Interim Financial Report
3M FY 2022/23

Kirk Beauty A GmbH

as of 31 December 2022

Content

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Disclosure Regarding Forward-Looking Statements

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

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this financial report. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this financial report, those results or developments may not be indicative of results and / or developments in subsequent periods.

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

We suggest you to read the section of this financial report entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the section “Risk Factors” of our Annual Financial Report as of 30 September 2022, for a more detailed discussion of the factors that could affect our future performance and the industry in which we are operating.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Investors should read the following "Management's Discussion and Analysis of Financial Condition and Results of Operations" together with the additional financial information contained elsewhere in this financial report including the Interim Consolidated Financial Statements and the related Notes thereto. Our historical results are not necessarily indicative of the results to be expected in the future, and our interim results are not necessarily indicative of the results to be anticipated for the full financial year ending 30 September, 2023 or any other period.

For the first time all figures in this section "Management's Discussion and Analysis of Financial Condition and Results of Operations" are stated under application of IFRS 16 "Leases", in line with our current internal management approach and consistent with our Interim Consolidated Financial Statements.

The results of operations and related cash flows in the following text and tables refer to three months of the financial year 2022/23, i.e., from 1 October 2022 to 31 December 2022, compared to three months of the financial year 2021/22, i.e., from 1 October 2021 to 31 December 2021.

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 up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

The Company

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.

Douglas Group (includes Kirk Beauty A GmbH and its affiliated subsidiaries) is a leading platform-based European specialist retailer of selective beauty and lifestyle 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 31 December 2022, the Douglas Group operated stores or E-Commerce shops in 27 European countries.

Result of Operations

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

	10/01/2022-12/31/2022 EUR m	10/01/2021-12/31/2021 EUR m
Sales (net)	**1,440.6**	1,295.9
Sum of adjustments on Sales	*-1.5*	*-4.7*
Adjusted Net Sales	***1,439.1***	*1,291.2*
Cost of raw materials, consumables and supplies and merchandise	-804.9	-735.5
Gross Profit	**635.7**	560.4
Other operating income	95.3	92.0
Personnel expenses	-164.4	-152.1
Other operating expenses	-271.6	-243.8
Result from impairments on financial assets	0.0	0.0
EBITDA	**295.0**	256.5
Adjustments on EBITDA	*13.1*	*0.9*
Adjusted EBITDA	***308.1***	*257.4*
Amortization/depreciation/impairment	-79.8	-88.2
EBIT	**215.2**	168.3
Financial income	5.2	3.1
Financial expenses	-74.3	-75.6
Financial result	-69.1	-72.6
EBT	**146.1**	95.7
Income taxes	-19.5	-25.1
Profit (+) or Loss (-) of the period (Net Income)	**126.7**	70.7

Overview of three months results 3M-22/23

Overall, the COVID-19 pandemic was hardly present in the first quarter of the fiscal year 2022/23 in Europe. Especially no restrictions or even store closures were in place and consumer behavior also settled very satisfactorily, despite other unfavorable environmental developments and economical uncertainties such as geopolitical tensions, high inflation and bottlenecks in certain supply chains.

When comparing with the first quarter of the previous year, 3M-2021/22, it should be noted that also the first quarter Q1-2021/22 was only slightly impacted by COVID-19-related lockdowns and restrictions in our core countries The Netherlands (2 weeks of lockdown) and Germany (obligations to wear masks and keep a certain distance).

As a leading European retail company in the beauty sector, Douglas leveraged its competitive strength, linked to its unique brands, exclusive products, excellent service and holistic customer focused omnichannel approach and achieved a very strong first Christmas quarter Q1-2022/23 in terms of growth (Net Sales / Adjusted Net Sales) and profit (EBITDA / Adjusted EBITDA) compared to the prior-year first quarter Q1-2021/22.

Analysis of three months results 3M-2022/23

Our adjusted Net Sales increased by 11.5 percent to €1,439.1 million and our adjusted EBITDA by 19.7 percent to €308.1 million compared to the three months of the previous fiscal year 2021/22.

Adjusted net sales

Adjusted net sales increased from €1,291.2 million by €147.9 million or 11.5 percent to €1,439.1 million during the three months of the financial year ending 31 December 2022, compared to the three months of the previous fiscal year 2021/22.

Adjusted net sales by segment

In the three months of the fiscal year 2022/23, adjusted net sales in our four reporting segments – **DACHNL**, **France**, **Southern Europe,** and **Central Eastern Europe** – developed as follows compared to the three months of the previous fiscal year.

Adjusted net sales in **DACHNL** increased strongly by €96.3 million or 15.9 percent to €700.6 million, contributed by both channels. At 44.4 percent, DACHNL had by far the highest E-Commerce share of our four regions in the three months of the fiscal year 2022/23.

In **France** adjusted net sales increased by €4.6 million or 1.4 percent to €325.1 million, driven by the store business, while the e-commerce business remained stable at the previous year's level.

In the three months of the fiscal year 2022/23 adjusted net sales **in Southern Europe,** increased by €5.1 million or 2.5 percent to €212.6 million particularly driven by stores sales, despite the significantly reduced store network, and besides continued E-Commerce growth.

Driven by a strong Brick & Mortar and E-Commerce business, adjusted net sales in **Central Eastern Europe** increased by 39.1 million or 24.5 percent to €198.9 million once again reflecting the growth potential of this region and profiting from a very strong Christmas business.

Cost of raw materials, consumables, supplies and merchandise

The cost of raw materials, consumables, supplies and merchandise increased by €69.5 million or 9.4 percent in the first three months of the financial year 2022/23 and thus at a lower rate than our adjusted net sales.

Gross Profit

Our gross profit rose from €560.4 million to €635.7 million and we managed to achieve a gross margin of 44.1 percent compared to 43.2 percent in the prior-year reporting period, reflecting our ability to pass on price increases.

Other operating income

In the three months of the financial year 2022/23, other operating income accounted for €95.3 million compared to €92.0 million in the prior-year reporting period. The rise of €3.3 million was mainly the result of higher marketing income.

Personnel expenses

In the three months of the financial year 2022/23, personnel expenses amounted to €164.4 million compared to €152.1 million for the prior-year reporting period. As a percentage of total adjusted net sales, the personnel expenses accounted for 11.4 percent slightly below 11.7 percent in the three months of the financial year 2021/22.

Other operating expenses

In the three months of the financial year 2022/23, other operating expenses increased by €27.8 million to €271.6 million, particularly due to higher other services, marketing and advertising costs, as well as increased rent and utilities. As a percentage of adjusted net sales, other operating expenses were 18.9 percent on par with the prior-year's period level (18.8 percent).

EBITDA and Adjusted EBITDA

EBITDA increased by €38.5 million to €295.0 million during the three months of the financial year 2022/23, specifically due to higher gross profit related to higher adjusted net sales

Adjusted EBITDA increased by €50.7 million or 19.7 percent to €308.1 million during the first three months ending 31 December 2022, from €257.4 million during the prior-year reporting period. As a percentage of adjusted net sales, adjusted EBITDA margin increased by 1.5 percentage points to 21.4 percent.

Total adjustments on EBITDA amounted to €13.1 million during the three months of the fiscal year 2022/23 compared to €0.9 million during the prior-year reporting period. This increase essentially resulted from higher other adjustments related in particular to the strategic logistics project "One Warehouse All Channels" (OWAC).

Adjusted EBITDA by segment

Adjusted EBITDA in our four reportable segments – **DACHNL France**, **Southern Europe** and **Central Eastern Europe** – developed as follows:

Adjusted EBITDA in **DACHNL**, increased by €38.4 million to €156.4 million during the three months ending 31 December 2022, from €118.0 million during the three months ending 31 December2021. Adjustments on EBITDA of the DACHNL region totaled €8.4 million during the three months of the fiscal year 2022/23, primarily resulting from other adjustments and consulting fees, both primarily related to our strategic logistic project "One Warehouse All Channels" (OWAC)

Adjusted EBITDA in **France** increased by €2.6 million to €82.1 million during the three months ending 31 December 2022, from €79.5 million during the three months ending 31 December2021. Adjustments on EBITDA of the French region accounted for minus €0.3 million during the three months ending 31 December 2022.

Adjusted EBITDA in **Southern Europe** increased by €10.0 million to €54.6 million during the three months ending 31 December 2022, from €44.6 million during the three months ending 31 December2021. Minor and offsetting adjustments in the Southern region add up to €0.0 million during the three months ending 31 December 2022.

During the first three months of the financial year 2022/23, adjusted EBITDA in **Central Eastern Europe** increased by a strong €14.1 million, from €45.5 million to €59.6 million, reflecting our sustained growth in this region, where the sales increase offset cost inflation. In the Central Eastern region, only very minor adjustments were recorded tin the three months of the fiscal year 2022/23.

EBIT

In the first three months of the financial year 2022/23, EBIT increased by €46.9 million to €215.2 million from €168.3 million during the three months ending 31 December2021. Depreciation, amortization, and impairment amounted to €79.8 million, €8.4 million lower than in the previous year with €88.2 million reflecting our cautious spending policy and our store closures related to SOP as well as our restructuring program in Spain in the preceding reporting periods.

Financial result

Financial result of the three months of the financial year ending 31 December 2022 amounted to minus €69.1 million, compared to minus €72.6 million during the three months ending 31 December 2021. In the prior-year reporting period, the valuation of the embedded options of the Notes led to non-recurring financial expenses in the amount of €12.8 million.

Income taxes

Expenses from income taxes decreased slightly by €5.6 million to €19.5million in the three months of fiscal year 2022/23 compared to €25.1 million in the prior-year reporting period.

Profit or Loss

The profit in the three months of the fiscal year ending 31 December 2022 amounted to €126.7 million, compared to €70.7 million during the three months of the fiscal year ending 31 December2021.

Segment Reporting

Reportable and operating segments

The segment structure 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 Douglas-Group was structured into the following operating segments:

- DACH (Germany, Austria and Switzerland)
- The Netherlands
- France
- Southern Europe
- Central Eastern Europe

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.

As of the beginning of the current financial year 2022/23, IFRS 16 "Leases" will be included in the segment reporting for the first time on the basis of (adjusted) EBITDA, in line with our current internal reporting and planning.

Adjusted EBITDA used for management purposes is derived from reported EBITDA 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 (net) sales".

Adjustments

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

Sales in connection with restructurings, closures or disposals of store groups may also be adjusted following a corresponding assessment and decision by management.

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

Sales and Adjusted net sales

Since last fiscal year we also presented the Key Performance Indicator "Adjusted net sales" in the Interim Consolidated Financial Statements. If significant restructuring measures, such as plans to close or sell a large number of stores, are implemented in a single measure and management concludes that the sales, expenses and income arising in connection with this measure are unsuitable for management purposes as a whole, the respective net sales should also be adjusted and Adjusted net sales presented within our Segment Reporting.

The following table shows the (adjusted) external sales by our regions for the periods indicated:

	10/01/2022-12/31/2022 EUR m	10/01/2021-12/31/2021 EUR m
Douglas-Group		
Sales (net)	1,440.6	1,295.9
Adjusted Sales (net)	1,439.1	1,291.2
Segments		
DACHNL		
Sales (net)	700.6	604.3
Adjusted Sales (net)	700.6	604.3
France		
Sales (net)	325.1	325.2
Adjusted Sales (net)	325.1	320.5
Southern Europe		
Sales (net)	214.1	207.5
Adjusted Sales (net)	212.6	207.5
Central Eastern Europe		
Sales (net)	198.9	159.8
Adjusted Sales (net)	198.9	159.8

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)	**1,439.1**	1,291.2
Adjustments of sales (net) from restructurings	-1.5	-4.7
Sales (net)	**1,440.6**	1,295.9

EBITDA and Adjusted EBITDA

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

		10/01/2022-12/31/2022	10/01/2021-12/31/2021
Douglas-Group			
EBITDA	EUR m	295.0	256.5
EBITDA-margin	%	20.5	19.8
Adjustments	EUR m	13.1	0.9
Adjusted EBITDA	EUR m	308.1	257.4
Adjusted EBITDA-margin	%	21.4	19.9
Segments			
DACHNL			
EBITDA	EUR m	148.0	111.5
EBITDA-margin	%	21.1	18.5
Adjustments	EUR m	8.4	6.5
Adjusted EBITDA	EUR m	156.4	118.0
Adjusted EBITDA-margin	%	22.3	19.5
France			
EBITDA	EUR m	81.8	83.0
EBITDA-margin	%	25.2	25.5
Adjustments	EUR m	0.3	-3.5
Adjusted EBITDA	EUR m	82.1	79.5
Adjusted EBITDA-margin	%	25.3	24.8
Southern Europe			
EBITDA	EUR m	54.5	49.9
EBITDA-margin	%	25.5	24.1
Adjustments	EUR m	0.0	-5.4
Adjusted EBITDA	EUR m	54.6	44.6
Adjusted EBITDA-margin	%	25.7	21.5
Central Eastern Europe			
EBITDA	EUR m	59.6	45.4
EBITDA-margin	%	30.0	28.4
Adjustments	EUR m	0.0	0.1
Adjusted EBITDA	EUR m	59.6	45.5
Adjusted EBITDA-margin	%	30.0	28.5

Reconciliation from Adjusted EBITDA to EBITDA

	10/01/2022-12/31/2022 EUR m	10/01/2021-12/31/2021 EUR m
Adjusted EBITDA	**308.1**	257.4
Purchase Price Allocations (PPA)	-0.1	-0.1
Restructuring costs (staff-related) and severance payments	2.2	0.0
Consulting fees	4.0	3.7
Other adjustments	5.9	-6.2
COVID-19-effects	0.1	1.3
Store Optimization Program (SOP)	1.0	2.2
Adjustments on EBITDA	**13.1**	0.9
EBITDA	**295.0**	256.5

Liquidity and Capital Resources

Overview

The main sources of liquidity on an ongoing basis are the operating cash flows and a liquidity reserve amounting to €516.7 million, as well as our undrawn Revolving Credit Facility of €170.0 million as of 31 December 2022.[1]

Our ability to generate cash depends on our operating performance which in turn depends to some extent on general economic, financial, competitive, legislative, regulatory, and other factors, many of which are beyond our control. We believe that, based on our current level of operations as reflected in our results of operations for the three months ending 31 December 2022, our cash flows from operating activities, cash on hand and the availability of borrowings under our Revolving Credit Facility our liquidity will be sufficient to fund our operations, capital expenditures and debt service for at least the next twelve months. The ability of the subsidiaries to pay dividends and make other payments to us may be restricted by, among other things, legal prohibitions on such payments or otherwise distributing funds to us, including for the purpose of servicing debt.

We also refer to the chapter "*Assumption of going concern as the basis for accounting*" in the section "Interim Consolidated Financial Statements".

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

Net Working Capital

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

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

	12/31/2022 EUR m	12/31/2021 EUR m
Inventories	737.8	699.8
Trade accounts receivable and receivables from payment service providers	91.5	76.5
Trade accounts payable	-831.6	-759.5
Miscellaneous	70.2	54.3
Net Working Capital	**67.8**	71.2

[1] Available amount for borrowings is reduced by €10.4 million of outstanding collateral, mostly in the form of rental guarantees.

Net Working Capital decreased by €3.4 million to €67.8 million as of 31 December 2022 compared to €71.2 million as of 31 December2021. This decrease is mainly a result of higher trade accounts payable partially compensated by higher inventories and receivables overall in line with our increased net sales.

Investments in non-current assets

The investments made during the three months of the fiscal year ending 31 December 2022 mainly related to store refurbishments or openings in our store business, as well as IT and software investments related to our E-Commerce-Channel.

The main source of funding for these investments has been and is expected to continue to be the positive cash flow from operating activities.

In the three months of the fiscal year ending 31 December 2022, our cash-investment (net cash flow from investing activities) in non-current assets amounted to €28.1 million versus €11.6 million in the prior-year period.

Investments in property plant and equipment and intangible assets (CAPEX) consisted of €14.8 million additions during the three months of the financial year 2022/23 compared to the prior-year investments accounting for €10.2 million.

Consolidated Cash Flow Data

The following table summarizes our cash flows for the periods indicated:

		10/01/2022-12/31/2022 EUR m	10/01/2021-12/31/2021 EUR m
=	**EBITDA**	**295.0**	256.5
+/-	Increase/decrease in provisions	-12.0	-17.1
+/-	Other non-cash expense/income	-0.6	-0.1
+/-	Loss/profit on the disposal of non-current assets	-0.1	-9.4
+/-	Changes in net working capital without liabilities from investments in non-current assets	62.7	112.6
+/-	Changes in other assets/liabilities not classifiable to investing or financing activities	94.3	69.0
-/+	Paid/reimbursed taxes	-8.9	-28.9
=	**Net cash flow from operating activities**	**430.4**	382.7
+	Proceeds from the disposal of non-current assets	0.3	2.0
-	Payments for investments in non-current assets	-28.5	-13.6
-	Payments for the acquisition of consolidated companies and other business units	0.0	0.0
=	**Net cash flow from investing activities**	**-28.1**	-11.6
	Free cash flow (FCF)	**402.3**	371.0
-	Payments for the redemption of financial loans and bonds	-3.2	-12.6
-	Payments for the redemption of lease liabilities	-57.1	-66.1
+	Proceeds from the issuance of financial loans and bonds	0.0	0.1
-	Transaction costs paid in respect of financial loans and bonds	0.0	0.0
-	Interest paid	-72.0	-68.1
+	Interest received	0.0	0.0
=	**Net cash flow from financing activities**	**-132.2**	-146.6
	Net change in cash and cash equivalents	270.0	224.4
+/-	Net change in cash and cash equivalents due to currency translation	1.3	0.1
+	Cash and cash equivalents at the beginning of the reporting period	245.3	240.4
=	**Cash and cash equivalents at the end of the reporting period**	**516.7**	465.0

Cash Flow from operating activities

Cash provided by **operating activities** increased by €47.7 million to €430.4 million during the three months ending 31 December 2022, from €382.7 million during the three months of the prior-year reporting period. This increase was the result of €38.5 million higher EBITDA, less paid taxes and higher changes in other assets/liabilities not classifiable to investing or financing activities partly compensated by less increase in net working capital without liabilities from investments in non-current assets.

Cash Flow from investing activities

Cash used for **investing activities** (cash outflows) increased by €16.1 million to €28.1 million during the three months of the fiscal year ending 31 December 2022, from €11.6 million during the prior-year reporting period.

Cash Flow from financing activities

During the three months of the fiscal year 2022/23 ending 31 December 2022, cash used for **financing activities** (cash outflows) amounted to €132.2 million, compared to cash inflows of €146.6 million during the prior-year reporting period.

Liquidity and net debt as of 31 December 2022 and 30 September 2022

As of 31 December 2022, the cash balance amounted to €516.7 million compared to €245.3 million as of 30 September 2022.

Our net debt position presented in nominal amounts and carrying amounts, includes the Senior Secured Notes, the Liabilities related to Senior PIK Notes, the Senior Secured Term Loan Facility (Facility B), the Senior Secured Multi-Currency Revolving Credit Facility (RCF), and other borrowings as of 31 December 2022, and 30 September 2022, as well as IFRS 16 liabilities as follows:

	12/31/2022		09/30/2022	
	Nominal amount EUR m	Carrying amount EUR m	Nominal amount EUR m	Carrying amount EUR m
Senior Secured Notes	1,305.0	1,310.8	1,305.0	1,329.8
Senior PIK Notes	543.0	554.9	519.6	542.9
Senior Secured Term Loan Facility (Facility B)	675.0	665.6	675.0	672.5
Senior Secured Multi-Currency Revolving Credit Facility (RCF)	0.0	-3.3	0.0	-3.6
Other borrowings	1.2	1.2	1.2	1.2
Borrowing liabilities	**2,524.2**	**2,529.2**	**2,500.8**	**2,542.8**
Cash and cash equivalents	516.7	516.7	245.3	245.3
Net debt related to the group-wide funding	**2,007.5**	**2,012.6**	**2,255.5**	**2,297.5**
IFRS 16 liabilities	1,093.1	1,093.1	1,121.2	1,121.2
Net debt	**3,100.7**	**3,105.7**	**3,376.7**	**3,418.8**

Carrying amounts include accruals and valuation components. The RCF was not utilized in terms of liquidity as of the reporting date.[2]

[2] Available amount for borrowings is reduced by €10.4 million of outstanding collateral, mostly in the form of rental guarantees.

Interim Consolidated Financial Statements

of Kirk Beauty A GmbH for the period from 1 October 2022 to 31 December 2022

The consolidated statements have been prepared in millions of Euros (€ million, EUR m). Certain financial data (including percentages) in the following tables have been rounded according to established commercial standards. This may lead to individual numbers presented throughout this report not adding up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Interim Consolidated Statement of Profit or Loss

of Kirk Beauty A GmbH for the period from 1 October 2022 to 31 December 2022

	10/01/2022-12/31/2022 EUR m	10/01/2021-12/31/2021 EUR m
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Amortization/depreciation/impairment	-79.8	-88.2
EBIT	**215.2**	168.3
Financial income	5.2	3.1
Financial expenses	-74.3	-75.6
Financial result	-69.1	-72.6
EBT	**146.1**	95.7
Income taxes	-19.5	-25.1
Profit (+) or Loss (-) of the period (Net Income)	**126.7**	70.7
Attributable to owners of the parent	126.7	70.7

Interim Consolidated Reconciliation from Profit or Loss to Total Comprehensive Income

of Kirk Beauty A GmbH for the period from 1 October 2022 to 31 December 2022

	10/01/2022- 12/31/2022 EUR m	10/01/2021- 12/31/2021 EUR m
Profit (+) or Loss (-) of the period (Net Income)	126.7	70.7
Other comprehensive income after tax		
Items that were reclassified or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences arising from translating the financial statements of a foreign operation	3.8	0.9
Other comprehensive income after tax	3.8	0.9
Total comprehensive income	130.5	71.5
Attributable to owners of the parent	130.5	71.5

Interim Consolidated Statement of Financial Position

of Kirk Beauty A GmbH as of 31 December 2022

Assets

	12/31/2022 EUR m	12/31/2021 EUR m	09/30/2022 EUR m
Non-current assets			
Goodwill	1,038.2	1,228.7	1,036.1
Other intangible assets	813.5	807.9	814.9
Property, plant and equipment	205.6	212.4	209.1
Right-of-use assets from leases	1,006.9	976.4	1,049.0
Other financial assets	21.2	24.2	11.6
Deferred tax assets	11.2	27.2	10.9
	3,096.6	3,276.8	**3,131.7**
Current assets			
Inventories	737.8	699.8	719.4
Trade accounts receivable	59.5	59.5	32.9
Tax receivables	45.7	29.7	32.2
Other financial assets	323.4	293.9	183.4
Other assets	47.6	41.9	46.6
Cash and cash equivalents	516.7	465.0	245.3
	1,730.6	1,589.8	**1,259.8**
Total	**4,827.2**	4,866.6	**4,391.5**

	12/31/2022 EUR m	12/31/2021 EUR m	09/30/2022 EUR m
Equity			
Capital stock*	0.0	0.0	0.0
Additional paid-in capital	326.0	668.8	326.0
Other reserves	-1,488.2	-1,582.3	-1,619.9
	-1,162.2	-913.5	**-1,293.9**
Non-current liabilities			
Pension provisions	28.0	35.8	28.2
Other non-current provisions	46.1	51.7	46.4
Other financial liabilities	4,053.7	3,810.0	4,036.9
Other liabilities	4.6	9.4	4.6
Deferred tax liabilities	178.4	272.5	180.8
	4,310.8	4,179.3	**4,296.9**
Current liabilities			
Current provisions	91.3	102.8	97.5
Trade accounts payable	831.6	759.5	634.5
Tax liabilities	169.1	146.0	58.1
Other financial liabilities	277.7	282.9	332.8
Other liabilities	308.8	309.6	265.6
	1,678.6	1,600.8	**1,388.6**
Liabilities related to assets held for sale	**0.0**	0.0	**0.0**
Total	**4,827.2**	4,866.6	**4,391.5**

* Capital stock amounted to €44,350.00 at the reporting date, divided into 25,000 Class A shares and 19,350 Class B shares, each with a nominal value of €1.00.

Interim Statement of Changes in Group Equity

of Kirk Beauty A GmbH for the period from 1 October 2022 to 31 December 2022

			Other reserves			
	Capital stock* EUR m	Additional paid-in capital EUR m	Retained earnings EUR m	Reserves for pension provisions EUR m	Differences from currency translation EUR m	Equity attributable to owners of the parent EUR m
10/01/2022	**0.0**	**326.0**	**-1,608.0**	**2.8**	**-14.9**	**-1,294.0**
Currency translation			0.0		3.8	3.8
Effects from valuation of IAS 19				0.0		0.0
Other comprehensive income after tax			**0.0**	**0.0**	**3.8**	**3.8**
Profit (+) or Loss (-) of the period (Net Income)			126.7		0.0	126.7
Total comprehensive income			**126.7**	**0.0**	**3.8**	**130.5**
Capital increase	0.0					0.0
Share-based Payment			1.3			1.3
Transactions with shareholders	0.0		1.3		0.0	1.3
12/31/2022	**0.0**	**326.0**	**-1,480.1**	**2.8**	**-11.0**	**-1,162.2**

* Capital stock amounted to €44,350.00 at the reporting date, divided into 25,000 Class A shares and 19,350 Class B shares, each with a nominal value of €1.00.

	Capital stock* EUR m	Additional paid-in capital EUR m	Combined capital** EUR m	Other reserves Retained earnings EUR m	Reserves for pension provisions EUR m	Differences from currency translation EUR m	Equity before non-controlling interests EUR m	Non-controlling interests EUR m
10/01/2021	-	-	668.8	-1,643.2	-2.6	-9.7	-986.6	0.0
Error correction in current accounts								
Change in the scope of consolidation								
Transition from combination to consolidation	0.0	668.8	-668.8				0.0	
Capital reorganization		-342.8		342.8			0.0	
Other changes	0.0	326.0	0.0	-1,300.3				
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	
Granted benefit from valuation of shareholder loans							0.0	
Share-based Payment				6.1			6.1	
Capital decrease							0.0	
Dividends paid				0.0			0.0	
Transactions with shareholders	0.0			6.1		0.0	6.1	0.0
Change in the scope of consolidation							0.0	
Acquisition of non-controlling interests							0.0	
Other changes							0.0	
09/30/2022	0.0	326.0	0.0	-1,608.0	2.8	-14.9	-1,294.0	0.0

Interim Consolidated Statement of Cash Flows

of Kirk Beauty A GmbH for the period from 1 October 2022 to 31 December 2022

		10/01/2022-12/31/2022 EUR m	10/01/2021-12/31/2021 EUR m
	Profit (+) or Loss (-) of the period (Net Income)	126.7	70.7
+	Income taxes	19.5	25.1
+	Financial result	69.1	72.6
+	Amortization/depreciation/impairment	79.8	88.2
=	**EBITDA**	**295.0**	**256.5**
+/-	Increase/decrease in provisions	-12.0	-17.1
+/-	Other non-cash expense/income	-0.6	-0.1
+/-	Loss/profit on the disposal of non-current assets	-0.1	-9.4
+/-	Changes in net working capital without liabilities from investments in non-current assets	62.7	112.6
+/-	Changes in other assets/liabilities not classifiable to investing or financing activities	94.3	69.0
-/+	Paid/reimbursed taxes	-8.9	-28.9
=	**Net cash flow from operating activities**	**430.4**	**382.7**
+	Proceeds from the disposal of non-current assets	0.3	2.0
-	Payments for investments in non-current assets	-28.5	-13.6
=	**Net cash flow from investing activities**	**-28.1**	**-11.6**
	Free cash flow (FCF)	**402.3**	**371.0**
-	Payments for the redemption of financial loans and bonds	-3.2	-12.6
-	Payments for the redemption of lease liabilities	-57.1	-66.1
+	Proceeds from the issuance of financial loans and bonds	0.0	0.1
-	Interest paid	-72.0	-68.1
+	Interest received	0.0	0.0
=	**Net cash flow from financing activities**	**-132.2**	**-146.6**
	Net change in cash and cash equivalents	270.0	224.4
+/-	Net change in cash and cash equivalents due to currency translation	1.3	0.1
+	Cash and cash equivalents at the beginning of the reporting period	245.3	240.4
=	**Cash and cash equivalents at the end of the reporting period**	**516.7**	**465.0**

Notes to the Interim Consolidated Financial Statements

of Kirk Beauty A GmbH for the period from 1 October 2022 to 31 December 2022

Reportable Segments[3]

		DACHNL		France	
		10/01/2022-12/31/2022	10/01/2021-12/31/2021	10/01/2022-12/31/2022	10/01/2021-12/31/2021
Sales (net)	EUR m	700.6	604.3	325.1	325.2
Intersegment sales (net)	EUR m	0.4	0.0	0.4	0.0
External sales (net)	EUR m	700.2	604.3	324.7	325.2
Sum of adjustments on Sales	EUR m	0.0	0.0	0.0	-4.7
Adjusted Sales (net)	EUR m	700.6	604.3	325.1	320.5
EBITDA	EUR m	148.0	111.5	81.8	83.0
EBITDA-margin	%	21.1	18.5	25.2	25.5
Adjustments on EBITDA	EUR m	8.4	6.5	0.3	-3.5
Adjusted EBITDA	EUR m	156.4	118.0	82.1	79.5
Adjusted EBITDA-margin	%	22.3	19.5	25.3	24.8
Inventories	EUR m	349.8	305.6	115.6	115.9
Capital expenditure	EUR m	3.3	2.5	2.3	1.5

		Southern Europe		Central Eastern Europe		Total Reportable Segments	
		10/01/2022-12/31/2022	10/01/2021-12/31/2021	10/01/2022-12/31/2022	10/01/2021-12/31/2021	10/01/2022-12/31/2022	10/01/2021-12/31/2021
Sales (net)	EUR m	214.1	207.5	198.9	159.8	1,438.7	1,296.8
Intersegment sales (net)	EUR m	0.0	0.0	0.2	0.4	1.0	0.4
External sales (net)	EUR m	214.1	207.5	198.7	159.4	1,437.7	1,296.4
Sum of adjustments on Sales	EUR m	-1.5	0.0	0.0	0.0	-1.5	-4.7
Adjusted Sales (net)	EUR m	212.6	207.5	198.9	159.8	1,437.2	1,292.1
EBITDA	EUR m	54.5	49.9	59.6	45.4	343.9	289.8
EBITDA-margin	%	25.5	24.1	30.0	28.4	23.9	22.4
Adjustments on EBITDA	EUR m	0.0	-5.4	0.0	0.1	8.7	-2.3
Adjusted EBITDA	EUR m	54.6	44.6	59.6	45.5	352.6	287.6
Adjusted EBITDA-margin	%	25.7	21.5	30.0	28.5	24.5	22.3
Inventories	EUR m	158.7	182.8	117.9	100.0	742.1	704.4
Capital expenditure	EUR m	1.1	1.4	1.5	0.3	8.1	5.7

[3] In the case of intersegment sales (net), the principal position is generally assumed.

Accounting Principles, Fundamentals and Methodologies

General principles

Kirk Beauty A GmbH (Douglas, parent company, company) is a German limited liability company (Gesellschaft mit beschränkter Haftung), has its registered office in Hagen, Germany and is registered in commercial register B of the district court of Hagen under the registration number HRB 12244.

Douglas GmbH issued Senior Secured Notes and Kirk Beauty SUN GmbH, Senior PIK Notes in April 2021.

These Interim Consolidated Financial Statements cover the period of the first three months of the financial year 2022/23 from 1 October 2022 to 31 December 2022 (interim reporting period) as of 31 December 2022 (interim reporting date).

Basis of Accounting

These Interim Consolidated Financial Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as applicable within the European Union and should be read in conjunction with the Company's most recent Annual Consolidated Financial Statements for the financial year ending 30 September 2022. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last Annual Consolidated Financial Statements.

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

Assumption of going concern as the basis for accounting

Financial risks

The financial uncertainties continue to represent a going concern risk for the Douglas Group. In particular, there is the material uncertainty that the planned increase in earnings power in the Group's continued successful transformation process will not be substantially achieved due to the current general economic conditions (inflationary development, energy crisis, supply chain risks).

Due to the very pleasing sales and EBITDA performance in the first quarter of fiscal year 2022/23, this risk has decreased compared with September 30, 2022.

The Douglas-Group has successfully refinanced itself most recently at the end of March 2021 with a term until the beginning of 2026. The continued transformation process is an important building block for a renewed refinancing at maturity.

According to the Group's current liquidity planning, the available financial resources are sufficient to meet all of the Group's payment obligations due on time in the forecast period of the next 12 months.

In the transformation process, Douglas-Group has successfully initiated the further development of its strategy to #ForwardBeauty.DigitalFirst and has continued it to date.

For further information, please refer to Douglas's Annual Consolidated Financial Statements as of 30 September 2022.

New or changed standards and interpretations

Any of the new standards not yet applied by Douglas Group, have no material impact on the presentation of this Interim Consolidated Financial Statements.

Reference is made to the overview summary of newly implemented or revised IASB accounting standards and interpretations in No. 2 of the Douglas's last Annual Consolidated Financial Statements as at and for the financial year ending 30 September 2022.

Consolidation principles

Group of consolidated companies

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

Compared to 30 September 2022, the number of consolidated entities is unchanged.

	Germany	Other countries	Total
12/31/2022	19	34	53

Acquisition of Disapo

With regard to the acquisition of the online pharmacy disapo.de Apotheke B.V., there were no material changes compared with the accounting and disclosures made in the Consolidated Financial Statements as of 30 September 2022. Reference is made to the notes no. 3 to the Douglas' Annual Consolidated Financial Statements as of 30 September 2022.

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 disclosure of hidden reserves and charges are capitalized as goodwill. Goodwill is generally tested for impairment once a year. In addition, in the case of business combinations, hidden reserves and hidden charges attributable to non-controlling interests are also disclosed and 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 allocation of hidden reserves 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

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

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

		Average exchange rate 10/01/2022-12/31/2022 EUR m	Closing rate 12/31/2022 EUR m	Average exchange rate 10/01/2021-12/31/2021 EUR m	Closing rate 12/31/2021 EUR m
Bulgarian Lev	BGN	0.51130	0.51130	0.51130	0.51130
Swiss Franc	CHF	1.01704	1.01554	0.92472	0.96796
Czech Koruna	CZK	0.04100	0.04147	0.03899	0.04023
Croatian Kuna	HRK	0.13264	0.13269	0.13282	0.13306
Hungarian Forint	HUF	0.00243	0.00249	0.00279	0.00271
Polish Zloty	PLN	0.21153	0.21364	0.21910	0.21754
Romanian Lei	RON	0.20322	0.20204	0.20321	0.20206

Foreign currency transactions are recognized in the functional currency and translated at the applicable exchange rate at the time of the transaction. Monetary assets and liabilities nominally denominated in such foreign currencies are translated at the exchange rate on the interim reporting date. All differences resulting from currency translation are recognized in profit or loss in the Consolidated Statement of Profit or Loss.

Accounting and valuation principles

The accounting and valuation principles for the reporting period are substantially consistent with those applied for the Douglas' Annual Consolidated Financial Statements as of 30 September 2022.

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

Income tax expense is recognized at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the interim period. As such, the effective tax rate in the Interim Consolidated Financial Statements may differ from management's estimate of the effective tax rate for the Consolidated Annual Financial Statements.

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

Assumptions, estimates and judgements

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

For further information, please refer to the notes no. 4 to the Douglas' Annual Consolidated Financial Statements as of 30 September 2022.

Adjusted Net Sales per channel

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.

Douglas Group

		Douglas Gruppe YTD CY 10/01/2022-12/31/2022	YTD PY 10/01/2021-12/31/2021
Adjusted Net Sales Stores	EUR m	973.3	866.0
Adjusted Net Sales E-Commerce	EUR m	463.9	426.1
Total	**EUR m**	**1,437.2**	1,292.1

Reportable Segments

		DACHNL		France	
		10/01/2022-12/31/2022	10/01/2021-12/31/2021	10/01/2022-12/31/2022	10/01/2021-12/31/2021
Adjusted Net Sales Stores	EUR m	389.7	321.9	249.3	244.6
Adjusted Net Sales E-Commerce	EUR m	310.9	282.5	75.8	75.9
Total	**EUR m**	**700.6**	604.3	**325.1**	320.5

		Southern Europe		Central Eastern Europe		Total Reportable Segments	
		10/01/2022-12/31/2022	10/01/2021-12/31/2021	10/01/2022-12/31/2022	10/01/2021-12/31/2021	10/01/2022-12/31/2022	10/01/2021-12/31/2021
Adjusted Net Sales Stores	EUR m	179.7	175.5	154.6	124.0	973.3	866.0
Adjusted Net Sales E-Commerce	EUR m	32.9	32.0	44.3	35.7	463.9	426.1
Total	**EUR m**	**212.6**	207.5	**198.9**	159.8	**1,437.2**	1,292.1

Segment Reporting

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 and 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 are 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.

The segment structure 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 Douglas-Group was structured into the following operating segments:

- DACH (Germany, Austria and Switzerland)
- The Netherlands
- France
- Southern Europe
- Central Eastern Europe

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.

As of the beginning of the current financial year 2022/23, IFRS 16 "Leases" will be included in segment reporting for the first time on the basis of (adjusted) EBITDA, in line with our current internal reporting and planning.

Internal licensing costs and other similar costs charged from the segment Germany to the segments 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 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".

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

Adjustments

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

Sales in connection with restructurings, closures or disposals of store groups may also be adjusted following a corresponding assessment and decision by management.

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)	**1,439.1**	1,291.2
Adjustments of sales (net) from restructurings	-1.5	-4.7
Sales (net)	**1,440.6**	1,295.9

Reconciliation from Adjusted EBITDA to EBITDA

	10/01/2022-12/31/2022 EUR m	10/01/2021-12/31/2021 EUR m
Adjusted EBITDA	**308.1**	257.4
Purchase Price Allocations (PPA)	-0.1	-0.1
Restructuring costs (staff-related) and severance payments	2.2	0.0
Consulting fees	4.0	3.7
Other adjustments	5.9	-6.2
COVID-19-effects	0.1	1.3
Store Optimization Program (SOP)	1.0	2.2
Adjustments on EBITDA	**13.1**	0.9
EBITDA	295.0	256.5

The respective categories are primarily attributable to the following matters:

- Purchase Price Allocation (PPA):
  EBITDA effects in profit or loss concerning the amortization of hidden reserves disclosed in connection with business combinations.
- 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.
- Consulting fees:
  In relation to strategic projects, acquisitions and financing.
  In the reporting year, these adjustments incurred in particular in connection with the 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 related to the strategic logistics project "One Warehouse All Channels" (OWAC) and besides to the Management Participation Program II.

Reconciliation of the segment performance indicators Sales (net), Adjusted Sales (net), EBITDA, Adjusted EBITDA, and CAPEX to the Group

Sales (net)	10/01/2022-12/31/2022 EUR m	10/01/2021-12/31/2021 EUR m
Total Reportable Segments	1,438.7	1,296.8
Intersegment sales (net)	1.0	0.4
Corporate Headquarter	0.1	0.0
Exchange rate and other effects	0.8	-1.3
Douglas Group	1,440.6	1,295.9

Adjusted Sales (net)	10/01/2022-12/31/2022 EUR m	10/01/2021-12/31/2021 EUR m
Total Reportable Segments	1,437.2	1,292.1
Intersegment sales (net)	1.0	0.4
Corporate Headquarter	0.1	0.0
Exchange rate and other effects	0.8	-1.3
Douglas Group	1,439.1	1,291.2

EBITDA	10/01/2022-12/31/2022 EUR m	10/01/2021-12/31/2021 EUR m
Total Reportable Segments	343.9	289.8
Corporate Headquarter	-49.3	-31.7
Exchange rate and other effects	0.4	-1.7
Douglas Group	295.0	256.5

Adjusted EBITDA	10/01/2022-12/31/2022 EUR m	10/01/2021-12/31/2021 EUR m
Total Reportable Segments	352.6	287.6
Corporate Headquarter	-44.9	-28.4
Exchange rate and other effects	0.3	-1.8
Douglas Group	308.1	257.4

Capital expenditure	10/01/2022-12/31/2022 EUR m	10/01/2021-12/31/2021 EUR m
Total Reportable Segments	8.1	5.7
Corporate Headquarter	6.7	4.5
Douglas Group	14.8	10.2

Other explanations on segment reporting

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, as well as advance payments for inventories.

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

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

Share-based payment

Management participation program II

The share-based compensation program II established in the financial year 2020/21 by means of a second management investment company, Kirk Beauty 2 Beteiligungs GmbH & Co. KG, a direct shareholder of Kirk Beauty A GmbH, grants share to key management personnel, other senior executives, and other individuals, enabling them to hold an indirect interest in the Douglas-Group and thus participate in the expected increase in value.

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 €1.3 million were recognized for this share-based payment in the three months of the financial year 2022/23.

For further information, please refer to the notes no. 23 to the Douglas' Annual Consolidated Financial Statements as of 30 September 2022.

Management participation program I

There were no changes in the three months of fiscal 2022/23.

For further information, please refer to the notes no. 23 to the Douglas' Annual Consolidated Financial Statements as of 30 September 2022.

Fair value of financial instruments[4]

Financial instruments categorized in accordance with IFRS 9 as of 31 December 2022:

	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*	59.5	AC					
Cash and cash equivalents	516.7	AC					
Other financial assets	344.6						
-- thereof Equity participations	2.1	FVtPL		2.1		2.1	2
Total financial assets	**344.6**						
Financial liabilities							
Trade accounts payable	**831.6**	**AC**					
Other financial liabilities	**3,238.3**						
-- thereof Senior Secured Notes	1,310.8	AC	1,310.8			1,089.7	1
-- thereof Senior PIK Notes	554.9	AC	554.9			333.3	2
-- thereof Liabilities to bank	663.5	AC	663.5			663.5	2
-- thereof Liabilities to shareholders	655.3	AC	655.3				
-- thereof Liabilities from non-controlling options	8.2	AC	8.2			8.2	2
-- thereof Liabilities from contingent considerations	2.3	AC	2.3			2.3	3
-- thereof Purchase price liability arising from derivative financial instruments	8.1	AC	8.1			8.1	2
Total financial liabilities according to IFRS 9	**3,238.3**						
Lease liabilities according to IFRS 16	1,093.1						
Total financial liabilities	**4,331.5**						

The fair values of trade receivables and payables correspond to their carrying amounts due to their short terms.

The contractual terms of the Senior Secured Notes and 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 a single entity 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.

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

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 made up of the contracted interest rate. Accordingly, an exercise of the repurchase rights is economic 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 are subsequently measured at fair value through profit and loss and the effects are recognized in the financial result. In the interim reporting period no valuation effects occurred.

Fair values of the Notes liabilities are calculated on the basis of market prices quoted on active markets (level 1).

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

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

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.

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 overall in a liability of €8.2 million as of the reporting date.

Financial instruments categorized in accordance with IFRS 9 as of 30 September 2022:

	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 and cash equivalents	245.3	AC					
Other financial assets	195.0						
-- thereof embedded derivatives	0.0	FVtPL		0.0		0.0	2
-- thereof Equity participations	2.1	FVtPL		2.1		2.1	2
Total financial assets	**195.0**						
Financial liabilities							
Trade accounts payable	**634.5**	**AC**					
Other financial liabilities	**3,214.6**						
-- thereof Senior Secured Notes	1,329.8	AC	1,329.8			1,001.6	1
-- thereof Senior PIK Notes	542.9	AC	542.9			323.4	2
-- thereof Liabilities to bank	670.1	AC	670.1			670.1	2
-- thereof Liabilities to shareholders	645.1	AC	645.1				
-- thereof Liabilities from non-controlling options	5.4	AC	5.4			5.4	2
-- thereof Liabilities from contingent considerations	2.1	AC	2.1			2.1	3
Total financial liabilities according to IFRS 9	**3,239.5**						
Lease liabilities according to IFRS 16	1,130.2						
Total financial liabilities	**4,369.7**						

Borrowing liabilities

As of 31 December 2022, and as of 30 September 2022, the borrowing liabilities comprise the Senior Secured Notes, the Liabilities related to the Senior PIK Notes, the Senior Secured Term Loan Facility including the Incremental Term Facility of €75.0 million (Facility B), the Senior Secured Multi-Currency Revolving Credit Facility (RCF) and other borrowings as of 31 December 2022 and 30 September 2022, as follows:

	12/31/2022		09/30/2022	
	Nominal amount EUR m	Carrying amount EUR m	Nominal amount EUR m	Carrying amount EUR m
Senior Secured Notes	1,305.0	1,310.8	1,305.0	1,329.8
Senior PIK Notes	543.0	554.9	519.6	542.9
Senior Secured Term Loan Facility (Facility B)	675.0	665.6	675.0	672.5
Senior Secured Multi-Currency Revolving Credit Facility (RCF)	0.0	-3.3	0.0	-3.6
Other borrowings	1.2	1.2	1.2	1.2
Borrowing liabilities	**2,524.2**	**2,529.2**	**2,500.8**	**2,542.8**

Carrying amounts include accruals and valuation components.

The RCF was not utilized in terms of liquidity as of the reporting date.[5]

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. As of 31 December 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. If the obligations are not met, the lenders are entitled to cancel the loan agreements with immediate effect and call upon all pledged collateral. As of 31 December 2022 the Douglas Group is fully compliant.

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 are closely interwoven.

[5] Available amount for borrowings is reduced by €10.4 million of outstanding rental guarantees.

Caps

In November 2022 Douglas GmbH entered into interest rate cap agreements over a nominal volume of €675.0 million and with a term until 8 April 2026. The interest rate caps reduce the risk of a rising EURIBOR to a maximum of 3.5 percent.

Other Disclosures

Events after the interim reporting date

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

As already announced in November 2022, Philipp Andrée was appointed managing director and Chief Digital Officer of Douglas Group in January 2023.

Philipp Andrée previously spent more than seven years at Tchibo, where he very successfully developed the online business into a strong revenue driver and strongly promoted the dovetailing and integration of digital and store business to create omnichannel retailing. He also further expanded digital marketing and CRM.

Day of preparation and authorization for issue

Management prepared and authorized for issue the Interim Consolidated Financial Statements on 17 February 2023.

Düsseldorf, 17 February 2023

Kirk Beauty A GmbH
Management

Alexander van der Laan   Mark Langer   Philipp Andrée