict whether further future impairment charges may become necessary.

The payment methods that we accept expose us to operational, regulatory and fraud risks

We currently offer different payment methods tailored to meet our local customers' payment preferences, both in our Brick-and-Mortar stores and online shops including cash, invoicing, credit and debit cards, PayPal, advance payment, online bank transfer pursuant to the electronic payment standard, direct debit, checks, and in Germany and Austria with the Douglas Beauty Card Premium and gift cards. Payments in transit using certain of these payment methods, as well as cash in registers, are taken into account when calculating net leverage ratios pursuant to the Indentures and other of our financing arrangements.

We face the risk of operational failures during the checkout process in our e-commerce platform relating to the complexity of certain payment methods. Such difficulties could adversely affect our conversion rate, which is the proportion of site visitors that actually complete the purchasing process. We may also become subject to additional or changing regulations regarding certain payment methods, such as the operating rules and certification requirements of payment scheme associations and rules governing electronic funds transfers, which apply to credit and debit cards, whether in general or in a particular country in which we operate. We may also become subject to more stringent or complex compliance requirements, for example with respect to certain of our gift cards. For certain payment methods, such as credit and debit cards, we also pay interchange and other fees, which may increase over time and cause our operating expenses to rise. In Germany, we also operate the payment infrastructure for our Brick-and-Mortar stores, which creates additional risks beyond the payment risks discussed above. Any disruption in these payment systems could adversely affect the payment processing capabilities at these stores.

Furthermore, customers may claim that purchases or payments were not properly authorized or were transmitted in error. We also face the risk that customers may have insufficient funds, and of various types of fraud or cyber-attacks. Any failure to avoid or limit losses from fraudulent transactions could damage our reputation and result in increased legal expenses and fees. In the case of invoicing and of customers paying with the Douglas Beauty Card Premium, we also carry a certain risk of non-payment of invoices or insufficient funds.

In case of repeated fraud events relating to credit card transactions, in addition to the direct losses, we could lose the right to accept credit cards for payments going forward and, potentially, credit and debit card providers could cease payments to us for purchases already made. For example, the risk of an invalid transfer instruction by a customer, and thus the risk of abuse, lies generally with the retailer in some of the countries in which we operate. Therefore, we could become liable for certain fraudulent credit card transactions, which could have a material adverse effect on our business, financial position and results of operations. We also face the risk that authorities might take the view that the issuance and redemption of our gift voucher cards or the provision of certain other services in our stores may violate certain legal requirements of the EU Payment Services Directive and other applicable regulatory requirements.

Any of the above risks related to payment methods could have a material adverse effect on our business, results of operations and financial position.

We face a risk of theft or misappropriation of funds and products in our stores, our warehouses or logistics centers and those of our logistic partners, and we are exposed to a risk of misappropriation of our customer data and other inappropriate behavior

In the ordinary course of our business, we are exposed to a risk of theft of our products in our Brick-and-Mortar stores. Products may also be misappropriated during transportation or at our warehouses and logistic centers and those of our logistic partners. In addition, we may experience a misappropriation of funds in our stores or at other levels of our business or the abuse of our resources such as our products, vouchers, bonuses or systems.

Our business involves the storage and transmission of customers' personal information, consumer preferences and credit card information, as well as confidential information about our employees, our suppliers and our own business. For example, we collect and store certain customer data using our Douglas Beauty Card/Nocibé Card, including personal information and information regarding our customers' preferences and purchasing patterns. While we believe we employ industry-standard methods for data protection, our information systems have faced in the past, and may face in the future, cyber-attacks, and are vulnerable to an increasing threat of continually evolving cybersecurity risks, as cyber criminals develop new ways to gain unlawful access to protected information systems. Any significant compromise or breach of our data security, whether external or internal, or misuse of associate or customer data, could significantly damage our reputation, cause the disclosure of confidential customer, employee, supplier or business information, and result in significant costs, lost sales, fines and lawsuits. While we have implemented systems and processes to protect us against unauthorized access to or use of secure data and to prevent data loss, there can be no guarantee that these procedures are adequate to safeguard against all data security breaches or misuse of data. Moreover, regulations related to information security, data collection and use, and privacy are becoming increasingly rigorous in the countries and regions in which we operate, with new and constantly changing requirements applicable to our business, and compliance with those requirements could result in additional costs. See also "–Legal, Regulatory and Tax Risks–We are subject to numerous laws and regulations with respect to private data protection, and failure to comply with such laws and regulations may result in litigation and administrative or arbitration proceedings and/or significantly damage our relationship with our customers; and we may also be adversely affected by changes in these laws and regulations."

Moreover, we have a customer friendly returns policy and regularly offer gift articles in combination with the purchase of a certain product or brand or, in particular in our online shops, for purchases over a certain amount. It cannot be excluded that, in the future, a growing number of customers may abuse our returns policy and, for example, return products bought from other retailers, or order from us with the sole purpose of retaining the gift articles while returning the purchased products.

Our failure to prevent the theft or misappropriation of customer data or to manage our returns policy could have a material adverse effect on our business, results of operations and financial position.

Fluctuations in currency exchange rates could have an adverse effect on our financial position

In the last three financial years, we generated our sales and purchased merchandise predominately in Euro and to a limited extent also in a number of non-Euro currencies, such as the Polish zloty, the Romanian leu, the Czech koruna, the Hungarian forint, the Croatian kuna, the Bulgarian lev, and the Swiss franc. Our sales in countries where the Euro is the legal tender represented about 88 percent of our total sales in the last financial year. We expect the share of our sales and costs in non-Euro currencies to increase. Exchange rate fluctuations also affect the translated value of balance sheet and income statement positions of our non-Euro Group companies, which are denominated in the relevant national currency, predominantly in Polish zloty, since these positions must be converted into Euro in connection with the preparation of our consolidated financial statements. As a result, exchange losses may arise due to this conversion. As we

have not entered into currency hedging contracts, exchange rate fluctuations may have a material adverse effect on our financial position.

Should we decide to enter into hedging arrangements in the future, we may not be able to adequately hedge against the currency risk on reasonable terms and the cost of hedging may increase. Furthermore, hedging counterparties may default on their obligations towards us due to lack of liquidity, operational failure, bankruptcy or for other reasons.

Our insurance coverage could prove inadequate

We have comprehensive insurance policies in relation to a number of risks associated with our business activities. However, our insurance coverage is subject to customary exclusions, limits and deductibles.

Given the diversity of locations and settings in which our employees provide services and the range of our activities, we may not be able to accurately foresee all relevant activities and situations in order to ensure that they are fully covered by the terms of our insurance policies. As a result, we may incur losses or be subject to claims that exceed the type, scope or amount of our existing insurance coverage. At the same time, we have identified several risks that cannot be insured on economically feasible terms and for which, therefore, we have chosen not to purchase insurance cover. These risks include, for example, business interruptions caused by acts of terror, epidemics or pandemics.

If one or more claims exceed a certain aggregate amount in a given calendar year, insurers may increase the insurance premiums or the terms and conditions of our insurance coverage may become less favorable than at present. Our insurance costs may also increase over time in response to any negative development in our claims history or due to material price increases in the insurance market in general. The COVID-19 pandemic has also placed significant upward price pressure on the market for director's and officer's insurance, as well as cyber insurance, which could lead to increased costs for our insurance coverage. There is no guarantee that we will continue to be able to obtain sufficient insurance coverage at commercially reasonable terms or at all.

Any of these developments could have a material adverse effect on our business, financial position and results of operations.

Many of our suppliers rely on credit insurance to protect their receivables, and any changes to, or adjustments that are too slow or withdrawals of, such credit insurance might cause suppliers to seek to reduce their credit exposure to us

We believe that many of our suppliers have traditionally taken out credit insurance to protect their receivables against the risk of bad debt, insolvency or protracted default of their buyers, including us. Credit levels available to us from our suppliers remain dependent on the general economic environment, the credit insurer's risk policies and our financial position. If there is a significant decrease in the availability of credit insurance to our suppliers, or if an increase in credit levels is administered too slowly or such insurance is withdrawn in its entirety, and if such suppliers are unwilling or unable to take credit risk themselves or find alternative credit sources, they may choose to reduce their credit exposure to us, for example by seeking to change their credit terms vis-à-vis our Group, by tightening payment terms or demanding advance payment.

Any such actions could have a material adverse effect on our working capital and cash positions, lead to an increase in our indebtedness or have a negative impact on our product offerings and, thus, on our sales. This could have a material adverse effect on our business, financial position and results of operations.

Legal, Regulatory and Tax Risks

We are subject to numerous laws and regulations in the many jurisdictions in which we operate, and may be adversely affected by changes in legislation and regulation

We are confronted with differing legal, political, social, regulatory and economic conditions, as well as unforeseeable developments in the different jurisdictions in which we operate, including, among others, employment, accounting, customs, truth-in-advertising, consumer protection, general privacy, health, information privacy, identity theft, online privacy, healthcare, IT and e-commerce, unsolicited commercial communication and zoning and occupancy laws and ordinances that regulate retailers generally and/or govern the importation, promotion and sale of products and the operation of retail stores and warehouse facilities. If these regulations were to change or were violated, for example, by our management, employees or franchisees, by the manufacturers of the products we sell or by our suppliers, the costs of certain goods could increase, or we could experience delays in shipments of our goods, be subject to fines or penalties, or suffer reputational harm, which could reduce demand for the products that we sell and could have a material adverse effect on our business, financial position and results of operations.

In addition, the sale, distribution and marketing of certain products that we sell, in particular, cosmetic products, are highly regulated. For example, with respect to certain of our own brand products, certain of our subsidiaries act as responsible persons for purposes of the European Cosmetic Products Regulation and may be subject to liability under this regulation. Furthermore, and irrespective of obligations under the European Cosmetic Products Regulation, as a distributor and as we import and market certain products under our brand we are subject to regulations regarding environmental law, food law (including food related regulations and nutritional requirements), medical device law, pharma, product safety and product liability under which we are obliged, *inter alia*, to monitor that the products we offer comply with general safety requirements and must adopt the necessary measures to avoid any safety threats, for example, by withdrawing unsafe products from the market, informing customers and recalling products that have already been supplied to customers to avoid being exposed to the risks of liability.

The COVID-19 pandemic, the armed conflict in Ukraine, the energy crisis and rising inflation are or will be reflected in various laws or regulations, which in turn will affect our business. However, these effects are unpredictable and less legal than rather commercial in nature but could nevertheless have a material adverse effect on our business, financial position and results of operations.

With regard to IT and e-commerce activities, frequent changes in both the legal, data protection, financial services and the technological developments increase the risk of non-compliance with legal demands, which could harm our reputation and could have a material adverse effect on our business, financial position and results of operations.

Failure to comply with any relevant rules and regulations or delayed implementation of internal processes may result in licenses or authorizations required in connection with the relevant business areas being withdrawn or not being granted in the future, or may subject us to significant penalties or claims, and in some cases may even constitute a punishable offence, and significantly affect our ability to conduct our business, which could have a material adverse effect on our business, financial position and results of operations.

Legal requirements are frequently changing and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effect on our operations. Failure to define clear roles and responsibilities or to regularly communicate with and train our employees or franchisees may result in noncompliance with applicable laws and regulations. We may be required to make significant expenditures or modify our business practices to comply with existing or future laws and regulations, which may increase our costs and materially limit our ability to operate our business, which could have a material adverse effect on our business, financial position and results of operations.

In addition, we are indirectly affected by changes in the laws, regulations, administrative actions and policies with which suppliers of our products, in particular the manufacturers of our "own brand products, as well as our marketplace partners must comply. For example, the formulation, manufacturing, packaging, labelling, distribution, sale and storage of our suppliers' products, our own brand products and marketplace partners' products are subject to extensive consumer laws and regulations in different jurisdictions, which may change or develop over time in a way that could have a material adverse effect on our business, financial position and results of operations. The same holds true with respect to products sold on our marketplace.

We are subject to numerous laws and regulations with respect to private data protection and failure to comply with such laws and regulations, may result in litigation and administrative or arbitration proceedings and/or significantly damage our relationship with our customers or employees; and we may also be adversely affected by changes in these laws and regulations

We are subject to local and international laws and regulations governing the collection, use, retention, sharing, otherwise processing and security of personal data. Due to the use of e. g. new technologies based on artificial intelligence and the further development into a health and beauty platform, more special categories such as health-related data are coming into focus, which afforded special protection under the applicable data protection laws. A failure to comply with applicable laws or regulations could have an adverse impact on our reputation and could lead to us becoming subject to penalties or claims, which could have a material adverse effect on our business and results of operations. The need to comply with data protection legislation is a significant controlling, operational and reputational risk which can affect us in a number of ways including, for example, making it more difficult to maintain and expand our marketing data, commercially exploit available data and also through potential litigation and governmental investigations relating to the alleged misuse of personal data. Regulation regarding data collection and data protection may also become stricter in the future. New laws, regulations or developments in this field and changes in consumer behavior could interfere with our strategies to use privacy-related information for our multi-channel marketing efforts and could also have an adverse effect on our business and results of operations.

Significant modifications in laws or regulations, as well as changes in the interpretation and enforcement practices of authorities concerning existing laws and regulations, in countries in which we operate may consequently lead to us incurring higher costs or having to change our business practices. Also, compliance will become more complex and involve higher costs and the increasing risk of noncompliance may give rise to civil liability, administrative orders (including injunctive relief), fines or even criminal charges. For example, the EU General Data Protection Regulation (the "GDPR") introduced substantial changes to the EU and local data protection regimes, involving replacement in Member States of the previous national data protection laws by a directly applicable EU regulation. Since the GDPR came into effect on May 25, 2018, it has imposed a substantially higher compliance burden on our business. In addition, the regulation entails higher maximum level of fines than was historically the case for potential compliance failures. Given our increasing focus on the online segment of our business, we will have to adapt to any change in the legal environment with regards to data protection, which could lead to significant implementation costs. There are also several initiatives pending aimed at establishing a single, uniform digital European market such as an e-privacy regulation or the proposed Digital Services Act and Digital Markets Act. We may also be indirectly affected by European Union court rulings. For example, the European Court of Justice (Fashion ID, C-40/17 and Planet 49, C-673/17) in 2018 and 2019 specified the treatment of internet tracking technologies and issued another judgment (Schrems II, C-311/18) in 2020 relating to European data protection laws, stating that the transfer of personal data into the United States cannot be based on the EU/US Privacy Shield framework. This ruling has an impact also on data transfers to any other third country within the meaning of the GDPR that does not provide a level of data protection equivalent to the EU.

On 4 June 2021, the EU Commission issued modernized Standard Contractual Clauses (SCC) under the GDPR for data transfers from controllers or processors in the EU/EEA (or otherwise subject to the GDPR) to controllers or processors established outside the EU/EEA (and not subject to the GDPR). These modernized SCCs replaces the SCCs that were adopted under the previous Data Protection Directive 95/46 and must be observed by Douglas within the contractual negotiations with partners outside EU/EEA or with partners with subcontractors outside EU/EEA. With these new requirements the transfer of personal data to service providers outside the EU/EEA requires a complex procedure which may lead to increased efforts in doing business with such companies. A failure to comply with these new requirements could lead to substantial fines.

In the past, some of our data has been, and in the future we are exposed to the risk that our data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulations, by us or on our behalf. If we or any third-party service providers on which we may rely fail to transmit customer or employee information in a secure manner, or if any such loss of personal customer or employee data were otherwise to occur, we could face liability under data protection and IT security laws. This could also result in the loss of our customers' and employees' goodwill and deter new customers as well as applicants. The technical and organizational measures we have put in place to protect our data and for IT security may not be sufficient or modern enough to protect all our data at any given time or comply with any applicable legal requirements in their entirety, which may lead to a material adverse effect on our business, financial position and results of operations. To mitigate this risk, measures have already been initiated to ensure that IT security management, including control measures and awareness, is maintained on a permanent basis in line with state-of-the-art technology in relation to Douglas' business model and scale.

Our failure to comply with local and international laws governing personal data or if we fail to protect our data from being misappropriated could have a material adverse effect on our business, financial position and results of operations.

We may be adversely affected by changes in antitrust and competition laws and regulations, in particular with respect to selective distribution contracts

As a significant market participant in the German and other European selective beauty markets, we are subject to antitrust and competition laws and regulations.

Moreover, there can be no assurance that the introduction of new antitrust or competition laws in the jurisdictions that are relevant to our operations or the interpretation or enforcement of existing competition laws will not affect our business and operations in the future or will not restrain us from making future acquisition or expanding our business, in the event we wish to do so in the future.

Furthermore, the use of selective distribution contracts, *i.e.*, contracts that require formal approval of the supplier for the product to be listed and which limit the sale of certain products almost exclusively to "selected" distributors, is critical to our current business model. Selective distribution currently benefits from a specific legal framework provided by Art. 101 (1) Treaty on the Functioning of the European Union ("TFEU") and specific national laws which prohibit agreements that have an anticompetitive object or restrictive effects on competition, unless such agreements fall under so-called block exemptions (Regulation (EU) No. 2022/720 or individual exemptions pursuant to Art. 101 (3) TFEU). Such exemption requires, among other things, that the market share of both the supplier and the authorized distributor does not exceed 30% and respective agreements do not contain so-called "hard core" restrictions of competition. In the context of selective distribution systems, resale price maintenance, restrictions of active or passive sales to end consumers as well as restrictions of cross-supplies between authorized distributors constitute such "hard core" restrictions.

The new Regulation (EU) No 2022/720 gives suppliers more leeway in terms of establishing stricter specifications for selling online (e.g. with regard to platform bans). Further, suppliers may differentiate between online and offline channels when setting the purchase prices for their products.

Contractual clauses violating European or German competition law are void which may also affect the remainder of agreements entered into while the current block exemptions were in force. Furthermore, in such cases, the competent cartel authorities may initiate proceedings against the contractual parties and substantial fines can be imposed.

Moreover, following changes in the applicable laws, regulations, case law or the application thereof by competition authorities, other distribution channels may begin selling products (or increasingly sell products) that currently generate the majority of our sales and this may lead to a significant increase in competition, potentially requiring us to cut our profit margins in order to remain competitive which could have a material adverse effect on our business, financial position and results of operations.

European competition law prohibits also the abuse of a dominant position. An infringement of Art. 102 TFEU requires that the relevant undertaking is dominant on the relevant market and is abusing this dominant position. In some countries, e.g. in Germany, competition law provides similar rules for non-dominant companies in certain circumstances. Non-compliance with these rules may lead to significant fines.

We are or may become involved in litigation and administrative or arbitration proceedings, which may adversely affect our financial position

We may become involved in litigation, administrative and arbitration proceedings, such as labor-related litigation, intellectual property litigation or litigation or arbitration proceedings with our customers, suppliers or franchisees as well as competent authority as part of our ordinary business activities. For example, even if we strive to limit the risk of warranty claims for product defects (including product non-compliance) or from product liability claims by including recourse clauses in our agreements with suppliers and with manufacturers, we may be exposed to such claims and, in the event that the supplier is financially unable to compensate for the damage or should our insurance not cover the claims asserted against us adequately or at all, we may have to bear the costs related to the product defects or to product liability, which could have a material adverse effect on our business, financial position and results of operations.

Any such proceedings, even if we are successful, could divert management resources, incur certain expenses and cause damage to our reputation. The involvement in any such litigation, administrative and arbitration proceedings as well as the outcome of such litigation and proceedings, which cannot be predicted and may not be in accordance with our assessments, may have a material adverse effect on our business, financial position and results of operations.

We are currently subject to several pending litigation proceedings, e.g. the following one:

Douglas GmbH is party to legal proceedings pending in the Dortmund District Court ("*Landgericht*") where several former minority shareholders are requesting an adjustment of the compensation in connection with the squeeze-out of the minority shareholders of Douglas Holding AG (merged into Douglas GmbH) which became effective in July 2013. To cover risks associated with these proceedings we have recognized a provision amounting to 13.6 million euro. If we are unsuccessful in defending any current or future claims, also in the connection with other legal disputes, not described above, we may incur liabilities in excess of the reserved amounts in the future. This could have a material adverse effect on our business, financial position and results of operations.

If we and/or our suppliers are unable to protect our and/or their respective intellectual property rights, in particular trademarks and key domain names, our ability to compete could be adversely affected

The market for the products and services that we offer depends to a significant extent upon the value associated with their respective brands. Therefore, our commercial success depends on our and our suppliers' ability to successfully defend our and their intellectual property, including trademarks, know-how,

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customer lists and domain names, including the ability of franchised stores to operate in a manner consistent with our required standards and guidelines in this area.

In particular, we own a large portfolio of trademarks, including word trademarks and word/device trademarks used by companies in our Group and by franchisees, domain names, and some design rights. In particular, the trademarks that protect the brand "Douglas" (including the new Douglas logo) as well as the trademark "Nocibé" are of key importance to us. Furthermore, we use some smaller local (sub-)brands or company symbols to differentiate our offering and address different target groups. With respect to several of the registered trademarks, we have entered into co-existence agreements and prior rights agreements for specific countries or situations. Regarding domain names, in particular "douglas.de", and the top-level domains for other countries, in particular those, in which we operate an online shop, play an important role in our business operations. Our own brand products are manufactured by third parties and thus while we own the brand, labelling and in some cases, the product design of such products, we do not necessarily own their underlying recipes or formulas.

We expect to continue to file further trademark applications seeking to protect selected newly developed brands or products or apply for registration of existing brands or products in other relevant jurisdictions, but we cannot be sure that trademark registrations will be issued. There is also a risk that we could, by omission, fail to renew a trademark (or design or domain) on a timely basis or fail to pursue our brand monitoring. Moreover, there is the risk that our competitors may challenge, invalidate, dilute or circumvent any existing or future trademarks issued to, or licensed by, us. In addition, even though a trademark has been duly registered, under local regulation the fact that a trademark is not used for a certain period of time (such as five years in the European Union) may render the trademark registration voidable. Moreover, earlier rights (such as a pre-existing right to a name, copyrights and other industrial property rights) may prevail over the registration of the trademark. With respect to domain names, these are generally regulated by internet regulatory bodies and may also be subject to trademark laws and other related laws of each country.

If we do not have or cannot obtain or maintain on reasonable terms the ability to use our "Douglas" or "Nocibé" trademarks, or any other significant brand in a particular country, or to use or register "Douglas" for a certain domain name, we could be forced either to incur significant additional expenses to market our products within that country, including the development of a new brand and the creation of new promotional materials and packaging, or to elect not to sell products in that country. Furthermore, the regulations governing domain names and laws protecting marks and similar proprietary rights could change in ways that block or interfere with our ability to use relevant domains or our current brands. In addition, we may not be able to prevent third parties from registering, using or retaining domain names that interfere with our customer communications or infringe or otherwise decrease the value of our trademarks, domain names and other proprietary rights. Regulatory bodies may establish additional generic or country-code top-level domains or may allow modifications of the requirements for registering, holding or using domain names. As a result, we may not be able to register, use or maintain the domain names that utilize the name "Douglas" or "Nocibé" in all countries in which we currently conduct business or intend to conduct business in the future.

Furthermore, there can be no assurance we will be able to adequately or sufficiently prevent infringement or misappropriation of our portfolio of intellectual property by third parties, and we may be subject to disputes relating to our logos and brandings. If any of these events occur, our ability to compete may be adversely affected.

The realization of any of these risks may have a material adverse effect on our business, financial position and results of operations.

We may infringe intellectual property rights of third parties and be liable for damages and litigation costs

Our store format, web presence (including advertising activities and marketplace), IT structure and our designs (e.g., relating to our own brands and other products), among others, may violate intellectual property rights of third parties. If we are perceived to have adopted trends or designs developed by competitors or to have exceeded our contractual or statutory usage rights regarding IP (e.g., copyrights regarding software and applications used by us or trademark rights regarding the products presented by us), we may become subject to claims alleging that we have violated the intellectual property rights of third parties, which could have a material adverse effect on our business, financial position and results of operations. We may be prevented by third parties from using, sourcing or marketing certain designs and ideas. If we violate a third party's right, we may be liable for damages as well as litigation costs. This may reduce sales and, damage our reputation, any of which could have a material adverse effect on our business, financial position and results of operations.

We use standardized sales, purchase and supply agreements, as well as standardized terms and conditions, which increase the potential that all contract terms used therein, may be invalid or unenforceable if any clause is held to be void

We entertain legal relationships with a large number of persons, primarily customers, suppliers, manufacturers of our own brands and similar products and our employees. In this context we also use standardized documents, standard-form contracts and standardized terms and conditions. If such documents, contracts or terms and conditions turn out to contain provisions that are disadvantageous to us, or if clauses in such documents or contracts are declared invalid and thus displaced by statutory provisions which are unfavorable to us, a large number of standardized documents, contracts or terms and conditions could be affected, which could have a material adverse effect on our business, financial position and results of operations.

Additionally, standardized contractual terms in the countries in which we operate are subject to rigid fairness controls by the courts regarding their content and the way they, or legal concepts described therein, are presented to the other contractual party by the person using them. The standard is even stricter if they are used *vis-à-vis* consumers, which the vast majority of our customers are. As a general rule, standardized terms are invalid if they are not transparent, clearly worded, or if they are unbalanced or discriminate against the other party inappropriately. Due to the frequent changes to the legal framework, particularly with regard to court decisions relating to general terms and conditions, we cannot fully protect ourselves against risks arising from the use of such standardized contractual terms. Even if documents, contracts and terms and conditions are prepared with legal advice, it is not possible to avoid all potential risks from the outset or in the future, as the changes may continue to occur in the legal framework, particularly through case law. A change in the applicable legal framework could have a material adverse effect on our business, financial position and results of operations.

We are subject to tax risks, and our tax burden could increase due to changes in tax laws, such laws' application or interpretation, or as a result of current or future tax audits

Our tax burden is dependent on certain aspects of the tax laws across several different jurisdictions and their application and interpretation. Changes in tax laws or their interpretation or application or changes in the amount of taxes imposed on companies could increase our future tax burden. As a result of current or future tax audits or other review actions by the relevant financial or tax authorities, our internal tax assessments, including our interpretation and application of tax laws, could be revised and/or additional taxes, including interest and penalty payments or social security payments, could be assessed in relation to future or previous tax assessment periods which could lead to an increase in our tax obligations, either as a

result of the relevant tax payment being assessed directly against us or as a result of our becoming liable for the relevant tax as a secondary obligor due to the primary obligor's (such as, for example, an employee) failure to pay. This may be due to an interpretation or view of laws and/or facts by tax authorities in a manner deviating from our view.

Due to our international focus, we are exposed to tax risks, in particular with regard to transfer pricing rules that apply in several jurisdictions and in relation to cross border business relationships. Pursuant to such rules, related enterprises are obligated to conduct any inter-company transactions on conditions which would also apply among unrelated third parties concluding comparable agreements (so-called "at arm's length principle") and to provide sufficient documentation thereof, subject to the rules applicable to them in the relevant jurisdiction. The possibility that the tax authorities will challenge our compliance with applicable transfer pricing rules cannot be ruled out. Furthermore, transfer pricing risks may increase in the future as intra-group cross-border business grows.

The Company as well as the German and other foreign subsidiaries within the Douglas-Group are subject to tax audits by the respective tax authorities on a regular basis.

As a result of current or future tax audits or other reviews by the tax authorities, additional taxes (including withholding taxes, real estate transfer tax, capital duty and stamp duty) could be assessed on companies of the Douglas-Group or tax losses carried forward as well as interest expenses carried forward for purposes of the German interest stripping rules could be reduced, which could lead to an increase in our tax obligations and thus have a material adverse effect on our financial position.

Our corporate structure has been, and may be in the future, subject to reorganization measures (for example, transfer of subsidiaries, carve-outs or mergers). We may not be aware of a certain tax issue or that the tax authorities will question some or all of the positions that we have taken and, consequently, additional taxes may be assessed or tax assets be challenged. Furthermore, due to our international operations, we are exposed to risks arising from the application of international tax concepts used for the purpose of allocating taxing rights between countries, for example the concept of permanent establishment as used, *inter alia*, in OECD model treaties. In particular, our business activities outside Germany might inadvertently trigger taxing rights of foreign countries (*e.g.*, due to a representative's permanent establishment), leading to additional tax burdens for us.

VAT rates could increase in the future in the countries in which we operate. If we do not increase the prices of the products that we sell to match the increase in VAT, our profitability margins will be negatively impacted. If we pass the increase in VAT on to our customers by raising the prices of the products that we sell, the demand for such products may decline, which could materially and adversely affect our business, financial position and results of operations. The announcement of a future decrease in VAT rates may also adversely affect our results as customers could delay making purchases until the decrease in VAT has occurred. Furthermore, we face VAT risks arising out of the operating activities in the normal course of business and typical acquisition-related VAT risks relating to prior acquisitions and reorganizations.

Any imposition of tax liability, adverse tax rulings or the result of tax audits could have a material adverse effect on our business, financial position and results of operations.

Compliance breaches could result in investigations by the relevant authorities, fines, additional payments of tax, damage claims, payment claims, the termination of relationships with customers or suppliers and reputational damage

As of 30 September 2022, we operated in 27 European countries with 1,837 stores (including 133 franchised stores) in 20 countries and online shops in 27 countries. We had an average number of employees of 18,038 (salaried employees and excluding trainees) in the financial year 2021/2022. Although we mainly operated within the European Union or similar European countries, some countries

may have less stable political, legal and regulatory governments, as well as inconsistent enforcement of laws and regulations. Moreover, we have limited influence over the day-to-day operations of our franchised stores (primarily in France), as well as our suppliers. This inherently creates a risk that applicable legislation and regulations may be breached. Such behavior could lead to further legal proceedings against us, fines, sanctions, additional tax liability, court orders affecting future conduct, forfeiture of profits, rescission of existing contracts, exclusion from certain businesses, loss of trade licenses or other restrictions, which, in turn, might limit our ability to pursue strategic projects and transactions that may be important for the business and which could have a material adverse effect on our business, financial position and results of operations.

There is a risk that our employees may not act in compliance with applicable statutory provisions (including antitrust regulation, anti-money laundering, anti-corruption legislation as well as data protection laws) and internal guidelines or may commit fraud, theft or abuse of our resources including misappropriation of loyalty points and gift vouchers. As a result, we may face the risk that penalties or liabilities may be imposed on us or that our business may be adversely affected as a result of such non-compliance. Thus, our corporate governance system and monitoring capabilities as well as our decentralized training processes to raise awareness among our employees may not be sufficient to prevent violations of any applicable legal provisions and our internal guidelines, to identify past violations or prevent damages from fraud or similar crimes within the Group.

Furthermore, involvement in potential non-compliance proceedings and investigations could harm our reputation and that of our management, lead to the loss of customers and have a negative impact on efforts to compete for new customers. Customers and/or third parties could also initiate legal proceedings against us for substantial financial sums.

The realization of any of these risks may have a material adverse effect on our business, financial position and results of operations.

MANAGEMENT'S DISCUSSION and ANALYSIS of FINANCIAL CONDITION and RESULT of OPERATIONS

General Information

Investors should read the following "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Group together with the additional financial information contained elsewhere in this financial report, in particular in the sections on "Risk Factors" and "Business" contained in this financial report, as well as in the consolidated financial statements including the related notes in this financial report. Our historical results are not necessarily indicative of the results that should be expected in the future, and our interim results are not necessarily indicative of the results that should be expected for the full year or any other period.

Even if the financial information shown in the following tables is based on our Audited Consolidated Financial Statements all stated figures in this section are before the impact of material IFRS 16 lease accounts. Following our current internal management approach and to provide decision-useful, comparable financial information, all current financial figures included in this section "Management's Discussion and Analysis of Financial Condition and Results of Operations" are stated before the impact of material IFRS 16 lease effects. For IFRS 16 effects and disclosures we refer to the section "Consolidated Financial Statements" of this report.

Our Audited Consolidated Financial Statements are presented in the F-pages (F1 to F93). The financial information represented in the following tables and text is partly based on these audited financial statements and partly based on unaudited financial information.

Selected Factors Affecting Results of Operations and Financial Position

We believe that the factors discussed below have significantly affected the development of our results of operations and financial position in the period for which financial information is presented in this financial report, and that such factors will continue to have a material influence on our results of operations and financial position in the future.

The Douglas-Group

Kirk Beauty A GmbH (Douglas, Group Parent Company) is a German limited liability company and has its registered office in Hagen, Germany and is registered with the Commercial Register B of the Local Court of Hagen under HRB 12244.

The figures presented here of Kirk Beauty A GmbH and its subsidiaries (Douglas-Group, the Group, Group) comprise the reporting period beginning October 1, 2021 until September 30, 2022 (financial year, reporting period) as of September 30, 2022 (reporting date).

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 30 September 2022, the Douglas-Group operated in 27 countries with an average of 18,038 employees, 1,704 own stores, 133 franchise stores and various online shops.

Reorganization of the holding structure

By notarized agreement dated June 30, 2022, Douglas GmbH was contributed into Kirk Beauty SUN GmbH, which in turn was contributed into Kirk Beauty A GmbH.

As a result of these contributions, Kirk Beauty A GmbH is the sole shareholder of Kirk Beauty SUN GmbH, based in Düsseldorf, and Kirk Beauty SUN GmbH is in turn the sole shareholder of Douglas GmbH, based in Düsseldorf.

(See section "Consolidated Financial Statements, Note 1 General Principles")

Development of the European Selective Beauty Market

(See section "Business")

We generate our sales predominately in the selective beauty distribution channel, which unlike the mass market channel, is based on distribution contracts requiring formal approval of suppliers before a retail company can carry a selective product. Consequently, our results of operations and financial position have historically been affected by developments in this market and by the general economic environment in regional markets where we operate.

The selective beauty market segment in many of the European countries has demonstrated resilience also in challenging environments, e.g. during the COVID-19 pandemic or European financial crisis. Beauty products (color cosmetics, skin care and fragrances) are often perceived as affordable high-value gifts and so-called "personal rewards" which have contributed to a stable demand for such products even during periods of extended economic downturns.

Trends towards Omni-channel Distribution and E-Commerce

(See section "Business")

We focus on total like-for-like performance on an omni-channel or platform basis including both store business and e-commerce. In accordance with our overall strategy, e-commerce has seen a particular strong growth in recent financial years and has contributed above-average to our overall like-for-like growth. This development was underpinned by a strong underlying growth of the online selective beauty market, as well as recent improvements to our e-commerce platform. The COVID-19 pandemic has further accelerated this process.

Driven by ongoing changes in customer demand and shopping behavior, we have continuously invested in omni-channel distribution capacities, including our e-commerce platform, and have implemented organizational changes to integrate our store and online businesses. Although we see ourselves as the leading omni-channel pioneer in selective beauty retailing in Europe with highly integrated store, online and mobile customer interfaces (which, for example, allow our customers to browse online/mobile and buy in-store, or "click-and-collect"), we expect such investments to continue in the future.

Our online shops have been an important source of profitable growth in the past few years and our results of operations have been positively influenced by the ongoing trend towards e-commerce and omni-channel distribution. In the financial year 2021/22, our e-commerce sales amounted to €1,196.0 million, corresponding to 32.8 percent of total net sales.

The continued growth of our e-commerce-platform has been accompanied by an increase of related variable costs, in particular costs of freight and packaging costs, which, on a relative basis, represent a larger portion than for our stores.

We believe that there is potential for further sales growth of the e-commerce business with respect to share of total sales, which we believe would have a positive impact on the profitability of our business.

Introduction and development of our Douglas Beauty Platform further integrating our physical and digital supply chain and optimizing our Store Network

(see section "Business")

Our ability to increase our sales and our profitability depends to some extent on our size.

Moreover, our ability to secure a holistic digital customer journey within our Online Shop & Partner Program integrating our store business, especially our prime retail locations at costs, that allow us to maintain our target profit margins, is a key factor to our success. For details, please refer to section "Business".

Our capital expenditures totaled €93.0 million in the financial year 2021/22, 10.7 million above our previous fiscal year's level of investments accounting for 82.3 million. The majority of our capital expenditures relates to the further development of the IT-environment, indispensable for a successful development of our e-commerce business as well as to investments in design and re-design of existing stores and new flagship stores and besides to the refurbishment and maintenance.

Fixed costs represent a major share of our cost base and, consequently, have an important impact on our financial performance. Our fixed costs include rental expenses and energy costs. Personnel expenses have a fixed and semi-variable component due to the hiring of temporary workers during the peak selling periods and variable compensation components. When offsetting our marketing and advertising costs with other operating income from marketing and advertising costs recharged, our largest cost factors in the periods under review were personnel expenses, rental including energy costs and goods handling costs.

Personnel expenses include the costs of staff in our directly operated stores, staff operating our online shops, and staff in our headquarters and other business operations performing mainly administrative, centralized, and service functions. The compensation of our sales employees and area managers includes a variable component mainly based on the level of sales or sales related key performance indicators (KPI) which leads to some degree of fluctuation with respect to personnel costs. We also manage personnel expenses in our stores, to a certain degree, by varying staffing levels in anticipation of customer traffic.

With respect to rental costs, most of our lease agreements provide for fixed monthly lease payments, however some of the lease agreements contain sales-related additional lease payments, meaning that a portion of the lease payments is tied to the level of sales generated in the respective store, subject to a minimum lease payment floor. Moreover, in certain jurisdictions such as France or contractually agreed, rents automatically increase pursuant to applicable law on the anniversary date of a lease in accordance with an index.

Marketing and Customer Retention

(See section "Business")

Marketing is an important factor to promote customer loyalty and support sales development. Therefore we run a variety of customer retention programs. Our CRM efforts, based on our industry-leading customer loyalty program, helps us to know our customers better and to target them much more precisely through personal recommendations, relevant beauty content and specific offers, making data increasingly important.

The Douglas Data Hub is the core element of our data strategy and collects all key data sources. It collects and exchanges - for example - data from and with the marketplace, our app, the website and our CRM program, allowing us to manage our processes more precisely.

An important loyalty program is the Douglas Card / Nocibé Card with about 44 million card holders in our countries which offers certain benefits to the individual card holder, such as special events, vouchers,

special rebates or other specific mail offers. We capitalize on this high number of Beauty Card holders by strengthening personalized 1:1 marketing approach in order to increase frequency and intensify customer lifetime value. Couponing is another tool used to promote customer loyalty and to activate customers by receiving a benefit coupon for a future purchase. We know that loyalty card holders are particularly attractive customers. Our Douglas Card customers spend more per customer and purchase more than our non-loyalty card customers (measured by sales).

A large portion of our annual gross marketing costs is financed by third-party brand suppliers of selective products in the form of so-called "market development funds." These market development funds are made available by brand manufacturers to help us as a specialist selective retailer in selling their products and create local awareness about the manufacturer's brand and are typically used in the selective beauty market. In our statements of income, market development funds are accounted for in other operating income as income from contributions of suppliers to marketing and advertising campaigns.

Seasonality, Working Capital and Inventory Management

Our product portfolio covers a vast number of different products and primarily consists of products with a relatively slow turnover rate and a highly seasonal demand.

We carefully manage our inventory with a strong focus on identifying the most relevant brands and maintaining an attractive overall inventory "age" profile. We follow an approach strictly driven by our defined key performance indicators, tightly monitoring inventory turnover and out-of-stock products. We have implemented standardized processes for our product portfolio, product inventory, order and product liquidation planning and controlling.

We experience major seasonal fluctuations in our sales with a significant portion of our sales typically being driven by key consumer events. Our most important trading period is typically the eight-week period leading up to Christmas (including Singles' Day and Black Friday) and the New Year on December 31 (being part of the first quarter of our financial year). Our first quarter typically (without extraordinary effects) represents 1/3 of our total sales (while the remaining sales are relatively equally split between the last three quarters) and more than 1/3 of our Adjusted EBITDA over the financial year. Other sales periods that are important to us are those around Easter, Valentine's Day, and Mother's Day, and Epiphany (in some countries).

Our gross profit margin (defined as sales minus cost of raw materials, consumables and supplies and merchandise) is affected by variation in pricing of products, various-designed supplier bonuses, different promotion campaigns and assortment mix variations during the year. Our operating expenses are also influenced by seasonal trading patterns, such as the increase in the use of temporary workers during the busiest trading periods.

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), and (iv) other receivables and liabilities related to supplier receivables for rebates/bonuses and marketing subsidies, as well as 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 accounts payables typically peak in December. The development of our Net Working Capital is a key factor for our net cash flow from operating activities.

Net Working Capital development as of 30 September 2022:

	09/30/2022 EUR m	09/30/2021 EUR m
Inventories	719.4	648.8
Trade accounts receivable and receivables from payment service providers	49.5	43.4
Trade accounts payable	-634.5	-484.5
Miscellaneous	-19.9	-28.0
Net Working Capital	114.6	179.7

Our Net Working Capital decreased by €65.2 million totaling €114.6 million as of 30 September 2022.

The decrease of the Net Working Capital is mainly related to the increase of trade accounts payable of €150.0 million due to higher sales, particularly offset by the increase of inventories accounting for €70.1 million. Besides trade accounts receivable increased by 6.1 million, and "Miscellaneous" increased by €8.1 million mainly related to higher supplier bonus receivables.

Acquisitions

On 7 April 2022, the purchase of the online pharmacy Disapo.de Apotheke B.V. ("Disapo"), based in Heerlen (Netherlands), was successfully closed. The purchase includes all shares in Disapo.

Segments

The reporting segments are categorized on the basis of their organizational and decision-making structure and the content of the internal reporting to the chief operating decision-maker.

The Board of Directors of Kirk Beauty A GmbH is the chief operating decision-maker in the meaning of IFRS 8. It steers the Douglas-Group, it is responsible for allocating resources to the business segments at the highest level and it assesses and monitors their profitability.

The internal organization and reporting is structured regionally. Below the chief operating decision-maker, the segment managers are responsible for the operating business and in turn report to the chief operating decision-maker. Consequently, control and monitoring by the chief operating decision maker also takes place at the level of these regions which comprise one or more countries.

Compared with prior year 2020/21, the segment structure has changed effective October 1, 2021. It now comprises the reportable segments DACHNL, France, Southern Europe and Central Eastern Europe.

The reportable segment DACHNL comprises the operating segments "DACH" - consisting of Germany, Austria and Switzerland - and the operating segment the Netherlands.

The operating segment Southern Europe comprises the countries Italy, Spain (including Andorra) and Portugal.

The composition of the operating segment France and the operating segment Eastern Europe remains unchanged. In addition, the corporate overhead costs associated with central operations which were included in the prior-year segment reporting for 2020 in the former reportable segment Germany are no longer allocated to a segment but are reported separately.

In financial year 2021/22, the Douglas-Group was structured into the following business segments:

- DACH (Germany, Austria and Switzerland)

- The Netherlands
- France
- Southern Europe
- Central Eastern Europa

Disapo is part of the DACH business segment; it generates the vast majority of sales in Germany.

In France, the Group operates under its own "Nocibé" brand.

Operating segments can be aggregated into reportable segments on the basis of comparable economic characteristics and criteria. In addition to the current and expected future average gross profit and (adjusted) EBITDA margins, these include the type of products and services, the customer base, the sales organization, the supplier and procurement structure, the market position, and the regulatory environment.

In financial year 2021/22, the DACH and NL operating segments were combined to form the DACHNL reportable segment.

The central departments at the level of Douglas-Group's headquarters in Germany are responsible for functions that comprise key parts of the value chain. In addition to the superordinate classic management and administrative areas, these include in particular the central purchasing and marketing departments, the own brands, and international e-commerce which is responsible in particular for the strategic orientation and development of the online stores and digital platforms as part of our #FORWARDBEAUTY.DigitalFirst strategy. The gross profit generated by the own brand business has been allocated to the segments while inventory and product success risks remain mainly in the corporate center. The functional costs incurred by these corporate functions (so-called corporate headquarters costs) are not allocated to any segment but are reported separately.

External segment sales (net) reflect the sales generated with third parties outside the Douglas-Group while intersegment sales reflect any sales between our four regional segments. The most important segmental key performance indicators are "Adjusted Net Sales" and "Adjusted EBITDA".

The EBITDA is adjusted for those items which, in the opinion and decision of the management of Douglas GmbH, are non-recurring on a regular basis, exceptional or unsuitable for internal control.

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

Remaining unchanged from prior year, given 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 are disclosed separately in the category "COVID-19-effects". Furthermore, adjustments for expenses incurred under the Store Optimization Program (SOP) are disclosed separately due to their materiality.

Segment inventory comprises finished goods and merchandise, raw materials, consumables and supplies as well as advances to suppliers for merchandise. Capital expenditure shown under our "Segment Reporting" relates to additions made to intangible assets and property, plant and equipment.

Results of Operations³

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

	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
	EUR m	EUR m
Sales (net)	3,677.5	3,119.6
Sum of adjustments on Sales	-27.5	0.0
Adjusted Net Sales	3,649.9	3,119.6
Cost of raw materials, consumables and supplies and merchandise	-2,058.4	-1,800.7
Gross Profit	1,619.1	1,318.9
Other operating income	282.1	239.8
Personnel expenses	-593.8	-587.9
Other operating expenses	-1,054.4	-956.0
Result from impairments on financial assets	0.0	-0.2
EBITDA	253.0	14.7
Sum of adjustments on EBITDA	72.5	203.1
Adjusted EBITDA	325.5	217.8
Amortization/depreciation/impairment	-332.6	-125.0
EBIT	-79.6	-110.3
Financial income	12.4	12.3
Financial expenses	-282.5	-203.5
Financial result	-270.1	-191.1
EBT	-349.8	-301.5
Income taxes	43.2	-43.6
Profit (+) or Loss (-) of the period (Net Income)	-306.5	-345.1

³ All figures in this chapter are before the impact of material IFRS 16 lease-accounts

Comparison of the Financial Years 2021/22 and 2020/21

Sales and Adjusted Sales

The following table show the reconciliation from Adjusted Sales (net) to Sales (net)

	01.10.2021- 30.09.2022 EUR m	01.10.2020- 30.09.2021 EUR m
Adjusted Sales (net)	3,649.9	3,119.6
Adjustments of sales (net) from restructurings	-27.5	0.0
Sales (net)	3,677.5	3,119.6

The adjustments mainly relate to the Southern Europe reporting segment.

The following table shows our sales separated by segments for the periods indicated:

	10/01/2021- 09/30/2022 EUR m	10/01/2020- 09/30/2021 EUR m
Douglas-Group		
Sales (net)	3,677.5	3,119.6
Adjusted Sales (net)	3,649.9	3,119.6
Segments		
DACHNL		
Sales (net)	1,826.4	1,499.3
Adjusted Sales (net)	1,826.4	1,499.3
France		
Sales (net)	785.9	699.3
Adjusted Sales (net)	781.2	699.3
Southern Europe		
Sales (net)	589.3	560.3
Adjusted Sales (net)	566.5	560.3
Central Eastern Europe		
Sales (net)	463.9	361.1
Adjusted Sales (net)	463.9	361.1

With the COVID-19 pandemic in Europe subsiding, restrictions such as store closures or access restrictions in particular were only sporadic in the 2021/22 financial year. The Douglas Group was delighted to welcome its customers back to the Douglas and Nocibé stores while at the same time achieving a respectable e-commerce business slightly below the previous year's high level.

The ongoing Ukraine-Russia war on the one hand and China's COVID-19 zero tolerance political strategy, combined with tough lockdowns and curfews on the other, led to a shortage of goods on the procurement side, coupled with the unavailability of certain products, longer delivery times and price increases, particularly in the energy sector. At the same time, the labor market was tight across Europe from an employer perspective. These new external conditions led to new challenges for the Group's business, which were, however, well mitigated in fiscal 2021/22.

Against the backdrop of the foregoing, our **adjusted consolidated Group-sales** increased by €530.3 million or 17.0 percent in the financial year 2021/22 compared to 2020/21. Our store sales grew strongly by €524.7 million or 27.4% to €2,439.9 million, while our E-commerce business generates a respectable €1,196.0 million; 0.7% down on previous year.

Adjusted Sales on segment level

DACHNL

On a segment level, adjusted sales (net) of our segment DACHNL increased by €327.1 million or 21.8 percent to €1.826.4 million.

France

Adjusted sales (net) in France increased by €82.0 million or 11.7 percent to €781.2 million. The adjustments on sales amounted to minus €4.7 million and related to the disposal of a group of stores.

Southern Europe

In Southern Europe, the region with the most store closures as part of our Store Optimization and Restructuring Program especially in Spain, Adjusted sales (net) increased by €6.2 million or 1.1 percent to €566.5 million. The adjustments on sales accounted for minus €22.8 million relating to store sales in connection with the restructuring in Spain.

Central Eastern Europe

Sales (net) of our segment Central Eastern Europe increased by €102.8 million or 28.5 percent to €463.9 million and thus remained the region with the highest growth potential.

Cost of Raw Materials, Consumables and Supplies and Merchandise

In the financial year 2021/22, cost of raw materials, consumables and supplies and merchandise increased by €257.7 million or 14.3 percent. As a percentage of total sales the Cost of Raw Materials, Consumables and Supplies and Merchandise accounted for 56.0 percent compared to 57.7 percent in the prior year 2020/21.

Gross Profit

Gross profit for the reporting period amounted to €1,619.1 million (previous year: €1,318.9 million). The increase in gross profit is attributable in particular to higher sales. Our gross profit margin increased from 42.3 percent to 44.0 percent.

Other Operating Income

In the financial year 2021/22, other operating income increased by €42.3 million or 17.7 percent to €282.1 million. This increase is mainly attributable to services rendered to third parties, amounting to €170.6 million, partially offset by less income from reversal of provisions.

Personnel Expenses

In the financial year 2021/22, personnel expenses increased by €5.9 million or 1.0 percent to €593.8 million, which was due to fewer short-time allowances and regular salary increases. As a percentage of total sales, the personnel expense ratio decreased significantly to 16.1 percent compared to 18.8 percent in the previous year.

Other Operating Expenses

In the financial year 2021/22, other operating expenses increased by €98.4 million to €1,054.4 million, especially due to higher goods handling, marketing and IT costs. As a percentage of total sales the other operating expenses accounted for 28.7 percent of total sales versus 30.6 percent in the financial year 2020/21.

EBITDA and Adjusted EBITDA

The following table shows the reconciliation from Adjusted EBITDA to EBITDA:

	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
	EUR m	EUR m
Adjusted EBITDA	325.5	217.8
Purchase Price Allocations (PPA)	-0.4	4.1
Restructuring costs (staff-related) and severance payments	32.8	0.3
Consulting fees	29.4	8.0
Other adjustments	3.8	6.9
Write-down of inventories	0.0	8.2
COVID-19-effects	-4.1	97.2
Store Optimization Program (SOP)	11.1	78.3
Sum of adjustments on EBITDA	72.5	203.1
EBITDA	253.0	14.7

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

		10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
Douglas-Group			
EBITDA	EUR m	253.0	14.7
<i>EBITDA-margin</i>	%	6.9	0.5
Adjustments	EUR m	72.5	203.1
<i>Adjusted EBITDA</i>	EUR m	325.5	217.8
Adjusted EBITDA-margin	%	8.9	7.0
Segments			
DACHNL			
EBITDA	EUR m	182.6	51.4
<i>EBITDA-margin</i>	%	10.0	3.4
Adjustments	EUR m	27.0	109.2
Adjusted EBITDA	EUR m	209.7	160.7
<i>Adjusted EBITDA-margin</i>	%	11.5	10.7
France			
EBITDA	EUR m	135.5	75.7
<i>EBITDA-margin</i>	%	17.2	10.8
Adjustments	EUR m	-14.4	32.4
Adjusted EBITDA	EUR m	121.0	108.1
<i>Adjusted EBITDA-margin</i>	%	15.5	15.5
Southern Europe			
EBITDA	EUR m	1.9	-33.1
<i>EBITDA-margin</i>	%	0.3	-5.9
Adjustments	EUR m	38.1	40.1
Adjusted EBITDA	EUR m	40.0	6.9
<i>Adjusted EBITDA-margin</i>	%	7.1	1.2
Central Eastern Europe			
EBITDA	EUR m	78.9	40.1
<i>EBITDA-margin</i>	%	17.0	11.1
Adjustments	EUR m	0.4	9.3
Adjusted EBITDA	EUR m	79.3	49.4
<i>Adjusted EBITDA-margin</i>	%	17.1	13.7

Adjusted EBITDA increased by €107.7 million or 49.4 percent, to €325.5 million during the financial year ended 30 September 2022. As a percentage of adjusted sales (net), Adjusted EBITDA-margin increased by 1.9 percentage points to 8.9 percent.

Total adjustments decreased by €130.7 million to €72.5 million during the financial year 2021/22 compared to €203.1 million during the financial year ended September 30, 2021, in particular due to less COVID-19 and SOP Adjustments. Adjustments resulted mainly from restructuring costs (staff-related) and severance payments amounting to €32.8 million as well as consulting fees accounting for €29.4 million in particular in connection with our strategic logistics project "One Warehouse All Channels" (OWAC).

The increase in adjusted EBITDA is attributable to higher Sales, in particular related to the end of the COVID-19 pandemic in Europe and the largely implemented optimization of our store network (SOP).

Adjusted EBITDA on segment level:*DACHNL*

Adjusted EBITDA in **DACHNL** increased by €49.0 million to €209.7 million during the financial year 2021/22 from €160.7 million during the financial year ended September 30, 2021. Adjustments to EBITDA totaled €27.0 million (prior year: €109.2 million) and primarily resulted from Consulting Fees and our Store Optimization Program (SOP).

France

Adjusted EBITDA in **France** increased by €12.9 million to €121.0 million in the financial year 2021/22. EBITDA adjustments amounted to minus €14.4 million (prior year: €32.4 million) and mainly related to COVID-19-related income from retroactively granted rent reductions and government support.

Southern Europe

Adjusted EBITDA in **Southern Europe**, increased by €33.0 million to €40.0 million in the financial year 2021/22. Adjustments on EBITDA amounted to €38.1 million (prior year: €40.1 million) and related in particular to the restructuring measures in Spain.

Central Eastern Europe

Adjusted EBITDA of the **Central Eastern Europe** segment increased by €29.9 million to €79.3 million during the financial year ended 30 September 2022. Adjustments on EBITDA amounted to €0.4 million (prior year: €9.3 million)

Amortization/depreciation/impairment

In the financial year 2021/22, amortization/depreciation/impairment of the Group increased by €207.6 million to €332.6 million. The increase was predominantly related to impairment losses on goodwill in the financial year 2021/22 of €231.9 million, partially offset by lower depreciation of property, plant and equipment.

Financial Result

In the financial year 2021/22, the financial result decreased by €79.0 million, to minus €270.1 million as of 30 September 2022. The decrease was mainly related to higher financial expenses caused by a devaluation effect from the embedded options / termination rights of the notes amounting to €25.2 million, higher interest expenses due to the additional €75 million credit facility taken out for the financing of Disapo, as well as to compound interest effects of the bullet PIK notes. The higher interest expense is also due to the fact that the corporate financing arrangements in place since April 2021 are now included in the financial result for a full financial year for the first time.

Profit (Loss) of the Period

Loss of the Period for the fiscal year 2021/22 decreased by €38.6 million to €306.5 million.

Liquidity and Capital Resources

Overview

Our business has required and will continue to require liquidity primarily to meet our debt service requirements, to fund capital expenditures, to fund our operating activities, to pay taxes and to fund our working capital requirements.

Currently our primary sources of liquidity will be cash flow from operations as well as our cash and liquidity reserves amounting to €245.3 million as of 30 September 2022.

Our ability to generate cash from our operating activities depends on future operating performance which in turn depends to a certain extent on general economic, financial, competitive market, legislative, regulatory, and other factors, many of which are beyond our control, as well as other factors discussed in the section entitled "*Risk Factors*". We believe that our cash flow from operating activities and our cash and liquidity reserves will be sufficient to fund our operating activities, capital expenditures and debt service.

The ability of our subsidiaries to pay dividends and make other payments to us may be restricted by, among other reasons, legal prohibitions on such payments or otherwise distributing funds to us, including 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. Please refer to "*Risk Factors*." 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.

Consolidated Statements of Cash Flows for the Financial Years 2021/22 and 2020/21

The following table shows our aggregated and Consolidated Statements of Cash Flows for the periods indicated:

	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
	EUR m	EUR m
= EBITDA	253.0	14.7
+/- Increase/decrease in provisions	-28.6	21.2
+/- Other non-cash expense/income	-0.2	3.1
+/- Loss/profit on the disposal of non-current assets	-9.3	-0.1
+/- Changes in net working capital without liabilities from investments in non-current assets	53.7	69.2
+/- Changes in other assets/liabilities not classifiable to investing or financing activities	-44.4	5.4
-/+ Paid/reimbursed taxes	-52.4	-37.7
= Net cash flow from operating activities	171.8	75.7
+ Proceeds from the disposal of non-current assets	8.3	10.5
- Payments for investments in non-current assets	-85.6	-92.3
- Payments for the acquisition of consolidated companies and other business units	-24.2	0.0
= Net cash flow from investing activities	-101.5	-81.8
Free cash flow (FCF)	70.3	-6.1
+ Receipts from equity contributions	0.0	220.0
- Payments for the redemption of financial loans and bonds	-13.1	-1,873.0
+ Proceeds from the issuance of financial loans and bonds	76.0	1,780.5
- Transaction costs paid in respect of financial loans and bonds	-3.6	-53.1
- Interest paid	-123.8	-84.2
+ Interest received	0.3	0.3
= Net cash flow from financing activities	-64.2	-9.6
Net change in cash and cash equivalents	6.2	-15.7
+/- Net change in cash and cash equivalents due to currency translation	-1.4	-0.2
+ Cash and cash equivalents at the beginning of the reporting period	240.4	256.3
= Cash and cash equivalents at the end of the reporting period	245.3	240.5

Comparison of the Financial Years 2021/22 and 2020/21

Net Cash Flow from Operating Activities

In financial year 2021/22, our net cash flow from operating activities increased by €96.1 million to €171.8 million. The increase was predominantly attributed to the higher EBITDA of €253.0 million compared to €14.7 million in the prior year, partly compensated by a decrease in provisions of €28.6 million compared to an increase of €21.2 million in the prior year and changes in other assets and liabilities not classifiable to investing or financing activities of minus €44.4 million compared to plus €5.4 million in the prior year, primarily in connection with prior year's shifted payments. Furthermore tax payments amounted to €52.4 million compared to €37.7 million in the prior year.

Net Cash Flow from Investing Activities

In financial year 2021/22, our net cash outflow for investing activities amounted to €101.5 million, compared with to €81.8 million in the prior financial year 2020/21. The increase is mainly due to consideration paid for the acquisition of Disapo in the amount of €24.2 million in the reporting year.

Net Cash Flow from Financing Activities

In financial year 2021/22, our net cash outflow for financing activities accounted for €64.2 million and increased by €54.6 million compared to the prior financial year, mainly due to our refinancing in March and April 2021.

Consolidated Financial Liabilities as of 30 September 2022 and as of 30 September 2021

The following table provides a breakdown of the financial liabilities as of the reporting dates according to their maturity:

	09/30/2022				09/30/2021			
	Total EUR m	Remaining terms			Total EUR m	Remaining terms		
		< 1 year EUR m	1 to 5 years EUR m	> 5years EUR m		< 1 year EUR m	1 to 5 years EUR m	> 5years EUR m
Senior Secured Notes	1,329.8	35.9	1,293.9	0.0	1,328.6	37.4	-2.5	1,293.6
Senior PIK Notes	542.9	21.4	521.5	0.0	497.6	0.0	0.0	497.6
Liabilities to bank	670.1	10.4	659.8	0.0	589.5	10.8	578.6	0.0
Lease liabilities	1,155.1	252.9	661.7	240.5	1,153.2	290.7	652.4	210.1
Liabilities to shareholder	645.1	0.0	269.6	375.5	589.5	0.0	0.0	589.5
Financial liabilities from options held by non-controlling interests	5.3	5.3	0.0	0.0	4.0	0.0	4.0	0.0
Financial liabilities from contingent considerations	4.4	2.1	2.3	0.0	13.5	0.2	13.3	0.0
Financial purchase price liabilities	10.9	0.0	10.9	0.0	0.0	0.0	0.0	0.0
Miscellaneous other financial liabilities	6.0	4.8	1.3	0.0	3.5	2.3	1.1	0.1
Total other financial liabilities	4,369.7	332.8	3,421.0	615.9	4,179.2	341.4	1,246.9	2,590.8

The variations in Senior Secured Notes, Senior PIK Notes, liabilities to banks, and liabilities to shareholder mainly resulted from the refinancing and the restructuring of our holding entities.

Contingent liabilities

For information on contingent liabilities please refer to the section "Consolidated Financial Statements".

Quantitative and qualitative disclosure of market risks

For information on quantitative and qualitative disclosure of market risks please refer to the section "Consolidated Financial Statements", chapter "Management of financial risks".

Selected critical accounting policies

For information on selected critical accounting policies please refer to the section "*Consolidated Financial Statements*", chapter "Accounting and valuation principles".

BUSINESS

Overview

DOUGLAS is Europe's leading platform for premium beauty, with total adjusted net sales of €3,649.9 million, EBITDA (without IFRS 16) of €253.0 million and Adjusted EBITDA of €325.5 million in the financial year 2021/22.

The vast majority of our sales are generated through the selective beauty distribution channel which requires the formal approval of a supplier to carry a selective product, as opposed to the mass market channel.

As of 30 September 2022, we operated in 27 European countries with 1,837 stores (including 133 franchised stores) and various online shops.

We believe we operate the leading online beauty platform in our core markets in Europe, with highly integrated Brick-and-Mortar stores and E-Commerce customer interfaces which provide our customers with a comprehensive omnichannel, one-stop shopping experience. Since the launch of our Partner Program in October 2019, where we partner with third party retailers and brands to further expand our product assortment without having to build up inventories, we expanded our offering to 6 countries. In May 2022, the Partner Program went live in Italy. As of today, the concept is live in Austria, France, Germany, Italy, Poland and The Netherlands. Our 157 partners offer ~300,000 stock keeping units (SKUs).

Our E-Commerce sales amounted to € 1,196.0 million in the financial year 2021/22, corresponding to around 32.8 percent of our total sales.

Our Douglas Beauty Card / Nocibé card has been a continued success. As of 30 September 2022, we had about 44 million holders in our core countries.

In the financial year 2021/22, we had on average 18,038 employees (headcount, number of employees including temporary personnel, excluding trainees).

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. We open all eyes to the beauty of uniqueness, bring it to life and make life itself more beautiful! For a world where everyone feels seen, heard and valued.

Business model

As a leading beauty platform in Europe, our business model is targeted at consumers passionate about beauty, irrespective of age and gender to help them be their "own kind of beautiful".

With more than 300,000 different SKUs as of 30 September 2022, we offer one of the industry's largest beauty product assortments available across a wide range of price points in both our Brick-and-Mortar and online stores. This assortment is complemented by a range of beauty-related nutritional supplements, accessories such as jewelry, home decorations and selected service offerings.

We believe that we distinguish ourselves with a customer-centric sales approach, by offering our customers high quality advice and services. As a result, we have an extensive customer loyalty card program. We believe that several factors make us a "must-have" distribution platform for the major suppliers of beauty products, such as our Europe-wide customer base, reputation, broad, well-invested store network in prime locations, and seamlessly integrated E-Commerce capabilities.

Women have traditionally been, and continue to be, the gender with the largest spending for beauty products by a large margin. Furthermore, women tend to be the decision makers in terms of overall family health and beauty spending, in addition to buying products for themselves. Thus, we consider women as

our most important customer group. However, men are increasingly dedicating more time to, and spending more money on, their personal appearance. As a result, men have also become an important target group of ours that we address through a dedicated space in our store layout as well as special product offerings. On top, we offer a range of gender neutral products.

Our platform-based omni-channel approach provides our customers with a seamless shopping experience across all available retail channels and devices, including stores, E-Commerce channels and our Partner Program which is part of the online shops. Our marketing activities also include television, radio, mailings, social media, etc. We gather all kind of data such as customer data, purchase data, click behavior, product data, logistic data, etc. which we use to optimize our supply chain process as well as for our 1:1 communication which is highly appreciated by our customers.

We intend to continuously expand our leading position in omni-channel excellence and exploit the industry's omni-channel opportunities. This includes driving excellence in each channel as well as strengthening cross-channel capabilities and customer relationship management. We benefit from a growing base of recurring online customers and especially omnichannel customers who have historically made stable revenue contributions and have continued to increase in number especially during the COVID-19 pandemic. In addition, we believe that the COVID-19 pandemic has fundamentally changed customer behavior and further accelerated the shift towards online retailing even outside of national lockdowns.

Customers in the beauty retail sector increasingly shop online to save time, money, and effort but still wish to see, touch, feel, smell, and test products in person and ask for advice in the store. To further enhance our customer's omnichannel shopping experience, we offer a number of highly integrated cross channel services along various customer touch points, covering pre-sales information, stock availability, consultation, payment as well as delivery of products and returns. These services include in-store orders, click & collect, "ship from store" delivery, online stock information, online appointment scheduling before store visits as well as cross-channel couponing. This is a key competitive advantage vis-à-vis the competition from pure-play online retailers, who cannot offer a similar shopping experience.

To this end, we are developing our stores from being a point of sale to a point of experience for customers. We have established store clusters and invested in related store modernizations in order to facilitate a more tailored approach to each store's assortment, visual presentation, services and pricing. To enhance the "touch and feel" experience for customers, each store format also features a range of services such as beauty treatments, hairdressing and beauty school sessions. To further improve our operational excellence, we continuously strengthen best practice sharing across countries and channels.

Within the E-Commerce channel, an important goal is to further optimize our E-Commerce-platform to improve customer attraction, with a "mobile first" approach, improving conversion and retention rates, our E-Commerce website offers, and Partner Program capabilities. Our CRM activities allow us much more individualized targeting of customers, with 1:1 marketing, leading to better conversion and higher average baskets. Finally, we have started monetizing our CRM data with third party via Data Sales and offer Retail Media Sales services to our suppliers.

Strategy

In order to achieve sustainable growth and further increase our profitability, we focus on clearly defined key strategic objectives, leveraging the various strategic and operational measures we have implemented.

It is our strategic goal to expand our position as a leading premium beauty platform in Europe.

We have a comprehensive marketing strategy in place, including the use of media, promotions, and pricing strategies to attract new customers and improve customer loyalty. A large portion of our marketing costs is financed by the brand manufacturers that supply their selective products to us and benefit from our

ability to advertise across classic channels, such as press (e.g., advertisements in women's magazines), TV, radio, and similar methods.

Social media channels such as Facebook, Instagram, Pinterest, and YouTube, product-related thematic beauty stories, influencer tutorials, and tutorials on different beauty topics at our website and in the app as well as live shopping events are playing an increasingly important role compared to more traditional channels to support traffic to our stores and attract new customers, both for our store and our E-Commerce business. As one of the first in Germany, we have introduced live shopping, a format where products are presented during a live stream and can be put into the basket directly within the stream. Furthermore, our omni-channel communication strategy includes in-store communication and joint advertising with suppliers.

We have updated our successful #FORWARDBEAUTY strategy and implement the next phase, known as #FORWARDBEAUTY.DigitalFirst. In this next phase, we are focusing on further digitalization in order to create a holistic journey for our customers that spans across an integrated beauty platform that intuitively links our Brick-and-Mortar stores and E-Commerce platform.

Digitalization of our strategy #FORWARDBEAUTY

Our strategy #FORWARDBEAUTY.DigitalFirst is comprised of the following elements:

Brand positioning

As part of our #FORWARDBEAUTY strategy, we rejuvenated and upgraded the Douglas brand. We continue to focus on our positioning as a premium brand. In addition, we believe that strong niche brands like Parfumdreams and Niche Beauty complement our brand portfolio and attract different customer groups.

Store experience

As part of our #FORWARDBEAUTY.DigitalFirst strategy, we are developing our stores from being a point of sale to a point of experience for customers and are continuing to invest in store modernizations and formats.

Assortment

Our broad assortment, which amounted to more than 300,000 different SKUs as of 30 September 2022 (in Germany, including additional SKUs from Parfumdreams, Niche Beauty and our Partner Program), differentiates us from our competitors and will continue to build our relationships with suppliers with the aim of being their partner of choice for their top brands. We will also continue to add partners to our Partner Program in order to strengthen our online platform as a one-stop-shop for beauty and health for our customers. We also intend to selectively enter new product categories that we believe are suitable for our business model such as the health and wellbeing segment.

We are putting a lot of effort into strengthening our relationships with our suppliers and industry partners to be the preferred and exclusive partner for their top brands.

Supply chain transformation

We are in the process of streamlining our supply chain by integrating our physical and digital supply chain. We have moved our German warehouse operations into one logistic facility which services our physical stores and E-Commerce platform in Germany, Austria, Switzerland, and the Netherlands as well as handle partner fulfilment for our Partner Program by carrying up to 150,000 SKUs.

In addition, we are digitalizing our entire supply chain management with AI-powered forecasting and replenishment software with machine learning algorithms that will enable us to increase product availability,

improve inventory allocation, accelerate stock rotation in stores, improve labor productivity in stores and logistics facilities, and improve the impact of our marketing campaigns.

Data hub

Data is the key element of our #FORWARDBEAUTY.DigitalFirst strategy. We have developed and with each additional customer transaction, are continuing to build and expand a Douglas data hub that collects data from our stores, our customer relationship management system, our website, our Douglas App, and retail and Partner Program data as well as our performance marketing data. We intend to use this growing collection of data to train our machine learning algorithms which in turn will enable us to manage our internal processes more efficiently, improve individualized customer offers, and ultimately drive profitability

Curation/CRM

Douglas' curation capability differentiates our range from competitors. We will continue to build and refine our data-centric customer relationship management system which will enable us to deliver 1:1 marketing to customers by harmonizing customer data and customer journey tracking to allow more personalized curation across all channels in order to drive higher conversion rates and increase basket sizes. For example, we have introduced features such as individualized product news, beauty tips, and product recommendations in our personalized newsletter, a personalized start page when customers visit our online shop, replenishment reminders, and personalized push notifications through our Douglas App.

Pricing

Douglas has developed and applies its dynamic AI-supported pricing algorithm to best react on market developments. Douglas invests in pricing in case needed and divests smartly. E.g., in the light of the corona crisis and less stable supply chains, Douglas as well as a few other market players managed to wisely increase price levels. Also in case SKUs are less strong distributed at competitors because of supply issues, Douglas smartly increases prices in line with market offers. We continuously develop our pricing mechanism further based on the data perpetually gathered.

Store Optimization Program and Restructuring in Spain

With the platform strategy, Douglas is actively shaping the long-term changes in consumer behavior, in particular the massive shift to digital retail and the compensation for the associated decline in store business. The corona pandemic has accelerated this change again, and it is expected that a significant share of purchases will be performed online also post the pandemic.

After the lockdowns, with the re-opening of stores, we had proof of a change in consumer behavior resulting in reduced store traffic and higher "digital sales".

Adapting the store network is therefore a necessary step. The future viability of each store was checked on the basis of extensive individual analyses which also took into account the important Christmas business.

Our initial SOP target was to close approximately 500 stores by the end of September 2022 across our network with a focus on Southern Europe, where we had a high store density within numerous catchment areas due to our historical acquisitions. The necessary downsizing of the branch network goes hand in hand with investments in flagship stores in top locations, product innovations, and the consistent expansion of digital retail throughout Europe. This Store Optimization Program (SOP) is in line with our #FORWARDBEAUTY.Digitalfirst strategy.

It has been confirmed that a relevant portion of sales can be transferred to nearest stores as well as the Douglas online store. In addition, we are in the process of optimizing staffing levels at our stores to

improve efficiency and react to the reduction in store traffic as well as COVID-19-inflicted changes in customer behavior.

When assessing the effectiveness of our SOP in 2022, we were reinsured that the assumptions made for the Program were right for nearly all affected countries. Still, the customer behavior in Spain changed more strongly than anticipated. Therefore we decided to perform a more comprehensive restructuring Program in Spain. We are in the process of closing another 125 stores in Spain and will thereby downsize our store network to 75 stores in key areas in the country. In the context of both Programs we will have closed or sold 600 stores in total.

As a result of the realignment of the branch network through the Store Optimization Program and the restructuring Program in Spain, the Douglas Group expects an additional EBITDA contribution in the high double-digit million range from the coming financial year onwards, for the further implementation of the future strategy.

Competitive strengths

We believe we operate the leading online beauty platform in our core markets in Europe, with highly integrated Brick-and-Mortar stores and E-Commerce customer interfaces which provide our customers with a comprehensive omnichannel, one-stop shopping experience. In doing so, we aim to provide a more holistic journey for our customers. Since the launch of our Partner Program in October 2019, where we partner with third party retailers and brands to further expand our product assortment without having to build up inventories, we expanded our offering to 6 countries. In May 2022, the Partner Program went live in Italy. As of today, the concept is live in Austria, France, Germany, Italy, Poland and The Netherlands.

We believe that we distinguish ourselves with a customer-centric sales approach, by offering our customers high quality advice and services which is a clear differentiator vis-à-vis pure-play online competitors who can't offer a comparable shopping experience.

We believe that our business is characterized by the following competitive strengths:

Leading beauty destination in Europe

With total adjusted sales of € 3,649.9 million in the financial year 2021/22, we believe we operate a leading online beauty platform in our core markets in Europe, with highly integrated Brick-and-Mortar stores and E-Commerce customer interfaces which provide our customers with a comprehensive omnichannel, one-stop shopping experience.

We believe that we distinguish ourselves with a customer-centric sales approach, by offering our customers high quality advice and services. As a result, we have an extensive customer loyalty card program. We believe that several factors make us a "must-have" distribution platform for the major suppliers of beauty products, such as our customer base, reputation, broad, well-invested store network in prime locations, and E-Commerce capabilities. As of 30 September 2022, we operated in 27 European countries with 1,837 stores (including 133 franchised stores) and various online shops.

We believe that we benefit from a growing base of recurring online customers and especially omnichannel who have historically made stable revenue contributions and have continued to increase in number especially during the COVID-19 pandemic. In addition, we believe that the COVID-19 pandemic has fundamentally changed customer behavior and further accelerated the shift towards online retailing even outside of national lockdowns.

With our anchor brand "Douglas", we can build upon a strong brand heritage since the founding of the company by John Sharp Douglas under the same name in 1821, with excellent prompted and unprompted

brand awareness in all of our core markets in which we operate our business using the “Douglas” brand. In France and Monaco, our business is run under the strong national brand “Nocibé”.

Primarily in France, but also in The Netherlands, we also operate several franchised stores. We consider our franchise network as being complementary to our own stores. For example, in France, the franchised stores complement our network of owned stores to ensure a nationwide footprint. Our franchise contracts grant the franchisee the right to operate a store using the “Douglas Brand” (“Nocibé Brand” in France).

We focus mainly on premium beauty products from third-party, mostly premium, brands (selective products), some of which are distributed exclusively by us on a European basis or in a specific region and for an agreed period of time (exclusive products), and on our own-brand products, with which we target different segments within the European beauty market. The European beauty market is increasingly shifting to the premium segment, with high margin luxury, niche and prestige products. In the selective distribution channel of the European beauty market (as opposed to the mass market), brand manufacturers approve retailers to sell their products if they fulfil certain specific qualitative criteria, aimed at ensuring an appropriate premium sales environment for their brands.

We focus mainly on the premium beauty market, an attractive sub-segment of the broader beauty market where manufacturers of premium brands limit the distribution of their products to selected qualified retailers, as opposed to the mass distribution channel. Suppliers thus favor trusted retailers with strong brand awareness who can offer appropriate brand presentation and store appearance, high levels of customer service from specially trained employees, breadth of product assortment and broad customer and geographical reach. We believe that this is an attractive and to a certain extent, resilient market segment benefitting from positive market dynamics, and thus provides a solid foundation for our future growth.

Leading online beauty platform in Europe

We believe we operate the leading online beauty platform in our core markets in Europe, with highly integrated Brick-and-Mortar stores and E-Commerce customer interfaces which provide our customers with a comprehensive omnichannel, one-stop shopping experience. Since the launch of our Partner Program in October 2019, where we partner with third party retailers and brands to further expand our product assortment without having to build up inventories, we expanded our offering to 6 countries. In May 2022, the Partner Program went live in Italy. As of today, the concept is live in Austria, France, Germany, Italy, Poland and The Netherlands. As of September 2022, our 157 partners offered ~300,000 stock keeping units (SKUs).

We believe that we benefit from a growing base of recurring online customers and especially omnichannel who have historically made stable revenue contributions and have continued to increase in number even during the COVID-19 pandemic. In addition, we believe that the COVID-19 pandemic has fundamentally changed customer behavior and further accelerated the shift towards online retailing even outside of national lockdowns.

In the financial year 2021/22, the share of sales (including VAT) attributable to mobile revenue increased by 4.0 percentage points to 65.9% of our total E-Commerce sales, including the share of sales attributable to our Douglas App. Over the same period, our conversion rate, defined as the proportion of site visitors who complete the purchasing process, among our app users remained stable at 26.5% and the average E-Commerce basket size of Douglas Beauty Card holders (including VAT and before sales deductions, which are in this specific case liabilities deducted from sales arising when customers use points from their Douglas Beauty Cards earned through purchases to get products discounts or vouchers on future purchases) increased by 2.0% to €66.5 as compared to the previous year.

Unique brand with leading awareness across Europe

We are further strengthening our brand equity, positioning Douglas as a consumer-centric beauty destination and unique beauty curator. With our Douglas Brand including our Douglas Logo and visual brand language Douglas has become more premium and more modern than ever before. We want to encourage our customers to live their own kind of beauty. In France and Monaco, we continue using the renowned Nocibé Brand with very strong brand perception.

The investment into the modernization of our new visual brand language and in particular new logo has been a milestone in the history of the company.

Diversified leader with strong omnichannel operations in large, structurally growing and resilient European beauty market

The European premium beauty market in our core markets has demonstrated resilience in challenging retail trading environments and partly through the COVID-19 pandemic. Beauty products (fragrances, skin care (including body care) and also color cosmetics) are often perceived as accessible high-value gifts and so-called "personal rewards" which has contributed to the demand for such products remaining relatively stable. The market historically saw a balanced split between product categories with skin and body care, fragrances, makeup, and hair cosmetics. However, the effects of the COVID-19 pandemic such as the increased use of masks as well as working from home have led to an increase in our sales of skin and body care products and a decrease in our sales of make-up products. Since the lifting of all restrictions especially fragrances and make-up (and here lipsticks in particular) showed a strong rebound.

The European beauty market is increasingly shifting to the premium segment with high margin luxury, niche and prestige products. Within the premium segment, the share of E-Commerce sales is continuously growing.

We believe that our intuitive and comprehensive omnichannel offering across our online and offline channels makes us an attractive partner for suppliers and also well-placed to capitalize on growth in the underlying European beauty market. We focus mainly on the premium beauty market, an attractive sub-segment of the broader beauty and personal care market where manufacturers of premium brands limit the distribution of their products to selected qualified retailers. Suppliers thus favor trusted retailers with strong brand awareness who can offer appropriate brand presentation and store appearance, high levels of customer service from specially trained employees, breadth of product assortment and broad customer and geographical reach. As a result, we believe that the high integration of our online and mobile interfaces and Brick-and-Mortar stores helps ensure that brands are positioned appropriately and make us an attractive partner for suppliers.

In addition, we believe that customers in the beauty retail sector increasingly shop online to save time, money, and effort, but still wish to see, touch, feel, smell and test products in person in the store. To further enhance our customer's omnichannel shopping experience, we offer a number of highly integrated cross channel services along various customer touch points, covering pre-sales information, stock availability, consultation, payment as well as delivery of products and returns. These services include in-store orders, click & collect, "ship from store" delivery, online stock information, online appointment scheduling before store visits as well as cross-channel couponing. We believe that the omnichannel model increases customer engagement. For example, these omnichannel customers have a higher order frequency and therefore annual sales than customers who use only one channel.

Brand ambassadors

Our dedication to beauty is conveyed to our customers with the help of our around sixteen thousand highly passionate brand ambassadors, bringing beauty to life in our daily interactions with our valued customers.

Operations

Assortment - Product offering

Product categories

Our main product categories are fragrances, skin & body care, color cosmetics (i.e., make-up), and hair cosmetics. We also offer complementary product categories relating to, for example, "living" (home accessories, such as home textiles, dishware or decoration articles), and "accessories" (for example, scarves and fashion jewelry).

In response to new trends relating to medical brands, natural brands, and nutritional supplements, we created the new product category "beauty food", which are food supplements focusing on beauty from within.

We aim to address all price levels and all relevant customer types through our comprehensive portfolio with a particular focus on fragrance and beauty products.

- **Fragrances**

Fragrances have been our largest product category in the financial year 2021/22, with sales share of approximately 52% of sales. Our sales are typically driven by female fragrance products. A very small portion of sales in the category fragrances consists of auxiliary products such as body care products which may be included in a gift set in combination with a fragrance.

Our product portfolio comprises a comprehensive assortment of fragrances for women and men as well as gender neutral fragrances. The focus of our fragrance offering is on fragrances from established beauty brands, premium and luxury fragrances, including fragrances by Chanel, Dior, YvesSaintLaurent, Tom Ford, Givenchy, and Guerlain, as well as fragrances of so-called famous faces, lifestyle and sports fragrances, niche, trendy and designer fragrances. Furthermore, our product portfolio includes so-called "masstige" (i.e., affordable products intended for the mass market but which through packaging and other characteristics are perceived as being prestige products) and, to a lesser degree, mass fragrance products.

- **Skin & body care**

We offer a full range of skin & body care products, including day creams, night creams, serums, masks, tonics, firming and slimming products, and auxiliary products such as cleansers, as well as sun protection. In the financial year 2021/22, skin & body care products accounted for approximately 25% of our total sales. The vast majority of our sales in this category are generated by women's skin & body care products in general and women's face care products in particular. Men's skin & body care products have gained importance and we expect this trend to continue due to the more pronounced awareness of men regarding their personal appearance. A further trend relates to increasing product differentiation, such as natural cosmetics or hybrid, multi-benefit skin care products (e.g., products combining the benefits of skin care and make-up into one).

Our portfolio includes products from established beauty brands, premium and luxury skin care brands, such as La Prairie, La Mer, Sensai, Augustinus Bader, Dr. Barbara Sturm, Sisley and MBR. We also offer designer skin care brands (such as Chanel and Christian Dior), skin expert brands, brands specialized in wellness/natural products and some masstige and mass brands. In the skin & body care segment, we strive to increase the share of our own brand products in our overall sales to attract younger and new customer groups. For example, we successfully launched the doctor brand "Dr. Susanne von Schmiedeberg" across Europe, and the clean beauty brand "One.two.free!".

- **Color cosmetics**

Our color cosmetics portfolio comprises a comprehensive range of cosmetic products for lips, such as lip sticks and lip glosses, nail products, such as nail polish and nail care products, eyes cosmetics, such as mascaras, eye shadows and eyeliners, complexion cosmetics, such as liquid make-up, concealer and compact powder and make-up accessories, such as make-up brushes. Color cosmetics generated about 19% of our total sales in the financial year 2021/22. Our most significant color cosmetics sub-category in terms of sales is complexion, followed by eye cosmetics, lips and the rapidly growing nails category.

We offer a full range of color cosmetics, with a focus on established beauty brands, premium and luxury color cosmetics (including from Mac, Benefit, Artdeco and Lancôme), artist and specialist products as well as our exclusive brands like It Cosmetics and Neonail. In addition, we offer masstige and mass products and natural color cosmetic products. Our offering also includes numerous color cosmetic products from our own brands, for example, "Douglas Make-up" and "Nocibé Artiste", which generally aim at the premium price level.

- **Hair cosmetics**

We offer a select range of hair cosmetics products for regular use, such as shampoos, conditioners, treatments, hair tonics, products for nurturing the scalp, styling products and tools, brushes and combs as well as coloration. Hair cosmetics generated about 2% of our in the financial year 2021/22.

- **Beauty food**

In January 2019, we launched our beauty food category and introduced a new category of beauty food products such as food supplements and our "#INNERBEAUTY" brand of nutritional supplements, which range from liquids to tablets and beauty gummy bears as well as shots with concentrated ingredients.

- **Other products**

We offer a select range of complementary products under our own brands, third-party brands or as unbranded articles, to extend our core product portfolio. Sales of such other products represented approximately 2% of our total sales in the financial year 2021/22.

Besides typical auxiliary beauty and personal care products, such as make-up and hair accessories, bath and shower products, deodorants and gift sets, this category also includes professional beauty products, such as electrical skin cleaning brushes, home accessories, such as home textiles, dishware or decoration articles, and personal accessories, such as scarves and fashion or costume jewelry. In addition, we offer special seasonal and themed products, such as Christmas or Easter decorations or products relating to particular events. Some of the products in our "other products" category are partially offered via our Partner Program in order to complement our own offerings.

We believe that our complementary product portfolio strengthens our beauty competence, and theme-related or seasonal products constitute "small extras" that are often purchased by customers in addition to other beauty products.

Product types

We have extensive product type offerings comprising a mix of selective, exclusive and own brand products with which we target different segments within the European beauty and personal care market.

- **Selective products**

Selective products are fragrances, skin & body care and color cosmetics products from third-party, mostly premium brands sold only by selective retailer partners, which are our most important product type and a key traffic builder for us. As part of our selective product offering, we market a full range of fragrances, skin & body care and color cosmetics products with a wide array of major national and

international brands. The distribution of selective products is limited to selected retailers which have to meet specific qualitative and quantitative criteria. For more information, see “–Operations: Suppliers”.

We believe that the top brand suppliers consider us as an important strategic partner in the European selective beauty retail markets in which we operate, particularly in our six core countries. We also believe that our core strength lies in the fact that we offer a broad and comprehensive assortment of products from different brands, through a dense network of Brick-and-Mortar and online stores.

- **Exclusive products**

We offer certain brands exclusively or are granted exclusive rights to offer such products in certain countries or for certain time periods. Exclusive brands are an important source of differentiation vis-à-vis competitors. Exclusive products typically have higher margins than other selective products while also contributing to increase customer loyalty.

In Germany and France alone, in the financial year 2021/22, our exclusive offering included more than 90 brands that range across all our product categories. In Germany, we exclusively offered products from nearly 60 different brands. In addition, Nocibé’s exclusive offering in France comprised products from more than 30 brands.

Exclusivity is typically granted for one or two years, particularly for newer brands, in order to be able to retain flexibility, and a somewhat longer period (for example, three years) in the case of certain exclusive products of well-established brands. In many other respects, including the sourcing process, exclusive products are similar to the other selective products and are often provided by some of the same suppliers. We typically share part of the marketing costs for such products with the supplier and receive attractive tester / sample packages relating to these exclusive products. Potential exclusive partners typically value the possibility to cooperate and further develop their brand with us as their exclusive partner, due to our leading market positions in many of the countries in which we operate and the advantages of having a single distribution channel.

Our exclusive products are selected on the basis of a trend scouting process and a related brand assessment that analyses whether a potential new exclusive product fits well within our brand and assortment strategy. We are receptive to proposals from the products’ suppliers and also approach suppliers pro-actively when we identify a product or type of product that we consider to be attractive to offer on an exclusivity basis. Among the criteria that we consider when assessing potential exclusive products are brand awareness, estimated sales and margin prospects, differentiation from competitors, the potential to attract new customers or reinforce the loyalty of existing customers and the period for which exclusivity is granted. In some cases, exclusive products are distributed only through our E-Commerce platform. This allows us to test how a product performs before extending the partnership to our stores.

- **“Own brands” including our “Douglas collection” products**

Our category of own brands includes both “Douglas” and “Nocibé” labelled products, as well as an attractive, innovative and growing range of brands that we own but that are neither called Douglas nor Nocibé but are positioned independently. Recent examples include the doctor skin care brand “Dr. Susanne von Schmiedeberg”/Dermacosmetics and our “#INNERBEAUTY” brand of nutritional supplements.

Our “Douglas Brand” products, which focus on color cosmetics, body care, skin care and accessories, are positioned in the premium price segment. We believe our own brand products also help increase store traffic, and are more “trend-oriented” targeting, in particular, new and younger customers, thereby rejuvenating and broadening our target customer base and image. Furthermore, our own brand products that are not branded Douglas or Nocibé, such as “One.two.free!” or “Dr. Susanne von Schmiedeberg”/ Dermacosmetics, enable us to move our own brand products into higher price

segments with higher price points, which in turn drives higher margins. In the financial year 2021/22, our own brand products accounted for 7.2% of our total sales.

While we do not manufacture or develop any products ourselves, we cooperate with manufacturers and suppliers of our own brand products, who, in some cases, manufacture the product exclusively for us.

We source our own brand products from a diversified portfolio of suppliers in Europe and Asia, in order to facilitate price benchmarking and assist with negotiations. Generally, we engage the same suppliers as large established beauty brands to ensure the requisite product quality. Before selecting a supplier for a new own brand product, we compare the price and quality of the product from at least two potential suppliers. We also apply strict quality standards to our own brand products. Our sourcing is based on an order-by-order concept, where we select our suppliers and enter into individual contracts for each own brand product or product line. Such contracts are usually entered into for an indefinite period and may typically be terminated with six-months' notice.

Our sourcing contracts set demanding standards and incorporate provisions that require the supplier to comply with applicable laws and carry out certain tests relating to product safety while other tests are carried out by our own product managers in cooperation with third parties. In addition, depending on the designated specification of the product, we may demand further tests be executed by the respective suppliers and/or third-party testing facilities, for example to measure how effective products are (e.g., the moisturizing qualities of a product), how the product might respond to transportation, and how appropriate product labelling might be ensured. We currently implement a process to audit all new own brand suppliers and existing suppliers every two years. In the event of repeated non-conforming products or other difficulties, we audit our suppliers as required.

Beauty services

In the past, we introduced various formats for beauty services and continuously experimented with new service offerings. Our stores offer some services to customers free of charge as part of our overall service offerings (for example, five-minute make-up, skin type advice and quick nail polishing). Many stores also provide professional manicure and make-up services. In certain stores we offer even more extended beauty treatments, such as hairdressers or beauty centers/spas. In France, most of our Nocibé stores are equipped with beauty cabins.

Suppliers

We source our selective products from virtually all major national and international brands of beauty products with which we have established close and long-standing relationships, reflecting the interdependence of selective beauty suppliers and retailers like us. In Germany for example, our top five suppliers of selective products accounted for less than 52% of our total purchasing volume in the financial year 2021/22. None of our suppliers amounted to more than 25% of our total purchasing volume in the financial year 2021/22.

With respect to selective products, we enter into three different types of contracts with our suppliers, namely selective distribution contracts, international framework and local supply trading agreements:

- Firstly, we enter into often long-term selective distribution contracts (or authorized retail agreements) with suppliers of selective beauty products, under which we are, on a country-by-country basis, authorized by such suppliers to distribute products belonging to a particular brand both in our stores and online provided that certain quality standards and other criteria are met.
- Secondly, we enter into yearly international framework trading agreements, in particular with our top suppliers, which contain the basic commercial agreement between us and the relevant supplier, setting forth the general terms of sale, in particular regarding invoice conditions, bonus payment terms, promotional activities and marketing development allowances granted to us by the supplier, general

logistic conditions as well as the conditions for returning goods (e.g., of products that become delisted by the supplier).

- Lastly, annual local trading agreements transpose the basic commercial agreement contained in the international framework trading agreements for each country or specific countries (due to the relevance of the individual market situation in each country, e.g., the different market position of each brand within such market) and set forth the specific terms of sale, details of marketing efforts and bonuses/discounts, merchandising (e.g., additional payments for a prominent placement of a product in one or more stores) and other similar terms.

We aim to constantly improve our purchasing terms and to negotiate further specific price reductions (such as higher year-end discounts) by leveraging our bargaining power resulting from our international store network and leading market shares in our core markets. We also aim to increase marketing-related investments (which are industry-typical, so-called “market development funds”) from suppliers that support customer demand for their products, such as the co-financing of promotions (including specific incentives or “challenges” to our sales force as well as dedicated budgets for temporary promotional price reductions), co-advertising, in-store promotions, customer mailings, and product placements in the Douglas magazine.

With several of our top suppliers, we have negotiated international framework trading agreements in order to secure consistent margins, standardize terms and conditions streamline and allow for an efficient centralized contract management. We strive to expand this practice to other sourcing activities, including the procurement of personal care products and accessories, with smaller suppliers.

In addition, we have implemented a suppliers’ code of conduct which has the objective of ensuring compliance with relevant social and environmental standards.

Logistics

We operate a logistics network across all of our major markets with ~20 operating logistic sites in the financial year 2021/22. The network comprises cross-docking centers, warehouses, and E-Commerce fulfilment centers mostly operated by third parties.

In our cross-docking centers, incoming goods are processed and forwarded to our stores on a “just-in-time” basis which allows high flexibility levels and quick adaptation to shifts in our supply chain (e.g., the flexibility to arrange for new contracts or to easily expand our store network). Products are constantly restocked by our suppliers according to an aligned delivery schedule.

In our warehouses, incoming goods are stored and available for pick & pack in order to fulfil every replenishment order for our stores. In our E-Commerce fulfilment centers, like in our warehouses, incoming goods are stored and available for pick & pack in order to fulfil every order for our online customers.

We are in the process of streamlining our supply chain by integrating our physical and digital supply chain. We have moved our German warehouse operations into one logistic facility which services our physical stores and E-Commerce platform in Germany, Austria, Switzerland and the Netherlands as well as handle partner fulfilment for our Partner Program by carrying up to 150,000 SKUs.

In addition, we are digitalizing our entire supply chain management with AI-powered forecasting and replenishment software with machine learning algorithms that will enable us to increase product availability, improve inventory allocation, accelerate stock rotation in stores, improve labor productivity in stores and logistics facilities, and improve the impact of our marketing campaigns.

We carefully manage our inventory with a strong focus on identifying the most relevant brands for our discerning customers and maintaining an attractive overall inventory “aging” profile. Thereby, we follow an

approach strictly driven by our defined key performance indicators, tightly monitoring inventory turnover and out-of-stock products.

Information technology

Our scalable and integrated IT platform is designed and organized both to support our daily business processes and financial management of the Douglas-Group and provides our management with all relevant information. For pricing, we are also using AI based systems which aid in making automated and data driven decisions.

We believe the effective utilization of our IT platforms and centralized big data solutions is integral to our business, as these enable optimization and educated decision-making across our organization and facilitates the interconnectedness of our business model across all channels, Brick-and-Mortar, online and mobile. We maintain sophisticated tools for gathering large amounts of data generated through our customers' browsing and shopping patterns in our online shops and on mobile applications. We then analyze this data and optimize a large array of business functions, including anticipating our customers' future shopping preferences, optimizing payment options, stock allocation in our E-Commerce and centers, and personalizing our customers' experience. Wherever possible, we try to calculate and analyze this data in real-time. We are also able to market our data as a source of unique insight into customer behavior and preferences to our partners, which we believe strengthens our relationship with suppliers.

Our IT infrastructure is supported by a team of internal IT experts predominately situated in Hagen, Germany, and, to a limited extent, by external service providers.

Employees

As of 30 September 2022, we employed 18,038 employees (headcount, including temporary employees, excluding trainees and apprentices). We also use temporary workers to meet the demands of the business during peak trading periods, in particular during the pre-Christmas and Christmas season. We employ part-time employees at the holding level and the store level, whereby the share of part-time employees at the store level is significantly higher.

Our sales staff compensation complies with the requirements stipulated under statutory minimum wage regimes and collective agreements, with an incentive system in place at the store level based on certain sales objectives.

In some jurisdictions, we are subject to national or regional collective bargaining agreements. While none of our German Group companies are bound by collective bargaining agreements, a small number of employment agreements include a reference clause with respect to collective bargaining agreements applicable for the retail sector.

As part of the employment compensation package, we provide different retirement benefit arrangements or similar benefits. For a description of pension schemes, please refer to "*Consolidated Financial Statements – Pension Provisions*".

Real estate and leases

The vast majority of our sites, including virtually all our stores, are rented. In addition, certain sites are operated through service contracts.

Our stores (directly operated stores as well as franchised stores) are, with only very few exceptions, operated on leased premises, and are governed by the respective legal regimes relating to commercial leases in the different jurisdictions. Subject to the market practices of each jurisdiction, the duration of our lease agreements is generally defined by a fixed term, during which the lease may generally not be terminated by either party, in combination with either an extension option for us as lessee or a tacit renewal

upon expiry of the fixed term. In addition to the fixed lease payments (most commonly on a monthly basis), many of our lease agreements contain sales-related additional variable lease payments, meaning that a portion of the lease payments is tied to the level of net or gross revenue, as the case may be, generated in the store concerned, subject to a minimum lease payment. The commercial leases that we sign with our landlords typically provide for an adjustment of the rent as a function of changes in certain indices. We regularly review our lease agreements and renegotiate their terms when possible.

As part of our SOP, which we believe creates additional leverage in our negotiations, we are also targeting rent improvements and intend to actively re-negotiate leases with our landlords in respect of stores that will remain open.

Legal and Regulatory Issues

Intellectual Property

Our portfolio of registered intellectual property rights consists of trademarks and design rights. Moreover, we possess several domain names. Most of the trademarks and domain names are registered with the Company's subsidiary Parfümerie Douglas GmbH & Co KG, Düsseldorf, Germany, although Douglas Cosmetics GmbH, Düsseldorf, Germany, also owns a number of trademarks, and Douglas Marken- und Lizenzen Zossen GmbH, Zossen, Germany owns European Community trademarks "Douglas" protecting the Douglas logo, which is licensed by way of intragroup license agreements to other Group companies. We own a large portfolio of trademarks, including word trademarks and word/device trademarks used by companies of our Group, and some design rights. We typically register our trademarks as European word and/or word/design-trademarks and additionally as international word and word/design-trademarks internationally or locally in specific countries.

Material Legal Disputes and Administrative Proceedings

Companies of our Group are involved in legal disputes and administrative proceedings as part of their ordinary business activities and this will likely continue to be the case in the future. It is impossible to determine or predict the outcome of cases pending or threatened. Legal disputes and administrative proceedings in which our Group companies have been involved during the past twelve months, or which are currently pending or threatened, mainly relate to employment matters, intellectual property, advertising, product compliance or distribution practices, leases, and the adequacy of the squeeze-out compensation to be paid to former minority shareholders. The Company believes that other than the proceedings described in the section *"Risk Factors - We are or may become involved in litigation and administrative or arbitration proceedings, which may adversely affect our financial position"*, during a period covering the previous twelve months, no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Company is aware) may have or have had in the recent past significant effects on the Company's financial position or profitability.

Insurance

We have taken out comprehensive insurance policies in relation to risks associated with our business activities, such as policies covering our general liability, product and environmental liability, insurance of property and merchandise (including product transportation and warehouse insurance), IT/electronic equipment as well as insurance covering business interruptions. Under these policies (and related underlying policies), insured losses include those resulting from natural and human risks such as product defects and events relating to the manipulation of products and losses relating to the handling of money, among others. In addition, we have policies for D&O (directors & officers) liability, cyber risks and fidelity insurance, which are applicable for the Company and its subsidiaries. Furthermore, we have taken out certain additional insurance policies for our subsidiaries in certain countries (including, among others, Germany). Our insurance coverage is subject to the usual exclusions, limits and deductibles. At the same time, we have identified several risks that cannot be insured on economically feasible terms and for which,

therefore, we have chosen not to purchase insurance coverage. These risks include, for example, business interruptions caused by acts of terror and epidemics.

The management team believes that we have adequate insurance coverage against material risks that are typically insured by similar companies with comparable risk exposure. Insurance coverage is regularly verified and adjusted when necessary.

Regulatory Environment

We are subject to the applicable laws and regulations of the respective jurisdictions in which we operate that are generally applicable to any company doing business in such jurisdictions. These include, in particular, requirements with respect to product liability and consumer protection. EU regulations apply directly in all member states of the European Union (the "EU Member States"). As a result, our business is subject to these rules in all EU Member States. In contrast, EU directives, while binding EU Member States as to the result to be achieved, need to be implemented into national law. Hence, regarding those standards contained in EU directives that are applicable to our business, national implementing rules and administrative views and enforcement can differ slightly from one EU Member State to another. To the extent governed by EU regulations or national laws that are based on EU directives, the regulatory environment in most other EU Member States and the member states of the EEA should be similar to the regulatory framework in Germany. The regulatory requirements applicable to our business activities are subject to change, as they are continuously adapted at the national, European and international level. If we fail to comply with any of these laws and regulations, we may be subject to civil liability, administrative orders, fines, or even criminal sanctions.

The following provides a brief overview of selected regulations that are applicable to our business operations.

Foreign Trade and Customs Law

We source most of our products from member states of the European Union, but some of our suppliers are located outside of the European Union, e.g. in Asia or the United States of America.

Within the European internal market, the principle of free movement of goods applies. With respect to import and export of goods from or to countries that are not member states of the EU, we must comply with national and European foreign trade and customs regulations. At EU level, the relevant regulatory framework is set out in Regulation (EU) No 952/2013 of the European Parliament and of the Council ("UCC"). The UCC entered into force on May 1, 2016, but some transitional agreements still apply, most notably because not all of the electronic systems to deal with formalities are in place yet. The UCC was also amended by Regulation (EU) 2019/632 allowing customs authorities and economic operators to continue using transitional arrangements (i.e. existing IT systems or paper based arrangements) for the completion of a small number of customs formalities, until 2025 at the latest when new or upgraded IT systems for the completion of those formalities will be in place.

Whereas imports and exports within the EEA are in principle not liable to customs duty, the movement of goods beyond the frontiers of the EEA is subject to customs control between the customs union of the EU and EEA member states which are not EU Member States. The customs control charges, among other things, statutory import duties. Customs offices may from time to time initiate customs inspections to assess whether customs regulations have been infringed. In addition, the import of certain groups of products or from certain countries may require an import permit.

Consumer Protection Law

We must further comply with various consumer protection regulations with respect to the marketing and sale of products to customers, including our online selling activities.

Throughout the EU, consumer protection is extensively regulated, in particular, but not limited to, on the basis of the following EU directives:

- the Council Directive 93/13/EEC of April 5, 1993, amended by Directive 2011/83/EU of the European Parliament and the Council of October 25, 2011 on unfair terms in consumer contracts;
- the Directive 1999/44/EC of the European Parliament and of the Council of May 25, 1999, amended by Directive 2011/83 EU of the European Parliament and the Council of October 25, 2011 on certain aspects of the sale of consumer goods and associated guarantees;
- the Directive 2000/31/EC of the European Parliament and of the Council of June 8, 2000 on certain legal aspects of information society services, in particular electronic commerce, in the internal market (Directive on electronic commerce);
- the Directive 2002/58/EC of the European Parliament and of the Council of July 12, 2002, last amended by Directive 2009/136/EC of the European Parliament and of the Council of November 25, 2009, concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on Privacy and Electronic Communications);
- the Directive 2005/29/EC of the European Parliament and of the Council of May 11, 2005 concerning unfair business-to-consumer commercial practices in the internal market (Unfair Commercial Practices Directive), which prohibits, among others, certain particularly aggressive or misleading commercial practices or advertising;
- the Directive 2006/114/EC of the European Parliament and of the Council of December 12, 2006 concerning misleading and comparative advertising;
- the Directive 2011/83/EU of the European Parliament and of the Council of October 25, 2011 on consumer rights ("Directive on Consumer Rights");
- the Directive 2013/11/EU of the European Parliament and the Council of May 21, 2013 on alternative dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC (Directive on consumer ADR); and
- the Directive 2019/2161/EU of the European Parliament and the Council of November 27, 2019 as regards to the better enforcement and modernization of Union consumer protection rules
- the Directive (EU) 2020/1828 of the European Parliament and the Council of November 25, 2020 on representative actions for the protection of the collective interests of consumers and repealing Directive 2009/22/EC (to be transported into national law by December 25, 2022).

The aforementioned EU directives on consumer protection and the national laws which implement or complement these directives impose extensive duties and responsibilities on retailers such as Douglas, including the following:

With respect to our online activities, online purchases constitute "distance contracts" that are subject to specific consumer protection. Pursuant to the Directive on Consumer Rights, effective as from June 13, 2014 (last amended by Directive (EU) 2015/2302 of November 25, 2015) consumers have the statutory right (EU-wide) to withdraw from a distance contract within 14 days after receipt of goods (or within a period of twelve months and 14 days after receipt of goods if the consumer has not been properly informed about its statutory right of withdrawal). Withdrawal must be exercised by distinct declaration towards the seller (e.g., in writing, per e-mail or phone). The return of the goods without further comment does not constitute a valid declaration of withdrawal any longer. If the statutory right of withdrawal is exercised, within 14 days from the day of the withdrawal, the customer must return the goods and the seller must reimburse the purchase price within 14 days of receiving the note of withdrawal. The consumer only bears the direct cost of returning the goods, unless otherwise agreed upon or if the seller failed to inform that the consumer has to bear it. The customer also has to compensate the seller for any loss in value of the returned goods, if such loss is due to the customer handling the goods in a way that was not required to examine the condition, features and functionalities of the goods and the seller has informed the customer about its statutory right of withdrawal.

In addition, online retailers must comply with extensive and formalized information requirements. They have to provide their (potential) customers with detailed and accurate information, inter alia, on the offered goods, on the way a binding contract can be concluded, on price and payment details, on their return

policy, on the statutory right to withdraw from a contract (irrespective of any more beneficial return policy that may be afforded by the online retailers, on their general terms of sale and on statutory warranties). EU directives and national laws set out detailed criteria on when, where and by which means this information has to be provided. Online retailers have to implement these requirements in the design and structure of their online shops, mobile-commerce platforms and apps, in their ordering and payment processes and in their delivery systems. Due to changes in legislation, online retailers have to adapt their shop design on an ongoing basis. For example, as a result of the Directive on Consumer Rights, online retailers were obliged to implement a "button solution" pursuant to which a binding purchase can only be completed by clicking on a button that is explicitly labeled "order with obligation to pay" (or similar). Directly before the consumer makes the purchase, he or she is to be informed by a summary of certain key information relating to the purchase, Art. 8(2) of the Directive on Consumer Rights. Failure to comply with these information requirements may give rise to civil liability, administrative orders (including injunctive relief) or fines and may in some cases result in an extension of warranty periods or even in the invalidity of the affected customer contracts. The concrete consequences and penalties for infringing national laws implementing the Consumer Directive are laid down by each member state.

Advertising, including promotional games, newsletters and personalized product recommendations, is heavily regulated, in particular if distributed through e-mail. An advertisement must not be misleading, constitute an unreasonable nuisance or make use of harassment, coercion, or undue influence. These criteria leave wide room for interpretation and the assessment of courts and other competent bodies is often hard to foresee.

The Directive (EU) 2019/2161 modernizes almost all EU consumer legislation. Member States have time until the end of November 2021 to adopt and publish implementing legislation and will have to apply it by 28 May 2022. The Consumer Rights Directive (2011/83/EU) will also undergo far-reaching changes. New information requirements are to be introduced, for example, the online retailer might be obliged to indicate that a price was personalized on the basis of automated decision-making. Furthermore, additional information requirements may apply, e.g. regarding available means of communication.

Under the Directive (EU) 2020/1828, Member States must ensure that so called „qualified entities“ can bring representative actions to seek redress in national courts of respective Member States against infringements of specific, consumer-related provisions of EU law. The areas affected include general consumer law, data protection, financial services, travel and tourism, environment and energy, telecommunications, digital services and product liability. In these areas, qualified entities (i.e. consumer bodies that represent the collective interest of a group of consumers) must be given the opportunity to bring a representative action in order to facilitate not only injunctive but also remedial measures such as compensation, repair or termination of the contract. Member States have time until December 25, 2022 to adopt and publish implementing legislation and will have to apply it by June 25, 2023. A German draft bill has recently been published by the German government.

Data Protection Law

As retailers generally process customer personal data for several purposes, including for the performance of the contract and marketing purposes, compliance with data protection laws must be ensured. Through the use of new technologies based on artificial intelligence and the ability to offer pharmacy products from our partners on douglas.de, more and more special categories such as health-related data are coming into focus, which afforded special protection under the applicable data protection laws. The collection, processing and use of personal data is extensively regulated by both European and national legislation. At EU level, data protection law is primarily governed by Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation, GDPR). The GDPR established a consistent level of protection for natural persons across the EU, providing the same level of legally enforceable rights and obligations and responsibilities for controllers and processors in all EU Member States, as well as ensuring consistent supervision of the processing of personal data and equivalent sanctions across EU Member States and

effective cooperation between supervisory authorities in different EU Member States. In cases where the GDPR provides for specifications or limitations of its provisions by the law of the Member States via the so-called opening clauses, the EU Member States may, to the extent necessary for the consistency and comprehensibility of the national provisions for the persons to whom they apply, include supplementary provisions to the GDPR in their national law.

The GDPR is without prejudice to the application of Directive 2002/58/EC (e-privacy directive) and 2009/136/EC (so-called cookie directive). A new e-privacy regulation which will replace the previous is still a pending legislative procedure on EU level and it is unclear at which point in time such regulation will enter into force. However, due to the recent judgment of the European Court of Justice (Planet 49, C-673/17) rules for the treatment of internet tracking technologies have been specified by the court.

Further, relevant in particular for cookie and similar technologies is the Telecommunications Telemedia Data Protection Act (TTDSG) which come into force in Germany on 01.12.2021. The TTDSG merges the provisions on the protection of telecommunications secrecy and data privacy previously contained in the Telecommunications Act (TKG) and the provisions contained in the Telemedia Act into a new parent act. In the process, the existing provisions will be adapted to the European General Data Protection Regulation and to the new definitions in the Telecommunications Act.

In July 2020 with the Schrems II judgment (Case C-311/18), the Court of Justice of the European Union (CJEU) declared the European Commission's Privacy Shield Decision invalid on account of invasive US surveillance programs, thereby making transfers of personal data on the basis of the Privacy Shield Decision illegal. Furthermore, the Court generally established stricter requirements for the transfer of European personal data - not only to the USA but also to other so-called third countries - based on Standard Contract Clauses (SCCs). Controllers or processors that intend to transfer data based on SCCs must ensure that the data subject is granted a level of protection essentially equivalent to that guaranteed by the General Data Protection Regulation (GDPR) and the EU Charter of Fundamental Rights (CFR) - if necessary, with additional measures to compensate for lacunae in protection of third country legal systems. Failing that, operators must suspend the transfer of personal data outside the EU. As a consequence of this decision the EU Commission has also modernized Standard Contractual Clauses (SCC) under the GDPR for data transfers from controllers or processors in the EU/EEA (or otherwise subject to the GDPR) to controllers or processors established outside the EU/EEA (and not subject to the GDPR). These modernized SCCs replaces the SCCs that were adopted under the previous Data Protection Directive 95/46 and must be observed by Douglas.

EU Payment Services Directive

The Payment Service Directive (EU) 2015/2366 ("*Payment Service Directive 2*") regulates payment services and payment service providers throughout the EU. The Payment Service Directive 2 aims to, amongst other objectives, better protect consumers when they pay online. This is reflected in the new requirement that when a payer initiates an electronic payment transaction, a strong customer authentication needs to take place. Such strong customer authentication is defined as an authentication process that validates the identity of the user of a payment service or of the payment transaction and indicates whether the use of a payment instrument is authorized.

In addition, the Payment Service Directive 2 provides for specific rules on payment instruments such as gift cards. These rules have been narrowed down compared to the preceding Payment Service Directive 1 (Payment Service Directive 2007/64/EC). Gift cards and similar 'limited network' schemes need to be registered with the competent authorities. National implementations of the Payment Service Directive 2 and the application of these rules by the national regulatory authorities may vary from country to country.

Regulation on Selective Distribution Systems

The selective distribution system, as implemented by the suppliers of our Group, is subject to European and German competition law. In this respect, the following principles apply:

Art. 101 (1) Treaty on the Functioning of the European Union (“TFEU”) and Section 1 of the German Act against Restraints of Competitions (“Gesetz gegen Wettbewerbsbeschränkungen”–“GWB”) prohibit agreements which have an anticompetitive object or restrictive effects on competition, unless such agreements fall under so-called block exemptions or individual exemptions pursuant to Art. 101 (3) TFEU and Section 2 GWB. For us the most relevant block exemption, the vertical block exemption regulation (EU No 330/2010 of 20 April 2010) has been replaced in June 2022 by a new version. Contractual clauses violating European competition law are void which may also affect the remainder of the respective agreements. Furthermore, in such instances the competent competition authorities may initiate proceedings against the contractual parties and substantial fines can be imposed.

Cosmetics Regulation

On November 30, 2009, Regulation (EC) No 1223/2009 of the European Parliament and of the Council (the “Cosmetic Products Regulation”) was adopted, which is the main regulatory framework for finished cosmetic products as defined therein when placed on the EU market. In addition to the Cosmetic Products Regulation, other EU and/or national legislation may apply for certain aspects of the regulation of cosmetic products (e.g. cosmetic products including CBD or cannabis as ingredients must comply with the narcotics laws). The Cosmetic Products Regulation provides an internationally recognized regime, which reinforces the safety of cosmetic products taking into consideration the latest technological developments, including the possible use of nanomaterial.

The main purpose of the Cosmetic Products Regulation is to ensure that only safe cosmetic products are placed on the EU market. This requires in particular that cosmetic products are manufactured in accordance with good manufacturing practice. Further, the Cosmetic Products Regulation prohibits or restricts the use of a wide range of substances in cosmetic products. With respect to the use of colorants, preservatives and UV-filters, including those that are nanomaterials, these can only be used if explicitly allowed by the Cosmetic Products Regulation. Products containing other nanomaterials not otherwise restricted by the Cosmetic Products Regulation may be the object of a full safety assessment at EU level, if the EU Commission has concerns. Nanomaterials must be labeled in the list of ingredients with the word “nano” in brackets following the name of the substance.

Furthermore, only cosmetic products for which a legal or natural person is designated within the EU as “responsible person” may be placed on the market. As a general rule, the responsible person must be established within the EU and is either the manufacturer or importer or a person or entity designated by those. A distributor may be the responsible person where he places a cosmetic product on the market under his name or trademark (as we do for our private label products) or modifies a product already placed on the market in such a way that compliance with the applicable requirements may be affected. The Cosmetic Products Regulation includes rules to allow for the precise identification of who the responsible person is with regard to a certain product, and clearly outlines the obligations of such responsible person. Responsible persons have, *inter alia*, an obligation to notify serious undesirable effects to competent national authorities. Further, responsible persons must ensure that a cosmetic product has undergone a safety assessment and that a product safety report has been set up for the product before it is placed on the market. The Cosmetic Products Regulation also imposes documentation obligations on the responsible person. As for our own brand products, certain subsidiaries of our Group act as responsible person for purposes of the Cosmetic Products Regulation.

For products we only distribute but for which are not the responsible person, the Cosmetic Products Regulation also imposes obligations, although these are less restrictive. For example, before making a cosmetic product available on the market, distributors shall verify that specific labelling information is present, specific language requirements are fulfilled, and the date of minimum durability specified has not passed. Additionally, they shall not market the products if they have reason to believe that they are not in conformity with the Regulation and if they have done so already, they have to take appropriate field safety corrective measures.

Furthermore, the Cosmetic Products Regulation introduces a centralized notification process for all cosmetic products placed on the EU market, so that responsible persons will need to notify their products. The Cosmetic Products Regulation also includes rules banning animal testing and comprehensive labeling requirements.

A revision of the Cosmetic Products Regulation is currently ongoing, which is supposed to extend the generic approach to risk management to ensure that cosmetics do not contain hazardous chemicals, and, in particular, take into account combination effects (i.e. interactions between different chemicals present in cosmetics); improve safety assessments; review the definition of nanomaterial used in the Cosmetic Products Regulation to ensure coherent terminology across chemicals legislation and improve the labelling of cosmetic products. The public consultation proceeding has been closed by the European Commission in June 2022. The adoption for the European Commission is planned for the fourth quarter of 2022.

We review our own brand products, which are manufactured by third-party suppliers and which we then sell under our own brands, for compliance with the applicable regulations of the Cosmetic Products Regulation. For further information on the risks associated with our own brand products, see *"Risk Factors–Risks Relating to Our Market Environment and Business–We are subject to risks in connection with the quality and timely delivery of our private label products and our relationship with the manufacturers of such products."*

Food Law

Operators of food businesses, including producers, processors, importers, and distributors who place food products on the market in the European Union are obliged to ensure that the requirements of food law are met within the food business under their control, especially with regard to the safety of such products. Overall, EU food law consists of a very wide range of regulatory requirements, both general and specific. The following provides an overview of some food related regulations potentially relevant, but it does not provide an exhaustive summary.

Among other regulations, Regulation (EC) No 178/2002 of the European Parliament and of the Council of January 28, 2002, as last amended by Regulation (EU) 2019/1381 of the European Parliament and of the Council of 20 June 2019, provides the general principles and requirements of food law, establishing the European Food Safety Authority and stipulates procedures and requirements in matters of food safety and the measures to be taken in order to avoid threats to food safety, such as by withdrawing and/or recalling unsafe products from the market. As a major part of food safety, food business operators have to ensure the compliance with food hygiene regulations, such as Regulation (EC) No 853/2004 of the European Parliament and of the Council of April 29, 2004 on the hygiene of foodstuffs, as last amended by Commission Regulation (EC) No 2021/382 of 3 March 2021, which requires food business operators to maintain a hazard analysis and critical control point concept.

Directive 2002/46/EC of the European Parliament and of the Council of June 10, 2002 on the approximation of the laws of the Member States relating to food supplements, as last amended by Commission Regulation (EU) 2017/1203 of July 5, 2017, provides harmonized rules on food supplements. For this purpose, it lays down, for example, a harmonized list of vitamins and minerals that may be added for nutritional purposes in food supplements. According to the Directive, Member States may, for monitoring purposes, request notification to their competent authority of the placing on the market in their territory of a food supplement product.

Furthermore, according to Regulation (EU) No 1169/2011 of the European Parliament and of the Council of October 25, 2011, as last amended by Regulation (EU) 2015/2283 of the European Parliament and of the Council of November 25, 2015, on the provision of food information to consumers the food business operator responsible for the food information i.e. the operator established in the EU under whose (business) name the food is marketed, otherwise, the importer into the Union market must ensure that all mandatory information on food is provided and that any other information is clear and not misleading.

Regulation (EC) No 1924/2006 of the European Parliament and of the Council of December 20, 2006 on nutrition and health claims made on foods, as last amended by Commission Regulation (EU) No 1047/2012 of 8 November 2012, further provides that nutrition and health claims made in commercial communications, whether in the labelling, presentation or advertising of foods to be delivered as such to the final consumer, shall only be used if they are authorized and included in respected lists of authorized claims.

We review our "#INNERBEAUTY" food supplements which are manufactured by third-party suppliers and which we then sell under our own brands, for compliance with the applicable food laws.

Medical Device Law

Medical devices are products or equipment intended generally for a medical use.

In Europe, medical devices may only be placed on the market if a CE marking is duly attached. To attach a CE marking to a product, the product must fulfil the essential requirements (*Grundlegende Sicherheits- und Leistungsanforderungen*) provided for in the Regulation (EU) 2017/745 of the European Parliament and of the Council of April 5, 2017 on medical devices ("**Medical Device Regulation**" or "**MDR**"). This regulation entered into force on May 25, 2017 and is applicable as of May 26, 2021. It has replaced the Directive 90/385/EEC regarding active implantable medical devices (*AIMD*) and the Directive 93/42/EEC regarding medical devices (*MDD*). As we only act as distributor of medical devices, less restrictive rules apply compared to manufacturers of medical devices. However, the MDR provides for additional duties that we as distributor need to comply with as of May 26, 2021 on. For example, distributors shall verify that the device has been CE marked and that the EU declaration of conformity of the device has been drawn up or that the device is accompanied by the information to be supplied by the manufacturer in accordance with the MDR.

Pharmacy Regulations

Following the acquisition of a Dutch online pharmacy, we must observe pharmacy regulations. As the Dutch pharmacy also offers medicinal products for delivery to consumers in Germany, the German legal requirements as well as Dutch legal requirements must be met. For example, only medicinal products that are authorised, approved or registered for the trade in Germany or exempted from authorisation or registration according to the German Drug Act (*Arzneimittelgesetz*), can be sold to the end customer via online sales in Germany. While offering the medicinal products the German specific regulations of advertising of medicinal products set forth in the Pharmaceutical Advertising Act (*Heilmittelwerbegesetz*) must be observed.

Regulations Regarding Product Safety and Product Liability

Producers and distributors who place products on the market in the European Union must ensure that the products are safe. Among other regulations, for products intended for consumers or likely to be used by consumers, this is regulated in Directive 2001/95/EC of the European Parliament and of the Council of December 3, 2001, as last amended by EC Regulation 596/2009 of June 18, 2009, on general product safety (the "EU Directive on Product Safety"). Where products are subject to specific safety requirements imposed by EU legislation (e.g. cosmetics, food products, or medical devices), the EU Directive on Product Safety only applies to the aspects and risks or categories of risks not covered by those requirements. The EU Directive on Product Safety provides that producers may only put products on the market when these products comply with the general safety requirement, applies. In addition, producers must provide consumers with the necessary information so that consumers are able to assess a product's inherent threat, particularly when this is not directly obvious. Furthermore, producers must adopt the necessary measures to avoid such threats, for example, by withdrawing unsafe products from the market, informing customers and recalling products that have already been supplied to customers. In this context, it is relevant to note that under the EU Directive on Product Safety - as well as pursuant to most other European and/or national legislation on product safety - any entity presenting itself as the manufacturer by affixing its name,

trademark or other distinctive mark to a product qualifies as producer and must comply with the above-mentioned obligations. As we sell products manufactured by third parties under our own brands, we qualify as a producer.

The European Commission is currently revising the EU Directive on Product Safety to adapt to present challenges and to better ensure that all kinds of products are safe, online or in a traditional Brick-and-Mortar shop, and that all consumers are protected. The European Commission has presented their proposal of a new EU Product Safety Regulation in June 2021 that shall replace the EU Directive on Product Safety. The new regulation, among other things, will focus on the safety of products linked to new technologies as well as on the challenges posed by the growth of online sales, ensuring a better enforcement of the rules and more efficient and even market surveillance and improving the recall of dangerous products in the hands of consumers. According to the EU Commission, the draft is still being negotiated in the trilogue (Council, EU Parliament, EU Commission). There is no time schedule, so that it is not foreseeable when the EU Product Safety Regulation will be adopted and enter into force.

For certain products, additional requirements may apply, e.g. the labelling of certain clothes is regulated in the EU by the Textile Regulation (EU) No 1007/2011 on fibre names and related labelling and marking of the fibre composition of textile products.

In addition, because we sell our own brand products (manufactured by third parties) under our own brands and import certain products from outside the EU, we qualify as producer of certain cosmetic and other products and are thus subject to applicable legislation on product liability. For example, all Member States of the European Union were required to implement EU Directive 85/374/EEC of July 25, 1985, as amended by Directive 1999/34/EC of May 10, 1999, on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products ("Product Liability Directive"), which applies to all movables marketed in the EEA (with very few exceptions). The Product Liability Directive establishes the principle of strict liability, i.e., liability without fault of the producer, in cases of damage caused by a defective product. It covers death, personal injuries and damages of at least €500 to an item of property (other than the defective product itself) caused by defective products intended for private use or consumption and used by the injured person mainly for that purpose. The Product Liability Directive does not stipulate any financial ceiling on the producer's liability but allows the Member States to limit a producer's liability for damage from a death or personal injury and caused by identical items with the same defect to an amount of at least €70.0 million. In addition, the Product Liability Directive does not prevent the legal systems of the Member States from granting additional or more extensive rights to injured parties based on grounds of contractual liability or on grounds of non-contractual liability. The Product Liability Directive is currently under review. The European Commission's proposal for a revised Product Liability Directive is intended to bring the EU's liability regime up to speed with the digital age and today's global value chains allow consumers to buy products from outside the Union directly, without an importer. Distributors (offline and online sellers) can also be held liable if they fail to give the name of the EU-based liable person to the injured person on request. This applies to online marketplaces (or equivalent concepts) too, but only if they present themselves to the consumer as a distributor. An additional directive has been put forth targeting specific damages caused by artificial intelligence.

Environmental laws

Environmental laws may be applicable for the disposal of cosmetics and may contain provisions regulating the special treatment of cosmetic disposal. The same applies to the packaging of cosmetic and other products. For instance, the EU Directive 94/62/EC of the European Parliament and of the Council of December 20, 1994, last amended by Directive (EU) 2018/852 of May 30, 2018, on packaging and packaging waste (the "EU Packaging Directive") (as implemented in the individual EU countries) must be complied with. The EU Packaging Directive provides, amongst others, for an obligation to participate in a return, collection and recovery scheme with respect to packaging.

In addition, the Directive 2012/19/EU of the European Parliament and of the Council of July 4, 2012 on waste electrical and electronic equipment, last amended by Directive (EU) 2018/849 of May 30, 2018 (the

“WEEE-Directive”), may be applicable. The WEEE-Directive imposes responsibility for the disposal of waste electrical and electronic equipment on the producers or distributors of such equipment. In this context, the WEEE-Directive provides, inter alia, for an obligation of all producers of electrical and electronic equipment or their authorized representatives to register with the national registers of producers in all EU countries where they sell electrical and electronic equipment.

The EU Directive 2008/98/EC of the European Parliament and of the Council of November 19, 2008, last amended by Directive (EU) 2018/851 of May 30, 2018, aims, amongst others, at preventing and reducing the generation of waste and improving the efficiency of resource use. This Directive entails general requirements in the context of waste prevention, recovery and disposal, such as, for example, enhanced product responsibility according to which products should be designed in a way which reduces their environmental impact and the generation of waste in the course of their production and subsequent use.

Regarding aerosol dispensers, such as deodorant sprays, Regulation (EC) No 1005/2009 of the European Parliament and of the Council of September 16, 2009 on substances that deplete the ozone layer, last amended by Regulation (EU) 2017/605 of March 29, 2017 (Ozone Regulation) may also be relevant. According to the Ozone Regulation, products that contain controlled substances listed in Annex I of the Ozone Regulation may, as a rule, not be placed on the market and/or imported.

In 2021, the EU made climate neutrality, the goal of zero net emissions by 2050, legally binding in the EU. It set an interim target of 55% emission reduction by 2030. This goal of zero net emissions is enshrined in the climate law. The so called European Green deal is the roadmap for the EU to become climate-neutral by 2050. The concrete legislation that will allow Europe to reach the Green Deal targets is laid down in the Fit for 55 package that the European Commission presented in July 2021. It will include the revision of existing legislation on emissions reduction and energy.

German law about supply chains

In 2021, the new German Supply Chain Act (“Lieferkettengesetz”) was adopted. It will apply as of 2023 for companies with a workforce of at least 3,000 employees and later to companies with a workforce of at least 1,000 employees and aims to protect the rights of people who produce goods for the German market. Accordingly, companies must ensure compliance with human rights among their entire supply chain and set up grievance mechanisms as well as policies and report on their activities. The legislation also establishes environment-related obligations, based on two international conventions to prevent health and environmental hazards: the Minamata Convention on Mercury and the Stockholm Convention on Persistent Organic Pollutants.

French Law about payment terms

In France, we must comply with Article L. 441-10 of the French Commercial code (*code de commerce*). This provision contains two rules applying to payment terms. According to the first rule, if the parties do not agree on specific payment terms (e.g., through a specific provision included in the seller’s general sales terms or the purchaser’s general purchasing terms), this term is automatically 30 days after the receipt of the goods or of the provision of the services. According to the second rule, the parties may not agree on payment terms exceeding 45 days from the end of the month (i.e., 45 days starting from the end of the month during which the invoice is issued or alternatively the end of the month during which a delay of 45 days from the date of issuance of the invoice expires) or 60 calendar days from the issuance of the invoice. In case of negotiated payment terms, the payment term must be expressly mentioned in the contract and cannot provide a grossly unfair disadvantage to the creditor. If the seller establishes general sales terms, these must provide for a number of provisions, including late payment terms and the amount of the indemnity due to the seller in the event of late payment from the purchaser (set by decree, currently at €40).

MANAGEMENT

The ultimate authority within Douglas Group rests with Kirk Beauty Investments S.A., the holding company through which Kirk Beauty S.à r.l. and Lobelia Lux S.à r.l. invest in Douglas Group. The board of Kirk Beauty Investments S.A. comprises four members proposed for appointment by Kirk Beauty S.à r.l. and two members proposed for appointment by Lobelia Lux S.à r.l. The size and composition of the board of Kirk Beauty Investments S.A. may change, from time to time, for various reasons, including in order to have certain co-investors represented who may acquire direct or indirect participations in Kirk Beauty Investments S.A.

Management of Kirk Beauty A GmbH

Overview

During the fiscal year 2021/22, the holding company Kirk Beauty A GmbH was managed by:

Name	Function
Tina Müller	Chief Executive Officer (CEO)
Mark Langer	Chief Financial Officer (CFO)
Vanessa Stützle	Chief Digital Officer (CDO) until 8 August 2022

The business address for each of these Executive Board members is Luise-Rainer-Str. 7-11, 40235Düsseldorf in Germany.

After the balance sheet date, at the end of October 2022, there was a change at the top of the company. Tina Müller has resigned from her position and Alexander van der Laan is the new Managing Director and Chief Executive Officer of the Douglas Group.

CEO Sander van der Laan

- Chief Financial Officer (CFO) of Kirk Beauty A GmbH / Douglas-Group since November 2022
- He most recently steered the fortunes of Dutch non-food retailer Action as CEO for more than six years.
- CEO Albert Heijn and COO Ahold Europa, CEO Giant Carlisle, Ahold Amerika
- Executive vice president marketing & merchandising, Ahold
- Managing Director Gall & Gall
- Vice president perishables, Albert Heijn
- Sander van der Laan studied business administration at the Business University Nyenrode in the Netherlands (BBA and International MBA).

CFO - Mark Langer

- Chief Financial Officer (CFO) of Kirk Beauty A GmbH since May 2021
- Previously, he was Chief Financial Officer (CFO) for seven years and then Chief Executive Officer (CEO) for four years at HUGO BOSS AG
- He has held other management positions in the finance departments of HUGO BOSS and Procter & Gamble and worked as a project manager for McKinsey & Company in Munich and New York
- Mark Langer studied business administration and mechanical engineering at the Technical University of Munich.

Management Practices

We are committed to fulfilling corporate governance requirements. We maintain internal guidelines (e.g., purchasing directives) and a code of conduct which is to be countersigned and adhered to by our

management. In addition, an internal audit department regularly carries out examinations on different topics.

Principal Shareholders, Certain Relationships and Related Party Transactions

For information on principal shareholders, certain relationships and related party transactions please refer to the Notes of the "*Consolidated Financial Statements*" of this report.

DESCRIPTION of CERTAIN FINANCING ARRANGEMENTS

Senior Secured Credit Facilities Agreement

Overview and Structure

Former Douglas GmbH (the "Senior Secured Notes Issuer") have entered into the Senior Secured Facilities Agreement with, among others, former Kirk Beauty Two GmbH, as the company and an original guarantor, certain of its restricted subsidiaries, including the Senior Secured Notes Issuer, as original borrowers and original guarantors (as applicable), Deutsche Bank AG, London Branch as agent, the Security Agent as security agent and Goldman Sachs Bank Europe SE, Deutsche Bank AG, UniCredit Bank AG, UBS Europe SE and BNP Paribas SA as mandated lead arrangers and bookrunners.

With merger agreement dated 26 July 2021, Kirk Beauty One GmbH and subsequently former Douglas GmbH, both with economic effect from October 1, 2020, were merged into Kirk Beauty Two GmbH (upstream merger). Then Kirk Beauty Two GmbH was renamed Douglas GmbH.

The Senior Secured Facilities Agreement provides for the following:

- a €675 million senior secured term loan facility ("Facility B⁴"); and
- a €170 million senior secured multi-currency revolving credit facility (the "Revolving Credit Facility" and, together with Facility B, the "Senior Secured Facilities").

The Facility B mature on April 8, 2026, and the RCF mature on January 8, 2026.

Interest and fees

Loans under the Senior Secured Facilities Agreement will bear interest at rates per annum equal to EURIBOR or, for loans denominated in a currency other than euro, LIBOR (or other appropriate interbank offer rates for other currencies) in each case, subject to a floor of 0.0 %, and the following applicable margins:

- 5.500 % per annum in respect of loans under Facility B; and
- 4.750 % per annum in respect of loans under the Revolving Credit Facility,

subject in each case to a margin ratchet based on the senior secured net leverage ratio of the Group.

A commitment fee is payable on the aggregate undrawn and un-cancelled amount of the Revolving Credit Facility from the Completion Date to the end of the availability period applicable of the Revolving Credit Facility at a rate of 35 percent of the applicable margin for the Revolving Credit Facility. Commitment fees are payable quarterly in arrear and on the date the Revolving Credit Facility is cancelled in full or on the date on which the relevant lender cancels its commitment.

Default interest will be calculated as an additional 1 percent on the defaulted amount.

Certain Covenants

The Senior Secured Credit Facilities Agreement contains operating covenants, subject to certain agreed exceptions, including covenants restricting the ability of certain members of the Group to:

- create security
- make investments (including granting loans and guarantees)
- incur indebtedness or enter into certain derivatives contracts

⁴ Thereof: to finance the acquisition of the online pharmacy Disapo.de Apotheke B.V., a further credit facility in the amount of €75.0 million (Incremental Term Facility) was agreed and drawn down in the fiscal year 2021/22, increasing the Senior Secured Term Loan Facility ("Facility B").

- make fundamental changes (including by way of merger or consolidation)
- make dispositions
- make restricted payments (including dividends and other distributions)
- change the nature of the business of the Group
- enter into transactions with affiliates other than on arm's length terms
- prepay, redeem, purchase or defeat certain junior indebtedness; and
- designate subsidiaries as restricted or unrestricted subsidiaries.

If, on the last day of any financial quarter of the Group, the aggregate outstanding amount of drawn loans under the Revolving Credit Facility and any incremental revolving credit facility (excluding any amount utilized by letter of credit or ancillary facility and net of unrestricted cash and cash equivalent investments) exceeds 40 % of the total Revolving Credit Facility commitments (including those of any incremental revolving credit facility) at that time, the Senior Secured Facilities Agreement will require that the senior secured net leverage ratio does not exceed 7.75 : 1.00.

The Senior Secured Credit Facilities Agreement also requires compliance with certain affirmative covenants, including covenants relating to:

- maintenance of relevant authorizations and consents
- pari passu ranking
- pension schemes
- center of main interests
- corporate rating
- payment of taxes
- maintenance of insurance
- compliance with laws
- holding companies
- maintenance of guarantor coverage requirement (being 80 percent of consolidated EBITDA) and requirement for wholly owned Material Subsidiaries (accounting for 5 percent of consolidated EBITDA) to become guarantors on an annual basis (within 120 days of delivery of the relevant financial statements).

Senior Secured Notes

Overview and Structure

On April 8, 2021, the Douglas-Group issued €1,305 million aggregate principal amount of Senior Secured Notes: The Senior Secured Notes mature on April 8, 2026.

Interest

Interest on the Senior Secured Notes will accrue at the rate of 6.00 % per annum. Interest on the Senior Secured Notes is payable in cash semi-annually in arrears on April 15 and October 15.

Certain Covenants

The Senior Secured Notes Indenture limits, among other things, the ability of the Senior Secured Notes Issuer and the Senior PIK Notes Issuer, respectively and their respective restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock
- pay dividends, redeem capital stock and make certain investments
- make certain other restricted payments
- create or permit to exist certain liens
- impose restrictions on the ability of the restricted subsidiaries to pay dividends
- transfer or sell certain assets
- merge or consolidate with other entities
- enter into certain transactions with affiliates; and
- impair the security interests for the benefit of the holders of the Notes.

Certain of the covenants will be suspended if and for as long as we achieve investment-grade ratings. Each of the covenants in the Indenture will be subject to significant exceptions and qualifications.

Senior PIK Notes

Overview and Structure

On 8 April 2021, Kirk Beauty SUN GmbH (the "Senior PIK Notes Issuer") issued €475 million aggregate principal amount of Senior PIK Notes: The Senior PIK Notes mature on October 1, 2026.

Interest

Cash interest will accrue at a rate of 8.250 % per annum. PIK interest will accrue at a rate of 9.000 % per annum.

Interest is payable on the Senior PIK Notes at the election of the Senior PIK Notes Issuer, (i) entirely in cash or (ii) by increasing the principal amount of the Senior PIK Notes or by issuing Senior PIK Notes in a principal amount equal to such interest, in each case rounded down to the nearest €1.00. Interest is payable semi-annually in arrears on April 15 and October 15.

For the avoidance of doubt, interest on the Senior PIK Notes shall be paid in 100% PIK Interest unless the Issuer makes an election to pay Cash Interest, and failure by the Issuer to inform the Trustee and the Paying Agent or deliver such a notice as set forth in this paragraph shall not require the Issuer to pay any Cash Interest.

Certain Covenants

The Senior PIK Notes Indenture limits, among other things, the ability of the Senior PIK Notes Issuer and the Senior Secured Notes Issuer, respectively and their respective restricted subsidiaries to:

- incur or guarantee additional indebtedness and issue certain preferred stock
- pay dividends, redeem capital stock and make certain investments
- make certain other restricted payments
- create or permit to exist certain liens
- impose restrictions on the ability of the restricted subsidiaries to pay dividends
- transfer or sell certain assets
- merge or consolidate with other entities
- enter into certain transactions with affiliates; and
- impair the security interests for the benefit of the holders of the Notes.

Certain of the covenants will be suspended if and for as long as we achieve investment-grade ratings. Each of the covenants in the Indentures will be subject to significant exceptions and qualifications.

CERTAIN DEFINITIONS

Definitions that might be used in this Financial Report:

- "Company" refers to Kirk Beauty A GmbH
- "Core markets" refers to Germany, France, Italy, Spain, the Netherlands and Poland
- "Core countries" refers to Germany, France (including Monaco), Italy, Spain (including Andorra), the Netherlands and Poland
- "CVC" refers to CVC Capital Partners SICAV-FIS S.A. and each of its subsidiaries from time to time and CVC Capital Partners Advisory Group Holding Foundation and each of its subsidiaries from time to time, and/or investment funds or vehicles advised or managed by any of the foregoing ("CVC Funds") and/or any investors or limited partners in the CVC Funds, but excluding, in each case, any portfolio companies in which CVC Funds hold an interest and CVC Credit Partners Group Holding Foundation and each of its subsidiaries from time to time and any funds or entities advised or managed by them from time to time.
- "Douglas," the "Douglas Group", the "Group", "our Group" and other similar terms refer to Kirk Beauty A GmbH and its consolidated subsidiaries, which for the avoidance of doubt is not identical to the restricted group under the Senior Secured Notes or the Senior PIK Notes
- "Europe" refers to continental Europe unless as otherwise indicated
- "European Union" or "EU" refers to the European economic and political union
- "Founder Co-Investors" refers to the Kreke family
- "German GAAP" refers to generally accepted accounting principles in Germany as set out in the German Commercial Code (Handelsgesetzbuch)
- "Guarantors" collectively refers to the Issue Date Guarantors and the Post-Closing Guarantors, and references to "Guarantor" are to each of them
- "IFRS" refers to International Financial Reporting Standards as adopted by the EU
- "Indentures" refers to the Senior Secured Notes Indenture and the Senior PIK Notes Indenture
- "Issuers" refers to the Senior Secured Notes Issuer and the Senior PIK Notes Issuer
- "KPMG" refers to KPMG AG Wirtschaftsprüfungsgesellschaft, Barbarossaplatz 1a, 50674 Cologne;
- "MEP 2 KG" refers to Kirk Beauty 2 Beteiligungs GmbH & Co. KG
- "Note Guarantees" refers to the Senior Secured Note Guarantees together with the Senior PIK Note Guarantees
- "Notes" refers to the Senior Secured Notes and the Senior PIK Notes offered hereby
- "Parent" refers to Kirk Beauty A GmbH
- "Revolving Credit Facility" refers to a €170 million multicurrency revolving credit facility to be established under the Senior Secured Facilities Agreement
- "Senior PIK Notes" refers to the €475,000,000 aggregate principal origin amount of the Senior PIK Notes Issuer's 8.250%/9.000% Senior PIK Notes due 2026
- "Senior Secured Facilities" refers to the Term Loan B Facility, the Revolving Credit Facility and any incremental facility and/or any additional borrowings which may be made available under the Senior Secured Facilities Agreement from time to time
- "Senior Secured Facilities Agreement" refers to the Existing Senior Secured Facilities Agreement, as amended and restated pursuant to a supplemental deed entered into prior to the Issue Date between, among others, the Senior Secured Notes Issuer and certain of its subsidiaries and Deutsche Bank AG, London Branch as agent and security agent, comprised of, as of the Issue Date, the Term Loan B Facility and the Revolving Credit Facility, as further amended from time to time
- "Senior Secured Notes" refers to the €1,305,000,000 aggregate principal amount of the Senior Secured Notes Issuer's 6.000% senior secured notes due 2026
- "Term Loan B Facility" refers to a €600 million term loan B facility established under the Senior Secured Facilities Agreement
- "we," "us," "our" and other similar terms refer to Kirk Beauty A GmbH, and its subsidiaries.

For further definitions of financial figures, please refer to the F-Pages of this report.

CONSOLIDATED FINANCIAL STATEMENTS

of Kirk Beauty A GmbH as of 30. September 2022

Consolidated Statement of Profit or Loss⁵

of Kirk Beauty A GmbH for the period from October 1, 2021 to September 30, 2022

	Notes No.	10/01/2021- 09/30/2022 EUR m	10/01/2020- 09/30/2021 EUR m
Sales (net)	5	3,677.5	3,119.6
Cost of raw materials, consumables and supplies and merchandise		-2,058.4	-1,800.7
Gross Profit		1,619.1	1,318.9
Other operating income	6	288.6	238.4
Personnel expenses	7	-593.8	-587.9
Other operating expenses	8	-783.8	-677.9
Result from impairments on financial assets		0.0	-0.2
EBITDA		530.0	291.3
Amortization/depreciation/impairment	11-15	-580.8	-402.6
EBIT		-50.7	-111.3
Financial income	9	12.7	12.5
Financing expenses	9	-318.9	-245.2
Financial result	9	-306.2	-232.6
EBT		-357.0	-344.0
Income taxes	10	43.2	-43.6
Profit (+) or Loss (-) of the period (Net Income)		-313.7	-387.6
<i>Attributable to owners of the parent</i>		<i>-313.7</i>	<i>-387.6</i>
<i>Attributable to non-controlling interests</i>		<i>0.0</i>	<i>0.0</i>

⁵ The prior year 2020/21 has been restated to reflect the reorganized Group structure including Kirk Beauty SUN GmbH. Further explanations can be found in the Notes to the Consolidated Financial Statements under Note 23, Equity.

Consolidated Reconciliation from Profit or Loss to Total Comprehensive Income⁶

of Kirk Beauty A GmbH for the period from October 1, 2021 to September 30, 2022

	Notes No.	10/01/2021- 09/30/2022 EUR m	10/01/2020- 09/30/2021 EUR m
Profit (+) or Loss (-) of the period (Net Income)		-313.7	-387.6
Other comprehensive income after tax			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences arising from translating the financial statements of a foreign operation		-5.2	-4.3
Items that are not reclassified to profit or loss			
Actuarial gains or losses from pension and similar obligations	24	5.4	-0.4
Other comprehensive income after tax		0.2	-4.8
Total comprehensive income		-313.5	-392.4
<i>Attributable to owners of the parent</i>		<i>-313.5</i>	<i>-392.4</i>
<i>Attributable to non-controlling interests</i>		<i>0.0</i>	<i>0.0</i>

⁶ The prior year 2020/21 has been restated to reflect the reorganized Group structure including Kirk Beauty SUN GmbH. Further explanations can be found in the Notes to the Consolidated Financial Statements under Note 23, Equity.

Consolidated Statement of Financial Position⁷

of Kirk Beauty A GmbH as of September 30, 2022

Assets		09/30/2022	09/30/2021	10/01/2020
	Notes No.	EUR m	EUR m	EUR m
Non-current assets				
Goodwill	11	1,036.1	1,228.6	1,234.0
Other intangible assets	12	814.9	812.9	811.0
Property, plant and equipment	13	209.1	220.3	278.0
Right-of-use assets from leases	14	1,049.0	1,037.6	1,230.9
Other financial assets	19	11.6	38.4	851.8
Deferred tax assets	16	10.9	27.1	61.3
		3,131.7	3,365.0	4,467.0
Current assets				
Inventories	17	719.4	648.8	734.3
Trade accounts receivable*	18	32.9	31.1	23.2
Tax receivables		32.2	33.6	23.2
Other financial assets*	19	183.4	171.1	179.1
Other assets	20	46.6	41.0	34.8
Cash	21	245.3	240.4	256.3
		1,259.8	1,166.1	1,250.9
Assets held for sale	22	0.0	8.4	0.0
Total		4,391.5	4,539.4	5,717.9

*Within current assets, receivables from payment service providers have been reclassified from trade accounts receivable to other financial assets; the prior year has been adjusted accordingly for better comparability.

⁷ The prior year 2020/21 has been restated to reflect the reorganized Group structure including Kirk Beauty SUN GmbH. Further explanations can be found in the Notes to the Consolidated Financial Statements under Note 23, Equity.

FY 2021/22

	Notes No.	09/30/2022 EUR m	09/30/2021 EUR m	10/01/2020 EUR m
Equity	23			
Capital stock*		0.0	-	0.0
Additional paid-in capital		326.0	-	1,125.1
Combined capital**		0.0	668.8	0.0
Other reserves		-1,619.9	-1,655.4	-459.8
Equity before non-controlling interests		-1,293.9	-986.6	665.4
Non-controlling interests		0.0	0.0	0.0
		-1,293.9	-986.6	665.4
Non-current liabilities				
Pension provisions	24	28.2	36.0	36.2
Other non-current provisions	25	46.4	52.4	58.1
Other financial liabilities	27	4,036.9	3,837.8	3,371.5
Other liabilities	28	4.6	16.4	14.6
Deferred tax liabilities	16	180.8	274.0	194.2
		4,296.9	4,216.5	3,674.5
Current liabilities				
Current provisions	25	97.5	112.6	87.7
Trade accounts payable	26	634.5	484.5	503.5
Tax liabilities		58.1	101.0	68.7
Other financial liabilities	27	332.8	341.4	458.6
Other liabilities	28	265.6	268.5	259.6
		1,388.6	1,308.1	1,378.0
Liabilities related to assets held for sale	22	0.0	1.5	0.0
Total		4,391.5	4,539.4	5,717.9

*) Capital stock amounted to €48,785.00 (prior year Douglas GmbH: €44,350.00) at the reporting date.

***) Combined capital is the invested equity attributable to the joint parent company, consisting of capital stock and capital reserves of the combined entities Douglas GmbH and Kirk Beauty SUN GmbH. Further explanations can be found in the Notes to the Consolidated Financial Statements under Note 23, Equity.

Statement of Changes in Group Equity⁸

of Kirk Beauty A GmbH for the period from October 1, 2021 to September 30, 2022

	Notes No.	Capital stock* EUR m	Additional paid-in capital EUR m	Combined capital** EUR m	Other reserves Retained earnings EUR m	Actuarial gains or losses EUR m	Exchange differences EUR m	Equity before non-controlling interests EUR m	Non-controlling interests EUR m
10/01/2021	23	-	-	668.8	-1,643.2	-2.6	-9.7	-986.6	0.0
Transition from combination to consolidation	23	0.0	668.8	-668.8				0.0	
Capital reorganisation	23		-342.8		342.8			0.0	
Other changes		0.0	326.0	-668.8	342.8			0.0	
Currency translation					0.0		-5.2	-5.2	0.0
Effects from valuation of IAS 19						5.4		5.4	
Other comprehensive income after tax					0.0	5.4	-5.2	0.2	0.0
Profit (+) or Loss (-) of the period (Net Income)					-313.7		0.0	-313.7	0.0
Total comprehensive income					-313.7	5.4	-5.2	-313.5	0.0
Capital increase		0.0						0.0	
Share-based Payment					6.1			6.1	
Transactions with shareholders		0.0			6.1		0.0	6.1	0.0
09/30/2022		0.0	326.0	0.0	-1,608.0	2.8	-14.9	-1,293.9	0.0

*) Capital stock amounted to €48,785.00 at the reporting date.

**) Combined capital is the invested equity attributable to the joint parent company, consisting of capital stock and capital reserves of the combined entities Douglas GmbH and Kirk Beauty SUN GmbH. Further explanations can be found in the Notes to the Consolidated Financial Statements under Note 23, Equity.

⁸ The prior year 2020/21 has been restated to reflect the reorganized Group structure including Kirk Beauty SUN GmbH. Further explanations can be found in the Notes to the Consolidated Financial Statements under Note 23, Equity.

of Kirk Beauty A GmbH for the period from October 1, 2020 to September 30, 2021

	Notes No.	Capital stock* EUR m	Additional paid-in capital EUR m	Combined capital** EUR m	Other reserves Retained earnings EUR m	Actuarial gains or losses EUR m	Exchange differences EUR m	Equity before non- controlling interests EUR m	Non- controlling interests EUR m
10/01/2020	23	0.0	1,125.1	0.0	-452.3	-2.2	-5.3	665.4	0.0
Change in the scope of consolidation			-676.3		-1,026.2			-1,702.5	
Adjusted balance 10/01/2020		0.0	448.8	0.0	-1,478.5	-2.2	-5.3	-1,037.1	0.0
Transition from combination to consolidation		0.0	-448.8	448.8	0.0	0.0		0.0	
Other changes		0.0	-448.8	448.8	0.0	0.0	0.0	0.0	0.0
Currency translation					0.0	0.0	-4.3	-4.3	0.0
Effects from valuation of IAS 19						-0.4	0.0	-0.4	0.0
Other comprehensive income after tax				0.0	0.0	-0.4	-4.3	-4.8	0.0
Profit (+) or Loss (-) of the period (Net Income)					-387.6	0.0		-387.6	
Total comprehensive income				0.0	-387.6	-0.4	-4.3	-392.4	0.0
Capital increase		-		220.0		0.0		220.0	
Granted benefit from valuation of shareholder loans					214.8	0.0		214.8	
Share-based Payment					8.1	0.0		8.1	
Transactions with shareholders		-		220.0	222.9	0.0	0.0	442.9	0.0
09/30/2021		-	-	668.8	-1,643.2	-2.6	-9.7	-986.6	0.0

*) Capital stock (prior year: Douglas GmbH) amounted to €44,350.00 at the prior-year reporting date.

**) The invested equity attributable to Kirk Beauty International S.A. is presented as "Combined capital", consisting of capital stock and capital reserve of the combined entities Douglas GmbH and Kirk Beauty SUN GmbH. Further explanations can be found in the Notes to the Consolidated Financial Statements under Note 23, Equity.

Consolidated Statement of Cash Flows⁹

of Kirk Beauty A GmbH for the period from October 1, 2021 to September 30, 2022

	Notes No.	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
		EUR m	EUR m
Profit (+) or Loss (-) of the period (Net Income)		-313.7	-387.6
+ Income taxes	10	-43.2	43.6
+ Financial result	9	306.2	232.6
+ Amortization/depreciation/impairment	11 - 15	580.8	402.6
= EBITDA		530.0	291.3
+/- Increase/decrease in provisions	24.25	-28.6	21.2
+/- Other non-cash expense/income		1.8	3.1
+/- Loss/profit on the disposal of non-current assets		-9.3	-0.1
+/- Changes in net working capital without liabilities from investments in non-current assets		53.7	69.2
+/- Changes in other assets/liabilities not classifiable to investing or financing activities		-27.1	23.2
-/+ Paid/reimbursed taxes		-52.4	-37.7
= Net cash flow from operating activities		468.1	370.2
+ Proceeds from the disposal of non-current assets		8.3	10.5
- Payments for investments in non-current assets		-85.6	-92.3
- Payments for the acquisition of consolidated companies and other business units		-24.2	0.0
= Net cash flow from investing activities		-101.5	-81.8
Free cash flow (FCF)		366.6	288.4
+ Receipts from equity contributions		0.0	220.0
- Payments for the redemption of financial loans and bonds		-13.1	-1,873.0
- Payments for the redemption of lease liabilities		-259.9	-252.8
+ Proceeds from the issuance of financial loans and bonds		76.0	1,780.5
- Transaction costs paid in respect of financial loans and bonds		-3.6	-53.1
- Interest paid		-160.2	-125.9
+ Interest received		0.3	0.3
= Net cash flow from financing activities		-360.4	-304.1
Net change in cash		6.2	-15.7
+/- Net change in cash due to currency translation		-1.4	-0.2
+ Cash at the beginning of the reporting period		240.4	256.3
= Cash at the end of the reporting period		245.3	240.4

The Consolidated Statement of Cash Flows is explained in the Notes to the Consolidated Financial Statements under Note 30, Consolidated Statement of Cash Flows.

⁹ The prior year 2020/21 has been restated to reflect the reorganized Group structure including Kirk Beauty SUN GmbH. Further explanations can be found in the Notes to the Consolidated Financial Statements under Note 23, Equity.

Notes to the Consolidated Financial Statements

of Kirk Beauty A GmbH for the period from October 1, 2021 to September 30, 2022

FY 2021/22

Segment Reporting^{10 11}

of Kirk Beauty A GmbH for the period from October 1, 2021 to September 30, 2022

		DACHNL		France	
		10/01/2021- 09/30/2022	10/01/2020- 09/30/2021	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
Sales (net)	EUR m	1,826.4	1,499.3	785.9	699.3
Intersegment sales (net)	EUR m	1.5	0.1	0.0	0.0
External sales (net)	EUR m	1,824.9	1,499.2	785.9	699.3
Sum of adjustments on Sales	EUR m	0.0	0.0	-4.7	0.0
Adjusted Sales (net)	EUR m	1,826.4	1,499.3	781.2	699.3
EBITDA before application of IFRS 16	EUR m	182.6	51.4	135.5	75.7
<i>EBITDA-margin before application of IFRS 16</i>	%	10.0	3.4	17.2	10.8
Sum of adjustments on EBITDA	EUR m	27.0	109.2	-14.4	32.4
Adjusted EBITDA	EUR m	209.7	160.7	121.0	108.1
<i>Adjusted EBITDA-margin</i>	%	11.5	10.7	15.5	15.5
Inventories	EUR m	356.0	293.5	116.0	108.0
Capital expenditure	EUR m	21.3	17.0	15.6	10.5

		Southern Europe		Central Eastern Europe		Total Reportable Segments	
		10/01/2021- 09/30/2022	10/01/2020- 09/30/2021	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
Sales (net)	EUR m	589.3	560.3	463.9	361.1	3,665.5	3,120.0
Intersegment sales (net)	EUR m	0.0	0.0	0.4	0.5	1.9	0.6
External sales (net)	EUR m	589.3	560.3	463.5	360.7	3,663.6	3,119.4
Sum of adjustments on Sales	EUR m	-22.8	0.0	0.0	0.0	-27.5	0.0
Adjusted Sales (net)	EUR m	566.5	560.3	463.9	361.1	3,638.0	3,120.0
EBITDA before application of IFRS 16	EUR m	1.9	-33.1	78.9	40.1	398.9	134.1
<i>EBITDA-margin before application of IFRS 16</i>	%	0.3	-5.9	17.0	11.1	10.9	4.3
Sum of adjustments on EBITDA	EUR m	38.1	40.1	0.4	9.3	51.1	191.0
Adjusted EBITDA	EUR m	40.0	6.9	79.3	49.4	449.9	325.1
<i>Adjusted EBITDA-margin</i>	%	7.1	1.2	17.1	13.7	12.4	10.4
Inventories	EUR m	147.7	162.6	104.0	89.1	723.6	653.2
Capital expenditure	EUR m	10.7	7.1	15.3	9.9	62.9	44.5

¹⁰ The prior year 2020/21 has been restated to reflect the new segment structure for the reporting year in accordance with IFRS 8.29. Further explanations can be found in Note 31, Segment Reporting.

¹¹ The prior year 2020/21 has been restated to reflect the reorganized Group structure including Kirk Beauty SUN GmbH. Further explanations can be found in Note 23, Equity.

ACCOUNTING PRINCIPLES, FUNDAMENTALS AND METHODOLOGIES OF THE CONSOLIDATED FINANCIAL STATEMENTS

1 | General Principles

Kirk Beauty A GmbH (Group Parent Company) is a limited liability company and has its registered office in Düsseldorf, Germany and is registered with the Commercial Register B of the Local Court of Düsseldorf under HRB 102633.

The Consolidated Financial Statements of Kirk Beauty A GmbH and its subsidiaries (Douglas-Group, Group) as of September 30, 2022 (reporting date) comprise the reporting period beginning October 1, 2021 until September 30, 2022 (financial year, reporting period).

The Consolidated Financial Statements of Kirk Beauty A GmbH were prepared according to the International Financial Reporting Standards (IFRS). The Consolidated Financial Statements take into account all compulsory accounting standards and interpretations in the European Union adopted at that time.

The Consolidated Financial Statements in the present version comply with the provisions of Section 315e HGB (German Commercial Code). These form the legal basis in Germany for group accounting in accordance with international standards, together with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards.

The original date of signing by the Management Board of Kirk Beauty A GmbH, December 16, 2022, is also the original date of approval of the Consolidated Financial Statements by the Management Board for publication and forwarding to the Supervisory Board.

The Consolidated Financial Statements originally prepared on December 16, 2022 were subsequently amended as follows:

As the Consolidated Financial Statements of Kirk Beauty A GmbH as of September 30, 2022 are the first IFRS consolidated financial statements of this company and therefore formally fall within the scope of IFRS 1 (see the following section "Reorganization of the holding structure and restatement of prior year's figures - first-time consolidated financial statements at the level of Kirk Beauty A GmbH"), the opening balances as at October 1, 2020 were added to the Consolidated Statement of Financial Position. The disclosure of events after the reporting date was supplemented by the inclusion of events up to December 19, 2023. The going concern assumption was reassessed at the time the amended financial statements were prepared.

In addition, editorial adjustments were made.

The date on which the amended Consolidated Financial Statements as at September 30, 2022 were forwarded to the Supervisory Board and thus approved for publication by the Management Board is December 19, 2023.

Reorganization of the holding structure and restatement of prior year's figures – first-time consolidated financial statements at the level of Kirk Beauty A GmbH

These Consolidated Financial Statements represent the first IFRS consolidated financial statements of Kirk Beauty A GmbH within the meaning of IFRS 1, as Kirk Beauty A GmbH has not previously published IFRS financial statements.

By notarized agreement dated June 30, 2022, Douglas GmbH was contributed into Kirk Beauty SUN GmbH, which in turn was contributed into Kirk Beauty A GmbH.

As a result of these contributions, Kirk Beauty A GmbH is the sole shareholder of Kirk Beauty SUN GmbH, based in Düsseldorf, and Kirk Beauty SUN GmbH is in turn the sole shareholder of Douglas GmbH, based in Düsseldorf.

Prior to the reorganization, Kirk Beauty A GmbH, Kirk Beauty SUN GmbH and Douglas GmbH were sister companies under the direct common control of Kirk Beauty International S.A., with registered office in Luxembourg, and under the indirect control of the common ultimate parent company, Kirk Beauty S.à r.l., with registered office in Luxembourg.

Kirk Beauty A GmbH and Kirk Beauty SUN GmbH do not have any independent business operations; neither company has any sales revenues or employees. While Kirk Beauty A GmbH is structured as a pure shell or holding company, Kirk Beauty SUN GmbH is the issuer of the Senior PIK Notes, which serve solely to finance the Douglas-Group. All material business relationships are within the Douglas-Group.

Douglas GmbH has prepared consolidated (interim) financial statements for the last time as of June 30, 2022.

A continuation of the consolidated financial statements of Douglas GmbH is still possible following the contributions, if these financial statements reflect the business operations of the companies or group involved in the contributions. Therefore, for the preparation of the Consolidated Financial Statements of Kirk Beauty A GmbH as of September 30, 2022, the prior year of the consolidated financial statements of Douglas GmbH ending September 30, 2021 can be continued, including the historical classification of equity.

For the financial year ending September 30, 2022, the prior-year carrying amounts of Douglas GmbH are carried forward. Adjustments are necessary to present share capital and other equity sub-items of Kirk Beauty A GmbH and are recognized in Group equity reserves as current business transactions in financial year 2021/22. The IFRS Consolidated Financial Statements as of September 30, 2022 therefore fall within the scope of IFRS 1.

Consequently, the presentation in the consolidated financial statements is as if the new structure had always existed. Irrespective of the date of the transaction and the date of formation of Kirk Beauty A GmbH, the results of the Douglas-Group are consequently shown for the entire financial year from October 1, 2021 to September 30, 2022 or the entire prior year (October 1, 2020 to September 30, 2021).

In this respect, there are also no effects from the conversion of previous accounting standards to IFRS. Required disclosures on the Statement of Financial Position as of October 1, 2021 (or September 30, 2021) have already been provided in the Consolidated Financial Statements of Kirk Beauty One GmbH (a former group parent company of the Douglas-Group) as of September 30, 2021. The Group therefore does not provide any further disclosures on the opening balance as of October 1, 2020 in these Notes.

In order to ensure comparability of the consolidated financial statements of Kirk Beauty A GmbH as of September 30, 2022 with the required prior-year comparative disclosures, the prior-year comparative disclosures were adjusted. For this purpose, Kirk Beauty SUN GmbH, which was previously not included in the scope of consolidation of the Douglas-Group as described above, was included in the prior-year comparative figures by way of combination.

The preparation of the Consolidated Financial Statements at the level of Kirk Beauty A GmbH with the inclusion of Kirk Beauty SUN GmbH led to retrospective changes of prior year's figures 2020/21. Further disclosures can be found in Note 23, Equity.

2 / Basis for Accounting

The financial statements of the domestic and foreign subsidiaries included in the Consolidated Financial Statements were prepared uniformly according to the applicable IFRS classification, accounting and measurement principles.

These Consolidated Financial Statements are generally based on the principle of historical cost. The main exceptions to this are financial instruments recognized at fair value and pension obligations measured using the projected unit credit method.

The Consolidated Financial Statements were prepared in euros (EUR/€). All amounts are presented in million euros (EUR m), unless otherwise indicated.

The Consolidated Statement of Profit or Loss was generally prepared according to the nature of expense method. By modification of the reporting structure defined in IAS 1.102, the cost of raw materials, consumables and supplies and merchandise is reported directly after sales in order to determine "Gross profit", which is significant for retail operations.

The senior parent company is Kirk Beauty S.à r.l. with registered office in Luxembourg, whose business purpose is the holding of investments in companies. It prepares the Consolidated Financial Statements for the largest group of consolidated entities published in Luxembourg.

Assumption of going concern as basis of accounting

The consolidated financial statements were prepared on a going concern basis, which assumes that the Group will be able to meet its liabilities.

At the time these amended financial statements were prepared, the financial year 2022/23 had already been completed. In financial year 2022/23, the original plans for adjusted sales and adjusted EBITDA as of September 30, 2023 were exceeded. Cash increased from €245.3 million in the previous year to €262.3 million as of September 30, 2023.

We expect the Douglas-Group to generate a higher cash flow in financial year 2023/24 than in financial year 2022/23, which will continue to increase in subsequent years according to our planning, driven by the restructuring and portfolio optimization, which, together with the organic expansion into new stores, should then lead to higher earnings.

According to this planning, the financial resources available are sufficient at all times to meet all of the Group's payment obligations as they fall due in the forecast period until the end of December 2024. We assume that the Revolving Credit Facility, which has a volume of € 170 million, will not be utilized in terms of liquidity.

Kirk Beauty A GmbH and its subsidiaries must comply with certain covenants and financial ratios if 40.0 percent of the nominal value of €170.0 million of the Senior Secured Multi-Currency Revolving Credit Facility (RCF) is drawn down for liquidity purposes (corresponds to €68.0 million)¹². A portion of the RCF

¹² The RCF was not drawn on in terms of liquidity as at the reporting date, although it was utilized in the form of collateral in the form of rental guarantees in the amount of €8.8 million.

amounting to up to €40.0 million can be used as ancillaries for liquidity drawdowns. A drawdown of the ancillaries is not taken into account for covenant testing purposes. In addition to other obligations, the Douglas-Group must in particular maintain a certain ratio between EBITDA and debt (financial covenants) in this test. In the event of a breach of obligations under the financing agreements, the lenders are entitled, among other things, to terminate the loans prematurely.

The Douglas-Group last successfully refinanced at the end of March 2021 with a term until the beginning of 2026. The Douglas-Group assumes that the outstanding amounts from the financing will be refinanced at maturity.

Based on these factors, the management has the realistic expectation that the Group will have adequate resources to continue its business activities for the foreseeable future.

New or changed standards and interpretations

Overview of standards and interpretations applied for the first time

The new standards and interpretations or amendments to existing standards and interpretations presented below have been applied for the first time in these Consolidated Financial Statements:

New standards/interpretations - first-time adoption		Date of first-time adoption in the EU	Endorsed by European Commission	Impact on Douglas Group	
IFRS 16	Leases	Amendment: Covid-19-Related Rent Concessions beyond June 30, 2021	04/01/2021	08/30/2021	No impact
IFRS 4, IFRS 9, IFRS 7, IAS 39, IFRS 16	Insurance Contracts, Financial Instruments, Financial Instruments: Disclosures, Financial Instruments: Recognition and Measurement, Leases	Amendment: Interest Rate Benchmark Reform - Phase 2	01/01/2021	01/13/2021	No impact
IFRS 4	Insurance Contracts	Amendment: Extension of the temporary Exemption from applying IFRS 9	01/01/2021	12/15/2020	No impact
IFRS 16	Leases	Amendment: Covid-19-related Rent Concessions	06/01/2020	10/09/2020	No impact

Overview of accounting standards and interpretations not applied yet

The following overview provides a summary of newly implemented or revised IASB accounting standards and interpretations that were not yet applied by the Douglas-Group in financial year 2021/22, as they were either not yet compulsory or not yet approved by the European Commission.

	New standards/Interpretations not yet applicable		Date of first-time adoption in the EU	Endorsed by European Commission	Probable impact on the Douglas Group
IFRS 16	Leases	Amendment: Lease liability in a sale-and-lease-back transaction	01/01/2024	Not yet	No impact
IFRS 17	Insurance Contracts	First-time Adoption of IFRS 17 and IFRS 9 Comparative information	01/01/2023	09/08/2022	No impact
IAS 12	Income taxes	Amendment: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023	08/11/2022	No impact
IAS 8	Accounting policies, Changes in Accounting Estimates and Errors	Amendment: Definition of Accounting Estimates	01/01/2023	03/02/2022	No impact
IAS 1	Presentation of Financial Statements	Amendment: Disclosure of Accounting policies	01/01/2023	03/02/2022	No impact
IAS 1	Presentation of Financial Statements	Amendment: Classification of Liabilities as current or non-current - Deferral of Effective Date	01/01/2023	Not yet	No impact
IFRS 3	Business Combinations	Amendment: Reference to the Conceptual Framework	01/01/2022	06/28/2021	No impact
IAS 16	Property, plant and equipment	Amendment: Proceeds before intended Use	01/01/2022	06/28/2021	No impact
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Amendment: Onerous Contracts - Cost of Fulfilling a Contract	01/01/2022	06/28/2021	No impact
Improvement Project 2018-2020	Annual Improvements to IFRSs 2018-2020 Cycle	Improvement of existing Standards	01/01/2022	06/28/2021	No impact
IAS 1	Presentation of Financial Statements	Amendment: Classification of Liabilities as current or non-current	01/01/2023	Not yet	No impact
IFRS 17	Insurance Contracts		01/01/2023	11/19/2021	No impact

Each standard will be adopted for the first time at the point at which adoption is compulsory.

Restatement of prior year 2020/21

In prior financial year 2020/21, contrary to their contractual form, subsequent supplier compensation of €4.6 million was not included in the measurement of merchandise at cost, but was recognized as a reduction in expenses under cost of raw materials, consumables and supplies and purchased merchandise. As a result, gross profit and the performance indicators EBITDA and adjusted EBITDA were also overstated by €4.6 million. The same applies to inventories. The correction will be made by restating the relevant items in the financial statements for the prior financial year 2020/21.

The following tables summarize the effects on the Consolidated Financial Statements.

Restatement of the Consolidated Statement of Profit or Loss of Kirk Beauty A GmbH for prior year 2020/21

	10/01/2020-09/30/2021		
	As previously reported EUR m	Restatements EUR m	Restated EUR m
Cost of raw materials, consumables and supplies and merchandise	-1,796.1	-4.6	-1,800.7
Gross Profit	1,323.5	-4.6	1,318.9
EBITDA	295.9	-4.6	291.3
EBIT	-106.7	-4.6	-111.3
EBT	-341.5	-4.6	-346.0
Income taxes	-43.0	-0.8	-43.8
Profit (+) or Loss (-) of the period (Net Income)	-384.5	-5.4	-389.9
<i>Attributable to owners of the parent</i>	<i>-384.5</i>	<i>-5.4</i>	<i>-389.9</i>

Restatement of the Consolidated Statement of Financial Position of Kirk Beauty A GmbH as of September 30, 2021

Assets	09/30/2021		
	As previously reported EUR m	Restatements EUR m	Restated EUR m
Non-current assets			
Deferred tax assets	26.3	0.8	27.1
	3,361.5	0.8	3,362.3
Current assets			0.0
Inventories	653.3	-4.5	648.8
	1,170.6	-4.5	1,166.1
Total	4,540.5	-3.7	4,536.8

FY 2021/22

Equity and Liabilities

	09/30/2021		
	As previously reported EUR m	Restatements EUR m	Restated EUR m
Equity			
Other reserves	-1,652.3	-3.7	-1,656.1
<i>Equity before non-controlling interests</i>	-983.5	-3.8	-987.3
	-983.5	-3.8	-987.3
Total	4,540.5	-3.8	4,536.7

Restatement of Segment Reporting of Kirk Beauty A GmbH for the prior period from October 1, 2020 to September 30, 2021

		Central Eastern Europe			Douglas Group		
		As previously reported 10/01/2020- 09/30/2021	Restatements 10/01/2020- 09/30/2021	Restated 10/01/2020- 09/30/2021	As previously reported 10/01/2020- 09/30/2021	Restatements 10/01/2020- 09/30/2021	Restated 10/01/2020- 09/30/2021
EBITDA before application of IFRS 16	EUR m	35.5	4.6	40.1	19.3	-4.6	14.7
<i>EBITDA-margin before application of IFRS 16</i>	%	<i>12.3</i>	<i>-1.3</i>	<i>11.0</i>	<i>0.6</i>	<i>-0.1</i>	<i>0.5</i>
Adjusted EBITDA	EUR m	44.8	4.6	49.4	222.4	-4.6	217.8
<i>Adjusted EBITDA-margin</i>	%	<i>14.6</i>	<i>-1.3</i>	<i>13.3</i>	<i>7.1</i>	<i>-0.1</i>	<i>7.0</i>
Inventories	EUR m	93.6	-4.5	89.1	653.3	-4.5	648.8

3 | Consolidation Principles

Group of consolidated companies

All German and foreign companies over which Kirk Beauty A GmbH has direct or indirect control are fully consolidated in the Consolidated Financial Statements. Control exists when Kirk Beauty A GmbH obtains power, when Kirk Beauty A GmbH is exposed to variable returns from its investments with the investee and when it is able to influence these returns. These companies are fully consolidated when the Group obtains control and deconsolidated when control ceases.

Group of consolidated entities

	Germany	Other countries	Total
10/01/2021	19	35	54
Entities consolidated for the first time	4	2	6
Deconsolidated companies	0	-2	-2
Merged companies	-4	-1	-5
09/30/2022	19	34	53

Two companies in which the Group does not hold a majority stake, but on which the Group does have a significant influence, were not recognized using the at-equity method. These companies solely provide

intercompany services for the Douglas-Group and are of minor importance to the net assets, financial position and results of operations of the Group due to their extremely low business volumes. In addition, some of these companies have different reporting dates and do not prepare interim financial statements. Because of this, no financial information regarding these companies is available as of the reporting date and the fair values cannot be reliably determined. The carrying amount of these investments recognized under financial assets amounts to €38 thousand in total.

The list of shareholdings is shown under Note 40, Shareholdings of the Douglas-Group pursuant to §313 HGB.

Acquisitions – acquisition of Disapo

By purchase agreement dated February 9, 2022, the online pharmacy Disapo.de Apotheke B.V. (hereinafter "Disapo"), headquartered in Heerlen (Netherlands), was acquired.

With this acquisition, Douglas is investing in access to the pharmacy market and plans to gradually extend its online pharmacy offering to all our European regions. Douglas is thus strengthening two pillars of its growth strategy: the consistent digitalization of its business model and the expansion of the Douglas-Group's offering to include health products.

The acquisition includes all shares in Disapo. Closing date of the acquisition and thus obtaining control over Disapo was April 7, 2022. Disapo was included in the Consolidated Financial Statements for the first time effective April 1, 2022.

The purchase price was agreed to be a cash payment of €33.6 million, the fair value of which amounts to €33.0 million, and an earn-out component. The earn-out component depends on sales in 2025, amounts to a maximum of €10 million and is payable in calendar year 2026. The fair value of the earn-out payment at the measurement date is estimated at €2.3 million and thus the total purchase price at €35.3 million.

Determination of goodwill	EUR m
Purchase price	35.3
Net assets acquired	-8.0
Goodwill	43.2

The fair values of the identified assets and liabilities were essentially the same as the carrying amounts of the net assets acquired, so that no adjustment was made. The excess of the consideration paid over the net assets acquired measured at fair value was recognized as goodwill in the Consolidated Statement of Financial Position. Goodwill reflects the synergies expected to arise primarily from the use of the Douglas platform by Disapo. Therefore, goodwill has been allocated to the goodwill-bearing unit Germany, where it is monitored and tested for impairment at least annually (see Note 11, Goodwill, or Note 15, Impairment of assets according to IAS 36). Goodwill is not relevant for tax purposes.

Acquired assets and liabilities	Fair values at the time of acquisition as at 1. April 2022 EUR m
Other intangible assets	0.1
Property, plant and equipment	0.5
Right-of-use assets from leases	1.7
Other financial assets	0.3
Inventories	8.5
Other assets	1.0
Cash and cash equivalents	0.3
Financial liabilities	1.7
Trade accounts payable	10.5
Tax liabilities	8.1
Other liabilities	0.1

During the period of affiliation to the Group, Disapo contributed €42.6 million to sales and minus €11.8 million to the loss of the period. If Disapo had already been included in the Consolidated Financial Statements since the beginning of the financial year, October 1, 2021, sales would have been approximately higher by €44.4 million and the loss of the period higher by €10.5 million.

The Group incurred costs of €0.6 million for legal advice and due diligence in connection with the business combination. These costs are included in other operating expenses.

Trade accounts receivable include gross amounts due under contractual receivables of €1.9 million, which were fully impaired at the time of acquisition.

Consolidation methods

Capital consolidation is performed in accordance with IFRS 3 (Business Combinations) using the purchase method. In the case of business combinations, the carrying amounts of the investments are eliminated against the Group's share of the revalued equity of the subsidiaries at the date of acquisition. Any positive differences remaining after recognition of fair value adjustments to assets and liabilities are capitalized as goodwill. Goodwill is generally tested for impairment once a year. In addition, in the case of business combinations, fair value adjustments attributable to non-controlling interests are recognized in equity under the item "Non-controlling interests". In accordance with IFRS 3, negative goodwill arising from a business combination is recognized in profit or loss in the period in which the combination takes place, after recognition of fair value adjustments to assets and liabilities and a further review.

Every contingent consideration obligation is valued at the time of acquisition at fair value. If the contingent consideration is classified as equity, it is not remeasured and a settlement is accounted for in equity. Otherwise, other contingent consideration is measured at fair value on each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Receivables from and corresponding liabilities to consolidated companies (subsidiaries) are offset against each other. Intercompany profits and losses from intragroup transactions are eliminated in the Consolidated Financial Statements to the extent that they have not yet been realized through sales to third parties. Sales and other income from intercompany transactions are offset against the corresponding expenses.

Currency translation

These Consolidated Financial Statements are presented in euros (reporting currency, Group presentation currency), the functional currency of the Group parent company. The annual financial statements of foreign subsidiaries whose functional currency is not the same as the Group presentation currency are translated into euros according to the functional currency concept. The functional currency of the subsidiaries is the currency of the main economic area in which the subsidiary operates. This is generally the respective national currency.

The assets and liabilities are translated using the exchange rate on the reporting date; income and expenses are translated at the exchange rate on the day of the transaction, generally approximated by the Group's average exchange rate for the reporting period. The resulting exchange differences are recognized in other comprehensive income and within reserves in equity.

The following exchange rates were substantially used for currency translation for the annual financial statements of foreign subsidiaries denominated in foreign currencies.

		Average exchange rate 10/01/2021- 09/30/2022 EUR m	Closing rate 09/30/2022 EUR m	Average exchange rate 10/01/2020- 09/30/2021 EUR m	Closing rate 09/30/2021 EUR m
Bulgarian Lev	BGN	0.51130	0.51130	0.51130	0.51130
Swiss Franc	CHF	0.97788	1.04592	0.91976	0.92336
Czech Koruna	CZK	0.04030	0.04073	0.03851	0.03922
Croatian Kuna	HRK	0.13281	0.13291	0.13263	0.13353
Hungarian Forint	HUF	0.00263	0.00237	0.00280	0.00278
Polish Zloty	PLN	0.21467	0.20626	0.22046	0.21646
Romanian Lei	RON	0.20249	0.20206	0.20401	0.20212

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 are translated at the exchange rate on the reporting date. All differences resulting from currency translation are recognized in the Consolidated Statement of Profit or Loss.

4 | Accounting and Valuation Principles

Revenue recognition

Douglas primarily generates sales from the retail of fragrances, cosmetics and care products with end consumers as customers. Most of the sales result from store and e-commerce business. In addition, the Group operates a platform on which other retailers can offer their products to end consumers ("Partner Program").

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognizes revenue when it transfers control of an item or service to a customer. In store business, customers obtain control of the items by agreeing and handing them over at the store. Payment is usually made immediately in cash or by electronic means. In e-commerce business, customers obtain control over the items they have selected and ordered online when the products are delivered by a service provider to the address provided by the customer. Payment is made either immediately by electronic means of payment or on account with short term payment terms. For the Partner Program, the Group recognizes the

commission received based on the sales of the partners processed via the platform as sales ("agent accounting"), as the Group does not obtain control over the products offered on the platform.

In particular, in the case of customers' rights to return goods, customer loyalty programs and gift vouchers, sales are recognized or deferred as follows:

For contracts that allow the customer to return an item, revenue is recognized to the extent that it is highly probable that a material adjustment to the cumulative recognized revenue will not occur. Therefore, the amount of revenue recognized is adjusted for expected returns, which are estimated based on historical data for certain fragrance, cosmetic and personal care items, and a corresponding contract liability is recognized.

Participants in the Douglas-Group's customer loyalty programs can receive bonus points for purchases made, which they can exchange for discount vouchers for subsequent purchases when certain thresholds are reached. The bonus points represent material rights within the meaning of IFRS 15 and must therefore be recognized as a separate performance obligation.

The points are credited and generally expire within two years. Upon purchase, the transaction price is allocated to the stand-alone performance obligations based on the relative individual selling prices. At the Douglas-Group, the transaction price corresponds to the selling price of the goods and services purchased by the customer. In the absence of observable individual selling prices of the bonus points, these are estimated on the basis of the discount, taking into account redemption probabilities. A contractual liability is recognized under other liabilities in the amount of the performance obligation attributable to the bonus points granted. The contractual liability is reversed when the bonus points are redeemed or finally expire. Bonus points are valid for 2 years from the date of their purchase.

Sold gift vouchers are accounted for as a contractual liability, taking into account the probability of redemption. Revenue from gift vouchers with unlimited validity is recognized upon redemption by the customer.

Interest income and interest expense

Interest income and interest expense are recognized in the financial result on an accrual basis.

Income taxes

Tax expenses comprise both current and deferred taxes. Current and deferred taxes are recognized in profit or loss, except for those associated with a business combination or items recognized directly in equity or in other comprehensive income.

Current taxes

Current taxes constitute anticipated tax liabilities or assets on the taxable income or loss generated in the reporting period, calculated on the basis of tax rates applying on the reporting date or shortly afterwards, as well as adjustments to tax liabilities or assets in prior periods. The amount of the anticipated tax liabilities or assets represents a best estimate in consideration of uncertain tax situations, if applicable. Current tax liabilities also include all tax liabilities resulting from the declaration of dividends.

Deferred taxes

Deferred taxes are recognized for temporary differences between the carrying amounts in the Consolidated Financial Statements and the tax base to the extent that these differences will lead to tax refunds or charges in future. Deferred taxes are measured taking into account the tax rates and tax regulations which are expected to be in force when the differences are reversed. Deferred tax assets are

only recognized to the extent that there is taxable income expected on the date on which the difference is reversed.

If the future tax advantage from loss carryforwards can be utilized with sufficient certainty in future periods, deferred tax assets are recognized. Deferred tax assets are offset against deferred tax liabilities if such liabilities exist against the same tax authority.

Goodwill

Goodwill arising from capital consolidation is capitalized in accordance with the provisions of IFRS 3 and subjected to an annual impairment test. In addition, impairment tests are performed on an ad hoc basis whenever there are indications of impairment. There is no scheduled amortization.

For the purposes of impairment testing, goodwill is allocated to the group of cash-generating units (CGU) that is expected to profit from synergies arising from the acquisition ("goodwill-bearing unit"). A cash-generating unit (CGU) is defined as an individual retail store or an online shop. The ceiling for goodwill allocation generally is the individual country, that corresponds to or is part of an operating segment.

If, as part of this impairment test, the company determines that the recoverable amount of the group of CGUs is less than its carrying amount, associated goodwill is written down and recognized in profit or loss.

An impairment loss is recognized in profit or loss. To determine a possible impairment, the recoverable amount of a group of cash-generating units is compared with the sum of the related carrying amounts. The recoverable amount is the higher of value in use and fair value less costs to sell. An impairment loss is recognized for goodwill allocated to a group of cash-generating units only if the recoverable amount is less than the sum of the relevant carrying amounts for that group. The reduced carrying amount is retained even if the indications of impairment no longer exist in subsequent periods.

Other intangible assets

Other intangible assets are carried at (amortized) cost. Internally generated intangible assets are capitalized at the cost of their development. In contrast, the costs of the research phase, if any, are expensed as incurred. Production costs include all costs directly attributable to development, unless there is an explicit prohibition on capitalization.

There are no qualifying assets within the meaning of IAS 23 within the Douglas-Group, so that borrowing costs are not included when calculating acquisition costs. Intangible assets with definite useful lives are subject to straight-line amortization over their useful lives and are depreciated on a "pro rata temporis"-basis in the year of purchase.

Intangible assets with indefinite useful lives are not amortized. These assets are reviewed for impairment at least once a year and if there are indications of impairment. If the recoverable amount is below the carrying amount, impairment losses are recognized on the higher amount of its fair value less costs of disposal and its value in use. Intangible assets with an indefinite useful life are the trademarks Douglas and Nocibé and leasehold rights in France.

Intangible assets that are subject to amortization are only subject to an impairment test if there are triggering events indicating impairment.

Reviews must be carried out in subsequent years to see if indications of impairment exist to suggest that an impairment made in the prior years no longer exists or has been reduced. If this is the case, the impairment is reversed up to the recoverable amount, but not exceeding the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years.

The useful lives underpinning the straight-line amortization for intangible assets are determined on the basis of the estimated useful lives for each asset class and are as follows.

Class of non-current assets	Years
Software	3-5
Leasehold rights with definite useful lives	2-15
Customer bases	5-10
Brands with definite useful lives	15

Property, plant and equipment

Items of property, plant and equipment are carried at (amortized) cost. There are no qualifying assets within the meaning of IAS 23 within the Douglas-Group, so that borrowing costs are not included when calculating acquisition costs. Items of property, plant and equipment are subject to straight-line depreciation over their (expected) useful lives and are depreciated on a "pro rata temporis"-basis in the year of initial recognition.

An impairment test is conducted for the corresponding asset if indications of impairment exist. Tangible assets are derecognized when they are disposed of or further economic benefits are no longer expected from that asset's use. The gain or loss from the disposal of the asset arises from the difference between its net disposal proceeds and carrying amount.

The useful lives underpinning the straight-line depreciation for property, plant and equipment are determined on the basis of the estimated useful lives for each asset class and are as follows.

Class of non-current assets	Years
Buildings	10-50
Store fittings, office and operating equipment	3-10

Leases

Accounting for leases falls within the scope of IFRS 16. A contract is or contains a lease if it grants the right to control the use of a specific asset over a specified period of time in return for payment.

As a rule, the Douglas-Group acts as lessee, in particular of retail stores, and sometimes, in the context of subleases, also as lessor.

In accordance with IFRS 16, the Group recognizes right-of-use assets and lease liabilities for these leases.

Amortization of the right-of-use asset over the lease term results in depreciation expense. Furthermore, interest expense results from the ongoing accrual of interest on the lease liability.

Right-of-use assets arising from leases are presented separately in the Consolidated Statement of Financial Position and broken down by class of asset in Note 14, Right of Use Assets.

Lease liabilities are reported under non-current or current other financial liabilities and explained in more detail in Note 27, Other Financial Liabilities, and Note 35, Leases.

Financial instruments

Except for trade accounts receivable and derivatives, all financial instruments are recognized on the settlement date. Trade accounts receivable are recognized at the date on which they arise. Derivatives that are allocated to the "measured at fair value through profit or loss" category are recognized on the trade date.

All financial instruments must be measured at fair value upon initial recognition. If financial instruments are not subsequently measured at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue are recognized additionally. Current trade accounts receivable are initially measured at the transaction price.

Financial assets are measured at amortized cost if they are held within a business model solely for the purpose of collecting the contractual cash flows (business model "hold") and the contractual terms only result in interest and principal payments on the outstanding principal amount at specified points in time.

Debt instruments are measured at fair value through other comprehensive income if they are held as part of a business model to collect the contractual cash flows and to sell the financial assets (business model "hold and sell") and the contractual terms only result in interest and principal payments on the outstanding principal amount at specified points in time.

On initial recognition of an equity investment (e.g. an equity participation) that is not held for trading purposes, the Group may irrevocably elect to recognize consequential changes in fair value through other comprehensive income. This choice is made on a case-by-case basis for each investment.

All financial assets that are not measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

Financial assets are derecognized either when the contractual rights in respect of cash flows expire or when substantially all the risks and rewards are transferred.

Financial assets denominated in a foreign currency are translated to the functional currency of the acquiring Group company at the date of acquisition. An adjustment to the respective closing rate is made on each reporting date and recognized in profit or loss. Interest income and expense relating to financial assets are recorded in the financial result on an accrual basis.

Financial liabilities are derecognized when the contractual obligations have been fulfilled, cancelled or expired.

Fair value

The input factors used to determine fair value are divided into three hierarchy levels (level 1, level 2 and level 3). Fair value is the price at which an asset would be sold or a liability transferred in an orderly transaction on the principal market or, if none exists, in the most advantageous market to which the Group has access on the measurement date. The fair value of a liability reflects the risk of non-performance. Fair value measurements based on level 1 input factors are price quotations in active markets that can be determined for the asset being measured, such as quoted prices. Fair value measurements based on factors whose measurement can be derived directly or indirectly from observable market data fall under level 2. The valuation technique used incorporates all factors that market participants would consider in determining the price of such a transaction. The valuation on level 3 is based on pricing models which are based on input factors that are not observable in the market.

The Douglas-Group only measures embedded options at fair value¹³. The fair value measurement falls under the second hierarchy level (level 2), as the valuation is based on observable market interest rates.

Douglas-Group measures options held by non-controlling interests and liabilities from contingent purchase price payments at amortized cost¹⁴. The input factors on which the valuation is based are assigned to level 2 or level 3 of the valuation hierarchy.

Amortized cost

Amortized cost is determined on acquisition using the effective interest method, less any impairment, and taking into account discounts and premiums, including directly attributable transaction costs and fees that form an integral part of the effective interest rate.

For current assets and liabilities, the carrying amount is regarded as an appropriate approximation of fair value due to the short period between their recognition and maturity.

Subsequent measurement and gains and losses

Net gains and losses, including interest and dividend income from financial instruments measured at fair value through profit or loss, are recognized in profit or loss.

Financial instruments measured at amortized cost are measured using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, exchange rate differences and impairments are recognized in profit or loss. Gains or losses from derecognition are also recognized in profit or loss.

Impairment of financial assets

The Group recognizes valuation allowances for expected credit losses on financial assets that are not measured at fair value through profit or loss. For these financial assets - with exception of trade accounts receivable, which are subject to a simplified approach - initial recognition in level 1 of the "expected credit loss model" involves a determination of the expected credit loss from a default event in the twelve months following the reporting date or a shorter period, if the expected term is less than twelve months at the reporting date. If there is a significant increase in credit risk, it is transferred to level 2 of the model. For these financial instruments and for trade accounts receivable, credit losses over the total term to maturity are determined on level 2 of the general model. If there is objective evidence of impairment, the financial assets are assigned to level 3 of the model. The expected credit losses are determined on an individual item basis depending on various factors, e.g. past due, counterparties and country risks.

Cash and cash equivalents measured at amortized cost are subject to the general model of expected credit losses. As the counterparties are exclusively counterparties with at least an investment grade, a low credit risk is assumed for these financial instruments.

If the requirements for a low credit risk are not met, an assessment of the change in credit risk is required. In determining whether the credit risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses, Kirk Beauty A GmbH takes into account appropriate information that is relevant and available without undue expense of time and money. For other financial assets carried at amortized cost, the credit risk is continuously monitored on the basis of bond quotes and ratings if these are available in liquid form. Furthermore, a significantly increased credit risk is assumed when a financial asset is more than 30 days overdue.

¹³ Cf. Note 29, Fair Value of Financial Instruments

¹⁴ Cf. Note 29, Fair Value of Financial Instruments

There is objective evidence of impairment if Kirk Beauty A GmbH anticipates adverse effects on expected cash flows. These include, for example, significant financial difficulties on the part of the issuer or debtor, indications of insolvency or other restructuring proceedings as well as deterioration in market conditions. In this sense, financial assets are deemed to have defaulted if they are more than 90 days overdue. The gross carrying amount of a financial asset is written down if a reasonable estimate is that the financial asset will not be recoverable in full or in part.

Expenses or income from impairment losses or reversals of impairment losses for expected credit losses on financial assets are reported under the line item "Result from impairments on financial assets" in the Consolidated Statement of Profit or Loss. Impairment losses for financial assets in the general approach are insignificant.

Derivative financial instruments

The contractual terms of the Senior Secured Notes and Senior PIK Notes include repurchase rights of the issuers.

Derivative financial instruments are recognized at fair value both upon initial and subsequent measurement. This value can be positive or negative; if it is positive, an asset is recognized; if it is negative, a liability is recognized. The fair value of derivative financial instruments corresponds to the amount the Group company either would have to pay or would receive upon transfer of the financial instrument on the reporting date. The calculation of the fair value takes into account the interest rates and forward rates in effect as of the reporting date. Derivative financial instruments are measured through profit or loss.

Trade accounts receivable and other financial assets

Trade accounts receivable are recognized at the transaction price and other financial receivables are recognized at fair value at the time of revenue recognition. For subsequent measurement, please refer to the preceding explanations in the section "Financial assets" and Note 18, Trade Accounts Receivable.

Cash

Cash, which includes money accounts with banks, are measured at amortized cost, based on the business model „hold“ and the fulfilment of the cash flow criterion, and have maturities of a maximum of three months at the time of acquisition.

Inventories

Merchandise is measured at the lower of cost and net realizable value. Acquisition costs are identified either by using the average cost method or sporadically by using the retail method based on the selling price using reasonable valuation allowance deductions. Acquisition costs are reduced by any compensation granted by suppliers, insofar as the compensation is not related to services rendered or cost reimbursements. Reductions in cost thus include in particular bonuses, cash discounts and rebates.

Interest on borrowings is not included in the acquisition costs, as inventories, most of which constitute acquired trading merchandise, are not qualifying assets as defined by IAS 23. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to sell the inventory. In addition to the incremental costs incurred in a particular further sales transaction, costs that are unavoidable for the sale must also be included in the estimated necessary selling expenses.

Douglas uses its judgment in determining what costs to sell are necessary, taking into account the specific facts and circumstances, including the nature of the inventories. Ageing as well as fashion and other risks were considered, to the extent needed, as part of measurement at the net realizable value.

Pensions and similar obligations

Provisions for pensions are accounted for in line with the requirements of IAS 19. Actuarial calculations of provisions for defined benefit plans use the projected unit credit method. As part of this measurement, the pensions and entitlements known on the reporting date are taken into account as well as the increases in salaries and pensions to be expected in future.

For funded pension plans, the same interest rate chosen to determine interest expenses resulting from the measurement of obligations is also to be used to calculate interest income from plan assets. If changes to these calculation assumptions result in differences between the originally calculated pension obligations and the pension obligations calculated as of the reporting date, actuarial gains or losses arise. These actuarial gains and losses and other valuation changes are recognized in other comprehensive income and within reserves in equity.

Plan assets designated at fair value and liabilities from pension plans are presented in a net amount. Plan assets are maintained in qualified policies that are pledged to the employees. The interest portion included in pension expense is presented as interest expense within the financial result. Obligations similar to pension provisions such as part-time work schemes and termination benefits are also accounted for according to the requirements of IAS 19.

Provisions

Provisions are recognized if there is a legal or constructive obligation to third parties arising from past events and if the future cash outflow to fulfill this commitment can be estimated reliably. The carrying amount of the provision is based—for individual risks—on the best estimate of the settlement considering all recognizable risks, or—for a large population of risks—the amount computed according to the expected value method.

Non-current provisions are recognized at their present value as of the reporting date. The maturity of long-term human resources commitments is based on the date the employee leaves the company or on the timing of forecasted cash outflows. The maturity of long-term real estate commitments is based on the term of the lease contract or the estimated date of an early termination of the lease contract. Provisions for restoration obligations are recognized if contractual agreements and experience show that there is a probability of at least 50 percent that claims will be made against Douglas-Group from this obligation.

Provisions for restructuring measures are recognized if a constructive obligation to restructure exists as of the reporting date. This is the case if a detailed restructuring plan has been formally adopted and its key elements communicated to those affected or if the implementation of the plan has already begun. Restructuring provisions only comprise obligatory restructuring expenses.

Financial liabilities

With the exception of contingent purchase price obligations resulting from business combinations, financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Transaction costs attributable to the acquisition are included in the recognition of financial liabilities. If there is a difference between the amount received and the amount to be repaid upon maturity, this difference is amortized over the term according to the effective interest rate method.

Financial liabilities are derecognized when the obligation is extinguished or expired (e. g. limitation of time). A financial liability is also derecognized if there has been a substantial modification in the contractual terms of an existing financial liability or part thereof.

All trade accounts payable have a maturity of less than one year and are non-interest bearing. Douglas-Group recognizes liabilities at amortized costs comprising liabilities to banks, liabilities from

Senior Notes and trade accounts payable. The election to initially recognize financial liabilities at fair value through profit or loss was not applied by the Douglas-Group.

Contract liabilities in the meaning of IFRS 15

Contract liabilities are recognized when the customer has already paid the consideration and Douglas has yet to fulfill its performance obligation to transfer goods or services to the customer. At Douglas, contract liabilities are mainly deferred sales from customer loyalty programs and the sale of gift vouchers, as well as from customer returns. Contract liabilities for the deferral of sales of gift certificates sold and for discount options purchased by customers are recognized as other liabilities. Contract liabilities relating to deferred revenue from customer returns are recognized as financial liabilities.

For further information on deferred revenue and revenue recognition, see chapter "Revenue recognition".

Government grants

Government grants are recognized when there is reasonable assurance that the grants will be received and the entity will comply with the conditions attaching to them. Government grants related to specific expenses are recognized as a deduction from those expenses. The grants are recognized on a systematic basis in the period in which the expenses for which the government grants are intended to compensate are recognized.

Assumptions, estimates and judgements

In preparing the Consolidated Financial Statements, assumptions, estimates and judgments have been made that affect the reported amounts of assets, liabilities, income and expenses.

Assumptions, estimates

Information about assumptions and estimation uncertainties as of September 30, 2022, that may have a significant risk of causing a material restatement to the carrying amounts of recognized assets and liabilities within the next financial year is included in the disclosures below:

Estimates and underlying assumptions with a significant impact have been made in particular for the following matters:

- Note 3, Consolidation Principles, section Acquisitions - Acquisition of Disapo: Determination of the fair value of the consideration transferred (including contingent consideration) and determination of the fair values of the identifiable assets acquired and liabilities assumed
- Note 11, Goodwill, and Note 12, Other intangible Assets: Assessment of the recoverability of goodwill and trademark rights with indefinite useful lives
- Note 14, Right of Use Assets: Determining the term of leases, taking into account renewal and / or termination options.

The assessment of whether these options are exercised with reasonable certainty affects the term and consequently also the measurement of the lease liability and the right-of-use asset of a lease.

In individual cases, the actual values may differ from the assumptions and estimates made. Changes are recognized in profit or loss when better knowledge becomes available.

Use of judgement

Information on the judgments made in applying the accounting policies that have the most significant effect on the amounts recognized in the financial statements is provided in the disclosures below.

- Note 2, Basis for Accounting, chapter Assumption of going concern as the basis for accounting: going concern forecast.
The forecast as to whether there are material uncertainties with regard to the going concern is subject to discretionary decisions.
- Note 2, Basis for Accounting, chapter Reorganization of the holding structure: book-value method
The use of the book-value method in transactions under common control is subject to discretionary decisions.
- Note 31, Segment reporting: Aggregation of business segments into reporting segments
The decision as to which countries are aggregated into reporting segments is subject to discretionary decisions.

RESULTS OF THE FINANCIAL YEAR – NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

5 / Sales

	10/01/2021- 09/30/2022 EUR m	10/01/2020- 09/30/2021 EUR m
Sales (net) Brick-and-Mortar	2,478.4	1,915.3
Sales (net) E-Commerce (incl. provision from Partner Program)	1,199.1	1,204.4
Total	3,677.5	3,119.6

For the presentation of sales by region, see the Note 31, Segment reporting.

6 / Other operating Income

	10/01/2021- 09/30/2022 EUR m	10/01/2020- 09/30/2021 EUR m
Income services rendered to third parties and reimbursement of costs	170.6	148.4
Income from leasing and sub-leasing	19.7	10.1
Income from disposal of assets	9.8	0.9
Income from customer cards	11.8	12.6
Income from reversal of provisions	17.0	31.9
Income from the derecognition of liabilities	2.6	2.6
Income from insurance claims	6.8	2.5
Miscellaneous other income	50.3	29.4
Total	288.6	238.4

7 / Personnel Expenses

	10/01/2021- 09/30/2022 EUR m	10/01/2020- 09/30/2021 EUR m
Wages and salaries	494.0	490.5
Social security, pensions and other benefits costs	99.8	97.4
<i>thereof for pensions</i>	<i>3.3</i>	<i>3.0</i>
Total	593.8	587.9

Average number of employees and apprentices in the financial year:

	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
Salaried employees	18,038	19,096
Apprentices	329	318
Total	18,367	19,414

Average number of employees (excluding apprentices) per reporting segment and for the Group in the financial year:

	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
DACHNL	8,235	7,948
France	3,366	3,715
Southern Europe	3,661	4,691
Central Eastern Europe	2,776	2,743
Douglas Group	18,038	19,096

8 / Other operating Expenses

	10/01/2021- 09/30/2022 EUR m	10/01/2020- 09/30/2021 EUR m
Marketing and advertising costs	225.3	202.9
Goods handling costs	194.7	163.7
Other services	126.7	114.8
Rent and utilities	58.5	62.9
IT costs	49.5	34.8
Credit card fees	18.4	15.9
Repair costs	10.6	10.8
Fees and contributions	13.9	14.5
Equipment and consumables	11.2	8.5
Office costs and postage	9.3	9.5
Travel and vehicle expenses	4.7	3.5
Miscellaneous other expenses	61.1	36.1
Total	783.8	677.9

9 / Financial Result

	Notes No.	10/01/2021- 09/30/2022 EUR m	10/01/2020- 09/30/2021 EUR m
Interest from loans and receivables		1.1	0.2
Income from other investments		1.1	0.0
Interest from compounding lease receivables		0.3	0.2
Income from foreign exchange differences		3.5	4.2
Income from valuation of embedded options at fair value		6.7	7.9
Total financial income		12.7	12.5
Expense for financial liabilities at amortized cost		-237.4	-194.5
Interest expense from compounding lease liabilities		-36.4	-41.7
Interest expense from compounding other provisions		-0.1	-0.1
Interest expense from compounding pension provisions		-0.3	-0.4
Expense from non-controlling options	27	-3.0	-1.2
Expense from foreign exchange differences		-10.0	-7.4
Expense for financial assets / liabilities at fair value		-31.7	0.0
Total financial expense		-318.9	-245.2
Financial result		-306.2	-232.6

The financial expense from non-controlling options relates to the results of non-controlling shareholders, whose interests are reported as payables, as these either have an option right or involve German partnerships, as well as the effect of revaluation as of the reporting date.

For information on liabilities to non-controlling shareholders, please refer to Note 27, Financial liabilities.

Net result by valuation category

The following table shows the net financial result by valuation category for the period ended September 30, 2022.

FY 2021/22

	Fair Value valuation EUR m	Currency translation EUR m	Impairment EUR m	Income from other investments EUR m	Interest income EUR m	Interest expense EUR m	Net result EUR m
Financial assets measured at amortized cost					1.1		1.1
Financial liabilities measured at amortized cost						-238.5	-238.5
Financial assets measured at Fair Value through profit or loss	-25.2		0.0	1.1			-24.1
Financial liabilities measured at Fair Value through profit or loss	-1.9						-1.9
Net profit by valuation category	-27.1	0.0	0.0	1.1	1.1	-238.5	-263.4
Assets and liabilities from leases					0.3	-36.4	-36.1
Assets and liabilities that are not defined as financial instruments		-6.5			0.1	-0.4	-6.8
Financial result	-27.1	-6.5	0.0	1.1	1.5	-275.3	-306.3

The following table shows the net financial result by valuation category for the period ended September 30, 2021.

	Fair Value valuation EUR m	Currency translation EUR m	Impairment EUR m	Income from other investments EUR m	Interest income EUR m	Interest expense EUR m	Net result EUR m
Financial assets measured at amortized cost					0.2		0.2
Financial liabilities measured at amortized cost						-195.3	-195.3
Financial assets measured at Fair Value through profit or loss	7.9			0.0		-0.1	7.8
Financial liabilities measured at Fair Value through profit or loss	-0.3						-0.3
Net profit by valuation category	7.6	0.0	0.0	0.0	0.2	-195.4	-187.6
Lease assets and liabilities					0.2	-41.7	-41.5
Assets and liabilities that are not defined as financial instruments		-3.2			0.0	-0.4	-3.5
Financial result	7.6	-3.2	0.0	0.0	0.4	-237.5	-232.6

Impairment losses on trade accounts receivable falling into the category "measured at amortized cost" - €2.7 million in the reporting year - continue to be reported under other operating expenses, unless they are impairment losses determined using the expected credit loss model under IFRS 9. These are reported separately in the Consolidated Statement of Profit or Loss.

10 | Income Taxes

	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
	EUR m	EUR m
Current income taxes	-35.6	-32.2
<i>thereof domestic (Germany)</i>	-2.3	5.2
<i>thereof foreign entities</i>	-33.4	-37.4
Deferred taxes	78.8	-11.4
<i>thereof from temporary differences</i>	11.7	-11.4
<i>thereof from loss carryforwards</i>	67.1	0.0
Total	43.2	-43.6

The current income taxes result includes tax income for prior years amounting to €0.2 million (prior year: tax expense of €11.8 million). Prior year's expense mainly results from findings of ongoing tax audits in Germany and France.

The expected weighted tax rate (32 percent, consisting of 15.8 percent corporate income tax and 16.2 percent trade tax) is basically the same as the tax rate of the Group parent company.

The current tax expense decreased by €0.3 million as a result of the utilization of tax loss carryforwards for which no deferred tax was recognized.

Deferred tax income increased by €67.1 million as a result of the revaluation of deferred tax assets on loss carryforwards.

	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
	EUR m	EUR m
Earnings before tax (EBT)	-357.0	-344.0
Expected tax rate	32.0%	32.0%
Expected tax income	114.2	110.1
Tax rate effects from domestic and cross border tax jurisdictions	7.6	4.4
Trade tax modifications (additions / reductions)	-6.2	-10.7
Out-of-period income tax expense/income	0.2	-11.8
Non-tax-deductible operating expenses	-39.2	-33.4
Unrecognized deferred tax assets due to tax loss carryforwards	-15.6	-96.3
Utilization of tax loss carryforwards for which no deferred taxes were previously recognized	0.3	0.0
Non tax-deductible goodwill impairments	-76.0	0.0
Changes of permanent differences	-1.2	-5.2
Effect from the initial recognition of previously unrecognized deferred tax assets	61.6	0.0
Other	-2.4	-0.7
Tax income (PY: tax expense)	43.3	-43.6

The non-tax-deductible operating expenses mainly relate to non-deductible interest in connection with the interest deductibility cap regulations in Germany and France.

ASSETS, EQUITY AND LIABILITIES – NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

11 | Goodwill

The following table shows the development of goodwill for financial year 2021/22.

	2021/2022 EUR m	2020/2021 EUR m
Acquisition costs		
Beginning of the reporting period	1,906.6	1,912.0
Exchange differences	-3.8	-5.4
Increases/decreases resulting from business combinations	43.2	0.0
End of the reporting period	1,946.0	1,906.6
Accumulated amortization, depreciation and impairment		
Beginning of the reporting period	678.0	678.0
Impairments	231.9	0.0
End of the reporting period	909.9	678.0
Net carrying amounts		
End of the reporting period	1,036.1	1,228.6

Further explanations regarding impairment losses can be found in Note 15, Impairment of Assets according to IAS 36.

Currency effects on goodwill relate to the goodwill-bearing units Poland in the amount of minus €2.7 million (prior year: €4.3 million) and Hungary in the amount of €1.1 million (prior year: minus €1.1 million).

12 | Other intangible Assets

The following table shows the development of other intangible assets for financial year 2021/22.

FY 2021/22

	Trademarks, leasehold interests and similar rights EUR m	Advance payments for intangible assets EUR m	Internally generated intangible assets EUR m	Internally generated intangible assets under development EUR m	Total EUR m
Acquisition costs					
10/01/2021	1,159.0	2.4	43.2	9.5	1,214.1
Exchange differences	0.4				0.4
Increases/decreases resulting from business combinations	0.1				0.1
Additions	5.0	2.6	28.4	2.5	38.5
Disposals	-7.8		-0.1	-2.1	-10.0
Reclassification of non-current assets held for sale					0.0
Reclassifications	9.2	-1.4	0.3	-7.0	1.1
09/30/2022	1,165.9	3.6	71.8	2.9	1,244.2
Accumulated amortization, depreciation and impairment					
10/01/2021	374.1	0.0	27.1	0.0	401.2
Exchange differences	0.3				0.3
Amortization or Depreciation	25.1		10.0		35.1
Impairments	2.0				2.0
Write-up	-2.7				-2.7
Disposals	-6.5		-0.1		-6.6
Reclassifications	9.8		-9.8		0.0
09/30/2022	402.1	0.0	27.2	0.0	429.3
Net carrying amounts					
09/30/2022	763.8	3.6	44.6	2.9	814.9

Leasehold interests and similar rights and assets include assets with an indefinite useful life in the amount of €734.4 million (prior year: €729.4 million).

The following table shows the development of other intangible assets for financial year 2020/21.

	Trademarks, leasehold interests and similar rights EUR m	Advance payments for intangible assets EUR m	Internally generated intangible assets EUR m	Internally generated intangible assets under development EUR m	Total EUR m
Acquisition costs					
10/01/2020	1,145.9	4.8	27.1	0.0	1,177.8
Exchange differences					0.0
Additions	16.5	1.0	16.1	9.3	42.9
Disposals	-7.1				-7.1
Reclassification of non-current assets held for sale	-2.0				-2.0
Reclassifications	5.7	-3.4		0.2	2.5
09/30/2021	1,159.0	2.4	43.2	9.5	1,214.1
Accumulated amortization, depreciation and impairment					
10/01/2020	357.8	0.0	8.9	0.0	366.7
Exchange differences					0.0
Amortization or Depreciation	19.1		18.2		37.3
Impairments	5.0				5.0
Disposals	-5.8				-5.8
Reclassification of non-current assets held for sale	-2.0				-2.0
09/30/2021	374.1	0.0	27.1	0.0	401.2
Net carrying amounts					
09/30/2021	784.9	2.4	16.1	9.5	812.9

13 | Property, Plant and Equipment

The following table shows the development of property, plant and equipment for financial year 2021/22.

	Land and buildings EUR m	Other equipment, operating and office equipment EUR m	Advance payments on assets under construction EUR m	Total EUR m
Acquisition costs				
10/01/2021	476.3	666.1	12.1	1,154.5
Exchange differences	0.1	-0.9	-0.2	-1.0
Increases/decreases resulting from business combinations	0.1	0.3		0.4
Additions	13.2	25.3	16.0	54.5
Disposals	-45.8	-61.9	-2.1	-109.8
Reclassifications	4.7	1.5	-7.3	-1.1
09/30/2022	448.6	630.4	18.5	1,097.5
Accumulated amortization, depreciation and impairment				
10/01/2021	370.7	563.5	0.0	934.2
Exchange differences	0.6	-0.6		0.0
Amortization or Depreciation	19.1	37.2		56.3
Impairments	1.3	5.9		7.2
Write-up	-0.3	-1.1		-1.4
Disposals	-45.3	-61.4		-106.7
Reclassifications	2.3	-3.5		-1.2
09/30/2022	348.4	540.0	0.0	888.4
Net carrying amounts				
09/30/2022	100.2	90.4	18.5	209.1

Purchase commitments for approved capital expenditure in property, plant and equipment or intangible assets totaled €22.2 million as of the reporting date (prior year: €23.5 million).

The following table shows the development of property, plant and equipment for financial year 2020/21.

	Land and buildings EUR m	Other equipment, operating and office equipment EUR m	Advance payments on assets under construction EUR m	Total EUR m
Acquisition costs				
10/01/2020	502.3	681.1	21.3	1,204.7
Exchange differences	-0.2	-0.2		-0.4
Additions	8.1	23.0	8.3	39.4
Disposals	-31.5	-37.8	-2.4	-71.7
Reclassification of non-current assets held for sale	-7.4	-7.6		-15.0
Reclassifications	5.0	7.6	-15.1	-2.5
09/30/2021	476.3	666.1	12.1	1,154.5
Accumulated amortization, depreciation and impairment				
10/01/2020	377.7	548.1	0.9	926.7
Error correction in current accounts				0.0
Exchange differences	-0.2	-0.2		-0.4
Amortization or Depreciation	24.2	43.2	0.2	67.6
Impairments	4.6	10.5		15.1
Write-up				0.0
Disposals	-6.3	-7.8		-14.1
Reclassification of non-current assets held for sale	-29.5	-31.0	-0.2	-60.7
Reclassifications	0.2	0.7	-0.9	0.0
09/30/2021	370.7	563.5	0.0	934.2
Net carrying amounts				
09/30/2021	105.6	102.6	12.1	220.3

14 | Right of Use Assets

The following table shows the development of rights of use under leases for financial year 2021/22.

	Right of use asset property EUR m	Right of use asset Cars EUR m	Right of use asset Other EUR m	Right of use asset advance payments EUR m	Total EUR m
Acquisition costs					
10/01/2021	1,563.3	5.1	0.1	0.0	1,568.5
Exchange differences	-3.0			0.1	-2.9
Increases/decreases resulting from business combinations	1.7				1.7
Additions	322.0	2.4	0.3	-0.2	324.5
Disposals	-143.8	-0.5			-144.3
09/30/2022	1,740.2	7.0	0.4	-0.1	1,747.5
Accumulated amortization, depreciation and impairment					
10/01/2021	527.9	3.0	0.0	0.0	530.9
Exchange differences	-1.0				-1.0
Amortization or Depreciation	238.8	1.9	0.1		240.8
Impairments	7.4				7.4
Write-up	-0.9				-0.9
Disposals	-79.5	-0.4			-79.9
Reclassification of non-current assets held for sale	0.0				0.0
Reclassifications	1.2				1.2
09/30/2022	693.9	4.5	0.1	0.0	698.5
Net carrying amounts					
09/30/2022	1,046.3	2.5	0.3	-0.1	1,049.0

For further disclosures on leases, please refer to Note 35, Leases.

The following table shows the development of rights of use under leases for financial year 2020/21.

	Right of use asset property EUR m	Right of use asset Cars EUR m	Right of use asset Other EUR m	Right of use asset advance payments EUR m	Total EUR m
Acquisition costs					
10/01/2020	1,517.1	3.9	0.0	0.0	1,521.0
Exchange differences	-0.3	0.1			-0.2
Additions	165.6	1.2	0.1		166.9
Disposals	-111.5	-0.1			-111.6
Reclassification of non-current assets held for sale	-7.6				-7.6
09/30/2021	1,563.3	5.1	0.1	0.0	1,568.5
Accumulated amortization, depreciation and impairment					
10/01/2020	288.6	1.5	0.0	0.0	290.1
Exchange differences	-0.2				-0.2
Amortization or Depreciation	259.5	1.5			261.0
Impairments	16.6				16.6
Write-up	-1.8				-1.8
Disposals	-28.2				-28.2
Reclassification of non-current assets held for sale	-6.6				-6.6
09/30/2021	527.9	3.0	0.0	0.0	530.9
Net carrying amounts					
09/30/2021	1,035.4	2.1	0.1	0.0	1,037.6

15 | Impairment of Assets according to IAS 36

In accordance with IAS 36 (Impairment of Assets), certain assets are tested for impairment annually or as a result of a triggering event. This involves comparing the carrying amount of the cash-generating unit (or groups of cash-generating units) with the recoverable amount of the cash-generating unit (or groups of cash-generating units).

Goodwill and intangible assets with indefinite useful lives

Annual impairment tests are carried out for goodwill and intangible assets with indefinite useful lives, in this case the "Douglas" and "Nocibé" brands and the location advantages in France associated with rental agreements. This is performed at the level of a group of cash-generating units. Specifically, this is generally the organizational unit per country. In the impairment test, the sum of the carrying amounts of the group of cash-generating units is compared with the recoverable amount.

Goodwill

The recoverable amount for goodwill in the Douglas-Group is primarily determined as the value in use on the basis of discounted future cash inflows derived from internal planning calculations.

Key planning assumptions include sales growth, expectations of adjusted EBITDA and estimates of the perpetual growth rate and the cost of capital.

Allocation of the residual carrying amounts of goodwill to the reportable and operating segments is shown below.

	Reportable Segment EUR m	09/30/2022 Operating Segment EUR m	Country EUR m	Reportable Segment EUR m	09/30/2021 Operating Segment EUR m	Country EUR m
DACHNL	511.9			691.0		
DACH		311.6			490.7	
Germany			311.6			446.3
Austria			0.0			44.4
The Netherlands		200.2	200.2		200.2	200.2
France	436.8	436.8	436.8	436.8	436.8	436.8
Southern Europe	3.2	3.2		10.8	10.8	0.0
Italy			3.2			3.2
Portugal			0.0			7.6
Central Eastern Europe	84.2	84.2		90.0	90.0	0.0
Poland			55.5			58.2
Other Central-Eastern-Europe			28.8			31.8
Total	1,036.1	1,036.1	1,036.1	1,228.6	1,228.6	1,228.6

The planning calculations used to determine the value in use relate to detailed planning periods of three years, which corresponds to the planning system of the companies, followed by the perpetual annuity. The premises are based on management assessments as well as past experience and general economic data.

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In the detailed planning phase, we are assuming the following country-specific developments in revenue and adjusted EBITDA for the main goodwill items.

Operating segment	Sales (net)	Adjusted EBITDA	Detailed planning period (years)
Germany	significant increase	strong increase	3
The Netherlands	vigorous increase	slight increase	3
France	solid increase	slight increase	3
Poland	strong increase	strong increase	3

All other goodwill-bearing units not mentioned here are of minor importance with regard to the amount of goodwill attributable to them.

In the goodwill-bearing units described above - Germany, the Netherlands, France and Poland - we generally assume that we will be able to largely offset future cost increases thanks to our market penetration on the one hand and the implementation of efficiency enhancement measures on the other. The goodwill-bearing unit Poland as part of reporting segment Central Eastern Europe offers disproportionately high market growth potential compared with the other reportable segments.

The calculation of the perpetual annuity is based on a risk-adjusted growth rate of 1.0 percent.

The following capitalization rates were used for discounting of the most significant goodwill items.

	30.09.2022 before tax %	09/30/2021 before tax %
Germany	12.3	10.7
The Netherlands	11.5	10.0
France	12.2	10.6
Poland	13.3	10.8

In reporting period 2021/22, the impairment test of goodwill resulted in impairment losses amounting to EUR 231.9 million (prior year: EUR 0.0 million), partly due to the increase in interest rates.

Overview of the impairment loss and recoverable amount at the level of the goodwill-bearing units:

	10/01/2021 - 09/30/2022 Impairments EUR m	09/30/2022 Recoverable amount EUR m
Germany	177.9	467.1
Austria	44.4	-31.7
Portugal	7.6	5.3
Croatia	2.0	-13.6
Total	231.9	427.1

In addition to the impairment test, two sensitivity analyses were performed for each goodwill-bearing unit. In the first sensitivity analysis, the capitalization rate was increased by 10.0 percent in each case. In the second sensitivity analysis, a flat discount of 10.0 percent was applied to the free cash flow assumed in perpetuity. These changes would result in an impairment loss for the goodwill-bearing unit of the Netherlands.

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The estimated recoverable amount of the Netherlands exceeds its carrying amount by approximately €18 million. A 6 percent increase in interest rates or a 7 percent decrease in free cash flow assumed in perpetuity would cause the carrying amount to exceed the recoverable amount. A decrease in sales of around 2°percent or a decrease in adjusted EBITDA of around 4°percent (in each case in the final planning year) would also result in the carrying amount exceeding the recoverable amount.

Brands

The Company assumes that the useful lives of the "Douglas" and "Nocibé" brands are indefinite due to ongoing brand maintenance measures. Unchanged from prior year, €534.4 million relates to the "Douglas" brand and €172.7 million to the "Nocibé" brand.

While the "Nocibé" brand is assigned exclusively to operating segment France, the "Douglas" brand was assigned to the corresponding operating segments on the basis of external sales (net) for the purposes of impairment testing on goodwill.

	09/30/2022 Operating Segment EUR m	09/30/2021 Operating Segment EUR m
DACH	262.8	257.6
The Netherlands	60.6	58.7
Southern Europe	115.6	134.2
Central Eastern Europe	95.5	83.9
Total	534.4	534.4

Cash flows were discounted at a cost of capital of 7.6 percent for the "Douglas" brand and 8.0 percent for the "Nocibé" brand.

For the brands, the recoverable amount is the fair value (level 3), which is determined using a recognized valuation technique (license price analogy). The key assumptions used to determine the fair value of the brands are the change in sales revenue, the license rate and the cost of capital. A sales-related license rate was derived from the earnings contributions generated by the brand and a typical licensor share and applied to the brand-relevant sales, taking into account a churn rate over a total period of 30 years. The development of brand-related sales in the detailed planning period was based on the same assumptions as those used to determine the value in use. The assumed license rates are unchanged from prior year.

Location advantages associated with leasehold interests

In operating segment France, location advantages associated with rental agreements, which were acquired from the previous tenant in return for payment, have been capitalized in the amount of €27.8 million (prior year: €26.5 million). The useful lives are independent of the respective terms of the leases and are therefore indefinite. The value to be used for the impairment test (recoverable amount) is determined as the higher of fair value less costs of disposal and value in use. A pre-tax capitalization rate of 11.3 percent (prior year: 9.4 percent) was used for discounting purposes.

The impairment test of these location benefits associated with rental agreements resulted in an impairment loss of €0.7 million (prior year: €0.8 million) for operating segment France in the reporting period.

Stores

The triggering event for subjecting stores to an impairment test is, in particular, negative store contribution margins due to a decline in customer frequency, also caused by Corona, and planned store closures.

The recoverable amount is calculated as the value in use on the basis of future cash flows, which are based on internal planning calculations. The planning assumptions include sales growth, gross profit expectations/EBITDA expectations, estimates of replacement investments in the store network, the personnel expenses ratio and other cost ratios relating to the individual stores. The planning calculations relate to the remaining term of the respective rental agreements calculated up to their probable end, including any extension options. The planning period is between one and fifteen years. The calculation is based on interest rates of between 8.3 percent and 13.9 percent (prior year: 6.1 percent and 11.2 percent) before taxes.

Impairment tests at store level as a cash-generating unit resulted in impairment losses totaling €7.2 million (prior year: €15.1 million) and were attributable to the reportable segments presented below.

	10/01/2021 - 09/30/2022	10/01/2020 - 09/30/2021
	Reportable Segment EUR m	Reportable Segment EUR m
DACHNL	1.8	7.3
France	0.5	0.7
Southern Europe	3.8	5.9
Central Eastern Europe	1.1	1.2
Total	7.2	15.1

The recoverable amounts of the stores affected by impairment losses are distributed among the reportable segments as follows.

	10/01/2021 - 09/30/2022
	Reportable Segment EUR m
DACHNL	31.6
France	5.1
Southern Europe	3.9
Central Eastern Europe	0.0
Total	40.6

16 | Deferred Taxes

Deferred taxes are calculated on the differences between the IFRS carrying amount and the tax base and can be broken down to the individual financial statement items as follows.

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	09/30/2022		09/30/2021	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	EUR m	EUR m	EUR m	EUR m
Intangible assets	6.6	200.4	14.7	188.3
Property, plant and equipment	14.6	6.5	2.2	14.8
Inventories	12.7	1.4	17.8	1.9
Financial assets	1.9	2.0	0.7	10.6
Other assets	2.3	0.2	4.7	1.6
Provisions	25.5	2.4	38.5	5.3
Financial liabilities	3.0	85.9	1.7	88.0
Other financial liabilities	5.7	0.4	3.5	10.3
Tax loss carryforward	77.2		10.3	
Effect from the initial recognition of previously unrecognized deferred tax assets	-20.2		-20.2	
Carrying amount of deferred tax before offset	129.3	299.2	73.9	320.8
Offsetting	-118.4	-118.4	-46.8	-46.8
Carrying amount of deferred tax	10.9	180.8	27.1	274.0

The temporary differences taken as a basis for the calculation of deferred taxes mainly result from fair value measurements as well as the revaluation of financial assets and liabilities in accordance with IFRS 9. Deferred tax expenses in the amount of €1.8 million (prior year: minus €0.4 million) for pension provisions were recognized in other comprehensive income.

In the amount of €0.3 million (prior year: €0.3 million), deferred tax assets on temporary differences and loss carryforwards that can be deducted in future periods are recognized for companies that show tax losses in the current period or in the prior period higher than the effects on earnings from the reversal of existing taxable temporary differences. As a result of structural measures and taking into account existing planning calculations, it can be assumed that the recognized deferred tax assets can be realized in future periods.

In addition, as of the reporting date September 30, 2022, there were further tax loss carryforwards amounting to €704.9 million (prior year: €936.0 million), for which no deferred tax assets were recognized or for the recognition of which a corresponding valuation allowance has been recorded (€10.0 million as of the reporting date).

Of these, €4.5 million (prior year: €5.6 million) will expire within the next 5 to 7 years; the remaining loss carryforwards can principally be carried forward indefinitely. Tax loss carryforwards in the amount of €1.4 million (prior year: €0.0 million), for which no deferred tax assets were recognized, were used in the reporting period.

In accordance with IAS 12, deferred tax liabilities are recognized on the difference between the equity share of a subsidiary included in the Consolidated Statement of Financial Position and the carrying amount of the investment in the subsidiary recognized in the parent company's tax balance sheet (outside basis differences), if realization is expected. As of the reporting date, outside basis differences amounted to €94.6 million, for which no deferred taxes were recognized.

Disclosure of the expense, income or amount recognized in other comprehensive income attributable to temporary differences by statement of financial position item:

	2021/2022	
	Included in Profit or Loss EUR m	Included in OCI EUR m
Intangible assets	20.2	
Property, plant and equipment	-20.7	
Inventories	4.6	
Financial assets	-9.8	
Other assets	1.0	
Provisions	8.3	1.8
Financial liabilities	-3.4	
Other financial liabilities	-12.1	
Tax loss carryforward	-66.9	
Total	-78.8	1.8

17 | Inventories

	09/30/2022 EUR m	09/30/2021 EUR m
Finished goods and merchandise	713.3	643.4
Raw materials, consumables and supplies	6.1	5.4
Advances to suppliers for merchandise	0.0	0.0
Total	719.4	648.8

Write-downs to the net realizable value resulted in impairment losses of €6.8 million in financial year 2020/21 (prior year: €31.4 million).

Inventories are regularly subject to the customary retention of title.

18 | Trade Accounts Receivable

In financial year 2021/22, receivables from payment service providers were reclassified from trade accounts receivable to other financial assets; the prior year was restated accordingly for better comparative purposes.

Trade accounts receivable primarily include receivables from customers.

Values determined using the expected credit loss model in accordance with IFRS 9 are presented separately in the Consolidated Statement of Profit or Loss. Trade accounts receivable are due immediately, do not bear interest and are therefore not exposed to any interest rate risk. The carrying amounts of the receivables are basically equivalent to their fair values. The maximum default risk as of the reporting date corresponds to the carrying amount.

Assessment of expected credit losses

In order to estimate the expected credit losses on trade accounts receivable, a provision matrix is used.

The default risk is mainly influenced by individual characteristics of customers and the geographical location. In order to calculate expected credit losses, trade accounts receivable with comparable credit risk characteristics are classified into different portfolios based on geographical location and customer characteristics. Historical patterns of payment behavior and the ageing structure of receivables are analyzed individually for each portfolio and used as a starting point for determining the loss rate. Together with the amount at risk of default, the expected credit loss is determined for each portfolio and maturity band. The calculated loss rate per portfolio is adjusted downstream if significant changes in the macroeconomic situation are expected.

The following table provides information on the estimated credit risk and expected credit losses for trade accounts receivable as of September 30, 2022.

	Weighted average loss rate %	Gross carrying amount EUR m	Loss allowance EUR m	Credit- impaired
Current (not past due)	0.6	8.5	0.0	No
1-30 days past due	0.9	13.7	0.1	No
31-60 days past due	6.3	2.3	0.1	No
61-90 days past due	52.2	0.5	0.3	No
More than 90 days past due	85.0	0.2	0.2	Yes
Total		25.2	0.7	
Accounts receivable not subject to risk		7.7	0.0	
Trade accounts receivable as of 30 September		32.9	0.7	

The following table provides information on the estimated credit risk and expected credit losses for trade accounts receivable as of September 30, 2021.

	Weighted average loss rate %	Gross carrying amount EUR m	Loss allowance EUR m	Credit- impaired
Current (not past due)	0.6	8.0	0.0	No
1-30 days past due	0.9	13.0	0.1	No
31-60 days past due	6.3	2.2	0.1	No
61-90 days past due	52.2	0.4	0.2	No
More than 90 days past due	85.0	0.2	0.2	Yes
Total		23.8	0.7	
Accounts receivable without subject to risk		7.3	0.0	
Trade accounts receivable as of 30 September		31.1	0.7	

Kirk Beauty A GmbH does not demand securities for trade accounts receivable. The Group does not have any trade receivables, for which no impairment is recognized due to the existence of collateral.

Movement in the allowance for impairment in respect of trade receivables and contract assets

As a result of default risks, valuation allowances amounting to €12.8 million (prior year: €11.2 million) exist at the reporting date.

The development of allowances related to trade accounts receivable and contract assets is shown in the following table.

	2021/2022 EUR m	2020/2021 EUR m
As of 1 October	11.2	18.7
Change in scope of consolidation	1.9	
Additions	2.7	2.3
Reversal	-1.0	-0.1
Utilization	-2.0	-9.7
As of September 30	12.8	11.2

19 | Other Financial Assets

Other financial assets include receivables from suppliers arising from bonuses, discounts and advertising allowances, embedded options, the carrying amounts of investments in companies not included in the Consolidated Financial Statements, receivables from leases, receivables from payment service providers and other financial receivables. Except for equity participations, financial assets are classified and measured on the basis of the business model and the cash flow criterion; they are managed within the business model "hold" and the cash flow criterion is considered fulfilled. Consequently, they are measured at amortized cost.

Equity participations represent financial investments in unlisted equity instruments. There was no intention to sell said equity participations as of the reporting date. Depending on how the equity instruments are managed, they are measured at fair value through profit or loss.

Other financial assets overview

	Total EUR m	09/30/2022 With a remaining term of		Total EUR m	09/30/2021 With a remaining term of	
		Up to 1 year EUR m	More than 1 year EUR m		Up to 1 year EUR m	More than 1 year EUR m
Bonuses/advertising subsidies	131.9	131.9		117.5	117.5	-
Embedded options	0.0		0.0	25.2	-	25.2
Equity participations	2.1	-	-	2.1	-	-
Lease receivables	38.5	29.4	9.1	43.1	32.5	10.6
Receivables from payment service providers	16.6	16.6		12.3	12.3	
Miscellaneous other financial receivables	5.8	5.5	0.4	9.3	8.8	0.5
Total	195.0	183.4	9.5	209.5	171.1	36.2

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Receivables from payment service providers were reclassified from trade accounts receivable to other financial assets; the prior year was adjusted accordingly for better comparability.

Receivables from supplier bonuses and advertising subsidies are due in the short term and do not bear interest.

The contractual terms of the new Senior Secured Notes as well as the new Senior PIK Notes grant the issuer the right to repurchase the loan at any time. The issuer's repurchase rights included are exotic, path-dependent options that must be measured as a single instrument for financial mathematical purposes. In accordance with IFRS 9, the derivative is also to be regarded as one unit of account for accounting purposes. In order to accurately measure the repurchase options, an interest rate structure model is used that simulates the interest rate development over the entire term or until the respective exercise of the options.

The advantageousness of exercising the repurchase rights depends on the interest rate conditions that the issuer would receive at the time of exercise for taking up alternative financing. The refinancing interest rate is the market interest rate at which the issuer could obtain financing, taking into account a risk premium specific to the issuer. This is offset by the implicit loan interest rate, which is derived from the contracted interest rate. Accordingly, an exercise of the repurchase rights is economically feasible if the refinancing interest rate for alternative financing at the exercise date is below the implicitly contracted loan interest rate. Consequently, the fair value of the embedded derivative is also largely dependent on these two factors and their expected fluctuations.

In order to determine the advantageousness of an exercise, interest rates and default intensities are each simulated by a one-factor model according to Hull and White (1990). Input parameters of the valuation model are the interest rate and credit spread volatilities as well as the interest rate structure and CDS rates at the respective valuation date. The credit spread volatility is taken into account on the basis of the historical volatility of the CDS spreads of the B- or CCC rating class. The interest rate volatilities are derived from swaption volatilities quoted on the market.

The embedded options were capitalized as non-current financial assets in the amount of €17.2 million at the time of refinancing. As of the reporting date, subsequent measurement resulted in a valuation loss of €25.1 million (prior year: valuation income of €7.9 million), which is recognized in financial result.

All other financial assets are non-interest-bearing financial instruments. The carrying amounts of other financial assets are basically equivalent to their fair values.

Development of loss allowances on other financial assets

The following table contains an analysis of other financial assets.

	09/30/2022 EUR m	09/30/2021 EUR m
<i>Not due</i>	174.3	192.4
<i>Past due < 30 days</i>	18.8	13.3
<i>Past due > 30 days</i>	1.9	3.8
Total	195.0	209.5

No cash receipts relating to receivables fully written-off in prior periods were recognized in financial year 2020/21. The maximum default risk corresponds to the carrying value as of the reporting date.

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The impairment of financial assets is presented below, broken down by the levels of the expected credit loss model.

Level 1 - Expected credit losses over the next twelve months

	2021/2022 EUR m	2020/2021 EUR m
As of 1 October	3.4	5.4
Additions	0.3	0.3
Reversal	-0.2	-0.5
Utilization	-0.1	-1.8
As of September 30	3.4	3.4

Level 2 - Lifetime expected credit losses

	2021/2022 EUR m	2020/2021 EUR m
As of 1 October	0.0	155.1
Changes in consolidation group	0.0	-155.1
Additions	0.0	0.0
As of September 30	0.0	0.0

20 | Other Assets

Other assets mainly include prepaid expenses and deferred prepayments as well as contract assets from customer returns amounting to €1.7 million.

21 | Cash

The largest item of cash is bank balances (original term up to 3 months). It also includes checks and cash in hand. The Consolidated Statement of Cash Flows provides a detailed analysis of the movement in cash. The maximum default risk corresponds to the carrying value as of the reporting date.

Kirk Beauty A GmbH allocates cash to the business model "hold". Based on the business model and the fulfilment of the cash flow criterion, cash are measured at amortized cost. All carrying amounts correspond to the fair values.

Cash measured at amortized cost are subject to the general approach of the expected credit loss model. Kirk Beauty A GmbH only makes investments in counterparties with at least investment grade rating (BBB-), a low credit risk is assumed for these financial instruments. Kirk Beauty A GmbH uses credit default swap spreads and rating information to determine the expected credit losses for cash. The calculated amount of expected credit losses is insignificant.

As of the reporting date, bank balances in the amount of €184.6 million (prior year: €175.0 million) had been pledged as collateral for bank loans and Senior Notes. Under the terms of agreement, all rights and powers in respect of the accounts may be fully exercised so that the pledged bank balances continue to form part of cash.

Security can only be enforced by the lenders if the majority of them instruct the agent to declare and payable with immediate effect. This requires a prior breach of the terms of the contract, which has not been resolved before the expiration of a specified grace period.

Cash of €8.2 million (prior year: €10.5 million) were subject to restrictions on disposal.

22 | Assets held for Sale and related Liabilities

No assets and associated liabilities held for sale were identified in the reporting year.

In prior year 2020/21, 42 stores held for sale were identified in connection with the optimization of our store network (Store Optimization Program or SOP) in France and 19 stores held for sale were identified in operating segment Italy, which belongs to reportable segment Southern Europe.

In the reporting year, these stores held for sale were sold in their entirety and gains on disposal of €9.4 million were recognized in profit or loss within other operating income, of which €2.8 million related to the reportable segment France and €6.6 million to the reportable segment Southern Europe.

23 | Equity

Combined capital

In the case of combined financial statements (in this case, the combined comparative period ending on September 30, 2021), a differentiated statement of equity with separate items for capital stock, capital reserves, retained earnings, etc. as in consolidated financial statements is generally not feasible, so that in practice a collective item is usually reported. This is due in particular to the fact that parent-subsidiary relationships do not usually exist, which necessitates cross addition instead of capital consolidation. It should also be noted that legal restructurings may have a significant effect on the net assets reported in the combined financial statements, with the result that these may differ significantly from the consolidated shareholders' equity.

Combined capital includes capital stock and the capital reserve of Douglas GmbH and Kirk Beauty SUN GmbH totaling €448.8°million following the reorganization of the holding structure as a transition from consolidation to combination. The capital increase of the shareholders in Douglas GmbH in excess of the capital stock in financial year 2020/21 in the amount of €220.0°million is likewise shown in combined capital.

Kirk Beauty A GmbH has combined the equity of the financing holding company Kirk Beauty SUN GmbH with the operating Douglas-Group for prior-year reporting purposes. The operating Douglas-Group already existed in the past, so that consolidated equity was presented in the Consolidated Financial Statements of the former Kirk Beauty One GmbH and subsequently in the Consolidated Financial Statements of Douglas GmbH (formerly Kirk Beauty Two GmbH), which is used for the combined comparative period and the combined opening balance sheet.

Due to the manageable combination structure and the subordinate importance of Kirk Beauty SUN GmbH, the Group has at least partially differentiated the presentation of equity (in particular with regard to retained earnings) in the combined comparative period.

The PIK Notes issued by Kirk Beauty SUN GmbH had already been passed on to Douglas GmbH via loans in prior year 2020/21 and were therefore already included in the prior Consolidated Financial Statements 2020/21 anyway. Consequently, the combination essentially swapped a liability to affiliated companies into a Notes liability, which in addition to the explained equity effects leads to an immaterial

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effect in the amount of the transfer price consolidation in the prior year. The restatement of the prior-year financial statements due to the combination of Kirk Beauty SUN GmbH results in the following effects on the previously reported figures:

Restatement of the Consolidated Statement of Profit or Loss of Kirk Beauty A GmbH for the prior year 2020/21

	10/01/2020-09/30/2021		
	As previously reported EUR m	Restatements EUR m	Restated EUR m
Financial income	11.1	1.5	12.5
Financing expenses	-245.8	0.6	-245.2
Financial result	-234.7	2.1	-232.6
EBT	-341.5	2.1	-339.4
Income taxes	-43.0	0.2	-42.8
Profit (+) or Loss (-) of the period (Net Income)	-384.5	2.3	-382.2
<i>Attributable to owners of the parent</i>	<i>-384.5</i>	<i>2.3</i>	<i>-382.2</i>

Restatement of the Consolidated Statement of Financial Position of Kirk Beauty A GmbH in the prior year as of September 30, 2021

Assets	09/30/2021		
	As previously reported EUR m	Restatements EUR m	Restated EUR m
Non-current assets			
Other financial assets	35.7	2.7	38.4
Deferred tax assets	26.3	0.0	26.3
	3,361.5	2.6	3,364.2
Current assets			
Cash	240.4	0.0	240.4
	1,170.6	0.0	1,170.6
Total	4,540.5	2.7	4,543.1

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Equity and Liabilities	09/30/2021		
	As previously reported EUR m	Restatements EUR m	Restated EUR m
Equity			
Capital stock	0.0	0.0	-
Additional paid-in capital	668.8	-668.8	-
Combined capital**	-	668.8	668.8
Other reserves	-1,652.3	0.7	-1,651.7
<i>Equity before non-controlling interests</i>	-983.5	0.7	-982.9
	-983.5	0.7	-982.9
Non-current liabilities			
Other financial liabilities	3,837.2	0.6	3,837.8
Deferred tax liabilities	273.5	0.5	274.0
	4,215.4	1.0	4,216.5
Current liabilities			
Current provisions	112.6	0.0	112.6
Tax liabilities	100.1	1.0	101.0
	1,307.1	1.0	1,308.1
Total	4,540.5	2.7	4,543.1

***) Combined capital is the invested equity attributable to the joint parent company, consisting of capital stock and additional paid-in capital of the combined entities Douglas GmbH and Kirk Beauty SUN GmbH.

Capital stock

The capital stock of Kirk Beauty A GmbH amounted to 48,785.00 euros (prior year Douglas GmbH: 44,350.00 euros) as of the reporting date, following the capital reorganization already reported in the Consolidated Statement of Changes in Equity and the transition from combination to consolidation. Capital stock of 48,785.00°euros is divided into 29,435 Class A shares and 19,350 Class B shares, each with a nominal value of 1.00°euro. Capital stock was paid up in full.

By resolution dated December 10, 2021, the share capital of Kirk Beauty A GmbH was increased by 19,350.00°euros from 25,000.00°euros to 44,350.00°euros by issuing 19,350 new shares of 1.00°euro each. It was further resolved that the share capital be divided into 25,000 Class A shares with a total nominal value of 25,000.00°euros and a nominal value of 1.00°euro each and 19,350 Class B with a total nominal value of 19,350.00°euros and a nominal value of 1.00°euro each. By resolution dated June 30, 2022, the share capital of Kirk Beauty A GmbH was increased by 4,435.00°euros from 44,350.00 euros to 48,785.00°euros by issuing 4,435 new Class A shares with a par value of 1.00°euro each. The contribution attributable to these new Class A shares was made in cash.

A preferred dividend of 2 percent p.a. is payable on Class B shares and share premium. If a dividend payment cannot be made, the preferred dividend for the respective subsequent year is accumulated. In addition to the accumulation, a further 2 percent increase on the accumulated amount has been agreed. Class A shares are not entitled to dividends until the preferred shareholders have been served. Dividends cannot be distributed in total as long as interest-bearing third-party liabilities exist with the Company, or the Company is the guarantor for such liabilities.

Additional paid-in capital

Additional paid-in capital includes capital contributions of Kirk Beauty A GmbH shareholders in excess of capital stock. After the capital reorganization already presented in the consolidated statement of changes in equity and after the transition from combination to consolidation, it amounts to €326.0 million.

Reserves

	09/30/2022 EUR m	09/30/2021 EUR m
Retained earnings	-1,607.9	-1,643.1
Reserve for the recognition of actuarial gains/losses from pension provisions	2.6	-4.1
Deferred taxes recognized under other comprehensive income (OCI)	0.2	1.5
Reserve for currency translation differences	-14.9	-9.7
Total	-1,619.9	-1,655.4

Share-based payment

Management participation program II

On December 30, 2020, a new share-based compensation program was established by means of a second management investment company, Kirk Beauty 2 Beteiligungs GmbH & Co. KG, a direct shareholder of Kirk Beauty A GmbH. Key management personnel, other senior executives and other individuals were granted shares in this company, enabling them to hold an indirect interest in the Douglas-Group and thus participate in the expected increase in value. The participation granted comprises shares in the share capital of Kirk Beauty A GmbH amounting to 5.6 percent and in a shareholder loan granted by Kirk Beauty International S.A. to Kirk Beauty A GmbH bearing interest at 2.0 percent.

Given that Douglas-Group companies are not obliged to settle share-based payments themselves, this constitutes a share-based payment with settlement through equity instruments in accordance with IFRS 2.43B (b).

Members may only sell acquired shares to Kirk Beauty International S.A. If a member leaves the program, Kirk Beauty International S.A. is entitled to buy back his shares (call option).

If they sell their shares prematurely or leave the Douglas-Group as "good leavers," members shall receive a payment for a contractually defined share of the portfolio, which is vested until the date of departure, equating to the higher of the current market value of the shares or the purchase price less any received reimbursements. For the non-vested share, "good leavers" receive the lower of the current market value or the purchase price less any received reimbursements. Five years after the accession date, "good leavers" receive 100 percent of the market value of their portfolio upon termination. "Bad leavers" receive the lower of current market value and purchase price.

If a defined exit event occurs (which may include an initial public offering or a similar transaction, in which all or substantially all of the Group's assets are sold, so that the current investors retain less than 50 percent of the shares), the proceeds from the sale, after the deduction of costs, will be used to service the above-mentioned instruments, including accrued interest. Investors are required to cooperate in an exit event and participate pro rata in the proceeds of the sale in accordance with the portfolio they hold.

In order to determine IFRS 2 personnel expense for the period, the purchase prices to be paid by plan participants were compared to the fair values of the share classes at the respective accession date (grant date). If plan participants have purchased instruments at a price below fair value, the grant date fair value is

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determined as the difference between purchase price and fair value at the accession date. Fair values of the instruments were determined by means of discounted cash flow assessments of the Douglas-Group, based on business plans valid on the grant dates, taking into account the seasonal development of working capital and the change in net debt. The cost of capital parameters used comprise the risk-free interest rate calculated using the Svensson methodology, the relevant market risk premium and the average unlevered beta factor and leverage ratio derived from the applicable peer group. In addition, a credit spread based on adjusted average yield spreads of bonds with a maturity of ten years was taken into account.

The resulting enterprise value has been allocated to the different classes of instruments according to the Black-Scholes method. Black-Scholes models were calculated using the same assumptions regarding risk-free interest rate, volatility and expected maturity of the program, which was set at 17 months beginning December 30, 2020. The expected remaining term was amended in the financial year. As of the reporting date, an exit event is expected to occur in July 2024.

It was also assumed that no plan participants will leave the program within the remaining term and that no dividends will be paid or repurchase programs will be executed. The calculation of purchase prices takes into account a discount for the lack of marketability ("DLOM"). DLOM was determined using the Finnerty approach.

The parameters used in calculation are as follows.

Parameters	2021/2022	2020/2021
risk-free interest rate	1.5%	-0.2%
market risk premium	8.0%	7.5%
unlevered beta	0.9	0.9
volatility	28.6%	32.2%
WACC after tax	9.1%	7.3%
DLOM	8.8%	8.7%

The fair values of the benefits granted to employees on initial issue of the instruments were as follows: Shares in capital stock €18.6 million and shares in the shareholder loan €0.0 million.

The weighted average fair value of the instruments granted to employees in financial year 2021/22 amounted to €8.6 thousand (prior year: €15.3 thousand).

The purchase price of the shares issued to the plan participants existing at the reporting date amounts to a total of €0.0 million (prior year: €0.0 million) for the shares in capital stock and €0.6 million (prior year: €0.5 million) for the shares in the shareholder loan.

The total value of benefits granted to employees in the financial year amounts to €7.9 million (prior year: €18.6 million).

The instruments issued to employees developed as follows during the financial year and totaled as of the reporting date:

	2021/2022	2020/2021
Beginning of the reporting period	1,214.75	0.00
Instruments granted	913.28	1,214.75
Instruments returned	-268.38	0.00
End of the reporting period	1,859.65	1,214.75

Due to the classification as an equity-settled share-based payment program, the fair value of the respective benefit from the share grant, determined at the grant date, is recognized as personnel expense over the vesting period; the offsetting entry is made in retained earnings. Personnel expenses of €6.1 million (prior year: €8.1 million) were recognized for this share-based payment in the financial year.

Management participation program I

The first management participation program, which exists since March 2016 in a management participation company as shareholder of Kirk Beauty International S.A., was closed to new plan participants with the introduction of the second management participation program. No new plan participants were admitted in financial year 2021/22.

The program grants members the opportunity to indirectly acquire shares in Kirk Beauty International S.A. in a particular structure. The participants' investment allows them to indirectly participate in the returns and value developments of a defined portfolio consisting of ordinary shares, preferred shares and preferred equity certificates (PECs). Preferred shares and PECs have defined returns on capital employed. PECs take precedence over preferred shares, which in turn take precedence over ordinary shares, when it comes to servicing.

Members may only sell acquired shares to Kirk Beauty Investments S.A. If a member leaves the program, Kirk Beauty Investments S.A. is entitled to buy back his shares (call option).

Given that Douglas-Group companies are not obliged to settle share-based payments themselves, this constitutes a share-based payment with settlement through equity instruments in accordance with IFRS 2.43B (b).

The instruments issued to employees have remained unchanged since September 30, 2020 and amount to:

	Ordinary shares	Preferred shares	PECs
09/30/2022	652,852	1,013,792	160,719,965

Due to the classification as equity settled share-based payment program, the grant date fair value of benefits granted in the form of instruments is recorded as personnel expense over the vesting period; the offsetting entry is made in other reserves in equity. Personnel expense of €0.0 million (prior year: €0.0 million) was recognized for this share-based payment in the financial year, as the vesting period for all existing plan participants was completed before the beginning of the reporting year. The program therefore has no impact on the Consolidated Statement of Financial Position or Consolidated Statement of Profit or Loss for financial year 2021/22.

24 | Pension Provisions

Pension provisions are recognized for funded and non-funded employer-financed commitments arising from pension entitlements and ongoing payments to employees and former employees as well as their surviving dependents. They are also recognized for purely employee-funded commitments from deferred compensation. The pension entitlements usually relate to payments for contractually agreed retirement pensions as a monthly amount. These commitments are accounted for in accordance with the requirements of IAS 19. Accordingly, actuarial gains/losses are recognized in other comprehensive income, while the service cost and net interest on the net defined benefit liability are recognized in the Consolidated Statement of Profit or Loss.

Valuations are based on actuarial reports using the following parameters.

	Germany %	France %	The Netherlands %	Switzerland %
09/30/2022				
Interest rate	3.20	2.40	2.80	1.85
Pension benefit increase rate	2.00	0.00	2.60	0.00

	Germany %	France %	The Netherlands %	Switzerland %
09/30/2021				
Interest rate	0.80	0.85	0.70	0.04
Pension benefit increase rate	1.50	0.00	2.00	0.00

Dr. Heubeck's 2018 "Mortality Tables" or comparable country-specific mortality tables were used as a basis for the biometric parameters.

The following table shows a reconciliation of the defined benefit obligation (DBO) to the defined benefit liability (DBL).

	Unfunded obligation EUR m	09/30/2022 Funded obligation EUR m	Total EUR m	Unfunded obligation EUR m	09/30/2021 Funded obligation EUR m	Total EUR m
DBO	26.2	16.9	43.1	32.5	20.8	53.3
Fair value of plan assets		-14.9	-14.9		-17.3	-17.3
DBL	26.2	2.0	28.2	32.5	3.5	36.0

The following table shows the development of the defined benefit obligation.

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	Unfunded obligation EUR m	2021/2022 Funded obligation EUR m	Total EUR m	Unfunded obligation EUR m	2020/2021 Funded obligation EUR m	Total EUR m
DBO at the beginning of the period	32.5	20.8	53.3	32.5	21.2	53.7
Included in Profit or Loss						
Service cost	0.3	0.4	0.7	0.4	0.5	0.9
Interest expense	0.2	0.1	0.3	0.3	0.1	0.4
Past service cost			0.0		-0.1	-0.1
Curtailments	-0.2		-0.2	-0.2		-0.2
	0.3	0.5	0.8	0.5	0.5	1.0
Included in OCI						
Actuarial gains or losses resulting from adjustment of demographic assumptions	0.0	0.1	0.1	0.0	-0.2	-0.2
Actuarial gains or losses resulting from adjustment of financial assumptions	-6.6	-4.9	-11.5	0.8	0.4	1.2
Actuarial gains or losses resulting from experience adjustment	1.6	0.1	1.7	0.2	-0.2	0.0
	-5.0	-4.7	-9.7	1.0	0.0	1.0
Other						
Contributions paid by the employee		0.2	0.2	-	0.2	0.2
Benefits paid	-1.6	-0.9	-2.5	-1.5	-1.1	-2.6
Currency translation adjustments		1.0	1.0	-	0.0	0.0
DBO at the end of the period	26.2	16.9	43.1	32.5	20.8	53.3

The development of plan assets is shown in the following table.

	2021/2022 EUR m	2020/2021 EUR m
Plan assets at the beginning of the period	17.3	17.5
Included in Profit or Loss		
Expected return on plan assets	0.1	0.1
Included in OCI		
Return on plan assets excluding interest income	-2.9	0.3
Other		
Contributions paid by the employee	0.2	0.2
Contributions paid by the employer	0.2	0.2
Benefits paid	-0.9	-1.0
Currency translation adjustments	0.9	0.0
Plan assets at the end of the period	14.9	17.3

The fair value of plan assets at the end of the period is attributable to the following asset classes.

	2021/2022 EUR m	2020/2021 EUR m
Insurance contracts	9.3	11.9
Equity instruments	1.6	1.8
Debt instruments	1.6	1.1
Property	1.4	1.2
Alternative assets (private equity, hedge funds, infrastructure)	0.6	0.4
Cash	0.2	0.1
Other	0.2	0.8
Plan assets at the end of the period	14.9	17.3

Pension payments in the amount of €2.3 million and contributions to plan assets in the amount of €0.3 million are expected for the following period ended September 30, 2023. An increase of 0.7 percentage points in the discount rate would reduce the present value of the defined benefit obligations by €3.3 million. A decrease of 0.7 percentage points in the discount rate would increase the present value of benefit obligations by €3.8 million. An increase or a decrease of 0.5 percentage points in the expected pension trend with all other parameters remaining unchanged would increase the present value of the defined benefit obligations by €1.9 million or decrease the present value of the defined benefit obligations by €1.1 million, respectively. The weighted average duration of all obligations is 12.3 years as of the reporting date.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

An amount of €28.7 million (prior year: €23.6 million) was paid for defined contribution plans in the period ended September 30, 2022.

25 | Provisions

Statement of changes in provisions - 10/01/2021 - 09/30/2022

	Human resources commitments EUR m	Real estate commitments EUR m	Other provisions EUR m	Total EUR m
10/01/2021	72.8	35.2	57.0	165.0
Utilization	-42.2	-4.9	-18.5	-65.6
Reversal	-7.9	-2.9	-6.2	-17.0
Additions	41.3	5.7	14.9	61.9
Exchange difference	-0.2	0.0	-0.2	-0.4
09/30/2022	63.8	33.1	47.0	143.9
-- <i>thereof non-current</i>	<i>11.8</i>	<i>28.8</i>	<i>5.8</i>	<i>46.4</i>
-- <i>thereof current</i>	<i>52.0</i>	<i>4.3</i>	<i>41.2</i>	<i>97.5</i>

Of the reversals of provisions for personnel obligations, €6.7 million resulted from unused provisions for premiums and €2.6 million for other provisions from unused provisions for legal costs.

Non-current provisions

Non-current human resources commitments primarily concern compensation for length of service as well as anniversary provisions.

Real estate commitments predominantly concern provisions for restoration obligations. The increase in price growth rates was taken into account in the forecast of the dismantling obligations to be met at the end of the respective contracts.

Other provisions mainly concern legal costs.

Discount rates for non-current provisions are between 1.9 percent and 3.2 percent.

Current provisions

Provisions for human resources commitments were primarily recognized for bonuses and further for severance payments.

Real estate commitments mainly concern incidental rental costs.

Other provisions were mainly recognized for litigation risks and corresponding legal costs.

Current provisions are expected to be utilized in the period ending September 30, 2022 and with cash outflows equaling the amounts recognized.

26 | Trade Accounts payable

All business transactions recognized under trade accounts payable have remaining terms of less than one year.

27 | Other Financial Liabilities

	09/30/2022				09/30/2021			
	Total EUR m	Remaining terms			Total EUR m	Remaining terms		
< 1 year EUR m		1 to 5 years EUR m	> 5years EUR m	< 1 year EUR m		1 to 5 years EUR m	> 5years EUR m	
Senior Secured Notes	1,329.8	35.9	1,293.9	0.0	1,328.6	37.4	-2.5	1,293.6
Senior PIK Notes	542.9	21.4	521.5	0.0	497.6	0.0	0.0	497.6
Liabilities to bank	670.1	10.4	659.8	0.0	589.5	10.8	578.6	0.0
Lease liabilities	1,155.1	252.9	661.7	240.5	1,153.2	290.7	652.4	210.1
Liabilities to shareholder	645.1	0.0	269.6	375.5	589.5	0.0	0.0	589.5
Financial liabilities from options held by non-controlling interests	5.3	5.3	0.0	0.0	4.0	0.0	4.0	0.0
Financial liabilities from contingent considerations	4.4	2.1	2.3	0.0	13.5	0.2	13.3	0.0
Financial purchase price liabilities	10.9	0.0	10.9	0.0	0.0	0.0	0.0	0.0
Miscellaneous other financial liabilities	6.0	4.8	1.3	0.0	3.5	2.3	1.1	0.1
Total other financial liabilities	4,369.7	332.8	3,421.0	615.9	4,179.2	341.4	1,246.9	2,590.8

Liabilities to non-controlling interests

Regarding the non-controlling shareholders of one subsidiary in Bulgaria, an obligation exists to acquire their shares as soon as they are tendered by the non-controlling shareholders. Additionally, one German partnership has cancellation rights with the consequence that in the event of termination, compensation at fair value would be payable to the non-controlling shareholders. This results in a commitment of €5.3 million (prior year: €4.0 million) as of the reporting date.

28 / Other Liabilities¹⁵

	09/30/2022				09/30/2021			
	Total EUR m	Remaining terms			Total EUR m	Remaining terms		
		< 1 year EUR m	1 to 5 years EUR m	> 5years EUR m		< 1 year EUR m	1 to 5 years EUR m	> 5years EUR m
Contract Liabilities: coupons not yet redeemed	151.7	151.7	0.0	0.0	145.5	145.5	0.0	0.0
Contract liabilities: Customer loyalty programs	39.6	39.6	0.0	0.0	44.6	44.6	0.0	0.0
Total non-cash obligations	191.3	191.3	0.0	0.0	190.0	190.0	0.0	0.0
Personnel liabilities	54.5	54.5	0.0	0.0	51.8	51.8	0.0	0.0
Supplier bonus accruals	2.1	2.1	0.0	0.0	4.4	4.4	0.0	0.0
Accrued rental payments	0.8	0.8	0.0	0.0	1.4	1.4	0.0	0.0
Miscellaneous	21.5	16.9	4.4	0.2	37.2	20.9	16.2	0.2
Total miscellaneous other liabilities	78.9	74.3	4.4	0.2	94.8	78.4	16.2	0.2
Total other liabilities	270.2	265.6	4.4	0.2	284.9	268.5	16.2	0.2

Contract liabilities reported as other liabilities relate to deferred revenues from the sale of vouchers and from customer loyalty programs.

The item "Miscellaneous" mainly includes deferred payments of which Douglas Card commissions in particular amount to €4.7 million (prior year: €5.1 million).

29 / Fair Value of Financial Instruments

The following tables represent the carrying amounts and fair values of financial instruments as of the reporting date. The items are classified according to IFRS 9¹⁶ and are also categorized into a three-stage fair value hierarchy, which structures the data used for the fair value calculation according to its market relevance.

Financial instruments categorized in accordance with IFRS 9 - 09/30/2022

¹⁵ The classification of individual items was changed from provisions to liabilities in the reporting year, and the prior year was adjusted accordingly.

¹⁶ Abbreviations used for the categories of financial instruments in accordance with IFRS 9:

AC - measured at amortized cost;

FVtPL - measured at fair value through profit or loss

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	Net carrying amount EUR m	Category	(Amortized) cost EUR m	Fair value through profit or loss EUR m	Fair Value through OCI EUR m	Total fair value EUR m	Level
Financial assets							
Trade accounts receivable*	32.9	AC					
Cash	245.3	AC					
Other financial assets	195.0						
-- <i>thereof Equity participations</i>	2.1	FVtPL		2.1		2.1	2
Total financial assets	195.0						
Financial liabilities							
Trade accounts payable	634.5	AC					
Other financial liabilities	3,214.5						
-- <i>thereof Senior Secured Notes</i>	1,329.8	AC	1,329.8			1,001.6	1
-- <i>thereof Senior PIK Notes</i>	542.9	AC	542.9			323.4	2
-- <i>thereof Liabilities to bank</i>	670.1	AC	670.1			670.1	2
-- <i>thereof Liabilities to shareholders</i>	645.1	AC	645.1			645.1	2
-- <i>thereof Liabilities from non-controlling options</i>	5.3	AC	5.3			5.3	2
-- <i>thereof Liabilities from contingent considerations</i>	2.1	FVtPL	2.1			2.1	3
Total financial liabilities according to IFRS 9	3,214.5						
Lease liabilities	1,155.1						
Total financial liabilities	4,369.6						

Fair values of the Notes liabilities are calculated on the basis of market prices quoted on active markets (level 1).

The fair values of trade receivables and payables correspond to their carrying amounts due to their short terms.

Fair values of liabilities to banks are based on expected cash flows within the range of contractual agreements, discounted with a credit-risk-adjusted 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 contractually defined boundaries. As agreed in the contract, credit margins are reassessed on a quarterly basis subject to the development of certain key performance indicators. 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.

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

For information on liabilities from non-controlling options and contingent consideration, please refer to Note 27, Other Financial liabilities, in the section Liabilities to non-controlling interests, as well as Note 3, Consolidation Principles, in chapter Acquisitions - acquisition of Disapo.

The fair value of the financial liabilities from options for non-controlling interests of the Bulgarian subsidiary is determined by multiplying the planned EBITDA by a specified factor adjusted for a net debt component.

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An increase in the planned EBITDA by 10% would result in a fair value that is approximately 7% higher. In the reporting year, the adjustment to fair value resulted in financial expense of €1.2 million.

Fair values of other financial instruments are determined on the basis of the present values of contractually agreed payments, taking into account country-specific yield curves.

Financial instruments categorized in accordance with IFRS 9 - 09/30/2021

	Net carrying amount EUR m	Category	(Amortized) cost EUR m	Fair value through profit or loss EUR m	Fair Value through OCI EUR m	Total fair value EUR m	Level
Assets							
Trade accounts receivable*	31.1	AC	31.1				
Cash	240.4	AC	240.4				
Financial assets	209.5						
-- thereof embedded derivatives	22.5	FVtPL		22.5		0.0	2
-- thereof Equity participations	2.1	FVtPL		2.1		2.1	2
Total financial assets	209.5						
Financial liabilities							
Trade accounts payable	484.5	AC	484.5				
Other financial liabilities	3,026.0						
-- thereof Senior Secured Notes	1,328.6	AC	1,328.6			1,326.1	1
-- thereof Senior PIK Notes	497.6	AC	497.6			485.1	2
-- thereof Liabilities to bank	589.5	AC	589.5				2
-- thereof Liabilities to shareholders	589.5	AC	589.5			589.5	2
-- thereof Liabilities from non-controlling options	4.0	AC	4.0			4.0	2
-- thereof Liabilities from contingent considerations	13.5	AC	13.5			13.5	3
Total financial liabilities according to IFRS 9	3,026.0						
Lease liabilities	1,153.2						
Total financial liabilities	4,179.2						

FURTHER DISCLOSURES

30 / Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows shows how the Group's cash have changed in the course of the financial year as a result of cash inflows and outflows. The Consolidated Statement of Cash Flows distinguishes between changes in cash resulting from operating activities, investing activities and financing activities.

Cash amounted to €245.3 million (prior year: €240.4 million) as of September 30, 2022 and consisted exclusively of cash as reported in the Consolidated Statement of Financial Position.

Cash inflow from operating activities totaled €468.1 million (prior year: €370.2 million) in financial year 2021/22.

Changes in working capital (without liabilities from investments in non-current assets) of €53.7 million (prior year: €64.7 million) and changes in other assets and liabilities not classifiable to investing or financing activities in the amount of minus €27.1 million (prior year: plus €23.2 million) show the change in the corresponding positions, adjusted for amounts attributable to investing or financing activities.

Working capital of the Douglas-Group comprises inventories, trade accounts receivable, trade accounts payable (including liabilities from investments in non-current assets and receivables from payment service providers), receivables from advertising cost subsidies, sales promotion and supplier bonuses as well as liabilities from coupons not yet redeemed.

The cash outflow from investing activities amounted to €101.5 million in the reporting year (prior year: €81.8 million). Of this amount, €24.2 million related to the acquisition of shares in Disapo. The purchase price payment of €24.5 million was offset by acquired cash and cash equivalents of €0.3 million.

Cash outflow from financing activities amounted to €360.4 million (prior year: €304.1 million).

The following tables show a reconciliation of cash flows from financing liabilities to the changes in financial liabilities reported in the Consolidated Statement of Financial Position for the reporting year and the prior year 2020/21.

	Liabilities to bank	Senior Secured Notes	Senior PIK Notes	Liabilities to shareholder	Lease liabilities	Financial liabilities from options held by non-controlling interests	Financial liabilities from contingents considerations	Financial purchase price liabilities	Other financial liabilities	Total financial liabilities
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
Net carrying amount at the beginning of the reporting period	589.5	1,328.6	497.7	589.5	1,153.2	4.0	13.5	0.0	3.4	4,179.3
Changes in consolidation group					1.7					1.7
Interest expense	50.4	81.0	45.2	55.6	36.4	2.3	0.8			271.7
Exchange differences					-2.5					-2.5
Additions to lease liabilities					324.6					324.6
Modifications of lease liabilities					-62.0					-62.0
Reclassification of lease liabilities to H-F-S										0.0
Separation of embedded derivatives										0.0
Other changes						0.2	2.1	10.9	4.1	17.3
Changes not effecting cash flow from financing activities	50.4	81.0	45.2	55.6	298.2	2.5	2.9	10.9	4.1	550.8
Payments for the redemption of financial loans and bonds	-0.7						-12.0		-0.4	-13.1
Payments for the redemption of lease liabilities					-259.9					-259.9
Proceeds from the issuance of financial loans and bonds	75.0								1.0	76.0
Transaction costs paid in respect of financial loans and bonds	-3.6									-3.6
Interest paid	-40.5	-79.8			-36.4	-1.1			-2.4	-160.2
Interest received									0.3	0.3
Effects on cash flow from financing activities	30.2	-79.8	0.0	0.0	-296.3	-1.1	-12.0	0.0	-1.5	-360.5
Net carrying amount at the end of the reporting period	670.1	1,329.8	542.9	645.1	1,155.1	5.4	4.4	10.9	6.0	4,369.7

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	Liabilities to bank EUR m	Senior Secured Notes and Senior Notes EUR m	Senior PIK Notes EUR m	Liabilities to shareholder EUR m	Purchase price liability arising from derivative instruments EUR m	Lease liabilities EUR m	Financial liabilities from options held by non-controlling interests EUR m	Financial liabilities from contingent considerations EUR m	Other financial liabilities EUR m	Total financial liabilities EUR m
Net carrying amount at the beginning of the reporting period	1,838.0	637.6	0.0	0.0	2.0	1,331.7	3.7	13.5	3.6	3,830.1
Changes in consolidation group				545.5						545.5
Interest expense	56.4	71.2	20.4	44.0		41.7	0.8			234.5
Exchange differences						-0.3				-0.3
Additions to lease liabilities						166.9				166.9
Modifications of lease liabilities						-91.1				-91.1
Reclassification of lease liabilities to H-F-S						-1.1				-1.1
Separation of embedded derivatives		6.9	10.3							17.2
Other changes							0.3		1.5	1.8
Changes not effecting cash flow from financing activities	56.4	78.1	30.7	589.5	0.0	116.1	1.1	0.0	1.5	873.3
Payments for the redemption of financial loans and bonds	-1,235.9	-635.0			-2.0				-0.1	-1,873.0
Payments for the redemption of lease liabilities						-252.8				-252.8
Proceeds from the issuance of financial loans and bonds	0.4	1,305.0	475.0						0.1	1,780.5
Transaction costs paid in respect of financial loans and bonds	-23.1	-22.0	-8.0							-53.1
Interest paid	-46.3	-35.1				-41.7	-0.8		-2.0	-125.9
Interest received									0.3	0.3
Effects on cash flow from financing activities	-1,304.9	612.9	467.0	0.0	-2.0	-294.5	-0.8	0.0	-1.7	-524.0
Net carrying amount at the end of the reporting period	589.5	1,328.6	497.7	589.5	0.0	1,153.2	4.0	13.5	3.4	4,179.3

31 | Segment Reporting

Fundamentals

As the leading specialty retailer in Europe, the Douglas-Group operates 1,704 perfumeries (and an additional 133 franchise branches) and a variety of online web shops in 27 European countries, in which

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primarily perfumery, cosmetic and skincare products and food supplements are sold to end customers. Business is conducted on the basis of an omnichannel approach that interlinks the store and online business in a way that ensures that customers are optimally served via both channels.

		DACHNL		France	
		10/01/2021- 09/30/2022	10/01/2020- 09/30/2021	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
Adjusted Net Sales Brick & Mortar	EUR m	981.0	650.9	615.9	516.8
Adjusted Net Sales E-Commerce	EUR m	843.9	848.3	165.4	182.5
Total	EUR m	1,824.9	1,499.2	781.2	699.3

		Southern Europe		Central Eastern Europe		Total Reportable Segments	
		10/01/2021- 09/30/2022	10/01/2020- 09/30/2021	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
Adjusted Net Sales Brick & Mortar	EUR m	480.5	480.7	362.6	266.8	2,439.9	1,915.2
Adjusted Net Sales E-Commerce	EUR m	86.0	79.6	100.7	94.0	1,196.0	1,204.4
Total	EUR m	566.5	560.3	463.3	360.8	3,635.9	3,119.6

Chief Operating Decision Maker, reportable and operating segments

The reporting segments are categorized on the basis of their organizational and decision-making structure and the content of the internal reporting to the chief operating decision-maker.

The Board of Directors of Kirk Beauty A GmbH is the chief operating decision-maker in the meaning of IFRS 8. It steers the Douglas-Group, it is responsible for allocating resources to the business segments at the highest level and it assesses and monitors their profitability.

The internal organization and reporting is structured regionally. Below the chief operating decision-maker, the segment managers are responsible for the operating business and in turn report to the chief operating decision-maker. Consequently, control and monitoring by the chief operating decision maker also takes place at the level of these regions, which comprise one or more countries.

Compared with prior year 2020/21, the segment structure has changed effective October 1, 2021. It now comprises the reportable segments DACHNL, France, Southern Europe and Central Eastern Europe.

The reportable segment DACHNL comprises the operating segment "DACH" - consisting of Germany, Austria and Switzerland - and the operating segment Netherlands.

The operating segment Southern Europe comprises the countries Italy, Spain and Portugal.

The composition of the operating segment France and the operating segment Eastern Europe remains unchanged. In addition, the corporate overhead costs associated with central operations, which were included in the prior-year segment reporting for 2020/21 in the former reportable segment Germany, are no longer allocated to a segment but are reported separately.

In financial year 2021/22, the Douglas-Group was structured into the following operating segments:

- DACH
- The Netherlands
- France

- Southern Europe
- Central Eastern Europa

Disapo is part of the DACH business segment; it generates the vast majority of sales in Germany. In France, the Group operates under its own "Nocibé" brand.

Operating segments can be aggregated into reportable segments on the basis of comparable economic characteristics and criteria. In addition to the current and expected future average gross profit and (adjusted) EBITDA margins, these include the type of products and services, the customer base, the sales organization, the supplier and procurement structure, the market position and the regulatory environment.

In financial year 2021/22, the DACH and NL operating segments were combined to form the DACHNL reportable segment.

The central departments at the level of Douglas-Group's headquarters in Germany are responsible for functions that comprise key parts of the value chain. In addition to the superordinate classic management and administrative areas, these include in particular the central purchasing and marketing departments, the own brands, and international e-commerce, which is responsible in particular for the strategic orientation and development of the online stores and digital platforms as part of our #FORWARDBEAUTY.DigitalFirst strategy. The gross profit generated by the own brand business has been allocated to the segments, while inventory and product success risks remain mainly in the corporate center. The functional costs incurred by these corporate functions (so-called corporate headquarters costs) are not allocated to any segment, but are reported separately.

Segment performance indicator

The most important financial performance indicators used to assess the segments and manage the allocation of resources are growth (adjusted sales (net)) and profitability (adjusted EBITDA). In addition, other financial indicators are used for management purposes, in particular revenue, EBITDA, free cash flow, gross profit or gross profit margin including the change in working capital, and information on investments in non-current assets consisting of intangible assets and property, plant and equipment.

Internal licensing costs and other similar costs charged from the segment DACH to the segments The Netherlands, Southern Europe and Eastern Europe were not included in the presentation of segment EBITDA and adjusted segment EBITDA, in accordance with the internal steering logic. As a result, the regional segments do not bear any brand and IT licensing costs, although they do benefit from central brand management and IT equipment.

Adjusted EBITDA used for management purposes is derived from reported EBITDA before application of IFRS 16, therefore before capitalization of significant lease expenses and income, and adjusted for those items which, in the opinion and decision of the management of Kirk Beauty A GmbH, are not regularly recurring, exceptional or are not suitable for internal management. The same applies to the key financial performance indicator "adjusted sales".

At the beginning of the following financial year 2022/23, segment reporting on (adjusted) EBITDA will for the first time take account of IFRS 16 "Leases", in line with changed internal reporting and planning. Accordingly, significant portions of the leasing expenses, mainly from the rental of our stores, warehouses and business premises, are capitalized as rights of use under leases and amortized on a scheduled basis. This will result in rental expenses being shifted from other operating expenses to depreciation and amortization, with a corresponding significant increase in (adjusted) EBITDA.

Adjustments

For the first time, sales in connection with restructurings, closures or disposals of store groups have also been adjusted.

EBITDA Adjustments are basically divided into the following categories: "Purchase price allocations (PPA)," "Restructuring costs and severance payments," "Consulting fees" and "Other adjustments".

Remaining unchanged from prior year, given 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 are disclosed separately in the category "COVID-19-effects". Furthermore, adjustments for expenses incurred under the Store Optimization Program (SOP) are disclosed separately due to their materiality.

Reconciliation from adjusted sales (net) to sales (net)

	10/01/2021 - 09/30/2022	10/01/2020 - 09/30/2021
	EUR m	EUR m
Adjusted Sales (net)	3,649.9	3,119.6
Adjustments of sales (net) from restructurings	-27.5	0.0
Sales (net)	3,677.5	3,119.6

The adjustments mainly relate to the reporting segment Southern Europe.

Reconciliation from Adjusted EBITDA to EBITDA

	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
	EUR m	EUR m
Adjusted EBITDA	325.5	217.8
Purchase Price Allocations (PPA)	-0.4	4.1
Restructuring costs (staff-related) and severance payments	32.8	0.3
Consulting fees	29.4	8.0
Other adjustments	3.8	6.9
Write-down of inventories	0.0	8.2
COVID-19-effects	-4.1	97.2
Store Optimization Program (SOP)	11.1	78.3
Sum of adjustments on EBITDA	72.5	203.1
EBITDA before application of IFRS 16	253.0	14.7
Lease expenses and income according to former IAS 17 which are to be capitalized following IFRS 16	-277.0	-276.6
EBITDA	530.0	291.3

The respective categories are primarily attributable to the following matters:

- **Purchase Price Allocation (PPA):**

EBITDA effects in profit or loss concerning the subsequent accounting for PPA adjustments.

- **Restructuring costs and severance payments:**

Expenses in connection with the sale or termination of a business unit, the closure or sale of a group of stores, significant changes in the structure of management or fundamental reorganizations. 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.

In the reporting year, these included in particular restructuring expenses from further store closures in the reporting segment Southern Europe.

- **Consulting fees:**

In relation to strategic projects, acquisitions and financing.

In the reporting year, these were incurred in particular in connection with our strategic logistics project "One Warehouse All Channels" (OWAC).

- **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: Restructuring expenses that are not personnel-related, integration costs, income from the reversal of previously adjusted provisions, expenses in connection with management participation programs, infrastructure or reorganization costs.

In the reporting year, other adjustments mainly included costs from Management Participation Program II amounting to €6.1 million and offsetting effects, in particular from the reversal of impairment losses on previously impaired stores.

- **COVID-19-effects:**

With the COVID-19 pandemic subsiding in FY2021/22, the COVID-19 effects resulted primarily from retroactively granted rent reductions and government subsidies (In the prior year, COVID-19 adjustments included, in particular, personnel and rent-related vacancy costs associated with our closed stores and other additional costs caused by the coronavirus pandemic).

- **Store Optimization Program (SOP):**

Expenses in connection with the optimization of our store network.

In the reporting year, these resulted from further store closures and mainly related to rent and personnel.

Reconciliation of segment performance indicators sales (net), adjusted sales (net), EBITDA, adjusted EBITDA and CAPEX to the Group's figures

Sales (net)	10/01/2021- 09/30/2022 EUR m	10/01/2020- 09/30/2021 EUR m
Total Reportable Segments	3,665.5	3,120.0
Intersegment sales (net)	1.9	0.6
Corporate Headquarter	0.2	0.2
Exchange rate and other effects	9.8	-1.1
Douglas Group	3,677.5	3,119.6

Adjusted Sales (net)	10/01/2021- 09/30/2022 EUR m	10/01/2020- 09/30/2021 EUR m
Total Reportable Segments	3,638.0	3,120.0
Intersegment sales (net)	1.9	0.6
Corporate Headquarter	0.2	0.2
Exchange rate and other effects	9.8	-1.1
Douglas Group	3,649.9	3,119.6

Adjusted EBITDA	10/01/2021- 09/30/2022 EUR m	10/01/2020- 09/30/2021 EUR m
Total Reportable Segments	449.9	325.1
Corporate Headquarter	-126.5	-109.4
Exchange rate and other effects	2.0	2.1
Douglas Group	325.5	217.8

CAPEX	10/01/2021- 09/30/2022 EUR m	10/01/2020- 09/30/2021 EUR m
Total Reportable Segments	62.9	44.5
Corporate Headquarter	30.1	37.8
Exchange rate and other effects	0.0	0.0
Douglas Group	93.0	82.3

Other explanations on segment reporting

External sales (net) correspond to sales with external third parties. Intersegment sales account for sales between individual segments. The allocation of sales to the reporting segment is based on the registered location of the selling company.

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

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 segment reporting relates to additions made to other intangible assets and property, plant and equipment.

Non-current assets

	09/30/2022 EUR m	09/30/2021 EUR m
Germany	1,439.7	1,492.0
France	824.7	826.7
Other foreign countries	844.7	980.7
Total	3,109.1	3,299.5

The non-current assets presented for all segments comprise intangible assets, property, plant and equipment and rights-of-use assets from leases located in Germany and abroad. Non-current financial assets and deferred tax assets were excluded. Segment liabilities are not regularly reported to the chief operating decision maker.

32 | Management of financial Risks

The financial management of Kirk Beauty A GmbH is responsible for the Group's financing and supports decision-makers of German and foreign Group companies in respect of all financial issues.

The financial risks relevant to the Group, such as liquidity risks, the risk of interest rate changes, default risks and risks from cash flow fluctuations, are adequately controlled and monitored by the financial management of Kirk Beauty A GmbH.

Liquidity risk

With regard to liquidity risks, reference is made to Note 2, Basis for Accounting, in section Assumption of going concern as the basis for accounting.

The Group generally has access to various sources for the funding of business operations, investments and potential acquisitions. This includes existing cash and cash equivalents, net cash flow from operating activities and bank loans as well as Senior Notes.

All German subsidiaries and the significant subsidiaries based abroad are linked to a cash management system (cash pooling). By combining financing volumes, short-term liquidity surpluses of individual Group companies can be used to finance the cash requirements of other Group companies. This leads to a reduction of the debt financing volume and an optimization of cash investments, thus having a positive impact on the Group's net interest result.

In order to monitor liquidity risk, comprehensive liquidity planning has been set up within the Douglas-Group using a harmonized Group-wide procedure. This direct liquidity and cash flow planning includes weekly, rolling bottom-up planning over at least 13 weeks.

As of the reporting date, in addition to shareholder loans, the main sources and conditions of financing are shown in the following table.

	Financing volumes EUR m	Interest %	Maturity Date
Senior Secured Notes	1,305.0	6.00%	8 April 2026
Senior PIK Notes	519.6	8.25% / 9.00%	1 October 2026
Senior Secured Term Loan Facility (Facility B)	675.0	5.50%	8 April 2026
Senior Secured Multi-Currency Revolving Credit Facility (RCF)	170.0	4.75%	8 January 2026
Total	2,669.6		

The RCF was not utilized in terms of liquidity as of the reporting date.¹⁷

The financing volume of Senior PIK Notes regularly increases with capitalization of interest.

Collateral was provided for the Senior Secured Notes and the Senior Secured Term Loan Facility. The following assets were pledged as collateral: bank balances, shares in certain group companies and intra-group accounts receivable.

In the event of borrower default, the lenders have the opportunity to initiate a contractually defined process, which aims to bring about the immediate due payment of the liability and the utilization of the pledged collateral.

Kirk Beauty A GmbH and its subsidiaries have to meet certain other obligations and key financial covenants, if 40.0 percent of the nominal value of €170.0 million of the Senior Secured Multi-Currency Revolving Credit Facility is drawn (equaling €68.0 million). The utilization of the RCF by ancillary facilities and collateral such as rent guarantees are not relevant for the calculation of and compliance with the financial covenants. In the past financial year and as of September 30, 2022, compliance with these financial covenants under the loan agreement was not of relevance.

Besides these financial covenants, the Group also has to meet certain qualitative covenants, such as the payment of interest or the submission of quarterly and annual financial statements, including the Compliance Certificate. If these obligations are not met, the lenders are entitled to cancel the loan agreements with immediate effect and call upon all pledged collateral. The qualitative covenants were met at all times in financial year 2021/22.

The individual financing components of the Group in the form of the issued bonds and the syndicated loan, as well as the Revolving Credit Facility that had not been drawn in terms of liquidity as of the reporting date, are closely interwoven. Due to these risk interdependencies, there is an increased concentration of risk.

Financing liabilities (excluding subordinated shareholder loans)

¹⁷ As of the reporting date, the RCF was used as collateral in the form of rental guarantees in the amount of €10.4 million and a line of €5.0 million earmarked solely for collateral.

	09/30/2022		09/30/2021	
	Nominal amount EUR m	Carrying amount EUR m	Nominal amount EUR m	Carrying amount EUR m
Senior Secured Notes	1,305.0	1,329.8	1,305.0	1,328.6
Senior PIK Notes	519.6	542.9	475.0	497.6
Senior Secured Term Loan Facility (Facility B)	675.0	672.5	600.0	592.4
Senior Secured Multi-Currency Revolving Credit Facility (RCF)	0.0	-3.6	0.0	-4.8
Other borrowings	1.2	1.2	2.0	2.0
Total	2,500.8	2,542.8	2,382.0	2,415.6

Carrying amounts include accruals and valuation effects.

Individual companies also have access to bilateral credit lines, of which €0.0 million (prior year: €0.3 million) had been utilized as of the reporting date.

In addition, government loans totaling €1.2 million (prior year: €1.6 million) were drawn down from national aid programs as of the reporting date.

Maturity analysis of contractual obligations as of September 30, 2022

	Carrying amount EUR m 09/30/2022	Payments due within the next 30 days EUR m		Payments due within 30 to 90 days EUR m		Payments due within 90 to 360 days EUR m		Payments due over a period of 1 to 5 years EUR m		Payments due after more than 5 years EUR m	
		Redemp- tion	Interest portion	Redemp- tion	Interest portion	Redemp- tion	Interest portion	Redemp- tion	Interest portion	Redemp- tion	Interest portion
Senior Secured Notes	1,329.8		39.2				39.2	1,305.0	233.4		
Senior PIK Notes	542.9							519.6	250.0		
Liabilities to bank	670.1				19.8		22.7	675.0	133.3	1.2	
Liabilities to shareholders	645.1							362.1	41.7	516.4	74.7
Trade accounts payable	634.5	295.8		296.0		42.8					
Financial liabilities from options held by non-controlling interests	5.3			5.4							
Financial liabilities from contingent considerations	4.4	2.1									
Other financial instruments	6.0	4.8						1.3			

All financial liabilities existing as of the reporting date and for which payments were already contractually agreed are included in the table. Payments for future liabilities which did not exist as of the reporting date are not included. Floating interest rate payments were determined on the basis of the interest rates known as of the reporting date. Financial liabilities cancellable at all times are always classified to the earliest time slot. Amounts denominated in foreign currencies are translated to euros using the closing rate.

Maturity analysis of contractual obligations as of September 30, 2021

	Carrying amount EUR m	Payments due within the next 30 days EUR m		Payments due within 30 to 90 days EUR m		Payments due within 90 to 360 days EUR m		Payments due over a period of 1 to 5 years EUR m		Payments due after more than 5 years EUR m		
		09/30/2021	Redemp	Interest	Redemp	Interest	Redemp	Interest	Redemp	Interest	Redemp	Interest
			tion	portion	tion	portion	tion	portion	tion	portion	tion	portion
Senior Secured Notes	1,328.6		40.7				39.2	1,305.0	319.3			
Senior PIK Notes	497.6									475.0	294.6	
Liabilities to bank	589.5		0.6		17.0		18.6	600.0	134.0			
Liabilities to shareholders	589.5									861.3	133.5	
Trade accounts payable	484.5	215.6		237.0		32.0		0.0				
Financial liabilities from options held by non-controlling interests	4.0							4.0				
Financial liabilities from contingent considerations	13.5							13.5				
Other financial instruments	3.5	2.4						1.1				

Interest rate risk

The interest rate risk is the result of fluctuations in interest rates on the capital markets. The Senior Facilities Agreement is based on the EURIBOR and therefore subject to the risk of changes in interest rates. In addition, the Senior Facilities Agreement with a nominal value €675.0 million contains an interest rate floor effective at 0.0 percent.

A sensitivity analysis was conducted to quantify interest rate risk. Subject to this analysis was the Senior Facilities Agreement, the interest on which is based on EURIBOR.

A relative increase (or decrease) in the interest rate by 100 basis points would result in a higher (or lower) nominal interest expense for one financial year of approximately €6.8 million.

Currency risk

Operating entities of the Douglas-Group largely conduct their activities in the respective functional currency.

Financial income from foreign currency translation amounted to €3.5 million and the corresponding expenses to €10.0 million in the reporting year. Reference is made to Note 9, Financial Result.

The currency risk of the Group is considered to be low, as 90 percent of the Group's sales were effected in euros in financial year 2021/22 and merchandise was purchased almost exclusively in euros. Differences arising from the translation of foreign currencies to the Group presentation currency for the preparation of the Consolidated Financial Statements do not impact currency risk.

A sensitivity analysis was conducted in line with the requirements of IFRS 7. This analysis includes the effects from foreign currency positions measured at the closing date rate pursuant to IAS 21 through profit or loss.

The effects recognized in profit or loss from foreign currency exchange rate fluctuations on financial instruments denominated in foreign currency but not designated as hedged items as part of foreign currency hedging transactions have been included in the sensitivity analysis. This means that Douglas-Group would be exposed to risks of €0.4 million in the event of an improvement or deterioration in the value of the Euro exchange rate of 5 percent.

Default risk

Default risk is the risk of financial losses if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The default risk generally arises from all financial assets in the portfolio, such as trade accounts receivable, other receivables, cash investments with bank partners and derivatives with a positive market value. The maximum default risk of the financial assets corresponds to the carrying amounts.

Arising from the increased focus on the e-commerce channel, the entities of the Douglas-Group are faced with a receivables default risk, which is a system-inherent risk in mail-order retail. For this reason, the companies operate a debtor management system including dunning procedures.

A default risk may arise from the default of a banking partner, in particular as a result of insolvency in the context of financial investments or positive market values from derivatives. The Douglas-Group counters this risk by concluding transactions concerning both financial investments and financial instruments exclusively with first-class banks. At the same time, the volume is distributed among several counterparties in order to avoid concentration risks. Due to the difficult global economic situation, larger financial investments are avoided as far as possible or only concluded with first-class German banks.

Capital management

The subject of capital management is equity under IFRS. The goal of the Douglas-Group's capital management is to assure that the Group can continue to meet its financial obligations and that the covenants from the syndicated loans are met. A further goal of capital management is to increase the enterprise value on a long-term basis. A secondary aim of the capital management strategy is to ensure that all Group companies have appropriate equity according to local needs, such that external capital requirements were always met in the past financial year.

	09/30/2022 EUR m	09/30/2021 EUR m
Equity	-1,293.9	-986.6
Debt	5,685.4	5,526.0
Liabilities to bank	670.1	589.5
Notes	1,872.7	1,826.2
Cash and cash equivalents	245.3	240.4
Net debt	2,297.5	2,175.2

Net debt is defined as the sum of liabilities to banks and Notes liabilities, offset by cash and cash equivalents.

33 / Other financial Obligations and contingent Liabilities

All information on this has already been disclosed in the previous chapters.

For information on purchase commitments for investments in property, plant and equipment or intangible assets, see Note 13, Property, Plant and Equipment.

34 / Related Parties

The Douglas-Group had the following delivery and supply relationships with related parties in financial year 2021/22.

	10/01/2021- 09/30/2022 EUR m	10/01/2020- 09/30/2021 EUR m
Deliveries and services received		
Shareholders	55.7	44.0
Members of management in key positions	0.0	0.0
Other related companies and related persons	7.6	27.6
Total	63.3	71.6

With the exception of subordinated shareholder loans bearing below-market interest, business relations with related parties are effected under the same conditions as with third parties (arm's length transaction). The interest rate on shareholder loans is 2.00 percent.

Furthermore, the Group provides accounting services that have not been invoiced.

The goods and services received from other related parties mainly comprise purchases of goods. As of the reporting date, the resulting trade accounts payable amounted to €1.2 million.

The interest rate of 2.00 percent applied to the contractual shareholder loan principal amounts totaling €878.5 million (prior year: 861.3 million) resulted in interest expense of €17.6 million (prior year: 17.2 million in the reporting year). For accounting purposes, the loans are measured using the effective interest method, resulting in interest expense of €55.7 million (prior year: €44.0 million) for financial year 2021/22.

Shareholder

The shareholders of Kirk Beauty A GmbH are Kirk Beauty International S.A., Luxembourg, with a share of 87.26 percent, and Kirk Beauty 2 Beteiligungs GmbH & Co. KG, Düsseldorf, with a share of 12.74 percent. The ultimate parent company and at the same time ultimate controlling company is Kirk Beauty S.à r.l., Luxembourg.

Liabilities to shareholders bearing below-market interest amounted to €645.1 million at the reporting date (prior year: €589.5 million).

Key management personnel and total remuneration of the Board of Management

Key management

Key management personnel includes the members of management and the Supervisory Board of Kirk Beauty A GmbH.

Expenses for short-term benefits to key management personnel amount to €7.1 million (prior year: €13.4 million), of which €0.3 million (prior year: €0.2 million) is attributable to the Supervisory Board. Expenses for termination benefits of key management personnel amounted to €0.0 million (prior year: €0.2 million). In accordance with IFRS 2, expenses from share-based payments to key management personnel amounted to €2.9 million (prior year: €4.0 million).

Total remuneration of management

Total remuneration for the management of the Douglas-Group amounted to €8.4 million (prior year: €17.8 million) for financial year 2021/22; the number of managing directors in the reporting year was between 2 and 3, compared with between 4 and 5 in the prior year. Total remuneration includes the share-based payment at fair value upon grant of €4.5 million (prior year: €9.1 million). These are long-term incentives.

In addition to the contractually agreed variable compensation components, the Management Board was not awarded a further performance-related compensation component in the reporting year (prior year: €4.9 million, dependent on the successful refinancing, which was of existential relevance for the company). The total remuneration of former members of the Board of Management and their surviving dependents amounted to €1.2 million (prior year: €1.1 million). Pension obligations (DBO) to former members of the Board of Management and their surviving dependents amounted to €16.4 million as of September 30, 2022 (prior year: €20.6 million).

35 | Leases

The Douglas-Group leases stores for the sale of its perfumery products. The term of the leasing agreements is typically between five and ten years. To ensure the greatest possible flexibility, the majority of the leases contain options, exercisable once or several times, to extend the leases by a certain number of years after this period (in many cases by a further five years). Due to the importance of stationary retailing for the Group and the start-up costs involved in developing locations, the Douglas -Group generally operates its retail stores on a long-term basis.

Expiring real estate leases are not automatically replaced or extended by new real estate leases. Against the background of the largely completed store optimization measures, particularly in Southern Europe, and consistently high inflation rates, which will lead in particular to rising index-linked rents, the Group

FY 2021/22

estimates that the total of potential future lease payments, irrespective of the recognized option right exercises estimated as of the reporting date, will increase.

The leases can generally be terminated unilaterally by the Douglas-Group, although in some cases a contractual penalty may apply in the event of premature termination by the lessee. In some cases, there are also bilateral termination options. The majority of the lease agreements provide for annual rent adjustments based on changes in local price indices.

Contracts for leased business premises may give rise to restoration obligations for leasehold improvements, the discounted value of which is recognized as a provision. The discounted value of the obligation is capitalized as part of the acquisition cost of the right of use from leases and amortized over the expected useful life.

At the date of commencement or upon modification of a contract containing a lease component, the Group allocates the contractually agreed consideration on the basis of the relative standalone prices. For real estate leases, this means that a separation of lease and non-lease components is made so that the payments related to the non-lease component are recognized in profit or loss.

The basis for determining the incremental borrowing rate is the risk-free interest rate, which is determined using the swap curves of the respective currencies of the corresponding lease payments. As country risks are already taken into account in these risk-free interest rates, no separate component is added for this. A credit premium is included to reflect the default risk of the Group company (lessee) and the Group parent Kirk Beauty A GmbH. An additional liquidity premium is not required beyond the credit premium. In the next step, a collateralization discount was deducted, which results from the fact that a lease agreement provides the lessor with a special form of collateralization by the leased asset. This collateralization results in a better credit rating for the lessee. The duration of the leases was used as the final component in the calculation of the incremental borrowing rate.

Total cash outflows from leases amounted to minus €259.9 million in the financial year.

In the following, the interest rate matrix is presented in five-year intervals.

	Term			
	1 to 5 years %	6 to 10 years %	11 to 15 years %	16 to 20 years %
EUR	1.52 - 3.02	3.35 - 4.43	4.54 - 4.95	5.01 - 5.25
BGN	1.59 - 3.20	3.56 - 4.66	4.8 - 5.29	5.37 - 5.68
HRK	1.96 - 3.61	3.97 - 5.48	5.71 - 6.41	6.53 - 6.91
CZK	6.87 - 7.36	7.42 - 7.77	7.78 - 7.79	7.75 - 7.77
HUF	7.75 - 8.89	8.97 - 9.44	9.48 - 9.6	9.6 - 9.62
PLN	6.75 - 7.43	7.58 - 8.02	8.04 - 8.16	8.17 - 8.25
RON	5.92 - 7.55	7.76 - 8.47	8.54 - 8.82	8.86 - 8.98
CHF	1.36 - 2.74	3.07 - 4.13	4.27 - 4.72	4.79 - 5.02

In the reporting period the following amounts were recognized in profit or loss

	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
	EUR m	EUR m
Expense related to variable lease payments not included in the measurement of lease liabilities	1.8	2.3
Income from subleasing right-of-use assets	0.3	0.2
Expense relating to short-term leases	0.2	0.0
Expenses relating to leases of low-value assets	0.5	0.6

Maturity analysis of undiscounted lease receivables in financial year

	09/30/2022	09/30/2021
	EUR m	EUR m
Less than one year	4.4	6.0
One to two years	4.1	4.5
Two to three years	2.4	3.9
Three to four years	1.3	2.2
Four to five years	1.2	0.7
More than five years	0.5	0.7
Total amount of undiscounted lease receivables	13.9	18.0
Unrealized financial income	0.5	2.2
Net investment in the lease	13.3	15.8

Maturity analysis of undiscounted lease liabilities in financial year

	09/30/2022	09/30/2021
	EUR m	EUR m
Less than one year	268.8	289.9
One to five years	733.3	784.2
More than five years	308.8	298.9
Total	1,310.9	1,372.9

For information on the development of right of use assets, including depreciation and impairment losses, please refer to Note 14, Right of Use Assets; information on interest expense on lease liabilities is provided in Note 9, Financial Result.

In principle, there are only a few cases in which the Douglas-Group acts as lessor. Essentially, the Group acts as lessor in such agreements in which a leased property is sublet to a third party (subleasing). The majority of these leases are classified as finance leases. Leases in which the Douglas-Group acts as lessor and the lease is classified as an operating lease are the absolute exception and of minor significance.

36 | Government Grants

In order to mitigate the economic disadvantages resulting from the COVID-19 pandemic, the Douglas-Group received monetary subsidies from the public sector, mainly in the form of subsidies for personnel expenses and social security contributions.

In financial year 2021/22, government grants of €7.6 million (prior year: €22.2 million) were awarded. In addition, national aid programs provided government loans totaling €1.2 million (prior year: €1.6 million).

37 / Options according to Sections 264 (3) and 264b German Commercial Code (HGB)

In application of Sections 264 (3) and 264b German Commercial Code (HGB), the following German subsidiaries have mainly refrained from preparing notes to the financial statements and a management report as well as from disclosing their annual financial statements.

Company	Registered Office
Kirk Beauty SUN GmbH	Düsseldorf
Douglas GmbH	Düsseldorf
Parfümerie Douglas Deutschland GmbH	Düsseldorf
Parfümerie Douglas GmbH & Co. KG	Düsseldorf
DOUGLAS INFORMATIK & SERVICE GmbH	Hagen
Parfümerie Douglas International GmbH	Hagen
Douglas GmbH & Co. Objekt Zeil KG	Pullach im Isartal
Douglas Cosmetics GmbH	Düsseldorf
Douglas International Purchasing GmbH	Zossen
Douglas Marken & Lizenzen Zossen GmbH	Zossen
Parfümerie AKZENTE GmbH	Pfedelbach
Beauty Media Solutions GmbH	Düsseldorf
Parfümerie Douglas Megastore GmbH	Düsseldorf
Ultimate Skin Aesthetics GmbH	Düsseldorf
Parfümerie Douglas Beteiligungsgesellschaft mbH	Düsseldorf
Douglas House of Beauty GmbH	Düsseldorf

38 / Expenses for Auditor´s Fees according to Section 314 (1) Nr. 9 German Commercial Code (HGB)

The fees for the auditor of the Consolidated Financial Statements, KPMG AG Wirtschaftsprüfungsgesellschaft, is attributable to the following services provided.

	10/01/2021- 09/30/2022 EUR m
Audit of financial statements	1.2
Other assurance and audit-related services	0.0
Tax consultation services	0.1
Other services	1.8
Total	3.1

39 | Corporate Bodies of Kirk Beauty A GmbH

Management

In financial year 2021/22, the Douglas-Group's business was managed by:

Name	Function
Tina Müller	Chief Executive Officer (CEO)
Mark Langer	Chief Financial Officer (CFO)
Vanessa Stützle	Chief Digital Officer (CDO) until 8 August 2022

After the reporting date, at the end of October 2022, there was a change at the top of the company. Tina Müller has resigned from her position and Alexander van der Laan is the new Managing Director and Chief Executive Officer of the Douglas-Group. See Note 41, Events after the Reporting Date.

Supervisory board

In financial year 2021/22, the shareholders and employees were represented on the Supervisory Board of Douglas GmbH by:

Name	Function
Dr. Henning Kreke	Chairman and shareholder representative
Dr. Daniel Pindur	Vice Chairman and Shareholder Representative
Ulrike Grabe	Vice Chairwoman and employee representative
Orhan Akman	Employee representative
Dr. Alexander Dibelius	Shareholder representative
Ulrike Gaal	Employee representative
Dr. Michael Hinderer	Shareholder representative
Stefanie Hübner	Employee representative
Vesna Mandalenakes	Employee representative
Petra Ringer	Employee representative
Can Toygar	Shareholder representative
Søren Vestergaard-Poulsen	Shareholder representative

40 | Shareholdings of the Douglas-Group according to Section 313 German Commercial Code (HGB)

Companies included in the Consolidated Financial Statements

Name and registered office	Share in %
Kirk Beauty A GmbH, Düsseldorf	
Kirk Beauty SUN GmbH, Düsseldorf	100.0
Douglas GmbH Düsseldorf	100.0
Parfümerie Douglas GmbH & Co. KG, Düsseldorf	100.0
Parfümerie Douglas Deutschland GmbH, Düsseldorf	100.0
Douglas Cosmetics GmbH, Düsseldorf	100.0
Parfümerie Douglas International GmbH, Düsseldorf	100.0
Parfümerie Douglas Ges.m.b.H., Vienna/Austria	100.0
Parfumerie Douglas Nederland B.V., Nijmegen/The Netherlands	100.0
Parfümerie Douglas AG, Baar/Switzerland	100.0
Perfumeria Douglas Portugal Lda., Lisbon/Portugal	100.0
Douglas Ungarn Kft., Budapest/Hungary	100.0
Douglas Polska SP.z.o.o., Warsaw/Poland	100.0
Parfumerie Douglas Monaco S.A.M., Monaco/Monaco	100.0
Douglas Investment B.V., Nijmegen/The Netherlands	100.0
Parfumerie Douglas s.r.o., Prague/Czech Republic	100.0
Douglas Parfümeri Limited Sirketi, Istanbul/Turkey	100.0
UAB "Douglas LT", Vilnius/Lithuania	100.0
SIA "Douglas Latvia", Riga/Latvia	100.0
SIA "Douglas Baltic", Riga/Latvia	100.0
Parf. Douglas S.R.L., Bucharest/Romania	100.0
Parfumerie Douglas Bulgaria ood, Sofia/Bulgaria	76.0
Douglas Parfumerije d.o.o., Zagreb/Croatia	100.0
Douglas International Purchasing GmbH, Zossen	100.0
Douglas Marken und Lizenzen Verwaltungsgesellschaft mbH, Zossen	100.0
Douglas Marken und Lizenzen GmbH & Co. KG, Zossen	100.0
Douglas Franchise B.V., Nijmegen/The Netherlands	100.0
Groupe Nocibé SAS, Villeneuve d'Ascq/France	100.0
Nocibé France SAS, Villeneuve d'Ascq/France	100.0
Douglas Vastgoed B.V. I, Nijmegen/The Netherlands	100.0
Douglas Vastgoed B.V. II, Nijmegen/The Netherlands	100.0
Kirk Beauty Netherlands Holding B.V., Nijmegen/The Netherlands	100.0
Kirk Beauty Netherlands B.V., Nijmegen/The Netherlands	100.0
Groupe Douglas France SAS, Villeneuve d'Ascq/France	100.0
Parfümerie Douglas Slowenska s.r.o., Bratislava/Slovakia	100.0
Compania de Almacenaje, Distribucion y Servicios S.A., Madrid/Spain	100.0
Douglas Spain SA, Madrid/Spain (formerly Ibérica de Droguería y Perfumería S.A.U.)	100.0
Douglas Italia S.p.A., Milan/Italy (formerly Limoni S.p.A.)	100.0
Passera distribució S.L., Andorra	100.0
Ultimate Skin Aesthetics GmbH, Düsseldorf	100.0
Parfümerie AKZENTE GmbH, Pfedelbach	100.0
Ltd. Douglas Estonia, Tallinn/Estonia	100.0
Niche-Beauty.COM GmbH, Hamburg	100.0
Beauty Media Solutions GmbH, Düsseldorf	100.0
Parfümerie Douglas Megastore GmbH, Düsseldorf	100.0
Disapo.de Apotheke B.V., Heerlen/The Netherlands	100.0

BrandsCommerce Trading Hangzhou Co. Ltd, Hangzhou/China	100.0
Parfümerie Douglas Beteiligungsgesellschaft mbH, Düsseldorf	100.0
Douglas House of Beauty GmbH, Düsseldorf	100.0
DOUGLAS Informatik & Service GmbH, Hagen	100.0
Douglas GmbH & Co. Objekt Zeil KG, Pullach im Isartal	88.0
DOUGLAS Grundbesitz GmbH, Hagen	100.0
Douglas Finance B.V., Nijmegen/The Netherlands	100.0

Associated companies valued at acquisition cost

Name and registered office	Share in %
Hapag Lloyd Reisebüro Hagen Verwaltungs GmbH, Hannover	30.0
Hapag Lloyd Reisebüro Hagen GmbH & Co. KG, Hannover	30.0

Due to their minor significance for the net assets, financial position and results of operations of the Group and insufficient available financial information, the associated companies were measured at cost.

41 | Events after the 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.

Management – Changes

Alexander van der Laan is Managing Director and Chief Executive Officer of the Douglas-Group beginning end of October 2022. He succeeds Tina Müller, who has resigned from her positions as Managing Director and Chief Executive Officer at her own request after five successful years at the helm of the company moved to the Supervisory Board. Tina Müller stepped down from the Supervisory Board at the end of September 30, 2023

Philipp Andrée joined the Douglas-Group as Managing Director and Chief Commercial Officer in January 2023.

By notarial deed dated November 13, 2023, the registered office of Kirk Beauty A GmbH was relocated from Hagen to Düsseldorf.

Düsseldorf, December 19, 2023

Kirk Beauty A GmbH Management

Alexander van der Laan

Mark Langer

Philipp Andréé

The following auditor's report, prepared in accordance with § 322 HGB ["Handelsgesetzbuch": "German Commercial Code"], refers to the complete consolidated financial statements, comprising the consolidated statement of financial position as of September 30, 2022, the consolidated statement of profit or loss, the consolidated reconciliation from profit or loss to total comprehensive income for the financial year from October 1, 2021 to September 30, 2022, the statement of changes in group equity, and the consolidated statement of cash flows for the financial year from October 1, 2021 to September 30, 2022 and notes to the consolidated financial statements, including a summary of significant accounting policies, together with the group management report of the Kirk Beauty A GmbH for the financial year from October 1, 2021 to September 30, 2022. The group management report is not included in this Financial Report. The below-mentioned auditor's report and consolidated financial statements are both translations of the respective German-language documents.

INDEPENDENT AUDITOR'S REPORT

Reproduction of the audit opinion

As a result of our audit, we have issued the following unqualified audit opinion:

Independent auditor's report

To Kirk Beauty A GmbH, Düsseldorf (until November 16, 2023: Hagen)

Opinions

We have audited the Consolidated Financial Statements of Kirk Beauty A GmbH, Düsseldorf, and its subsidiaries (the Group), which comprise the Consolidated Statement of Financial Position as of September 30, 2022, the Consolidated Statement of Profit or Loss, the Consolidated Reconciliation from Profit or Loss to Total Comprehensive Income for the financial year from October 1, 2021 to September 30, 2022, the Statement of Changes in Group Equity, and the Consolidated Statement of Cash Flows for the financial year from October 1, 2021 to September 30, 2022 and the Notes to the Consolidated Financial Statements, including a summary of significant accounting policies. In addition, we have audited the Group Management Report of Kirk Beauty A GmbH for the financial year from October 1, 2021 to September 30, 2022.

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

- the accompanying Consolidated Financial Statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of September 30, 2022, and of its financial performance for the financial year from October 1, 2021 to September 30, 2022, and
- the accompanying Group Management Report as a whole provides an appropriate view of the Group's position. In all material respects, this Group Management Report is consistent with the Consolidated

Financial Statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the Consolidated Financial Statements and the Group Management Report.

Basis for the Opinions

We conducted our audit of the Consolidated Financial Statements and of the Group Management Report in accordance with Section 317 HGB and the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the Consolidated Financial Statements and on the Group Management Report.

Responsibilities of Management for the Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the Consolidated Financial Statements that comply, in all material respects, with the requirements of IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB, and that the Consolidated Financial Statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position and financial performance of the Group. In addition, management is responsible for such internal controls as they have determined necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud (i.e., fraudulent financial reporting and misappropriation of assets) or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group Management Report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the Consolidated Financial Statements and the knowledge obtained in the audit,

complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the Consolidated Financial Statements and on the Group Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements and this Group Management Report.

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

- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the Consolidated Financial Statements and of arrangements and measures (systems) relevant to the audit of the Group Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the Consolidated Financial Statements and in the Group Management Report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements present the underlying transactions and events in a manner that the Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the Consolidated Financial Statements and on the Group Management Report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- evaluate the consistency of the Group Management Report with the Consolidated Financial Statements, its conformity with [German] law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by management in the Group Management Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

Note on the supplementary audit

We issue this auditor's report on the amended Consolidated Financial Statements and the amended Group Management Report on the basis of our statutory audit completed on December 16, 2022 and our supplementary audit completed on December 19, 2023, which related to the changes in the Consolidated Statement of Financial Position (addition of opening balances as of October 1, 2020) and the disclosures in the Notes to the Consolidated Financial Statements and also in the Group Management Report on the assumption of the ability to continue as a going concern. Please refer to the presentation of the changes by the legal representatives in the amended Notes to the Consolidated Financial Statements, sections "1. General Principles" and "2. Basis for Accounting/Assumption of going concern as basis of accounting" and in the amended Group Management Report, section "Opportunities and Risk Report/Financial risks".

Cologne, December 16, 2022 / limited to the
aforementioned changes: December 19, 2023

KPMG AG Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Stollenwerk
Wirtschaftsprüferin
[German Public Auditor]

Altmeyden
Wirtschaftsprüferin
[German Public Auditor]