



FY 2022/23

Financial Report

Kirk Beauty A GmbH

as of 30 September 2023

DOUGLAS

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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 A¹, 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.

¹ Kirk Beauty A GmbH (Douglas, 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.

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 those set out in the section of this report entitled “Risk Factors”.

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."

The risk factors are presented in categories depending on their nature. In each category the three most material risk factors are mentioned first according to the Company's current assessment based on the estimated probability of their occurrence and the expected magnitude of their negative impact. Investors could lose all or part of their investment. The risks mentioned could materialize individually or cumulatively.

1.1. Risks Relating to our Market Environment, including the Macroeconomic and Geopolitical Situation

1.1.1. Demand for our offering depends, among other things, on consumer confidence and willingness or ability to spend, which could be adversely affected by changes in the general economic environment, particularly in recessionary and/or inflationary environments, and geopolitical conditions.

In general, the demand for our offering, and thus our growth and business operations, depends on, among other things, consumer confidence and willingness or ability to spend, which could be adversely affected by the macroeconomic environment and the prevailing geopolitical conditions. Adverse macroeconomic conditions may develop as a result of, or may be impacted by, among other factors, lower economic output, higher levels of unemployment, rising inflation, decreasing real disposable income, rising interest rates, the emergence of highly infectious diseases, such as the COVID-19 pandemic, or other public health crises, higher taxation, the unavailability of consumer credit, rising levels of consumer debt and negative consumer perception of economic conditions. Adverse geopolitical conditions in Europe may result from geopolitical tensions, including Russia's invasion of Ukraine and current tensions between Western countries and China, in the Balkans or the Middle-East, although we are not active in these regions, climate change and climate policy, Europe's diminishing cohesion and increasing strategic autonomy, and social unrest.

Consumer confidence and willingness or ability to spend may decrease in recessionary or inflationary environments or in environments characterized by high levels of or prolonged uncertainty over changes in economic and political conditions. In these environments, consumers may buy more affordable products from other competitors or cut spending on discretionary or luxury items altogether in favor of necessity items. Adverse developments of consumer confidence and willingness or ability to spend could therefore negatively impact the European beauty market in general and could lead to reduced demand for our offering and thus to a decline in sales (net). Any decrease or shift in demand could affect our overall profitability and efficiency of capital employed, or may result in slower inventory turnover and the need for higher markdowns on inventories.

In recent years, consumer confidence and willingness or ability to spend have been adversely affected by COVID-19-related restrictions. These restrictions have hampered commercial activity, industrial output and trade, including in our largest countries of operations. While the impacts eased after the lifting of lockdowns and further restrictions, the war triggered by the large-scale Russian invasion of Ukraine in 2022 and the international response thereto have compounded the situation again, slowing economic growth, mainly as a result of a major energy crisis with a high inflationary environment, rising interest rates combined with more restrictive lending policies, additional labor shortages and additional strain on supply chains. There is a risk that the economic environment could further deteriorate because of the continuing Russian war against Ukraine or other geopolitical tensions, including because of the war in the Middle-East.

We believe that consumer habits have shifted in recent years as consumers increasingly perceive many parts of our offering as necessity items that they buy repeatedly or even regularly. However, there can be no assurance that this shift will be permanent. In such a case, demand for our offering, and our profitability, could grow slower than we anticipate or even shrink.

1.1.2. We may fail to benefit from current trends in our markets or to anticipate, identify or respond adequately to changing consumer tastes or other trends, which could result in less demand for our offering, as well as increased mark-downs or write-offs of inventories.

The demand for our offering depends on our ability (and the ability of our suppliers) to anticipate, assess, and react to changes in consumer tastes or other trends, including consumer spending patterns and preferences for specific beauty offerings. Market trends and demand for retail offerings generally, and for our premium beauty offering in particular, are difficult to predict accurately and may differ among customer demographics such as age groups or from country to country. We may therefore fail to recognize relevant trends or translate market trends into appropriate and saleable offerings that are competitively priced.

Key current market trends include clean beauty, natural ingredients, science- and technology-based beauty, beauty and health as part of overall wellbeing, and sustainability. While we believe that these trends are secular in nature and intend to continue to cater to these trends to grow our business, there can be no guarantee that these trends will last or translate into demand for our offering. Trends in our markets can change rapidly due to several factors, including changes in demographics, suddenly emerging viral social media content or temporary trends.

If we misjudge our customers' tastes or other trends, we may lose market share to competitors which may be able to react more swiftly to changes in market conditions or trends. We may also see lower sales (net) and excess inventories and may be required to increase our promotional activities or mark-down the price of unsold inventories and, as a result, face higher write-offs of inventories, reduced liquidity levels and higher working capital requirements.

1.1.3. We face competition in the markets and regions in which we operate, and such competition may intensify further, as we may experience price pressure from online pure players and other competitors pursuing aggressive pricing strategies and expanding their geographical footprint and/or assortment, which could result in a loss of market share for us.

In accordance with our omnichannel strategy, we operate an integrated store and E-Com business in the competitive European beauty market with a focus on its premium segment. We compete with, among others, other specialist retailers with an offline store network or multi- or omnichannel activities, as well as online pure play beauty retailers, online generalists, and online beauty selling platforms. Our competitors include perfumery chains, independent perfumeries, perfume departments of selected (typically high-end) department stores, duty-free shops, as well as pharmacies and para-pharmacies (which increasingly focus on skin care and natural cosmetics), drugstores, hypermarkets, and mono-brand stores, including certain of our suppliers and other manufacturers which sell directly to consumers.

Some of our competitors have in recent years invested in their offerings, services, and marketing activities on a large scale and may further increase their investment to improve their competitive position and market share. Consumers may perceive some of our competitors' market presence in one or more of the regional markets in which we operate as offering a better shopping experience than we do, or as offering a similar shopping experience at more attractive prices. Furthermore, competitors may enter or expand into European countries in which we operate, including by way of mergers and acquisitions, which could result in increased negotiating leverage of our competitors with suppliers and greater marketing resources, allowing them to compete even more effectively with us.

Competitors that currently compete with us only in certain sub-segments of the European (premium) beauty market may also extend their offerings to compete with us more broadly in the future. In particular, there is a risk that large generalist (in particular online) retailers and platforms leverage their significant market

presence, logistics infrastructure and cross-selling opportunities to compete with us more intensively. Similarly, drugstore chains could continue to expand their assortment to include (more) selective products or other higher-priced beauty products and services as has been the case in the past. These and other competitors may particularly benefit in case consumers are less willing to pay for an appealing shopping environment with a higher service quality or to buy premium products, which are generally more costly.

Existing competitors and new market entrants may also pursue aggressive pricing strategies to gain market shares. In particular, competitors focusing on E-Com could offer their products at lower price points than we do. In addition, online price comparison tools have made it easier for consumers to compare offerings and find the lowest prices for desired products, which particularly affects our non-exclusive and non-corporate brand products, and which has exacerbated price pressure in our market. Furthermore, there is a risk that offline retailers could launch, or increase focus on, E-Com activities, thereby further intensifying competition. In addition, in certain regional markets, low-cost competitors offering products at discount prices have in recent years gained substantial relevance and continue to put competitive pressure on our business. We may lose customers and market shares if we fail to monitor and adequately react to our competitors' pricing. In addition, if we misjudge the need or the extent of price reductions required to stay competitive, this could result in a higher margin deterioration than resulting from competitive pressure alone.

Any such increased competition and continuing or increasing price pressure, in particular, aggressive pricing strategies or similar actions, and our failure to offer competitive prices and a respective level of customer service, could result in our market position deteriorating, in lower demand for our offering, lower sales (net), reduced profitability and a loss of market share. A further shift to E-Com in our market, which was particularly accelerated during the COVID-19 pandemic, may exacerbate competition risks and affect the success of our omnichannel strategy.

Competition-related risks have been, and may be further, exacerbated by a shift to E-Com in our market, which was particularly accelerated during the COVID-19 pandemic with its containment measures, most notably by mandated store closures. Also, if the trend towards remote working and other changes in social and economic behavior continue or accelerate, this may result in reduced traffic, and thus sales in popular retail destinations, such as inner cities and shopping centers, where our stores are typically located. Such changes and other trends may result in increased pressure on our store network. There is no guarantee that we will be able to compensate for any reduced demand in our stores by further expanding our E-Com business. Similarly, there can be no assurance that customers will continue to appreciate the envisaged advantages of our omnichannel offering.

After the relaxation of the COVID-19-related containment measures, many consumers returned to shopping in-store as opposed to online. However, any resurgence of COVID-19 or the emergence of new highly infectious diseases or major public health crises with similar effects could further increase the shift to E-Com. In addition, the rebound effects on in-store customer traffic have put pressure on online retailers, and many of them have priced their offerings even more aggressively as a result. Moreover, while we intend to further invest in our store network, including through selected store openings, relocations, or refurbishments, the continued shift towards E-Com in our market could require us to be more selective regarding investments in our store network, or such investments may not achieve the desired results, limiting our growth prospects.

In addition, in recent years, the increasing popularity of social media, including reviews and tutorials of beauty offerings, and the ease of setting up web shops and distribution solutions have made it significantly easier to address customer groups, resulting, among others, in an emergence of manufacturers selling directly and, in some cases, exclusively through their own E-Com channels.

We also face the risk of (in particular E-Com) competitors offering cheaper imitations of original fragrances or focusing on entry price offerings directed at younger age groups, thus attracting some of our existing or potential customers. Moreover, so-called gray market products, which are typically offered at discounted prices substantially below those offered by selective distributors, could increasingly undermine the selective distribution channels on which our business model is largely based. In this context, gray market products refer to selective beauty products that are sold outside the official selective distribution channels explicitly

approved by the selective brand suppliers. These products appear, among other locations, in listings of large non-selective E-Com retailers and sometimes extend to counterfeit products. Selective brand suppliers or retailers trying to stop or limit gray market sales may not always succeed in doing so.

Any such risks associated with a further accelerated shift towards E-Com in our markets could result in our market position deteriorating, in lower demand for our offering, lower sales (net), reduced profitability and loss of market share.

1.2. Risks Relating to our Operations and Strategy

1.2.1. The success of our omnichannel strategy and business particularly depends on the strength of the “Douglas” and the “Nocibé” brands, and we face the risk that the image or perception of our brands could deteriorate.

The success of our omnichannel strategy and business is largely dependent on the image and recognition of the “Douglas” and the “Nocibé” brands, as well as our own corporate brands and other smaller beauty retail brands we own, and any deterioration of these brands may adversely affect our business. Maintaining a premium brand image and perception is of particular importance to us as premium offerings can generally be sold with higher margins. Moreover, third-party suppliers, including in particular selective distribution channel suppliers, may only be willing to supply their premium products to us if we maintain our brand image.

Our brand image or perception could deteriorate if we fail to adequately respond to consumer tastes and preferences with a desirable and relevant offering. Furthermore, an increasing share of our own lower-priced corporate brand products, could have a dilutive effect on the premium image of our beauty brands. Regarding premium positioning of our offering, we are to a certain degree dependent on our suppliers’ investments in brand marketing, and any deterioration of our suppliers’ brands may affect our business as well.

In addition, our brand image could deteriorate if we chose inadequate marketing or communication channels, which do not support our premium brand image or result in a wrong perception or disapproval of our brand image by relevant customer groups.

Our brand image or reputation could also deteriorate because of unfavorable publicity. Negative publicity may result from, among other factors, ratings or reviews, blogging and social media activities, and may heavily influence the image, perception, and acceptance of our brands. Critique by dissatisfied customers about product quality and service, or customer care, and complaints based on ecological, ethical, social, governance, or many other considerations (including as a result of actions of our suppliers), regardless of whether justified or not, may rapidly spread online or via media through various channels. In such cases, we may have to withdraw parts of our offering, which may result in write-offs of inventories, or stop marketing campaigns, which may result in sunk costs and damage our reputation and our brands.

In addition, we engage selected celebrities and other influencers with a large audience, for marketing of our brand and corporate brand offering. Furthermore, we run a brand ambassador program under which our employees and, based on certain criteria, selected customers test our products and post their reviews on social media. Criminal or inappropriate types of behavior or forms of self-expression by any of these persons that are not aligned with our values or desired premium image may damage our brands and reputation. Moreover, any of these persons may represent values that parts of the population in the geographies where we operate object to, leading to a backlash against our brand image.

If our brand image or perception deteriorates, we may need to incur higher marketing expenses than budgeted to re-build our brand image or perception. In addition, in case of such deterioration, the universe of suppliers, celebrities and influencers willing to co-operate with us for brand marketing purposes could shrink or be available only at higher cost.

Any deterioration of our brand image or perception, or the acceptance and recognition of our brands or the brands of our suppliers, could result in our failing to acquire new customers, losing existing customers, or higher customer acquisition costs.

1.2.2. Our key suppliers, and certain local distributors, have bargaining power as they negotiate supply terms across multiple brands, and any failure to acquire, maintain or strengthen relationships with them, and to secure a sufficient and timely supply of products, could adversely affect our profitability and harm our competitive position.

Our key suppliers and distributors have bargaining power as they typically negotiate supply terms with us across multiple brands and for a wide range of products and, in Eastern Europe particularly, local distributors generally negotiate with us on behalf of various manufacturers. As the offering of certain key premium brands and products in high demand may become even more important in the future, our dependence on key suppliers, in particular for top selling products and, correspondingly, the suppliers' bargaining power, may further increase. Key suppliers and distributors could use their bargaining power to renegotiate pricing terms that make offering their respective brands commercially unattractive for us, which could adversely affect our sales (net) and profitability.

We also rely on suppliers and distributors to provide bonuses and market development funds (*i.e.*, funds made available by brand manufacturers to retailers like us to help sell their products and create local brand awareness). In this context, we face risks resulting from non-payment, potentially induced by insolvency of suppliers and distributors, which could materially adversely affect our liquidity and ability to pursue marketing activities. In addition, a supplier's decision to discontinue using our marketing channels, and therefore the withdrawal of market development funds, could adversely affect our brands and profitability.

Furthermore, key suppliers and distributors may dictate restrictions in their supply terms that are disadvantageous for us regarding, among other aspects, the use of advertising grants, our own marketing activities, and our brand positioning and recognition. Moreover, if we fail to comply with the terms of our 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. There can be no assurance that additional or alternative suppliers will be available when required at terms acceptable to us.

In addition, under certain conditions and for a limited time, key suppliers and distributors give us the right to offer their products exclusively. As exclusive products are an important source of differentiation against competitors and typically have higher margins than other products, our competitive position and profitability could be adversely affected if we fail to negotiate exclusivity arrangements, fail to secure sufficiently long exclusivity terms, or if key suppliers and distributors terminate such arrangements.

Furthermore, our business operations could be negatively affected if key suppliers or distributors on which we depend, in particular for the procurement of our top selling products, or several smaller suppliers, fail to deliver their products to us on time or at all, including as a result of a supplier's own supply chain challenges, production capacity constraints or defaults, including insolvency. In particular, our ability to obtain products in sufficient quantities and variety may be limited and may become insufficient to meet demand, resulting in a loss of sales (net), a loss of customers, or reputational damage. We might also need to make changes to our supply chain including alternative business arrangements to ensure sufficient and timely supply, which could result in additional costs, including higher freight rates, and supply shortages or disruptions. We may not be able to pass on any additional supply chain cost to our customers, especially if the cause of the supply chain disruption also results in reduced consumer confidence, willingness, or ability to spend.

If we fail to acquire, maintain, or strengthen relationships with key suppliers and local distributors, our ability to source a sufficient number and variety of exclusive and other premium products at acceptable terms and to market them effectively may be limited.

1.2.3. We depend on a limited number of facilities and logistics partners for the supply and distribution of the products we sell and are in the process of further consolidating our logistics infrastructure, which may cause disruptions or delays in supply and distribution, additional costs, and other operational risks.

We depend on a limited number of facilities and logistics partners for the supply and distribution of the products we sell and could experience interruptions or delays that could significantly affect our operational performance.

As part of our strategy to further consolidate our logistics infrastructure, we are in the process of establishing a European network of omnichannel warehouses. We plan that all such warehouses, will be owned, staffed, and managed by external logistics partners, which makes us dependent on such key logistics partners.

There can be no assurance that we will successfully transition our current logistics infrastructure to the targeted European network of omnichannel warehouses or that targeted cost savings from the consolidation of our infrastructure, as well as the desired operational improvement, will materialize. In particular, the transition process may lead to cost overruns, under-utilization, cause disruptions or delays in the distribution and delivery of our offerings, and thus may jeopardize our business operations, customer satisfaction, and reputation. It may also be difficult to replace our current and future logistics providers due to a lack of alternatives at comparable prices or service quality. Additionally, we may face higher costs when an existing logistics contract is renewed or replaced, or we may experience disruptions of our warehouse operations, including supplier handling and fulfillment when transferring operations to a new logistics provider.

Furthermore, as result of our growing E-Com channel and the increased integration of our stores and E-Com channel, we continue to place additional demand on our supply and distribution logistics infrastructure due to increasing complexity and higher volumes. Despite being part of our strategy, there can be no assurance that our warehouse network in its current or future composition is or will be adequate to meet demand. Any failure to keep up with these challenges, either because of a further shift towards online retailing, multichannel solutions, or because of any other market trend, could result in delays, disruptions, or additional costs.

Our centralized operations, supply, and distribution logistics, including the operations of our suppliers and logistics partners, could also experience disruptions due to, among other causes, hardware or software malfunction, cyberattacks, accidents, strikes, port congestions, container shortages, terrorist attacks, international conflicts, natural disasters, adverse weather conditions, such as storms or floods, the spread of highly infectious diseases or other public health crises and measures undertaken to mitigate their effects, or force majeure events. Moreover, the supply and distribution systems we use may malfunction or operate on false data, which may lead to wrong decisions regarding our supply chain and product offering. Any such disruption or error could significantly affect our supplier delivery and/or customer order handling by causing longer lead times or even rejections, dispatch of wrong orders, or our ability to timely distribute products and maintain an adequate product supply chain and inventory. Any such incident could also adversely affect the willingness of our suppliers or customers to do business with us.

1.2.4. We may not be successful in expanding our corporate brand products offering, sales of which we strive to significantly increase as part of our strategy, and we may fail to secure our corporate brand products' quality and timely delivery.

As part of our strategy, we strive to significantly increase our sales from corporate brands, including through an expansion of the assortment. There can be no assurance that we will be successful in expanding our product offering under our "Douglas Collection" and "Nocibé Collection" and that the investments incurred in connection with such an expansion will be recovered. An expansion of our product offering could fail for various reasons, including misjudgment of demand, and poor product quality. This could also dilute our customers' perception of our brand image. In addition, competitors may also target these segments and may be able to pre-empt some of our expansion plans.

We acquire our corporate brand products from various suppliers which generally also manufacture products for our competitors and their suppliers. Our agreements with the manufacturers of our corporate brand products are typically based on a made-to-order concept for each corporate brand offering or product line rather than long-term supply agreements and may typically be terminated at short notice. If an agreement is terminated, there can be no assurance that we will find alternative manufacturers that will be able to produce comparable products for us at competitive prices or at all. In addition, manufacturers may sell similar products to other retailers, which may offer them under a different brand and with a different packaging, which could reduce demand for our corporate brand products, particularly if other retailers offer lower prices.

Since we only have limited control over the manufacturers of our corporate brand 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 corporate brand products we procure and intend to sell, or any failure to achieve or maintain particular standards, including with regard to ingredients, could result in our inability to import such products and lead to adverse publicity, which could materially adversely affect the reputation of our corporate brands as well as the "Douglas" and "Nocibé" brands, damage our customer relationships and lead to a decline in our sales (net).

1.2.5. Our marketing and communications initiatives, including key brand and marketing campaigns and other measures to support our brands, generate customer traffic and build or retain a loyal customer base may not be effective, result in sunk cost and need to be renewed after certain time periods.

Our sales, and thus our business operations, depend on the success of our marketing and communications strategy and our ability to respond to changing customer tastes and competitors' promotional activities.

We have incurred and will continue to incur significant expenses in relation to brand awareness and enhancement, customer acquisition and customer loyalty, especially through bonuses and discounts granted via our Beauty Card program, which we offer to customers under the Douglas and the Nocibé brands, and there is a risk that such expenses turn out to be higher than planned or prove ineffective. In the current inflationary environment, there is also a risk that marketing expenses, such as fees for external agencies, consultants, and media placements, increase significantly. Our marketing initiatives may also require more management time than planned, and there can be no assurance that our assumptions supporting our marketing strategies will prove to be correct and that such expenses will result in increased sales (net) or increased profitability, particularly if we allocate insufficient funds to our marketing activities or identify the wrong target groups or marketing channels for our marketing activities. In addition, there can be no assurance that our marketing activities, including changes and updates to marketing concepts and customer relationship program, will be met with the desired customer acceptance and lead to the intended results, such as positive impacts on our brands, reputation and customer demand. In addition, we increasingly rely on data from our customer relationship management to plan our marketing activities. Our marketing activities could be impeded by poor data quality or if our customers are unwilling to share their data. As we also rely on discount coupons for our marketing activities, there is also an additional risk that too high a frequency of such activities results in diminishing response rates or lower sales (net) as our customers become dissatisfied with being targeted by our marketing activities.

Furthermore, we run key brand and marketing campaigns from time to time, which we use to shape the visual identity of our store and E-Com channel, as well as specific seasonal promotional activities. In February 2023, we launched our new campaign "Beauty is ...". The time for preparing and implementing such a major campaign and revisualization, or other brand and marketing initiatives, including seasonal promotional activities, may be significant, cause substantial costs, and such initiatives are subject to certain restrictions. If we use trademarked marketing materials without having obtained the trademark holder's consent, we could be obliged to pay damages or indemnify the trademark holder.

1.2.6. We may not be able to attract sales from new or existing customers through electronic and social media platform engagement and other means of electronic communication because of changes to search algorithms and restrictions to customer tracking technologies used for behavioral marketing.

We depend on electronic communication by email, mobile app push notifications and social media channels to promote our offering or marketing messages. The prominence of our websites and mobile apps in response to internet searches is also a critical factor in attracting potential customers.

Search engines and social media platforms revise their algorithms from time to time to optimize their search results or content without notice or explanation to us. When search engines modify their algorithms, our websites may appear less prominently or not at all in search results, which could result in reduced traffic to our websites and mobile apps. Similarly, our content may feature less prominently on social media platforms because of revised algorithms or when we cannot use certain features or tools for regulatory reasons. This may result in an increase in marketing costs or decreased traffic. When the price to promote our websites, mobile apps or brands via search engines or social media platforms increases, we may be required to increase our marketing expenses or to allocate a larger portion of our marketing spending to search engines or social media marketing. Furthermore, competitors may in the future bid more aggressively on the search terms we use to drive traffic to our E-Com platform. Such actions could also increase our marketing costs or result in decreased traffic.

In addition, social media platforms and other providers of electronic messaging services may change the terms and conditions of their social networking services, in particular regarding the use of customer data, cookies and similar tracking technologies used for behavioral marketing and other tracking and analytics purposes. We could be particularly affected by such changes as we increasingly rely on customer-tailored marketing and promotions to optimize the shopping experience and buyer behavior as part of our strategy, and thus our promotional capabilities, could be limited.

We also rely on electronic communication to engage with new and existing customers and if our customers are unable to receive our marketing messages (whether due to a technical malfunction or accounts being hacked or otherwise compromised), our promotional capabilities could be limited. In addition, certain customers may be dissatisfied when exposed to too many advertising campaigns or newsletters and to what they may consider to be electronic message "flooding". While we are focused on protecting our IT landscape, we see an increasing risk that our social media accounts are hacked and used by third parties to distribute "spam" messages, including with inappropriate content, to our customers, which could have a material adverse effect on our brand and reputation due to our increased reliance on social media marketing. We may also have to shut down social media presences, or relevant social media channels may become unavailable to us.

Furthermore, new search engines or social media platforms may develop, including in individual jurisdictions or regions, which may result in reduced traffic on existing search engines and social media platforms. If we are unable to achieve prominence on any new search engines or social media platforms through advertising or otherwise, we may not achieve significant traffic to our E-Com platform.

1.2.7. We may not be able to execute our strategy and manage our growth effectively.

The implementation of our strategy and the growth of our business has placed, and any future growth is expected to continue to place, significant demands on our management and our administrative, operational, and financial infrastructure. As we are currently implementing various strategic and operational measures, and plan to continue our growth, we face the risk that the corresponding workload overstrains our employees and organization, which might lead to inefficiencies and mistakes. We may also need to continue to improve and upgrade our systems and infrastructure to keep pace with our growth. The execution of our strategy and further expansion and integration of our businesses with increasing operating complexity will require us to commit substantial management, administrative, operational, and other resources, including for maintaining or expanding adequate internal management, accounting, controlling, compliance and risk monitoring

processes and systems, with no assurance that the desired results will materialize and that our sales (net) and profit increase accordingly.

Continued growth may also strain our ability to maintain reliable service levels for our customers, impede our efforts to attract, train, motivate and retain employees, or complicate our plans to develop and improve our operational, financial and management controls. Specifically, in certain regions, continued growth could result in our business, including fulfillment services sourced from third parties, being unable to accommodate the number of customers or orders.

1.2.8. We may not be able to effectively manage our cost base, including if reorganization measures we may undertake from time to time do not achieve the expected results, which may result in additional or sunk costs.

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 we sell, the optimization of personnel costs, achieving central overhead cost synergies and improving our supply and fulfillment logistics processes, including inventory management. Our cost structure may be negatively affected by increases in costs, including those relating to rental, electricity, and personnel, as well as transportation and logistics.

Rising energy prices in connection with Russia's war against Ukraine or for other reasons, contribute to the risk that our operating costs increase. This is, in particular, relevant to our stores for which energy costs are typically a main part of our rent and utilities. We also face risks of increasing energy costs as result of environmental legislations or as a result of longer operating hours of air conditioning systems because of changing climate. Similarly, rising energy prices may also result in higher costs relating to our outsourced warehouse and IT operations if our suppliers pass on their own cost increases to us. In any such cases, we may not be able to pass on cost increases to our customers in part or in full, which may result in a deterioration of our margins and results of operations. In addition, we have experienced significant cost increases in fulfillment costs in recent years because of increasing delivery costs and higher volume of goods shipped driven by increased e-com sales (net).

We strive to continuously adapt our store network, cost structure and processes to the current needs of our markets and have carried out reorganization measures in recent years and may continue to do so. During the COVID-19 pandemic, lockdowns, including mandated store closures and curfews, have resulted in situations where we were not able to cover the fixed costs relating to our affected stores through sales from such stores. In response, we implemented a store optimization program across our store network with a focus on Southern Europe and an additional subsequent store network reorganization in Spain. Under these measures we closed stores whose sales were particularly affected by the COVID-19 pandemic, the shift in customer behavior towards online retail, and where there was a high overlap with other stores. The emergence of similar situations where customer footfall is significantly reduced and we decide to close stores may have the same consequences.

Such reorganization measures may entail significant costs, divert management's attention from our daily business and strategic business decisions, and be disruptive to our business.

In addition, there can be no assurance that such reorganization measures will lead to the expected efficiency improvements or cost savings, or be completed within the planned timeframe. Furthermore, when planning reorganization measures in our store network, we generally assume that a portion of sales from closed stores may be transferred to our other stores in the same catchment area or to our E-Com business. However, there can be no assurance that such transfer will materialize to the extent anticipated or at all.

1.2.9. We may be unable to successfully implement our modular store network strategy which comprises refurbishments and selected new store openings, in particular if we fail to identify attractive locations or our customers do not accept our store locations or designs.

To maintain or increase customer footfall and offer our customers an appealing shopping experience, we strive to continuously evaluate and adapt our store network, in particular through refurbishments of existing stores and new store openings. In the context of our omnichannel strategy, attractive store locations are also important as pick-up points for E-Com orders. Our stores are located in retail destinations such as shopping malls, city centers, city stores and retail parks. The sales in our stores are to a significant extent dependent on the volume of customer traffic in the respective retail destinations and the surrounding areas which, in turn, is to a large extent dependent on the ability of other retailers and retail destination owners near to those destinations to generate customer traffic. Any decrease in popularity of the retail destinations could reduce the attractiveness of our stores. This could result in a decrease of customer traffic in our stores which could, in turn, result in a decrease of our sales (net).

We may not be able to implement our strategy successfully or at the envisaged pace if our investments into refurbishments or new stores in selected locations are unsuccessful, which could be the case if our customers do not perceive the new store designs as attractive shopping locations or, in the case of new stores, we fail to identify and lease attractive store locations at acceptable terms or implement the required infrastructure. In particular, as our store network strategy foresees the opening of new stores in smaller cities and towns. We may also face difficulties in obtaining adequate financing to fund future investments or estimating customer demand correctly which may result in delayed or insufficient investments although such investments might be necessary.

Further factors that may negatively influence the planned refurbishments and expansion and result in higher-than-expected costs or delays include difficulties relating to political or economic instability, finding reliable local partners, recruiting and retaining a sufficient number of skilled staff, prevailing over local competition and generating a sufficient level of sales (net), labor relations and compliance issues, as well as increased renovation costs to comply with stricter environmental laws. Furthermore, new stores from other retailers or our own new stores could compete for customers with our existing stores in case of an overlap in the respective catchment area.

If we fail to adequately manage these challenges related to our modular store network strategy or if any of these risks materialize, the significant investments made may not be recovered and we may suffer substantial losses.

1.2.10. We depend on our ability to negotiate acceptable lease terms for our stores, and negotiating, terminating, or extending leases for our stores may be difficult or costly.

The success of our business depends on our ability to negotiate acceptable lease terms for our stores. We compete with other global and regional retailers to obtain favorable store locations and lease terms in shopping malls and city centers. There is no guarantee that we will be able to obtain store leases in attractive locations, especially in areas with high customer traffic, on commercially acceptable terms or at all.

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 in the case of long-term contracts. If the relevant indices increase at a higher rate compared to past performance, as is currently the case due to high inflation rates, 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 leading to higher costs. In addition, many of our lease agreements contain additional sales-based rental payments and hence, the ultimate level of our rent will depend on the level of our sales (net) which is, in turn, influenced by inflation rates, among other factors, and which we may misjudge. As our procurement prices are affected by inflation rates as well, we may face situations where we have stable or contracting margins due to increased procurement prices and yet have to make higher sales-based rental payments.

Moreover, early termination of lease agreements after closing of stores may trigger significant penalties to be paid to the lessor. There is no guarantee that future re-negotiations will be successful, and the cost, difficulty or time associated with such re-negotiations may materially adversely affect our business. Conversely, if our lease agreements are terminated early or if we fail to agree extensions of expiring lease agreements, we may have to close stores in attractive locations and there can be no guarantee that we will find suitable replacement premises in appropriate locations or at all.

1.2.11. We operate a franchise store system in some of our geographies and have only limited control over our franchisees, which may adversely affect our store network strategy.

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 corporate 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 be able to hire or train qualified store managers and other personnel. Our brand image and reputation may be materially adversely impacted, and our sales (net) 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 our relationships with the broader franchisee group.

In addition, we may be restricted from opening new stores in areas where one of our franchisees operates because of legal restrictions under our franchise agreements, which may adversely affect the strategy for our store network.

1.2.12. We may be unable to effectively manage inventories, which could affect our working capital and results of operations if we need to mark down or write-off inventories.

Failure to control the amount and quality of our significant inventory could reduce our sales (net) generation, profitability, and cash flows. We depend on our forecasts of demand for, and popularity of, various products to make purchase decisions and to manage our inventory of stock-keeping units. Demand for products, however, can change significantly between the time we order inventory and the time of sale. Demand may be affected by seasonality, new product launches, rapid changes in product cycles and pricing, product defects, promotions, changes in consumer spending patterns, changes in consumer tastes with respect to our products and other factors, and our consumers may not purchase our products in the quantities that we expect. Constraints in our inventory management systems 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. Management of our inventories is particularly challenging in anticipation of and during seasons of peak selling periods, including the Christmas season.

In addition, our plans to grow our business through, among other measures, increased sales of our corporate brand products may result in even bigger challenges and greater risks for inventory management. If we are left with excess inventory of our corporate brand or other products due to an incorrect assessment of future demand, 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. Moreover, lower than expected stock rotation could lead to higher inventory. Any such build-up of excess inventory or low inventory turnover may materially adversely affect our working capital and liquidity. In addition, we could face capacity and budget constraints in our warehouses, restricting new ordering. Conversely, if we run low on inventories, we may have to prioritize deliveries to either E-Com customers or to certain of our stores, which may bind management capacities, adversely affect our omnichannel strategy, limit our sales opportunities in other stores or E-Com and damage our reputation.

If we fail to effectively manage our costs and inventories, our profitability, working capital and growth could be adversely affected.

1.2.13. Our sales (net), liquidity and inventory levels fluctuate significantly on a seasonal basis, and any decrease in sales during peak selling periods, including the Christmas season, could have a material adverse effect on our business for a particular financial year.

We experience substantial seasonal fluctuations in our sales (net). Our most important sales period is the eight-week period leading up to Christmas (including Singles' Day, Black Friday/Black Week and Cyber Monday) and over the New Year. Other sales periods important to us are those around Valentine's Day, Easter and Mother's Day and Epiphany (in some countries). The uplift in sales (net) during our most important sales periods is often followed by a period of price markdowns. Any decreases in sales (net) during these peak sales periods, could materially affect sales (net) during these key periods and the relevant financial year.

Trading in the three-month period ending December 31, which corresponds to the first quarter of our financial year, typically represents approximately one-third of our sales (net) and more than one-third of our adjusted EBITDA, with the remainder typically distributed relatively even across the other three quarters of our financial year. The first quarter of our financial year is therefore particularly susceptible to such risks. We may not be able to compensate, fully or at all, for any sudden decline in store traffic in key sales periods during the remainder of the financial year or through sales (net) of our E-Com business, as timely delivery by any of these key holidays typically requires placement of orders several days in advance.

Due to the nature of our business, which requires us to maintain inventories that enable us to meet customer demand, we have significant working capital needs, which are exacerbated by seasonal fluctuations as these can also have a significant impact on our working capital, cash flows, liquidity levels, and inventory. If we purchase insufficient quantities of products that sell well during peak sales periods, we may not have an adequate supply of products to meet consumer demand and may fail to maximize our sales opportunities. As a result, we 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 a calendar year, followed by significant outflows in the following weeks and months when payments for the Christmas period inventory and VAT on peak sales become due. Conversely, we also face a heightened risk of excess inventory, may be forced to implement higher than usual price markdowns and promotional sales to dispose of excess inventory or write down our inventory, thus affecting our working capital and liquidity as well as our profitability. Higher levels of inventory would also lead to us ordering fewer products in subsequent periods, which would reduce bargaining power with our suppliers. These effects may be amplified as our business grows.

Furthermore, our operating expenses exhibit seasonal patterns, as we typically hire more temporary workers during peak sales periods and incur higher than usual personnel expenses. If sales (net) during our peak sales periods are significantly lower than expected, we may not be able to adjust our expenses in a timely manner and may therefore still face higher operating costs that are not or not fully covered by increased sales (net).

1.2.14. We face 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.

In the past, we have pursued, and we plan to continue to pursue, selective acquisitions of businesses, including joint ventures and cooperations, to expand our footprint and operations.

There can be no assurance that we will be able to identify suitable targets in line with our strategy and consummate an acquisition at favorable terms or at all. It is also possible that not all material risks in connection with acquisitions will be identified in the due diligence process and that such risks will not be considered appropriately in the decision-making process or the respective agreements. In addition, acquisitions may entail financing and tax structures which, even if designed with the aim of achieving an efficient transaction structure, may expose us to risks.

Furthermore, acquisitions may entail risks related to the integration of businesses, including processes, IT, supply and fulfillment logistics and other systems, as well as store design, product offerings and personnel.

This may be the case concerning compliance, information technology, data security, risk management, accounting, and tax. In any such cases, the required integration may be a complex, time consuming and expensive process subject to several challenges and uncertainties. These include the costs and expenses associated with unexpected difficulties, the diversion of management's attention from our daily operations and strategic business decisions, including budget allocations to the detriment of performing businesses, the potential loss of key employees, difficulties in competing with our existing business or diverting sales from our existing business, challenges in determining any potentially agreed deferred compensation elements, difficulties in complying with new regulatory requirements and additional demands on management related to the increase in the size and scope of our operations following an acquisition. Even if we can integrate newly acquired businesses successfully, this integration may not result in the realization of the full synergies, cost savings, sales (net), and cash flow enhancements, operational efficiencies, and other benefits that we initially expected.

We may also be involved in post-M&A arbitration or litigation with the sellers of businesses we acquired, in particular, if we have agreed to earn-out payments, as has happened with recent acquisitions. 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. Moreover, changes to our strategy or reorganization needs may result in subsequent divestments or reorganizations of acquired businesses, which may compound any cost incurred in relation to the integration of such businesses or, if we must sell such businesses below their original purchase price, may result in significant impairments and net cash outflows.

In addition, we have been, and may in the future be, required by antitrust authorities to dispose of certain stores in connection with an acquisition. While we typically aim to divest franchised stores to meet such conditions, we have disposed and may need to continue to dispose of certain directly operated stores to fulfill such requirements. This would have a more substantial adverse impact on our profitability than the termination of franchises, which results in the loss of the respective royalties only. Due to our already large footprint and the concentration of the European beauty market, it may become increasingly difficult to meet the requirements of antitrust authorities when pursuing acquisitions.

The realization of any of these risks in connection with past and future acquisitions may have a material adverse effect on our competitive position, profitability, and growth.

1.2.15. When we enter new regional markets or increase our footprint in markets in which we are already active, we may misjudge the market opportunities or face operational complexities as a result of which we may not achieve our targeted goals, incur increased costs, or fail to leverage synergies with our existing operations.

During the Group's history, we have selectively entered new or increased our footprint in existing geographies while maintaining a focus on European countries.

Entering a new geographical market requires substantial investments and may not lead to the desired results or occur at the desired pace. In some cases, acquisitions to increase our footprint and broaden our offering in markets where we are already active could result in operational inefficiencies if we acquire businesses with stores that overlap with our existing network. In such cases, we may have to reorganize our regional operations, which could result in significant reorganization charges.

Furthermore, entering a new market or increasing our footprint in existing markets entails other operational complexities and risks, such as adapting our offering at competitive terms, our supply and fulfillment logistics processes, as well as our payment and customer care practices to accommodate local tastes and practices. Any of these factors may also adversely impact our potential to leverage synergies. In addition, our success in pursuing selective geographical expansion may be dependent on various factors including our understanding of the target market and its competitive dynamics and our ability to position ourselves within such markets. No assurance can be given that we will be able to successfully penetrate and operate in such markets on a sustainable and profitable basis.

1.2.16. We operate a Partner Program through which we sell products supplied to our customers by third-party retailers and brands, and any issues related to, may damage our brands and reputation.

As part of our E-Com business, we operate our Partner Program, where we partner with third-party retailers and brands through a commission model to further expand our product assortment without having to build up inventories and which also provides backfill options. As part of our Partner Program, we list products from third-party suppliers and brands and set their prices on our E-Com platform. If a customer orders a product, we process the payment and then, in turn, order that product from the relevant third-party partner which typically then delivers the product directly to the end customer.

While our partners are solely responsible for the sourcing and supply of the affected products, the Partner Program is fully integrated in our E-Com platform. 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. Therefore, any issues related to product quality, timing of deliveries or similar matters regarding the products sold under our Partner Program could adversely affect our brand and reputation among our customers.

Some of our partners under our Partner Program sell their products exclusively through our E-Com platform. However, such exclusivity is rarely based on a contractual agreement and even where such an agreement exists, it can typically be terminated at short- to medium-term notice. As a result, we cannot exclude the possibility that a current or former partner co-operates with one of our competitors or expands its own sales channels, thereby encroaching on our customer base.

In addition, our Partner Program may not progress as planned, as we may not be able to find an appropriate number of capable partners, achieve the expected commissions or achieve the goal of offering our customers a unique one-stop-shopping experience.

1.2.17. Environmental, social, and governance matters may impact our business or result in increased costs and any failure to comply with relevant laws and regulations or meet stakeholder expectations could damage our brand image.

There has been increased focus by customers, investors, employees, and other stakeholders, as well as by governmental and non-governmental organizations on environmental, social, and governance matters. A rising number of our customers and business partners, including financing banks and institutional investors, put an increased focus on ESG, most prominently sustainability and environmental factors, in awarding business, including through attaching sustainability-linked conditions. Topics considered in such assessments include, among other factors, a company's efforts in relation to and impacts on climate change, the transition to green energy, human rights, ethics, diversity and inclusion, compliance with law, and the role of a company's management in supervising various sustainability issues.

There can be no certainty that we will manage such issues successfully, or that we will meet our stakeholders' ESG expectations or current or future international, EU, or national ESG reporting requirements, standards, or recommendations. As part of our ESG strategy, we have selected key performance indicators relating to our three ESG focus areas people, planet, and products and have defined specific ESG impact targets to be achieved by specific dates. If, among other aspects, we fail to meet any of these targets or those of our other ESG performance categories, become the subject of negative public perception or adverse publicity, including any accusation of alleged greenwashing, lose credibility, or are unable to meet expectations on the part of our customers, investors, employees, business partners, and other stakeholders relating to our ESG performance and/or strategy and its implementation and timeline, including with respect to the selection and performance of our ESG-related key performance indicators, this could negatively impact our reputation and brands, our relationships, employee engagement and retention, and the demand for our offering. In addition, we depend on the cooperation of our product suppliers, warehouse operators, and fulfillment partners to assess and reduce our indirect emissions and the amount of waste we cause, and we might not succeed in securing such cooperation, which could lead to us missing our targets. We may also

be subject to ESG concerns and perceptions that do not directly relate to us but rather to our suppliers or fulfillment partners, or our industry in general, and/or that are based on inaccurate or misleading information.

Regarding the transition to green energy, we also face a risk of rising energy prices (which typically make up a main part of the rent and utilities under our store lease agreements) and delivery cost (insofar as we absorb them), including due to the introduction of CO₂ taxes. In addition, legislation requiring renovations of buildings to achieve higher levels of energy efficiency may result in increased investments required to maintain our store infrastructure and may also result in higher rental payments for our stores if landlords pass on their own renovation cost. In addition, landlords might not accept our ESG goals and criteria, which could cause us to miss our targets or to incur higher costs.

Furthermore, trying to achieve our ESG goals may result in additional complexity and increased costs. Standards regarding ESG could change and become more onerous and costly for us to meet. Evolving data, methods, research and reporting requirements, including science-based assessments, could undermine or refute claims and beliefs we made in reliance on current data, which absent established practices for the collection and assessment of data may not yet be reliable, research and reporting requirements, which could result in additional costs or negative market perception and damage our reputation.

1.2.18. We depend on our ability to attract and retain an adequate workforce of qualified managerial staff and skilled, motivated personnel.

The success of our business depends significantly on our ability to attract and retain qualified managerial staff and skilled, motivated personnel, who are committed to our omnichannel strategy. This is particularly important for our stores as our customers value competent service. To execute our omnichannel strategy, it is also important to attract new employees, especially E-Com and IT specialists, including in certain specialized areas like cybersecurity and artificial intelligence. Competition for skilled personnel is intense, including for IT professionals due to, among other things, the rapid digital transformation, and the shortage of qualified candidates with specialized technical skills, and we may not be able to attract and retain all members of our managerial staff or enough qualified personnel in the future, including as a result of low labor supply.

Loss of qualified managerial staff and other skilled personnel, including due to possible future reorganizations, could result in staff reductions or fluctuations among personnel, which could result in loss of know-how and a possible drop in productivity and could impair decision making processes. This may even be the case where we are able to hire suitable replacements if they need to be upskilled or onboarded. In addition, as we centralize and standardize many tasks which were previously performed by store personnel, we may lose some employees due to difficulties or motivational issues relating to the loss of autonomy of individual stores. Our employees or potential applicants may also perceive our salary system as inadequate. We also face the risk of changes in labor laws affecting remuneration elements that have an impact on employee motivation and satisfaction, in particular elements which are at the discretion of us as employer. Similarly, if we fail to achieve sufficient levels of employee satisfaction, this could also result in higher employee fluctuation or understaffing and, consequently, higher recruitment costs, loss of business opportunities or lower service quality levels, and thus an adverse impact on our brand and reputation.

Furthermore, in our stores, we employ a limited number of people per store. If the number of staff required to run a store efficiently turns out to be higher than planned, or we experience high numbers of absences, including due to high sickness rates, or if we fail to fill vacancies, we face the risk that tasks are no longer performed on time or at all, in particular if the workload cannot be covered by other staff members. As one possible consequence, our customers could be dissatisfied due to longer waiting times which could result in a loss of customers, decreased sales (net) and damage to our reputation. We may also not be able to engage security guards for certain of our stores, if needed.

Any failure to attract and retain qualified managerial staff and skilled, motivated personnel could impair our growth and ability to manage our operations effectively.

1.2.19. Our business is labor intensive, and we are exposed to the risk of rising labor costs, which could adversely affect our profitability.

Personnel expenses represent a significant part of our cost base. In recent years, in line with a general trend across industries in Europe due to the inflationary environment, we have faced considerable wage increases and we may face considerable wage increases in the future. Wage increases would have a significant impact on personnel expenses. Such wage increases could particularly arise in reaction to the current general inflationary environment. Wage increases could also reduce the effectiveness of reorganization measures to the extent they offset any decreases in headcount.

In addition, the development and implementation of our business strategy also relies on recruiting, retaining and training highly qualified employees, such as IT specialists that we depend on for our business operations. The labor markets for some of these highly qualified employees are, in many of the countries in which we operate, characterized by low unemployment rates, resulting in intense competition for such qualified personnel and an increased turnover-rate. Moreover, the more we succeed in retaining skilled and loyal staff, the more we are exposed to rising labor costs as, in particular, retaining loyal staff with higher age and more experience results in higher personnel expenses on average. New employees may also require significant training and ramp-up time before they achieve full productivity and may not become as productive and contribute as we expect.

1.2.20. We are dependent on maintaining good relationships with our employees, and any measures affecting our workforce, including reorganization measures, may result in work stoppages, strikes or other collective actions, which may disrupt our operations and result in increased cost or negative publicity.

Since our store network operations are labor intensive, maintaining good relationships with our employees, trade unions and other employee representatives is crucial for our business. Works councils have been established at certain Group companies, and it cannot be excluded that employees will demand the establishment of further works councils. Certain of our employees are members of trade unions or enjoy similar rights due to applicable laws in the countries where we operate. In the past, we have experienced and remain subject to the risk of, strikes, work stoppages or other types of conflicts with trade unions, employee representatives or our employees, in particular if employees are dissatisfied with salary levels or proposed salary increases or due to structural changes. The risk of strikes may be heightened in the current inflationary environment, in case of reorganization or other measures affecting our workforce or associated with particularly severe consequences during busy trading periods such as the Christmas season. Particularly prolonged strikes, irrespective of whether at our headquarters, stores or warehouses, could have adverse effects on major parts of our business activities.

Any strike action may negatively affect our business operations, sales (net) levels, and profitability, and may also lead to adverse publicity.

Moreover, we may face additional costs resulting from negotiations or legal disputes with trade unions, employee representatives or employees, relating to severance payments or other compensation. To maintain good relationships with our employees, we have in the past, and may need to in the future, forego, change, or reverse the implementation of measures aimed at making our processes simpler and/or more efficient, which could result in higher operating costs and inefficient processes, deter customers and result in the loss of sales (net). Conversely, it could damage our relations with unions and our workforce if we go through with such measures.

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

We currently offer different payment methods including cash, invoicing, credit and debit cards, PayPal, Klarna, advance payment, online bank transfer pursuant to the electronic payment standard, direct debit, and in Germany and Austria, payment with our Douglas Beauty Card Premium and gift cards.

We face the risk of operational failures during the checkout process in our E-Com business relating to the complexity of certain payment methods. Such difficulties could adversely affect customer experience, decrease the proportion of site visitors that complete the purchasing process, and negatively impact our omnichannel strategy where we strive for a frictionless shopping experience across sales channels. 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. Additionally, we may become subject to more stringent or complex compliance requirements. 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. Any disruption in our payment systems could adversely affect the payment processing capabilities online or in-store, which creates additional risks beyond the payment risks discussed above. Similar risks apply to the systems processing payments with gift cards.

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 costs, including for litigation. 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.

Furthermore, different payment options have different costs to us and should customers shift their preferences in favor of the more expensive payment methods, then our expenses would rise accordingly.

1.2.22. We face a risk of theft or misappropriation of products and funds in our operations, including stores, supply and fulfillment logistics centers, as well as of abuses of our return policies.

We are exposed to a risk of theft, fraud, embezzlement, including non-payment for purchased products, or misappropriation of products and funds, in particular of the products and cash balance in our stores and of inventory in our warehouses. In addition, we may experience misappropriation of funds in our stores or at other levels of our business, including warehouses, by our employees or external employees of our service providers, or the abuse of our resources, such as our products, vouchers, bonuses, or systems.

We may also need to incur higher cost for security measures, in particular with respect to our store network. This may cause us to deploy security guards to protect our employees, customers, and property. In addition, if we were to experience a rise in instances of in-store shoplifting as can be largely observed in the retail sector outside of the regions where we operate, particularly in the United States of America, we would not only face a larger loss of inventories, but also may need to take more comprehensive security measures such as the use of glass panels to lock up items in our stores. This would have a significant adverse impact on the customer experience in our stores, particularly as we consider premium beauty to be very much experience-driven.

Moreover, we have return policies in place and regularly offer gift articles in combination with the purchase of a certain product or brand or, in particular via our E-Com business, for purchases above a certain amount. Customers may abuse our return policies.

1.2.23. Our insurance coverage could prove inadequate, and our insurance cost could materially increase in the future.

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 we operate and the range of our activities, we may not be able to accurately foresee all relevant activities and situations 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 coverage.

If one or more claims exceed a certain aggregate amount in any given year, insurers may increase our 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. There is no guarantee that we will continue to be able to obtain sufficient insurance coverage at commercially reasonable terms or at all.

1.3. Financial Risks

1.3.1. 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.

1.3.2. Adverse economic conditions may directly or indirectly negatively impact our liquidity position, including by impeding the timely recoverability of trade and other receivables from suppliers, distributors and payment service providers which account for a significant share of our current assets, and we are subject to default risks in these regards.

We are also often owed significant amounts of money by numerous counterparties, including suppliers, distributors and payment providers. Adverse economic conditions and other factors adversely affecting the business and, consequently, cash balances of our counterparties could lead to adverse changes in the ability or willingness of our counterparties to fulfill their payment obligations when due or at all. In addition, we may face delays or difficulties in invoicing and cashing-in supplier and distributor bonuses and discounts which are typically calculated at periodic intervals following certain milestone volumes or transactions and, in general, are based on complicated administrative systems which, among other factors, may lead to disputes with our suppliers and distributors. In particular, bonus achievements based on qualitative rather than quantitative targets, such as performance in marketing and sales activities as well as access to data, may lead to discussions about the extent to which such targets have been met. An increase in overdue receivables could adversely affect our own working capital and liquidity positions. If any of our counterparties defaults on their payment obligations, write-downs of the corresponding receivables will be required.

In addition, we may have to write-off or write down receivables due to fraud, credit card and other online payment chargebacks. To accommodate dynamic customer growth and provide services fast in the interest of our customers, the ordering and provisioning processes on our E-Com platform are largely automated. Due to the nature of the products and services offered, in addition to the high number of customers, there is a risk that the number of non-payers and fraudsters increases. Even though we try to detect and prevent fraud attacks at an early stage, there is a risk that we lose financial instruments due to fraud.

In addition, we may not be able to access cash deposits held at financial institutions in a timely manner or recover any amounts in excess of applicable deposit protection schemes if financial institutions at which we hold deposits fail or concerns or rumors about their viability emerge.

Any such risks related to our trade and other receivables from, in particular, suppliers, distributors and payment providers could have a material adverse effect on our working capital and cash positions.

1.3.3. Many of our suppliers rely on trade credit insurance to cover their receivables against bad debt. Any decreases or delays in increases to such trade credit insurance limits or complete withdrawals thereof, may cause our suppliers to seek to reduce their credit exposure to us, which could adversely affect our working capital and liquidity position.

We believe that many of our suppliers have traditionally taken out trade credit insurance to cover their receivables against the risk of bad debt, in particular late payments, insolvency or protracted default of their buyers, including us. Credit available to us from our suppliers remain dependent on the general economic environment, the trade credit insurer's risk policies and our financial situation. In case there is a significant decrease in the availability of given limits of trade credit insurance to our suppliers, or if an increase in credit levels is administered too slowly or such trade credit 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 by tightening payment terms or demanding advance payments.

Any such risks associated with the availability and coverage of trade credit insurance of our suppliers could have a material adverse effect on our working capital and liquidity positions, lead to an increase in our indebtedness or have a negative impact on our offering.

1.3.4. Our intangible assets with indefinite useful lives, including goodwill and our brands, are subject to the risk of impairment.

If market and industry conditions deteriorate or interest rates rise, 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, we will have to recognize impairment losses. In addition, ongoing negative contribution margins of certain stores or intended store closures may trigger impairments at store level. Any recognition of impairment charges would reduce our reported assets and earnings.

In addition to the Company's annual consolidated statements, there may also be impairment risks in the Company's annual unconsolidated financial statements. In particular, there may be impairment charges on equity investments within the Group up to the level of the Company which may result in a reduction in earnings which form the basis for any dividend distributions. We cannot predict whether further future impairment charges may become necessary.

1.3.5. We are party to lease agreements as lessor relating to disposed stores and businesses and may suffer rent losses and/or may additionally be held liable as lessee or guarantor if our sub-lessees or successors do not fulfill their contractual obligations.

For certain stores which we sold, closed, or relocated, in particular as part of our store optimization program and our additional store network reorganization in Spain, and have sublet to third parties, but also in relation to certain stores of our former non-core businesses, which were carved-out from the Group in 2014 and sold to third parties, we remain party (as lessee) to the lease agreement. Therefore, we are dependent on the punctual payment of the rent and compliance with the agreed terms and conditions by the (sub-)lessees. In addition, we remain liable for the disposed businesses' payment obligations, as either guarantor or joint and several debtor, in particular under certain lease agreements that have been transferred to the disposed businesses. Similarly, in a significant number of cases, we remain liable for lease payments of stores leased from third parties that we sold.

As a result, if one or more of the lessees default under the (sub-)leases, we could suffer a shortfall in income or be held liable by the (main) lessor.

1.3.6. Fluctuations in currency exchange rates could have an adverse effect on results of operations and financial position.

We generate our sales (net) predominately in Euro, but also in several non-Euro currencies, such as the Polish zloty, the Romanian leu, the Czech koruna, the Hungarian forint, the Bulgarian lev, and the Swiss franc. We expect the share of our sales (net) in non-Euro currencies to increase in the future. Thus, we have an exposure relating to sales (net) in non-Euro currencies. Furthermore, we incur certain costs, such as lease expenses in foreign currencies, particularly in Central and Eastern Europe and Switzerland. Increases or decreases in the value of the Euro during any reporting period against any other currencies that we use to conduct our business could affect our sales (net), profit or loss for the period, and the value of balance sheet items denominated in those currencies.

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, foreign currency translation differences may arise due to this conversion and adversely affect our financial position.

As we do not always enter into currency hedging contracts, exchange rate fluctuations may have a material adverse effect on our results of operations and financial position. When we decide to enter into hedging arrangements, we may not be able to adequately hedge against the currency risk on reasonable terms, the coverage under the hedging arrangements may subsequently prove insufficient, 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 other reasons.

1.4. Risks Related to Information Technology and Data Security

1.4.1. Our operations may be interrupted or otherwise adversely affected by malperformance, disruptions or failures of our IT systems, our IT infrastructure may not be efficient, and we are dependent on third-party service providers for our IT systems.

Our success and daily operations, including the operation of our E-Com, depend on the continuous and uninterrupted availability and quality of IT systems. We are increasingly relying on IT systems and novel software solutions to manage our operations. In addition, we use software tools for price setting. Disruptions and failures of these systems could be caused by a range of factors, including security and privacy breaches, telecommunication problems, software errors, hardware failures, power outages or damages, inadequate capacity at IT centers, fire, or natural disasters. They could also be caused by human error.

Any material slowdown, disruption or failure of our IT systems could cause information to be lost or delayed, including data related to customer orders, and functionalities to be interrupted, both of which could disrupt our ability to market, offer and sell our offering, as well as our ability to track, record and analyze the sales of our offering. Moreover, incorrect input data, errors in the algorithms, or human mistakes, could cause incorrect pricing in either direction, with too low prices resulting in margin loss, while too high prices could result in a loss of sales (net) and profit.

In addition, we are exposed to the risk of our technology systems being undersized and functionally maladjusted. Our customers may also find our websites and apps difficult to use or may be unwilling to use our websites and apps for other reasons. In the event that our customer base or the amount of traffic on our websites our apps grows more quickly than anticipated, we may be required to incur significant additional costs to enhance the underlying network infrastructure. Inadequate performance of our technology systems could affect the availability of our apps and websites, prevent customers from accessing our apps and websites and result in limited capacity, reduced demand, processing delays, and a loss of customers.

In addition, certain of the IT systems used for our central functions and for our stores and substantially all IT systems used for our E-Com business are hosted externally by third-party service providers, software-as-a-service solutions and applications, and for certain of our systems, such as our integrated inventory management system and the software-as-a-service solution that runs our Partner Program, we rely on a single-source software. We do not fully control the availability, stability and security mechanisms of these systems and software. Furthermore, contracts with our third-party service providers may not always contain sufficient indemnity and liability clauses, potentially limiting our ability to recover some of the liability we may be exposed to, or damages suffered by us. In addition, we face the risk of lacking systems compatibility and of inefficiencies in our IT infrastructure.

1.4.2. We are subject to the risk of security and privacy breaches, such as cyberattacks, and we may not be able to adequately protect our information technology systems, including the business and personal data we collect, which could disrupt our operations, expose us to fines and damages and negatively impact our reputation.

We 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. Threats to our systems or those of our partners may also derive from internal factors such as employee error, malfeasance, system errors or vulnerabilities, or unguarded user behavior.

The techniques used in attempts to obtain unauthorized, improper, or illegal access to our or our partners' or customers' systems, or to degrade service or sabotage these systems, are constantly evolving, are difficult to detect quickly and often include large-scale and complex automated attacks. 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 assurance that these procedures are adequate to safeguard against all data security breaches or misuse of data or that we will be able to anticipate the precise nature of these threats

and implement adequate preventative measures. Any significant compromise or breach of our data security or misuse of data could damage our reputation, cause the disclosure of confidential customer, employee, supplier or business information, and result in significant costs, lost sales (net), fines, and lawsuits.

If our customers are not confident that our IT systems are secure, they may be unwilling to share personal information or may be less willing to use our E-Com business. As we leverage such customer data for customer-tailored marketing activities and other purposes, such unwillingness to share personal information may also adversely affect the effectiveness of our promotional capabilities and growth prospects.

Furthermore, as we mainly rely on third-party service providers for our IT systems, we do not fully control the security mechanisms of these systems. In addition, with respect to data used by and contained in the systems of our partners and customers, we cannot control all access to these systems, and the contractual requirements related to security and privacy that we impose on these third parties may be inadequate or not be followed.

1.4.3. Customer growth and activity on mobile and other devices depend on the effective use of operating systems, networks, and standards that we do not control.

Customer growth and activity, in particular on mobile devices, which has become increasingly important for us and which is a key component in offering our customers an appealing shopping experience, depend on the effective use of operating systems, networks, and standards that we do not control. Online purchases, and in particular purchases through our mobile apps have increased significantly in recent years, and we expect this trend to continue. In addition, our mobile apps drive customer engagement and are therefore an important part of our omnichannel strategy.

We are therefore dependent on our customers either downloading our mobile apps or accessing our website from an internet browser. As new operating systems and/or mobile devices are released, it is difficult to predict challenges we may encounter in developing online applications and mobile apps for these alternative operating systems and devices, and we may need to devote significant resources to the creation, support, and maintenance of such online applications and/or mobile apps. In addition, our growth and business operations could suffer if we experience difficulties in integrating our mobile apps on mobile devices, if problems arise in our relationships with providers of mobile operating systems or mobile app stores, most notably those of the Apple App Store or Google Play Store, if our apps receive unfavorable treatment compared to competing apps, such as the order of our app within the search results of app stores, or if we face increased costs to distribute or have customers use our mobile apps. In addition, operating systems, search engines or social media platforms may change their tracking or advertising policies (including as a result of applicable data protection and privacy laws) from time to time, which could limit our marketing activities.

We are further dependent on the interoperability of our websites with popular operating systems that we do not control, most importantly iOS, Android, macOS and Windows, and any changes to such systems that degrade the functionality of our websites or give preferential treatment to competitive products could adversely affect the usage of our websites on mobile and other devices.

In case our customers face difficulties to access and use our websites or choose not to access or use our websites on their mobile and other devices or choose to use products that do not offer access to our website, our customer growth could be harmed.

1.4.4. Failure to invest in and adapt to technological developments and trends in our markets could harm our business operations and/or competitive position, and our investments in technology may not yield the desired results, including improved promotional capabilities.

We aim to standardize our technological infrastructure across our sales channels and geographies and intend to expand the use of data analytics, machine learning and artificial intelligence tools to improve pricing, manage our processes more efficiently, improve customer retention and drive conversion through

our customer relationship management (CRM). We also work on the development of features to further enhance our customers' shopping experience and on efficient and personalized marketing and sales tools. We may have to further invest in the integration of our sales channels, particularly in managing the interface between in-store marketing and sales and E-Com shopping to provide our customers with a seamless omnichannel shopping experience. Any such ongoing or future investments may not achieve the desired results and improvements, fail, become more costly than planned and jeopardize our business operations and the relationships with our customers.

Furthermore, technological trends may emerge in our markets from time to time. We may fail to identify such trends, or we may lose market share to competitors that are able to react more swiftly to changes, including as a result of their technological know-how, higher budgets for investments in technological capabilities, or due to advantages in recruiting and retaining suitable talent. Such potential developments may also reduce footfall in our stores as they may make store visits less necessary.

If we fail to invest in or adapt to technological development and trends, fail to realize the anticipated benefits associated with our technological strategy in the desired timeframe or at all or incur higher cost than anticipated, our business operations and/or our competitive position could be harmed.

1.5. Legal, Regulatory, Compliance and Tax Risks

1.5.1. Evolving and/or differing legal, political, and regulatory conditions, including consumer protection, antitrust, anti-money laundering, and anti-corruption legislation, entail risks of increasing compliance costs, as well as of compliance breaches, which could result in investigations, fines and other payment claims, the termination of relationships with customers or suppliers and reputational damage.

We are confronted with evolving and/or differing legal, political, and regulatory conditions, as well as unforeseeable developments in the different jurisdictions in which we operate. In particular, consumer protection as well as health, safety and environmental requirements are becoming increasingly rigorous. Technological developments can also be associated with new regulatory challenges. These developments inherently create risks that applicable legislation may be breached. Such behavior could lead to 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 our business.

We may, thus, be required to incur significant expenditures or modify our business practices to comply with existing or future laws and regulations.

We also face the risk that our employees may not act in compliance with applicable statutory provisions. We have also experienced fraudulent wire transfer due to a lack of internal controls. With regard to competition laws, we face, among other risks, the risk of infringements in the form of price-fixing agreements with competitors or suppliers and other unfair trading practices.

Our corporate governance system and monitoring capabilities as well as our training processes aimed at raising awareness among our employees and our internal guidelines may not be sufficient to prevent violations of applicable laws and regulations, to identify past violations or prevent damages from fraud or similar crimes within the Group. As a result, penalties or liabilities may be imposed on us or our business may be adversely affected.

Furthermore, involvement in potential non-compliance proceedings and investigations could harm our reputation and that of our management, lead to a loss of customers and/or supplier relationships, and thus have a negative impact on our business.

1.5.2. Failure to comply with data protection legislation may result in legal proceedings, damage our reputation, or adversely impact our business and business relationships.

The need to comply with local and international laws and regulations governing the collection, use, retention, sharing, other processing and security of personal data is a significant controlling, operational and reputational risk. 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. We expect the amount and processing of such data and sensitive information to further increase with the progressing digitalization of our business. Because of technological developments such as "try-on virtual reality", we also increasingly possess especially sensitive data, including health and biometric data.

In the European Union, many of the data protection requirements applicable to us arise from the European Union's Regulation (EU) 2016/679 on the protection of natural persons (GDPR) with regard to the processing of personal data and on the free movement of such data. Under the GDPR, especially sensitive data such as biometric data and data concerning health enjoy special protection resulting in significant compliance cost for us, particularly if the volume of such data increases or the requirements become even more stringent.

We are also indirectly affected by European Union court rulings on the transfer of personal data into third countries outside of the European Union under the GDPR. Recent updates to standard contractual clauses through which our counterparties, mainly suppliers, undertake to comply with European Union data protection standards in response to such rulings have resulted in increased compliance efforts and cost, and future, even stricter data protection standards may cause us to incur higher costs or to change our business practices in this respect. Restrictions in this area may limit our ability to develop our business in the way we intend, particularly regarding the use of certain data analytics tools.

In recent years, we have faced complaints by customers and consumer protection agencies, investigations by data protection agencies, litigation, and findings through our own control systems.

1.5.3. We face product safety and product liability risks, which could result in product recalls, damages or fines or damage our reputation.

As a distributor of consumer products, we could be held liable by our customers if products we sell do not comply with applicable quality standards. At the same time, we qualify as a "producer" of certain products under applicable laws because we sell products manufactured by third parties under our corporate brands and import certain products from outside the European Union. Producers and distributors which 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. Furthermore, producers and distributors must adopt the necessary measures to avoid potential harm to consumers. We have in the past recalled products and may have to do so in the future, which may be costly and may also harm our reputation and brand image. Distributors are generally required to assist with ensuring compliance with the safety requirements. We may fail to have appropriate systems and procedures in place to do so.

If a product we sell is defective and therefore causes damage to the property or health of our customers or of third parties, we may be liable under product liability legislation. This does also hold true for products we sell in our own name via our Partner Program that are predominantly directly delivered from our partner to the customer. Where the manufacturer or other persons are liable in addition to us, the law or contractual agreements may limit our rights of contribution or recourse. Moreover, even if we have recourse clauses in our agreements with suppliers and with manufacturers in place, we may not be able recover costs we have incurred in connection with warranty claims for product defects or product liability claims.

We may in the future be more directly affected after changes in the laws, regulations, administrative actions and policies with which we, our suppliers, in particular the manufacturers of our corporate brand products, as well as our Partner Program partners must comply.

While the consequences of these and other proposals to reform the European product safety and product liabilities framework could increase our compliance cost and liability risk.

We also face the risk that we sell products where the “best-before” date has expired or is about to expire, which could lead to a reputational damage and other consequences, such as the write-off of unsold inventories. We may not have appropriate procedures in place to avoid such situations and to manage our inventories efficiently at all times.

1.5.4. 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, trade secrets, and other confidential information, our competitive position could be harmed, and we could be required to incur significant expenses to enforce our rights.

The market for the products 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, 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.

The trademarks that protect the brand “Douglas” as well as the trademark “Nocibé” are of key importance for us. Furthermore, we use some smaller local (sub-)brands or company symbols. 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.

We expect to file further trademark applications to protect newly developed brands or products or apply for registration of existing brands or products in other relevant jurisdictions, but there can be no assurance 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, the fact that a trademark is not used for a certain period may render the trademark registration voidable under certain local regulation. Moreover, earlier rights (such as a pre-existing right to a name, copyrights and other industrial property rights) may prevail over the trademark’s registration. 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 trademarks or domain names, we could be forced either to incur significant additional expenses to market our products in the affected country, including the development of a new brand and the creation of new promotional materials and packaging, or to not sell products in that country. Furthermore, 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.

In addition, there can be no assurance that we will be able to adequately or sufficiently prevent third parties from infringing on or misappropriating our portfolio of intellectual property, and we have been and may in the future be subject to disputes and litigation relating to our logos and brandings. These disputes can be time-consuming, divert management resources and entail significant costs even if we ultimately succeed.

1.5.5. Our internal controls, reporting, and risk management systems may prove ineffective in ensuring compliance and in identifying and mitigating risks.

Members of our governing bodies, employees, representatives, or agents may intentionally or unintentionally violate applicable laws and internal quality standards and procedures, including in relation

to compliance with laws and regulations regarding products and services, financing, reporting, employment and general corporate and criminal law, anti-corruption laws, sanctions or trade control laws and regulations. Further, we may face particular challenges in ensuring and monitoring adequate and sufficient compliance measures given the scale of our European operations and historic or future acquisitions.

Although we have established internal controls, reporting and risk management systems to ensure compliance, such systems may prove insufficient. This could result in delayed, incorrect, or incomplete reporting, analyses and evaluations and could consequently trigger wrong decisions, fines or other risks.

Moreover, we may not be able to prevent risks to our business from materializing, identify or mitigate them quickly enough or at all, adequately manage crises, or comply with laws and applicable regulations, which could lead to significant costs, penalties or other sanctions, or reputational damage. In addition, compliance with increased regulatory obligations and the offering of new products and services require significant management attention, potentially diverting management's attention from other business concerns, and may cause additional costs.

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

The format or design of our stores and/or E-Com websites, and our marketing or other business activities, may violate intellectual property rights of third parties, including those of our suppliers and other business partners. With respect to several of our registered trademarks, we have entered into co-existence agreements and prior rights agreements for specific countries or situations. If we are perceived to have adopted trends or designs developed by competitors or to have exceeded our contractual or statutory usage rights regarding intellectual property, we may become subject to claims alleging that we have violated the intellectual property rights of third parties.

Third parties may also prevent us 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.

1.5.7. We use standardized sales, purchase, and supply agreements, as well as standardized terms and conditions, which increase the potential that contract terms used therein may be invalid or unenforceable.

We maintain legal relationships with a large number of parties, including our customers, suppliers, manufacturers of our corporate brand products and our employees. In this context we use a number of standardized documents, standard-form contracts, and standardized terms and conditions. If a court were to find that such documents, contracts or terms and conditions contain provisions that are interpreted in a manner disadvantageous to us or declared invalid and thus replaced by statutory provisions which are unfavorable for us, many standardized documents, contracts, or terms and conditions could be affected.

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. Due to 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.

1.5.8. We may be adversely affected by changes in antitrust and competition laws and regulations, in particular with respect our selective beauty distribution channel, where we currently benefit from an exemption to a prohibition of selective distribution agreements in the European Union, and non-compliance could result in ineffectiveness of our distribution agreements or result in the imposition of fines.

We operate in the European beauty market as part of a 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. 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 for our business.

Selective distribution currently benefits from a specific legal framework provided by Article 101 of the Treaty on the Functioning of the European Union (TFEU) and a so-called “block exemption” under Commission Regulation (EU) 2022/720 on the application of Article 101 para. 3 of the TFEU to categories of vertical agreements and concerted practices. Selective distribution strategies satisfying the “block exemption” are also exempt from specific national laws which prohibit agreements that have an anticompetitive object or restrictive effects on competition. While the current “block exemption” framework will be valid until May 31, 2034, there can be no assurances that it will remain unchanged or that there will be any successor exemption, which could ultimately require us to change our business model. If we do not comply with the current requirements, contractual clauses in our agreements which otherwise violate competition law would be voided. Furthermore, in such cases, the competent competition authorities may initiate proceedings and impose substantial fines against us. 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 changes to our business model.

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

Moreover, European competition law prohibits the abuse of a dominant position. An infringement of Article 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. In light of our significant market shares in certain of our markets, if we do not comply with these laws and regulations, competent authorities could impose significant fines against us. In addition, 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 may affect our business and operations in the future or restrain us from making future acquisitions or expanding our business.

1.5.9. We are or may become involved in litigation and administrative or arbitration proceedings, which may adversely affect our results of operations.

We are and may become involved in litigation, administrative and arbitration proceedings, such as labor-related litigation, intellectual property litigation, lease-related litigation or litigation or arbitration proceedings with our customers, suppliers, or franchisees as well as competent authorities, as part of our ordinary business activities.

Currently, Douglas GmbH, a wholly owned subsidiary of the Company, is party to pending legal proceedings where several former minority shareholders have requested an adjustment of the cash compensation they received in connection with the squeeze-out of the minority shareholders of Douglas Holding AG, which was ultimately merged into Douglas GmbH in various steps, which became effective in July 2013. If we are unsuccessful in defending any current or future claims, also in connection with other legal disputes, we may incur liabilities exceeding the reserved amounts.

Any proceedings, even if we are successful, could divert management resources, incur expenses, and cause damage to our reputation. The outcome of any litigation and proceedings, cannot be predicted and may not be in accordance with our assessments.

1.5.10. Our tax burden could increase due to changes in tax laws, application or interpretation of such laws, 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. Further, additional payments could be assessed in relation to future or previous tax assessment periods as a result of current or future tax audits or other review actions by the relevant financial or tax authorities.

Due to our international operations, we are exposed to tax risks, in particular regarding 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 intra-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. Tax authorities may challenge our compliance with applicable transfer pricing rules as has happened in the past. Furthermore, transfer pricing risks may increase in the future as our intragroup cross border business further grows.

In addition, as a result of current or future tax audits or other reviews by tax authorities, additional taxes (including withholding taxes, real estate transfer tax, capital duty and stamp duty) could be assessed on us or tax losses carried forward, and 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.

Our corporate structure has been, and may in the future be, subject to reorganization measures (for example, transfer of subsidiaries, carve-outs, or mergers) which may result in tax issues and (partial) forfeiture of tax loss carry-forwards. In this context, tax authorities may question some or all the positions we have taken with respect to the tax treatment of any such corporate reorganization measures 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 establishments as used, among others, in OECD model treaties, or anti-base erosion and profit shifting (BEPS). 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.

As a retail business, we are exposed to risks resulting from adverse changes in VAT 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, the demand for such products may decline. 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.

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.

The financial information shown in the following tables is based on our Audited Consolidated Financial Statements.

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 expect 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 Düsseldorf, Germany and is registered with the Commercial Register B of the Local Court of Düsseldorf under HRB 102633.

The figures presented here of Kirk Beauty A GmbH and its subsidiaries (Douglas-Group, the Group, Group) comprise the reporting period beginning October 1, 2022 until September 30, 2023 (financial year, reporting period) as of September 30, 2023 (balance sheet date, reporting date).

Douglas is the leading omnichannel premium beauty destination in Europe in both of our store and E-Com channels based on our market position across our five largest countries Germany, France, Italy, The Netherlands and Poland in 2022 (based on retail sales value in 2022, excluding hair care). As a true omnichannel premium beauty retailer headquartered in Düsseldorf with a pan-European footprint, we focus on the structurally growing and resilient premium beauty category offering an unparalleled assortment of brands, comprising selective, exclusive, and corporate brands. Our leading assortment primarily comprises premium beauty products in the five core categories, fragrances, make-up, skin care, hair care, and accessories, as well as beauty adjacent categories, such as lifestyle accessories, and beauty services. As of September 30, 2023, the Douglas-Group conducted its omnichannel operations in 22 countries under its core brands "Douglas" and "Nocibé" with an average of 17.948 employees (without apprentices), 1,718 own stores and various online shops.

Development of the European Selective Beauty Market

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.

Trends towards Omnichannel Distribution

We focus on total like-for-like performance on an Omnichannel or platform basis including both store business and E-Com.

Driven by ongoing changes in customer demand and shopping behavior, we have continuously invested in Omnichannel distribution capabilities including our E-Com platform, and have implemented organizational changes to integrate our store and online businesses. Although we see ourselves as the leading Omnichannel 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-Com and Omnichannel distribution. In the financial year 2022/23, our E-Com sales amounted to €1,322.4 million, corresponding to 32.3 percent of total net sales.

The continued growth of our E-Com-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.

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

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.

Our capital expenditures totaled €107.4 million in the financial year 2022/23, €14.4 million above our previous fiscal year's level of investments accounting for €93.0 million. Our capital expenditures relates to the refurbishment of our store network, store openings and the development of the IT-environment, indispensable for our holistic omnichannel approach.

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

Marketing is an important factor to promote customer loyalty and support sales development. Therefore we run a variety of customer retention programs. Our customer relationship management efforts (CRM), based on our 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 55 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 (net) 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 (including receivables from payment service providers), (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 September 30, 2023:

	09/30/2023 EUR m	09/30/2022 EUR m
Inventories	762.6	719.4
Trade accounts receivable and receivables from payment service providers	61.0	49.5
Trade accounts payable	-617.6	-634.5
Miscellaneous	-1.3	-19.9
Net Working Capital	204.7	114.6

Our Net Working Capital increased by €90.1 million totaling €204.7 million as of September 30, 2023.

The increase of Net Working Capital is mainly related to the increase of inventories accounting for €43.2 million and the increase of trade accounts receivable and receivables from payment service providers by €11.5 million, accompanied by a decrease of trade accounts payable in the amount of €16.9 million and of "Miscellaneous" by €18.6 million, mainly related to higher supplier bonus receivables.

Segments

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

The internal organization and reporting is structured based on geographical aspects, with the exception of the newly created "Parfumdreams / Niche Beauty" segment, which differs from the other segments in terms of its distribution channel. 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 this level.

In financial year 2022/23, the Douglas-Group was structured into the following operating segments:

- DACH (Germany, Austria and Switzerland)
- BENE (Netherlands, Belgium)
- France (incl. Monaco)

- Southern Europe (Italy, Spain (incl. Andorra), Portugal, Croatia and Slovenia)
- Central-Eastern Europe (Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Latvia, Lithuania and Estonia)
- Parfumdreams / Niche Beauty
- Disapo

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.

The reportable segments are as follows:

- DACHNL (consisting of DACH and BENE)
- France
- Southern Europe
- Central-Eastern-Europe
- Parfumdreams / Niche Beauty

The DACH and BENE operating segments are, in the financial year 2022/23, combined into the DACHNL reportable segment as they have similar economic characteristics, which are determined on the basis of the segments' gross profit margins and adjusted EBITDA margins, as well as their similar product portfolios, which are offered via similar sales channels that rely on a common central sales infrastructure. As part of DACHNL, the BENE operating segment comprises the activities in the Netherlands as well as the new Belgian activities. BENE is managed by the segment manager responsible for the Netherlands. The change in this financial year concerning the composition of the operating segment, which was previously referred to as "Netherlands" and now includes Belgium, did not result in any adjustments to the comparative periods.

The "Parfumdreams / Niche Beauty" operating segment does not meet the size criteria of IFRS 8. But due to its nature and relevance to the Group as pure online business, the Group has decided that it should be a separate reportable segment, which distinguishes it from the Group's other business units.

The Disapo operating segment also does not meet the size criteria of IFRS 8 for presentation as a separate reportable segment. In view of its size and the uniqueness of its (online) business, the Group considers it appropriate to include Disapo in the "Reconciliation to the Group". The residual category "Reconciliation to the Group" comprises several components.

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-Com. International E-Com is responsible for the strategic orientation and development of the e-com markets and digital platforms as part of the "Let it Bloom" strategy. The gross profit of the Corporate Brands business is allocated to the reportable segments, while the inventory and product risks essentially remain in the Corporate Center.

The Sales (net) that forms the basis for the segment sales figure "Adjusted Sales (net)" corresponds to sales with external third parties, including internal sales revenue. Internal sales represent sales between the individual segments. Sales are allocated to the reportable segments on the basis of the domicile of the selling company. Transfers between the segments are generally carried out at the same prices that would apply to transactions with third parties (arm's length principle). The most important segmental key performance indicators are "Adjusted Sales (net)" and "Adjusted EBITDA".

The EBITDA is adjusted for those items which, in the opinion and decision of the management of Douglas, 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 Operations

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

	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022
	EUR m	EUR m
Sales (net)	4,093.9	3,677.5
Adjustments on sales	-2.9	-27.5
Adjusted Sales (net)	4,091.0	3,649.9
Cost of raw materials, consumables and supplies and merchandise	-2,237.2	-2,058.4
Gross Profit	1,856.8	1,619.1
Other operating income	280.4	288.6
Personnel expenses	-644.7	-593.8
Other operating expenses	-809.5	-783.8
EBITDA	683.0	530.0
Adjusted EBITDA	725.9	593.4
Amortization/depreciation/impairment	-345.9	-580.8
EBIT	337.1	-50.7
Finance income	55.1	12.7
Finance expenses	-326.9	-318.9
Finance result	-271.7	-306.2
EBT	65.3	-357.0
Income taxes	-48.7	43.2
Profit (+) or Loss (-) of the period (Net Income)	16.7	-313.7

Comparison of the Financial Years 2022/23 and 2021/22

Sales and Adjusted Sales

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

	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
	EUR m	EUR m	EUR m
Adjusted Sales (net) of the reportable segments	4,036.0	3,597.2	3,120.0
Adjusted Sales (net) included in reconciliation to Group	56.1	42.8	0.2
Consolidation and foreign exchange effects	-1.1	10.0	-0.6
Adjusted Sales (net)	4,091.0	3,649.9	3,119.6
Adjustments of sales (net) from restructurings	2.9	27.5	0.0
Sales (net)	4,093.9	3,677.5	3,119.6

In the period from 1 October 2022 to 30 September 2023, the Douglas Group generated Adjusted sales (net) of €4,091.0 million (previous year: €3,649.9 million). This corresponds to an increase of €441.0 million or 12.1% compared to the same period of the previous year (previous year: increase of 17.0%, which was mainly due to the end of the COVID-19 pandemic). Our adjusted store sales (net) grew strongly by €317.7 million or 13.0% to €2,771.4 million, while our adjusted E-Com business generated respectable €1,322.4 million, an increase of 10.3% on the previous year.

The labor market was still tight across Europe from an employer perspective and challenging for the Group's business – however, well mitigated in fiscal year 2022/23.

The adjustments to sales totaled -€2.9 million in the financial year (previous year: -€27.5 million) and were unchanged from the previous year related to the closure or sale of stores as part of restructuring measures.

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

	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022
	EUR m	EUR m
Douglas Group		
Sales (net)	4,093.9	3,677.5
Adjusted Sales (net)	4,091.0	3,649.9
Segments		
DACHNL		
Sales (net)	1,871.9	1,639.3
Adjusted Sales (net)	1,871.9	1,638.8
France		
Sales (net)	813.5	785.9
Adjusted Sales (net)	813.5	781.2
Southern Europe		
Sales (net)	625.6	611.2
Adjusted Sales (net)	622.7	588.4
Central Eastern Europe		
Sales (net)	556.4	442.0
Adjusted Sales (net)	556.4	442.0
Parfumdreams / Niche Beauty		
Sales (net)	171.6	146.8
Adjusted Sales (net)	171.6	146.8

Adjusted Sales on segment level

DACHNL

On a segment level, adjusted sales (net) of our segment DACHNL increased by €233.2 million or 14.2 percent to €1.871.9 million. DACHNL segment also includes the new business activities in Belgium.

France

Adjusted sales (net) in France increased by €32.3 million or 4.1 percent to €813.5 million. Prior year's adjustments on sales amounted to minus €4.7 million and related to the disposal of a group of stores.

Southern Europe

Adjusted sales in Southern Europe increased by €34.3 million or 5.8% from €588.4 million to €622.7 million. The adjustments to sales totaling minus €2.9 million in the reporting year were made in connection with closed or sold stores. The adjustments in the previous year totaling minus €22.8 million related to store sales in context with the restructuring in Spain.

Central Eastern Europe

Sales (net) of our segment Central Eastern Europe increased by €114.3 million or 25.9 percent to €556.4 million and thus remained the region with the highest growth.

Parfumdreams / Niche Beauty

In the Parfumdreams / Niche Beauty segment, adjusted sales increased by €24.8 million or 16.9% from €146.8 million to €171.6 million.

Cost of Raw Materials, Consumables and Supplies and Merchandise

In financial year 2022/23, cost of raw materials, consumables and supplies and merchandise increased by €178.8 million or 8.7 percent. As a percentage of total sales the Cost of Raw Materials, Consumables and Supplies and Merchandise accounted for 54.6 percent compared to 56.0 percent in the prior year 2021/22.

Gross Profit

Gross profit for the period from 1 October 2022 to 30 September 2023 amounted to €1,856.8 million (previous year: €1,619.1 million). The increase in gross profit is due in particular to the higher sales revenue. The gross profit margin was also increased to 45.4% (previous year: 44.0%) due to the revitalized store business.

Other Operating Income

In financial year 2022/23, other operating income decreased by €8.2 million or 2.8 percent to €280.4 million. This decrease is mainly attributable to less income from the disposal of non-current assets.

Personnel Expenses

In financial year 2022/23, personnel expenses increased by €50.9 million or 8.6 percent to €644.7 million, which is due to the increased number of employees and regular salary increases. The personnel expenses ratio fell to 15.7% compared to 16.1% in the previous year.

Other Operating Expenses

In financial year 2022/23, other operating expenses increased by €25.7 million to €809.5 million, especially due to higher rent and energy costs and higher costs of goods dispatch. As a percentage of total sales the other operating expenses accounted for 19.8 percent of total sales versus 21.3 percent in financial year 2021/22.

EBITDA and Adjusted EBITDA

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

		10/01/2022- 09/30/2023	10/01/2021- 09/30/2022
Douglas Group			
EBITDA	EUR m	683.0	530.0
<i>EBITDA-margin</i>	%	16.7	14.4
Adjustments	EUR m	42.9	63.4
<i>Adjusted EBITDA</i>	EUR m	725.9	593.4
Adjusted EBITDA-margin	%	17.7	16.3
Segments			
DACHNL			
EBITDA	EUR m	384.9	311.3
<i>EBITDA-margin</i>	%	20.6	19.0
Adjustments	EUR m	14.2	22.9
Adjusted EBITDA	EUR m	399.1	334.1
<i>Adjusted EBITDA-margin</i>	%	21.3	20.4
France			
EBITDA	EUR m	182.2	183.5
<i>EBITDA-margin</i>	%	22.4	23.4
Adjustments	EUR m	-4.4	-13.9
Adjusted EBITDA	EUR m	177.7	169.7
<i>Adjusted EBITDA-margin</i>	%	21.8	21.7
Southern Europe			
EBITDA	EUR m	123.9	75.5
<i>EBITDA-margin</i>	%	19.8	12.4
Adjustments	EUR m	5.1	32.3
Adjusted EBITDA	EUR m	129.0	107.8
<i>Adjusted EBITDA-margin</i>	%	20.7	18.3
Central Eastern Europe			
EBITDA	EUR m	152.2	109.9
<i>EBITDA-margin</i>	%	27.4	24.9
Adjustments	EUR m	-0.7	0.3
Adjusted EBITDA	EUR m	151.5	110.2
<i>Adjusted EBITDA-margin</i>	%	27.2	24.9
Parfumdreams / Niche Beauty			
EBITDA	EUR m	6.8	3.0
<i>EBITDA-margin</i>	%	4.0	2.1
Adjustments	EUR m	0.0	0.1
Adjusted EBITDA	EUR m	6.8	3.1
<i>Adjusted EBITDA-margin</i>	%	4.0	2.1

Adjusted EBITDA totaled €725.9 million (previous year: €593.4 million). This corresponds to an increase of €132.5 million or 22.3% compared to the previous year.

The adjustments to EBITDA in the financial year amounted to €42.9 million (previous year: €63.4 million) and related in particular to other adjustments in connection with management participation programs as well as infrastructure or reorganization costs in connection with our strategic logistics project OWAC (One Warehouse All Channels).

EBITDA for the reporting period totaled €683.0 million (previous year: €530.0 million). The increase in EBITDA of €153.0 million or 28.9% is in particular due to the sharp rise in sales and higher gross profit margin as well as a disproportionately low increase in personnel expenses and other operating expenses.

Adjusted EBITDA on segment level:

DACHNL

Adjusted EBITDA in **DACHNL** increased by €65.0 million to €399.1 million during the financial year 2022/23 from €334.1 million during the financial year ended 30 September, 2022. Adjustments to EBITDA totaled €14.2 million (prior year: €22.9 million) are related in particular to expenses in context with our logistics project, One Warehouse All Channels (OWAC).

France

Adjusted EBITDA in **France** increased by €8.0 million to €177.7 million in financial year 2022/23. EBITDA adjustments amounted to minus €4.4 million (prior year: minus €13.9 million) and mainly related to and were related to the reversal of impairment losses recognized in the previous year, which had the opposite effect.

Southern Europe

Adjusted EBITDA in **Southern Europe**, increased by €21.2 million to €129.0 million in financial year 2022/23. Adjustments on EBITDA amounted to €5.1 million (prior year: €32.3 million) and related in particular to the long-term incentive programs for management. In addition, opposing effects resulted from the reversal of provisions previously recognized in the context of our Store Optimization Program (SOP).

Central Eastern Europe

Adjusted EBITDA of the **Central Eastern Europe** segment increased by €41.3 million to €151.5 million during the financial year ended September 30, 2023. Adjustments on EBITDA amounted to minus €0.7 million (prior year: €0.3 million) and were related to the write-up of impaired items in the previous year, which led to this offsetting effect.

Parfumdreams / Niche Beauty

Adjusted EBITDA increased by €3.7 million to €6.8 million in the reporting year. No adjustments were necessary in the reporting year.

Amortization/depreciation/impairment

In financial year 2022/23, amortization/depreciation/impairment of the Group decreased by €234.9 million to €345.9 million. The decrease was predominantly related to impairment losses on goodwill in the previous financial year 2021/22 of €231.9 million.

Financial Result

In financial year 2022/23, the financial result increased by €34.5 million to minus €271.7 million. The increase was mainly related to positive valuation effects on embedded options and derivative financial instruments of

€33.0 million compared to minus €25.0 million, partly compensated by increases in interest expense on bank debt and lease liabilities.

Profit (Loss) of the Period

Profit of the Period for financial year 2022/23 increased by €330.4 million to €16.7 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 €262.3 million as of 30 September, 2023.

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 2022/23 and 2021/22

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

	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022
	EUR m	EUR m
= EBITDA	683.0	530.0
+/- Increase/decrease in provisions	-4.8	-28.6
+/- Other non-cash expense/income	12.0	1.8
+/- Loss/profit on the disposal of non-current assets	-0.2	-9.3
+/- Changes in net working capital without liabilities from investments in non-current assets	-87.8	53.7
+/- Changes in other assets/liabilities not classifiable to investing or financing activities	15.5	-27.1
-/+ Paid/reimbursed taxes	-33.1	-52.4
= Net cash flow from operating activities	584.7	468.1
+ Proceeds from the disposal of non-current assets	5.4	8.3
- Payments for investments in non-current assets	-109.5	-85.6
- Payments for the acquisition of consolidated companies and other business units	0.0	-24.2
= Net cash flow from investing activities	-104.1	-101.5
Free Cash Flow (sum of net cash flows from operating and investing activities)	480.6	366.6
- Payments for the redemption of financial loans and bonds	-24.5	-13.1
- Payments for the redemption of lease liabilities	-254.1	-259.9
+ Proceeds from the issuance of financial loans and bonds	0.0	76.0
- Transaction costs paid in respect of financial loans and bonds	0.0	-3.6
- Interest paid	-188.1	-160.2
+ Interest received	1.1	0.3
= Net cash flow from financing activities	-465.6	-360.4
Net change in cash	15.0	6.2
+/- Net change in cash and cash equivalents due to currency translation	2.0	-1.4
+ 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	262.3	245.3

Comparison of the Financial Years 2022/23 and 2021/22

Net Cash Flow from Operating Activities

In financial year 2022/23, our net cash flow from operating activities increased by €116.6 million to €584.7 million. The increase was predominantly attributed to the higher EBITDA of €683.0 million compared to €530.0 million in the prior year, a decrease in provisions of €4.8 million compared to €28.6 million in the prior year and changes in other assets and liabilities not classifiable to investing or financing activities of €15.5 million compared to minus €27.1 million in the prior year, partly compensated by changes in net working capital without liabilities from investments in non-current assets of minus €87.8 million compared to

€53.7 million in the prior year. Furthermore tax payments amounted to €33.1 million compared to €52.4 million in the prior year.

Net Cash Flow from Investing Activities

In financial year 2022/23, our net cash outflow for investing activities amounted to €104.1 million, compared to €101.5 million in the prior financial year 2021/22. The increase in payments for investments in non-current assets by €23.9 million was offset by last year's consideration paid for the acquisition of Disapo in the amount of €24.2 million.

Net Cash Flow from Financing Activities

In financial year 2022/23, our net cash outflow for financing activities accounted for €465.6 million and increased by €105.2 million compared to the prior financial year, mainly due to higher interest payments of €188.1 million compared to €160.2 million in the prior year and prior year's proceeds from the additional €75.0 million Term Loan.

Consolidated Financial Liabilities as of 30 September 2023 and as of 30 September 2022

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

	09/30/2023				09/30/2022			
	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	1,332.7	35.9	1,296.8	0.0	1,329.8	35.9	1,293.9	0.0
Senior PIK Notes	590.4	21.5	569.0	0.0	542.9	21.4	521.5	0.0
Liabilities to bank	682.5	16.8	665.7	0.0	670.1	10.4	659.8	0.0
Lease liabilities	1,100.0	224.7	618.9	256.4	1,155.1	252.9	661.7	240.5
Liabilities to shareholder	704.6	0.0	651.2	53.5	645.1	0.0	269.6	375.5
Financial liabilities from options held by non-controlling interests	0.2	0.2	0.0	0.0	5.3	5.3	0.0	0.0
Financial liabilities from contingent considerations	0.0	0.0	0.0	0.0	4.4	2.1	2.3	0.0
Financial purchase price liabilities	0.0	0.0	0.0	0.0	10.9	0.0	10.9	0.0
Contract liabilities from customer returns	4.8	4.8	0.0	0.0	2.6	2.6	0.0	0.0
Miscellaneous other financial liabilities	0.6	0.6	0.0	0.1	3.4	2.2	1.3	0.1
Total other financial liabilities	4,415.8	304.4	3,801.5	310.0	4,369.7	332.8	3,420.9	616.0

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 the leading omnichannel premium beauty destination in Europe in both of its store and E-Com channels, based on our market position across our five largest countries Germany, France, Italy, The Netherlands and Poland in 2022 (based on retail sales value in 2022, excluding hair care), with total sales (net) of €4,093.9 million, EBITDA of €683.0 million and adjusted EBITDA of €725.9 million in the financial year ended 30 September 2023. Our e-com sales (net) amounted to €1,322.4 million in the financial year ended 30 September 2023, corresponding to around 32.3% of our total sales (net).

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. The premium segment, on which we focus, comprises luxury/niche and prestige brands, as opposed to the mass segment, comprising mass and masstige brands.

We believe that we offer the most relevant and distinctive range of brands, comprising selective, exclusive, and corporate brands, which we complement with the brands available through our unique partner program, under which we source products from further suppliers. We primarily offer fragrances, make-up, skin care, hair care, and accessories.

As of 30 September 2023, we operated in 27 European countries with 1,850 stores (including 132 franchised stores) and various online shops with our latest additions following from our market entries in Belgium and Slovenia. Our omnichannel approach is focused on giving our customers a seamless shopping experience across all available retail channels by further deepening the level of integration between offline and online channels.

Our Douglas Beauty Card / Nocibé Card has been a continued success. As of 30 September 2023, we had about 55 million Beauty Card holders.

In the financial year ended 30 September 2023, we had on average 17,948 employees (headcount, number of employees without apprentices).

We believe that a seamless omnichannel offering is the business model that best suits our customers' needs. Such an omnichannel offering requires well-managed operations in both the store and E-Com channels, as well as an operating model that fully integrates both channels. As part of our strategy "Let it Bloom – DOUGLAS 2026" we continue to enhance our omnichannel offering by, amongst other things, streamlining store formats, developing our store network, further improving our customer service, and further pursuing an E-Com growth strategy. Our "Let it Bloom" strategy builds on our values "passion", "appreciation", and "ownership", as well as our purpose "to make life more beautiful".

Business model

Customers and assortment

As a leading premium beauty destination 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". For these customers we offer an unparalleled assortment of brands. For example, with more than 200,000 different stock-keeping units in Germany as of 30 September 2023, we offer one of the industry's largest beauty product assortments in Germany available across a wide range of price points in both our store and E-Com channels.

Customer-centric omnichannel approach

We believe that we distinguish ourselves with a customer-centric sales approach, by offering our customers high quality advice and services, including an extensive customer Beauty Card loyalty program (Douglas Beauty /Nocibé Card). To acquire customers, our marketing activities include traditional promotions such as

customer mailing and radio and newer approaches such as social media. We collect online and offline data to optimize our marketing activities as well as our supply chain process. Our omnichannel approach provides our customers with a seamless shopping experience across all available retail channels and devices, including stores and E-Com channels which also includes our partner program. To develop our stores from being a point of sale to a point of experience for customers and further enhance our customer's omnichannel shopping experience, we offer various 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, online stock information, online beauty appointment scheduling as well as cross-channel couponing. Efforts to enhance the in-store experience for customers include service features such as beauty treatments and beauty school sessions. To optimize our E-Com shopping experience, we employ a mobile app driven approach to improve conversion rates, our E-Com offers and partner program capabilities. Our customer relationship management activities allow us to personalize marketing measures. Finally, we monetize our customer relationship management data with third parties via data sales and offer retail media sales services to our suppliers.

Strategy – "Let it Bloom – DOUGLAS 2026"

With "Let it Bloom – DOUGLAS 2026", we have a well-defined strategy in place aimed at accelerating our growth trajectory and further improving our profitability. The "Let it Bloom – DOUGLAS 2026" strategy is centered around four clearly defined strategic pillars.

Be the #1 beauty destination in all our markets

In order to become the leading beauty destination in all our markets we intend to continue to invest in our brand by utilizing the full potential of our updated brand positioning and to increase execution excellence and rebalance our brand marketing spending. Furthermore, we focus on social media and social commerce as well as developing our next generation customer relationship management based on a holistic strategy to drive customer relationship management revenue through increases of customer value by personalized customer activation. Additionally, our integrated ESG strategy is another important lever to achieve our leadership ambition.

Offer the most relevant and distinctive range of brands

We aim to elevate our assortment even further by adding new product categories and strengthening existing product categories, such as skin care, make-up, and hair care, to capture future category market growth. To achieve this, we are developing a clear assortment and brand strategy and improve our partner program. Additionally, we further enhance our beauty services and adapt our well-developed pricing and promotion strategy to optimize our range of brands.

Deliver the most customer-friendly omnichannel experience

We strive to deliver the most customer-friendly omnichannel experience by enhancing the seamless customer journey across our stores and E-Com channels. To achieve this, we plan to expand and refurbish our store network and develop an omnichannel customer service strategy based on a standardized, technology-supported approach organized at pan-European level.

Continue building a focused and efficient operating model

To further increase operating excellence, we plan to continue investing in our supply chain and technological backbone to achieve greater standardization and automation and further build a focused and efficient operating model across all channels. We intend to simplify structures and processes to allow for faster decision-making and better accountability, as well as to reduce regionalization, in particular in our supply chain and back offices, without hampering local entrepreneurship by employing a group-wide supply chain approach as well as investing in our tech stack and data processing capabilities.

Competitive strengths

As a true omnichannel retailer we strive to deliver to our customers the best shopping experience irrespective of the sales channel.

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

#1 omnichannel premium beauty destination in Europe

We are the leading omnichannel premium beauty destination in Europe, based on our market position across our five largest countries Germany, France, Italy, The Netherlands and Poland in 2022 (based on retail sales value in 2022, excluding hair care), providing our customers with a highly integrated omnichannel, one-stop shopping experience. We are active across Europe under the widely recognized "Douglas" and "Nocibé" brands with an outstanding brand awareness as premium beauty brands. In recent years, we have made significant investments in our main brands "Douglas" and "Nocibé" to strengthen their premium positioning, protect our market position and become synonymous for beauty across Europe. We have, for example, redesigned our logo, refurbished many of our stores with a modern, experience-driven, and consistent store design focused on service and consultation, and opened selected flagship stores as dedicated "beauty destinations". Because of our strong brand image, we believe that our customers perceive "Douglas" and "Nocibé" as leading premium brands offering an exceptional omnichannel premium beauty journey.

We focus mainly on premium beauty products from third-party 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 corporate brand products, with which we target different segments within the European premium beauty market. The European beauty market is increasingly shifting to the premium segment, with high margin luxury, niche, and prestige products. As we are active in the structurally growing and resilient premium beauty category, we believe we are uniquely positioned to benefit from the structural tailwinds driving growth in our markets, such as increasing premiumization, demographics, beauty and wellbeing, digitalization, innovation, consumer trends, and increasing consumer spending.

Winning omnichannel proposition delivering enhanced customer experience

We are convinced that the omnichannel model is the winning business model in the premium beauty industry, delivering an enhanced customer experience when compared to single channel business models. We strive to actively develop customers from one channel to the other, so that they ideally use both, through visibility, omnichannel communication, and the promotion of our stores on our digital platform, including by promoting specific stores on channels of influencers we cooperate with, and vice versa, thus increasing sales per customer and reducing cost for customer activation and acquisition.

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. With regard to our customer value proposition, we believe we provide a superior customer experience characterized by a seamless shopping experience across our sale channels meeting our premium beauty customers' complex needs and high expectations towards their overall shopping experience. We believe that the omnichannel model increases customer engagement including among others order frequency.

Most relevant and distinctive range of brands

We believe that our strong value proposition to our suppliers enables us to offer the most relevant and distinctive range of brands, comprising selective, exclusive, and corporate brands that we complement with the brands available through our unique partner program. 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.

Selective brands are the most important brands in our assortment and a key traffic builder for us. Exclusive brands are a crucial source of differentiation vis-à-vis competitors as we offer them exclusively or are granted exclusive rights to offer them in certain countries, for certain categories, and/or for certain time periods, which also, in our experience, contributes to increasing customer traffic, conversions, and customer loyalty. Our corporate brands are also aimed at building customer loyalty, as well as at broadening our target customer base through their pricing or by capturing current trends. Our large assortment, partner program, and corporate brands and our access to new and innovative products further drives customer perception of Douglas being the leading, “go to” premium beauty destination across channels.

Unique data insights driving growth and efficient customer activation

We leverage unique data insights to drive growth and efficient customer activation and loyalty. Our customer relationship management is enabled by a centralized data hub with which we collect, aggregate, and analyze data from our stores, websites (including our partner program), our Beauty Card loyalty program, and social media to personalize and automate customer communication, which we believe provides for an efficient means of customer activation and loyalty to drive our growth. A large share of our data insights comes from our Beauty Card loyalty program, which is a core element of our customer relationship management. Its value proposition for our customers lies in membership benefits such as invitations to special events, vouchers, special discounts, as well as the ability to earn and redeem “Beauty Points” for discounts when purchasing products and services.

Our deep data insights into our customers and their preferences also allows us to benefit from new sources of income by offering retail media solutions. To this end, we operate a marketing consulting agency, which offers a variety of retail media services to our suppliers, such as the sale of targeted advertisement spaces in our stores and on our websites and customer insights.

Operations

Assortment - product offering

Product categories

Our main product categories are fragrances, make-up, skin care, hair care and accessories. We also offer a select range of beauty adjacent categories and beauty services. Our products target a wide range of price levels and customer types.

- **Fragrances**

Fragrances are our core competence and were our largest key category in the financial year ended on 30 September 2023. We believe that our fragrances category is driven by the popularity of top luxury, designer, beauty house, and celebrity brands. We also see a trend for niche brands, for fragrances that foster well-being, as well as for sustainable products, such as a refill option and have observed an increasing number of customers buying fragrances, and customers buying fragrances more often, particularly in the younger demographics, a trend we expect to continue.

- **Make-up**

To enhance our comprehensive make-up assortment, we follow trends such as artistry looks and celebrity brands as well as an increasing product differentiation, such as clean cosmetics or hybrid, multi-benefit make-up products.

- **Skin care**

We offer a full range of skin care products. The majority of our sales in this category is generated by women's skin care products in general and women's face care products in particular. We believe an important trend in this category is the popularity of high-tech, science-based products combined with an increasing focus on health benefits, including over-the-counter dermatological and pharmacological products. Further trends relate to the demand for clean beauty and natural and sustainable products.

- **Hair care**

Despite generating a relatively low share of our sales in the financial year ended 30 September 2023, hair care has a strong market growth potential which we believe to be driven by the professionalization of hair care products under the catchphrase "salon hair" and the tackling of hair or health problems through powerful ingredients.

- **Accessories**

We offer a range of accessories such as auxiliary items like make-up or hair brushes to complement our skin care, make-up and hair care assortments. We see this category becoming increasingly sophisticated, for example, through electrical beauty devices and professional tools and applicators. We believe that this category complements our competence profile as a comprehensive beauty destination for our customers. Moreover, theme-related or seasonal products constitute "small extras" that customers often purchase in addition to other beauty products and thus act as drivers for the customers' basket sizes.

- **Adjacent categories and beauty services**

We offer a select range of beauty adjacent categories, such as lifestyle accessories, products for mom and baby, and products relating to health, nutrition and wellness and mind. We sell these products via our partner program to complement our core offering.

With the rationale of driving additional traffic into our stores, increase product sales and customer loyalty, we have further developed various formats for beauty services. Our range of beauty services comprises both store-floor beauty services as well as cabin beauty services as a fundamental element of our brand image to be a one-stop beauty destination that offers a holistic customer experience.

Range of brands offered

We offer a broad and distinctive range of brands comprising selective, exclusive, and corporate brands that we complement with the brands available through our partner program.

- **Selective products**

Selective brands are the most important brands in our assortment and a key traffic builder for us. We believe that the top selective brand suppliers consider us an important strategic partner in the European premium beauty market, because we are the leading European premium beauty destination.

- **Exclusive products**

We believe that our exclusive brands are a crucial source of differentiation vis-à-vis competitors. Our extensive exclusive offering with more than 300 brands as of 30 September 2023 ranges across four of our five core product categories, fragrance, make-up, skin care, and hair care. Potential exclusive partners typically value the possibility to cooperate and further develop their brands with us as their exclusive partner because of our high brand awareness. We select our exclusive brands based on a trend- and data-driven decision-making process, leveraging the insights gained through our customer relationship management.

- **Our corporate brands**

Our corporate brands are another important strategic pillar of our assortment, ranging across all our core categories and offering a strong number of stock-keeping units across the fragrance, make-up, and skin care categories. We believe that our corporate brands help us to increase store traffic and customer loyalty. They are aimed at building customer loyalty, as well as at broadening our target customer base through their pricing or by capturing current trends. Our corporate brands accounted for approximately 7.5% of our sales in the financial year ended 30 September 2023.

Suppliers

We source our products from a variety of suppliers. Our procurement strategy includes local, pan-European, and global suppliers to ensure a robust supply chain and a manifold selection of products.

Our key suppliers typically negotiate their supply terms with us across multiple brands and for a wide range of products. Particularly in Eastern Europe, local distributors generally negotiate with us on behalf of various manufacturers. We believe that our longstanding partnerships with our suppliers provide the basis for optimized purchasing terms. We aim to constantly improve such terms and to negotiate further specific price reductions (such as higher year-end discounts) by leveraging our bargaining power resulting from our store and E-Com channels and the leading market positions we hold in core European countries.

In addition, we leverage our customer insights to offer targeted campaigns through first-party data, allowing us to build secondary profit pools and next-level supplier partnerships and have implemented a suppliers' code of conduct concerning, among others, compliance with relevant social and environmental standards.

Supply chain management and fulfillment

We operate a logistics network across our major markets with numerous warehouses and operating logistic sites across Europe. The network comprises internally or externally operated omnichannel warehouses, dedicated E-Com warehouses, and cross-docking centers. As part of our "One Warehouse All Channels" strategy to consolidate our procurement and logistics infrastructure, we are in the process of establishing a European network of approximately six omnichannel warehouses, which we expect to replace our existing fragmented logistics infrastructure in the medium term to realize synergies between our sales channels and countries.

We employ a group-wide, standardized, simple, and scalable supply chain approach. We manage our supply chain through an integrated digital information flow system. In recent years, we have successfully introduced a number of measures to improve our supply chain management such as the implementation of standardized processes for our product portfolio, product inventory, order and product liquidation planning, and controlling for slow-selling products. Our optimization efforts include managing the overall inventory "age" profile as well as implementing a strict quality management system.

With regard to fulfillment, our central supply chain management team carries out the selection process for suitable transport and logistics providers through regular tenders and using standardized guidelines for the terms of the agreements.

IT infrastructure

Our IT platforms are designed and organized both to support our daily business processes and financial management of the Group. We believe the effective utilization of our IT platforms and centralized big data solutions through a data hub is integral to our business, as these enable optimization and educated decision-making across our organization, including customer relationship management, stock allocation, finance and reporting, as well as payment and debtor management, and facilitates our omnichannel approach. For pricing, in particular in our E-Com business, we also use machine learning-based systems, which aid in making automated and data-driven decisions.

Substantially all IT systems used for E-Com and certain of our IT systems used for stores are hosted externally (including cloud services) by third-party service providers. We intend to continue to invest in our IT systems to achieve greater standardization and automation. We have implemented a system of technical and organizational measures with the aim of ensuring security and scalability so that our systems remain safe, secure, and compliant with all applicable laws and regulations even as they grow.

Employees

In the financial year ended 30 September 2023, we employed on average 17,948 employees (headcount, including temporary employees, excluding trainees and apprentices). We consider the expertise and knowledge of our employees as beauty advisors, including those specially trained in our stores, among the most important elements of our business. We 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, whereas the share of part-time employees at the store level is significantly higher.

Real estate and leases

The vast majority of our stores is leased. Most of the lease agreements for our stores 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 payment is tied to the level of sales generated in the respective store, subject to a minimum lease payment.

Moreover, in certain jurisdictions, such as France, rent automatically increases pursuant to applicable law on the anniversary date of a lease in accordance with an official index or the rent is contractually tied to indices (such as a consumer price index). The term of the leasing agreements is typically between five and ten years. To ensure the greatest possible flexibility, the majority of our 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).

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 2022/23, the holding company Kirk Beauty A GmbH was managed by:

Name	Function	Date
Alexander van der Laan	Chief Executive Officer (CEO)	since end of October 2022
Mark Langer	Chief Financial Officer (CFO)	
Philipp Andréé	Chief Commercial Officer (CCO)	since January 2023
Tina Müller	Chief Executive Officer (CEO)	until end of October 2022

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

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 became the new Managing Director and Chief Executive Officer of the Douglas Group.

CEO – Alexander 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.

CCO – Dr Philipp Andréé

- Chief Commercial Officer (CCO) of Kirk Beauty A GmbH since May 2023 (previous role: CDO) and has been member of the Board since January 2023.
- Previously, he was Member of the Executive Board for Digital & Marketing at the Hamburg-based coffee roaster and retailer Tchibo.

- He has also held various management positions in E-Com, digital and marketing for almost ten years.
- He built up and later sold the online fashion platform Department47 and began his career as management consultant at McKinsey.
- Philipp Andrée has studied mechanical engineering and holds a PhD in marketing.

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 B²"); 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 matures 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:

- 5.250 % per annum in respect of loans under Facility B; and
- 4.500 % 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
- make fundamental changes (including by way of merger or consolidation)
- make dispositions
- make restricted payments (including dividends and other distributions)

² 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").

- 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

Consolidated Statement of Profit or Loss

of Kirk Beauty A GmbH for the period from October 1, 2022 to September 30, 2023

	Notes No.	10/01/2022- 09/30/2023 EUR m	10/01/2021- 09/30/2022 EUR m
Sales (net)	5	4,093.9	3,677.5
Cost of raw materials, consumables and supplies and merchandise		-2,237.2	-2,058.4
Gross Profit		1,856.8	1,619.1
Other operating income	6	280.4	288.6
Personnel expenses	7	-644.7	-593.8
Other operating expenses	8	-809.5	-783.8
EBITDA		683.0	530.0
Amortization/depreciation/impairment	12 - 16	-345.9	-580.8
EBIT		337.1	-50.7
Finance income	9	55.1	12.7
Finance expenses	9	-326.9	-318.9
Finance result	9	-271.7	-306.2
EBT		65.3	-357.0
Income taxes	10	-48.7	43.2
Profit (+) or Loss (-) of the period (Net Income)		16.7	-313.7
<i>Attributable to owners of the parent</i>		<i>16.7</i>	<i>-313.7</i>

Earnings per share (basic = diluted) totaled €247.6 in the financial year (prior year: €-6,504.4).

All amounts in the Consolidated Financial Statements have been rounded in accordance with standard commercial practice. Therefore, minor differences may arise from rounding; it is also possible that individual figures do not exactly add up to the totals shown.

Consolidated Reconciliation from Profit or Loss to Total Comprehensive Income

of Kirk Beauty A GmbH for the period from October 1, 2022 to September 30, 2023

	Notes No.	10/01/2022- 09/30/2023 EUR m	10/01/2021- 09/30/2022 EUR m
Profit (+) or Loss (-) of the period (Net Income)		16.7	-313.7
Other comprehensive income after tax			
Items that are reclassified or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences arising from translating the financial statements of a foreign operation		5.8	-5.2
Items that are not reclassified to profit or loss			
Actuarial gains or losses from pension and similar obligations	24	0.4	5.4
Other comprehensive income after tax		6.2	0.2
Total comprehensive income		22.9	-313.5
<i>Attributable to owners of the parent</i>		<i>22.9</i>	<i>-313.5</i>

Consolidated Statement of Financial Position

of Kirk Beauty A GmbH as of September 30, 2023

Assets	Notes No.	09/30/2023 EUR m	09/30/2022 EUR m
Non-current assets			
Goodwill	12	1,028.4	1,036.1
Other intangible assets	13	823.7	814.9
Property, plant and equipment	14	223.4	209.1
Right-of-use assets from leases	15	1,003.4	1,049.0
Other financial assets	20	42.5	11.6
Deferred tax assets	17	9.9	10.9
		3,131.1	3,131.7
Current assets			
Inventories	18	762.6	719.4
Trade accounts receivable	19	36.9	32.9
Tax receivables		26.6	32.2
Other financial assets	20	216.4	183.4
Other assets	21	60.6	46.6
Cash	22	262.3	245.3
		1,365.3	1,259.8
Total		4,496.4	4,391.5

Equity and Liabilities

	Notes No.	09/30/2023 EUR m	09/30/2022 EUR m
Equity	23		
Capital stock*		0.0	0.0
Additional paid-in capital		326.0	326.0
Other reserves		-1,581.3	-1,619.9
		-1,255.2	-1,293.9
Non-current liabilities			
Pension provisions	24	27.0	28.2
Other non-current provisions	25	51.4	46.4
Other financial liabilities	27	4,111.5	4,036.9
Other liabilities	28	4.1	4.6
Deferred tax liabilities	17	177.4	180.8
		4,371.4	4,296.9
Current liabilities			
Current provisions	25	89.0	97.5
Trade accounts payable	26	617.6	634.5
Tax liabilities		77.4	58.1
Other financial liabilities	27	304.4	332.8
Other liabilities	28	292.0	265.6
		1,380.3	1,388.6
Total		4,496.4	4,391.5

*) Capital stock totaled €48,785.00 on the reporting date (prior year: €48,785.00).

Statement of Changes in Group Equity

of Kirk Beauty A GmbH for the period from October 1, 2022 to September 30, 2023 and for the prior year:

	Capital stock*	Additional paid-in capital	Other reserves	Actuarial gains or losses	Differences from currency translation	Equity attributable to owners of the parent
	EUR m	EUR m	Retained earnings EUR m	EUR m	EUR m	EUR m
10/01/2022	0.0	326.0	-1,608.0	2.8	-14.9	-1,294.0
Currency translation			0.0		5.8	5.8
Effects from valuation of IAS 19				0.4		0.4
Other comprehensive income after tax			0.0	0.4	5.8	6.2
Profit (+) or Loss (-) of the period (Net Income)			16.7		0.0	16.7
Total comprehensive income			16.7	0.4	5.8	22.9
Share-based Payment			15.9			15.9
Transactions with shareholders			15.9		0.0	15.9
09/30/2023	0.0	326.0	-1,575.4	3.2	-9.1	-1,255.2

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

	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	Differences from currency translation EUR m	Equity attributable to owners of the parent 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			0.0	
Capital reorganization	23		-342.8		342.8			0.0	
Other changes		0.0	326.0	-668.8	342.8	0.0	0.0	0.0	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	0.0	5.4	-5.2	0.2	0.0
Profit (+) or Loss (-) of the period (Net Income)					-313.7			-313.7	0.0
Total comprehensive income					-313.7	5.4	-5.2	-313.5	0.0
Share-based Payment					6.1			6.1	
Transactions with shareholders		0.0			6.1			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 previous reporting date.

**) "Combined capital" is the invested equity attributable to the joint parent company. It consists of capital stock and capital reserves of the combined entities Douglas GmbH and Kirk Beauty SUN GmbH.

Consolidated Statement of Cash Flows

of Kirk Beauty A GmbH for the period from October 1, 2022 to September 30, 2023

	Notes No.	10/01/2022- 09/30/2023 EUR m	10/01/2021- 09/30/2022 EUR m
Profit (+) or Loss (-) of the period (Net Income)		16.7	-313.7
+ Income taxes	10	48.7	-43.2
+ Finance result	9	271.7	306.2
+ Amortization/depreciation/impairment	12 - 16	345.9	580.8
= EBITDA		683.0	530.0
+/- Increase/decrease in provisions	24, 25	-4.8	-28.6
+/- Other non-cash expense/income		12.0	1.8
+/- Loss/profit on the disposal of non-current assets		-0.2	-9.3
+/- Changes in net working capital without liabilities from investments in non-current assets		-87.8	53.7
+/- Changes in other assets/liabilities not classifiable to investing or financing activities		15.5	-27.1
-/+ Paid/reimbursed taxes		-33.1	-52.4
= Net cash flow from operating activities		584.7	468.1
+ Proceeds from the disposal of non-current assets		5.4	8.3
- Payments for investments in non-current assets		-109.5	-85.6
- Payments for the acquisition of consolidated companies and other business units		0.0	-24.2
= Net cash flow from investing activities		-104.1	-101.5
Free Cash Flow (sum of net cash flows from operating and investing activities)		480.6	366.6
- Payments for the redemption of financial loans and bonds		-24.5	-13.1
- Payments for the redemption of lease liabilities		-254.1	-259.9
+ Proceeds from the issuance of financial loans and bonds		0.0	76.0
- Transaction costs paid in respect of financial loans and bonds		0.0	-3.6
- Interest paid		-188.1	-160.2
+ Interest received		1.1	0.3
= Net cash flow from financing activities		-465.6	-360.4
Net change in cash		15.0	6.2
+/- Net change in cash and cash equivalents due to currency translation		2.0	-1.4
+ 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		262.3	245.3

See Note 30, Consolidated Statement of Cash Flows, in the Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

of Kirk Beauty A GmbH for the period from October 1, 2022 to September 30, 2023

Segment Reporting

of Kirk Beauty A GmbH for the period from October 1, 2022 to September 30, 2023

		DACHNL			France		
		10/01/2022- 09/30/2023	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
Sales (net)	EUR m	1,871.9	1,639.3	1,362.3	813.5	785.9	699.3
Intersegment sales	EUR m	2.5	0.5	0.1	1.0	0.0	0.0
External sales	EUR m	1,869.4	1,638.8	1,362.2	812.5	785.9	699.3
Adjustments on sales	EUR m	0.0	0.0	0.0	0.0	-4.7	0.0
Adjusted Sales (net)	EUR m	1,871.9	1,638.8	1,362.2	813.5	781.2	699.3
EBITDA	EUR m	384.9	311.3	156.1	182.2	183.5	126.9
<i>EBITDA-margin</i>	%	<i>20.6</i>	<i>19.0</i>	<i>11.5</i>	<i>22.4</i>	<i>23.4</i>	<i>18.1</i>
Adjustments on EBITDA	EUR m	14.2	22.9	72.4	-4.4	-13.9	19.1
Adjusted EBITDA	EUR m	399.1	334.1	228.5	177.7	169.7	146.0
<i>Adjusted EBITDA-margin</i>	%	<i>21.3</i>	<i>20.4</i>	<i>16.8</i>	<i>21.8</i>	<i>21.7</i>	<i>20.9</i>
Inventories	EUR m	334.3	308.0	268.6	123.9	116.0	108.0
Capital expenditure	EUR m	24.1	19.2	15.1	19.0	15.6	10.5

		Southern Europe			Central Eastern Europe		
		10/01/2022- 09/30/2023	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
Sales (net)	EUR m	625.6	611.2	578.4	556.4	442.0	343.0
Intersegment sales	EUR m	0.2	0.0	0.0	0.8	0.0	0.0
External sales	EUR m	625.4	611.2	578.4	555.6	442.0	343.0
Adjustments on sales	EUR m	-2.9	-22.8	0.0	0.0	0.0	0.0
Adjusted Sales (net)	EUR m	622.7	588.4	578.4	556.4	442.0	343.0
EBITDA	EUR m	123.9	75.5	47.8	152.2	109.9	75.0
<i>EBITDA-margin</i>	%	<i>19.8</i>	<i>12.4</i>	<i>8.3</i>	<i>27.4</i>	<i>24.9</i>	<i>21.9</i>
Adjustments on EBITDA	EUR m	5.1	32.3	34.9	-0.7	0.3	6.6
Adjusted EBITDA	EUR m	129.0	107.8	82.7	151.5	110.2	81.5
<i>Adjusted EBITDA-margin</i>	%	<i>20.7</i>	<i>18.3</i>	<i>14.3</i>	<i>27.2</i>	<i>24.9</i>	<i>23.8</i>
Inventories	EUR m	163.5	155.0	169.2	105.9	96.7	82.5
Capital expenditure	EUR m	15.8	11.5	8.1	17.7	14.5	8.9

		Parfumdreams / Niche Beauty			Total Reportable Segments		
		10/01/2022- 09/30/2023	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
Sales (net)	EUR m	171.6	146.8	137.0	4,039.0	3,625.2	3,120.0
Intersegment sales	EUR m	0.0	0.0	0.0	4.4	0.5	0.0
External sales	EUR m	171.6	146.8	137.0	4,034.5	3,624.7	3,120.0
Adjustments on sales	EUR m	0.0	0.0	0.0	-2.9	-27.5	0.0
Adjusted Sales (net)	EUR m	171.6	146.8	137.0	4,036.0	3,597.2	3,120.0
EBITDA	EUR m	6.8	3.0	3.0	850.0	683.2	408.8
<i>EBITDA-margin</i>	%	4.0	2.1	2.2	21.1	18.8	13.1
Adjustments on EBITDA	EUR m	0.0	0.1	1.0	14.2	41.7	134.0
Adjusted EBITDA	EUR m	6.8	3.1	4.0	864.2	724.9	542.8
<i>Adjusted EBITDA-margin</i>	%	4.0	2.1	2.9	21.4	20.2	17.4
Inventories	EUR m	34.6	38.6	25.0	762.3	714.3	653.2
Capital expenditure	EUR m	3.0	2.1	1.9	78.1	62.9	44.5

		Reconciliation to Group			Douglas Group		
		10/01/2022- 09/30/2023	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
Sales (net)	EUR m	54.9	52.3	-0.5	4,093.9	3,677.5	3,119.6
Intersegment sales	EUR m	-4.4	-0.5	-0.1	0.0	0.0	0.0
External sales	EUR m	59.4	52.8	-0.4	4,093.9	3,677.5	3,119.6
Adjustments on sales	EUR m	0.0	0.0	0.0	-2.9	-27.5	0.0
Adjusted Sales (net)	EUR m	54.9	52.7	-0.5	4,091.0	3,649.9	3,119.6
EBITDA	EUR m	-167.0	-153.2	-117.5	683.0	530.0	291.3
<i>EBITDA-margin</i>	%				16.7	14.4	9.3
Adjustments on EBITDA	EUR m	28.6	21.7	12.1	42.9	63.4	146.1
Adjusted EBITDA	EUR m	-138.3	-131.6	-105.4	725.9	593.4	437.4
<i>Adjusted EBITDA-margin</i>	%				17.7	16.3	14.0
Inventories	EUR m	0.3	5.1	-4.4	762.6	719.4	648.8
Capital expenditure	EUR m	27.8	30.1	37.8	107.4	93.0	82.3

See Note 31, Segment Reporting.

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, Douglas Group, Group) as of September 30, 2023 (reporting date) comprise the reporting period beginning October 1, 2022 until September 30, 2023 (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.

This version of the Consolidated Financial Statements is in accordance with the provisions of Section 315e HGB (German Commercial Code). In Germany, this forms the legal basis for the preparation of consolidated financial statements 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 date of signing by the Management Board of Kirk Beauty A GmbH, December 19, 2023, is also the date of approval of the Consolidated Financial Statements by the Management Board for publication.

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, as they are to be applied in the EU.

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.

Going concern assumption as the basis for accounting

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

In financial year 2022/23, the targets for Adjusted sales and Adjusted EBITDA 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's cash flow in financial year 2023/24 to be higher 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 fulfil all of the Group's payment obligations 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% 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)³. A portion of the RCF amounting to up to €40.0 million can be used as so-called ancillaries for liquidity drawdowns. A drawdown of the ancillaries is not counted towards the covenant test. In addition to other obligations, the Douglas-Group must in particular comply with a certain ratio of EBITDA to debt (financial covenants) in this test. In case of an offence against the obligations arising from the financing agreements, the lenders are authorized, 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:

³ The RCF was not drawn in terms of liquidity as at the balance sheet date, although it was utilized in the form of rental guarantees amounting to €8.8 million.

New standards/interpretations - first-time adoption			Date of first-time adoption in the EU	Endorsed by European Commission	Impact on Douglas Group
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

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 2022/23, 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
IAS 12	Income taxes	Changes in connection with the international tax reform (Pillar 2 model rules).	01/01/2023	11/08/2023	No significant impact
IAS 21	The effects of changes in foreign exchange rates	Addition: Rules on conversion if there is no observable exchange rate on the reporting date (lack of exchangeability)	01/01/2025	Not yet	No impact
IAS 7, IFRS 7	Statement of Cash Flows, Financial Instruments: Disclosures	Supplier finance arrangements	01/01/2024	Not yet	No significant impact
IFRS 16	Leases	Amendment: Lease liability in a sale-and-lease-back transaction	01/01/2024	11/20/2023	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 significant 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	01/01/2024	Not yet	No impact
IAS 1	Presentation of Financial Statements	Amendment: Classification of Liabilities as current or non-current	01/01/2024	Not yet	No significant impact
IAS 1	Presentation of Financial Statements	Non-current liabilities with covenants	01/01/2024	Not yet	No significant 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.

On IAS 12 "Amendments concerning the international tax reform (Pillar 2 model rules)": The exemptions are to be applied immediately. However, disclosures in the Notes are not mandatory for the Douglas-Group until the following financial year 2023/24. See also Note 17, Deferred Taxes.

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.

	Germany	Other countries	Total
10/01/2022	19	34	53
Entities consolidated for the first time		2	2
Merged companies		-5	-5
09/30/2023	19	31	50

The list of shareholdings is shown under Note 40, Shareholdings of the Douglas-Group according to Section 313 German Commercial Code (HGB).

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. Both, the consideration transferred and the acquired identifiable assets and liabilities are generally measured at fair value. 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 also 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, after recognition of fair value adjustments to assets and liabilities and a further review in the period in which the combination takes place.

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), 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 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, approximated by the Group's average exchange rate for the reporting period. The resulting exchange differences are recognized under 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 10/01/2022- 09/30/2023 EUR m	Closing rate 09/30/2023 EUR m	Average exchange rate 10/01/2021- 09/30/2022 EUR m	Closing rate 09/30/2022 EUR m
Bulgarian Lev	BGN	0.51130	0.51130	0.51130	0.51130
Swiss Franc	CHF	1.02155	1.03423	0.97788	1.04592
Czech Koruna	CZK	0.04171	0.04109	0.04030	0.04073
Croatian Kuna	HRK	0.13272	0.13272	0.13281	0.13291
Hungarian Forint	HUF	0.00257	0.00257	0.00263	0.00237
Polish Zloty	PLN	0.21653	0.21606	0.21467	0.20626
Romanian Lei	RON	0.20265	0.20107	0.20249	0.20206

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.

Croatia joined the eurozone with effect from January 1, 2023. The exchange rate set for the former Croatian national currency, the Kuna, is HRK 7.53450 per 1 euro.

4 | Accounting and Valuation Principles

Revenue recognition

The Douglas-Group generates its sales primarily from the retail of fragrances, cosmetics and personal care products with end consumers as customers, which result from the two sales channels of shops and E-Com. Part of the E-Com channel is 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 the E-Com sales channel, 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. The most common payment methods in the E-Com channel are PayPal, credit card and payment on account.

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 refund obligation, which is recognized as a contract liability.

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 contract liability is recognized under other liabilities in the amount of the performance obligation attributable to the bonus points granted. The contract liability is reversed when the bonus points are redeemed or finally expire.

Sold gift vouchers are accounted for as a contract 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 finance 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 is generally the individual country that corresponds to or is part of an operating segment in which Douglas operates. The exceptions are "Parfumdreams / Niche Beauty" and Disapo, which each form their own operating segment.

Impairment losses are first allocated to the goodwill allocated to the cash-generating unit and then to the carrying amounts of the other assets of the cash-generating unit on a pro rata basis.

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 period of initial recognition.

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. 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 purchase.

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 of real estate, in particular of retail shops, and sometimes also as a lessor in the context of subleases.

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 15, 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 the 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 finance 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 value⁴. 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 at amortized cost⁵.

⁴ Cf. Note 29, Fair Value of Financial Instruments

⁵ Cf. Note 29, Fair Value of Financial Instruments

Transfers between the different levels of the fair value hierarchy are assessed and reflected in the financial statements at the respective reporting date.

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 financial statement 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 measured at amortized cost is subject to the general model of expected credit losses. An insignificant 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.

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 the Senior PIK Notes include a right of cancellation of the loans by the issuer (Douglas Group) that can be exercised at any time, whereby the Douglas Group has the right to repurchase the Senior Secured Notes and the Senior PIK Notes at any time.

Derivative financial instruments are measured 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 at fair value through profit or loss.

Trade accounts receivable

Trade receivables are recognized at the transaction price at the time of revenue recognition and subsequently measured at amortized cost. See Note 19, Trade Accounts Receivable.

Other financial assets

With the exception of embedded options, derivative financial instruments and investments, other financial assets are measured at amortized cost. For subsequent measurement, see the preceding explanations on financial assets and Note 20, Other financial Assets.

Cash

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

Inventories

Merchandise is measured at the lower of cost and net realizable value. The acquisition costs are determined using either the average cost method or the retail method - based on the sales price using appropriate discounts. The acquisition costs are reduced by payments granted by suppliers, unless the payments are compensation for services rendered or cost reimbursements (income from services provided to third parties; see other operating income). Reductions in acquisition costs therefore include bonuses, cash discounts and rebates in particular.

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 are considered, to the extent needed, as part of measurement at net realizable value.

Raw materials and supplies are measured at the lower of cost and 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 pension obligations determined based on previous assumptions and the pension obligations determined as of the financial statement 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 measured 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 finance 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 provisions for employee benefits 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 and mainly contain asset retirement obligations. 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 has arisen as of the reporting date. This is the case if a detailed restructuring plan has been formally adopted and its key elements communicated vis-à-vis those affected or if the implementation of the plan has already begun. Restructuring provisions only comprise obligatory restructuring expenses. Future operating losses are not recognized.

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 paid 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 expected customer returns are recognized as other 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, 2023, 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 Notes below:

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

- Note 12, Goodwill, and Note 13, Other intangible Assets: Assessment of the recoverability of goodwill and trademark rights with indefinite useful lives.
- Note 15, Right of Use Assets: Determining the term of leases, taking into account extension and / or termination options: The assessment of whether these options are exercised with reasonable certainty affects the term and therefore 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 4, Accounting and Valuation Principles, subchapter Inventories

Compensation granted by suppliers: Determination of whether remuneration is paid by suppliers in connection with goods purchased or as compensation for services rendered or cost reimbursements (see also Note 6, Other operating Income).

- Note 31, Segment Reporting: Aggregation of operating segments into reportable segments. The decision as to which operating segments have been aggregated into reportable segments is subject to discretion with regard to the similarity of their economic characteristics.

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

5 / Sales

Sales in the financial year amounted to €4,093.9 million (prior year: €3,677.5 million) and were distributed as follows:

	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022
	EUR m	EUR m
Store Sales (net)	2,771.4	2,478.4
E-Com Sales (net)	1,322.4	1,199.1
Total	4,093.9	3,677.5

The commissions from the partner program reported in E-Com sales amounted to €10.3 million in the financial year (prior year: €8.7 million).

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

6 / Other operating Income

	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022
	EUR m	EUR m
Income from services rendered to third parties and reimbursement of costs	173.0	170.6
Income from leasing and sub-leasing	17.7	19.7
Income from disposal of non-current assets	0.3	9.8
Income from fees related to Douglas Premium Card	11.1	11.8
Income from reversal of provisions	14.4	17.0
Income from the derecognition of liabilities	2.3	2.6
Income from insurance claims	2.7	6.8
Miscellaneous other income	58.8	50.3
Total	280.4	288.6

7 | Personnel Expenses

	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022
	EUR m	EUR m
Wages and salaries	534.8	494.0
Social security, pensions and other benefits costs	109.8	99.8
<i>thereof for pensions</i>	3.6	3.3
Total	644.7	593.8

Average number of employees and apprentices in the financial year:

	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022
Salaried employees	17,948	18,038
Apprentices	301	303
Douglas Group	18,249	18,342

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

	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022
DACHNL	7,399	7,201
France	3,328	3,366
Southern Europe	3,335	3,827
Central Eastern Europe	2,849	2,610
Parfumdreams / Niche Beauty	482	432
Reconciliation to Group (Disapo employees)	556	602
Douglas Group	17,948	18,038

8 / Other operating Expenses

	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022
	EUR m	EUR m
Marketing and advertising costs	218.2	225.3
Goods handling costs	198.0	194.7
Other services	140.6	126.7
Rent and utilities	75.2	58.5
IT costs	49.0	49.5
Credit card fees	21.4	18.4
Repair costs	12.7	10.6
Fees and contributions	15.9	13.9
Equipment and consumables	10.9	11.2
Office costs and postage	9.3	9.3
Travel and vehicle expenses	6.7	4.7
Miscellaneous other expenses	51.5	61.1
Total	809.5	783.8

9 / Finance Result

	Notes No.	10/01/2022- 09/30/2023 EUR m	10/01/2021- 09/30/2022 EUR m
Interest from loans and receivables		1.4	1.1
Income from other investments		0.0	1.1
Interest from compounding lease receivables		0.3	0.3
Income from short-term financial assets		2.7	0.0
Income from foreign exchange differences		13.9	3.5
Income from valuation of embedded options at fair value		31.6	6.7
Income from valuation of derivative financial instruments at fair value		5.1	0.0
Total finance income		55.1	12.7
Expense for financial liabilities at amortized cost		-256.6	-237.4
Interest expense from compounding lease liabilities		-54.2	-36.4
Interest expense from compounding other provisions		-0.1	-0.1
Interest expense from compounding pension provisions		-0.9	-0.3
Expense from non-controlling options	27	-3.6	-3.0
Expense from foreign exchange differences		-7.8	-10.0
Expenses from the measurement of embedded options at fair value		0.0	-31.7
Expenses from the measurement of derivative financial instruments at fair value		-3.7	0.0
Total finance expense		-326.8	-318.9
Finance result		-271.7	-306.2

The finance 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 further information on liabilities to non-controlling shareholders, please refer to Note 27, Financial Liabilities.

For further information on receivables concerning the embedded options, see Note 20, Other financial Assets.

Net result by valuation category

The following table shows the net finance result by valuation category for the period ended September 30, 2023.

	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					1.3		1.3
Financial liabilities measured at amortized cost						-256.9	-256.9
Financial assets measured at Fair Value through profit or loss	35.7						35.7
Financial liabilities measured at Fair Value through profit or loss	-3.3						-3.3
Net profit by valuation category	32.4	0.0	0.0	0.0	1.3	-256.9	-223.1
Assets and liabilities from leases					0.3	-54.2	-53.9
Assets and liabilities that are not defined as financial instruments		6.1			0.2	-1.0	5.3
Finance result	32.4	6.1	0.0	0.0	1.8	-312.1	-271.7

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

	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
Lease assets and liabilities					0.3	-36.4	-36.1
Assets and liabilities that are not defined as financial instruments		-6.5			0.1	-0.4	-6.8
Finance result	-27.1	-6.5	0.0	1.1	1.5	-275.3	-306.2

Impairment losses on trade accounts receivable - falling into the category "measured at amortized cost" - amount to €2.4 million in the reporting year (prior year: €2.7 million) and are reported under other operating expenses.

10 | Income Taxes

	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022
	EUR m	EUR m
Current income taxes	-54.8	-35.6
<i>thereof domestic (Germany)</i>	<i>-4.2</i>	<i>-2.3</i>
<i>thereof foreign entities</i>	<i>-50.6</i>	<i>-33.4</i>
Deferred taxes	6.1	78.8
<i>thereof from temporary differences</i>	<i>-3.6</i>	<i>11.7</i>
<i>thereof from loss carryforwards</i>	<i>9.7</i>	<i>67.1</i>
Total	-48.7	43.2

The current tax result includes tax income for prior years amounting to €8.7 million (prior year: tax expense of €0.2 million).

The applicable 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 income tax expense decreased by €10.1 million (prior year: €0.3 million) as a result of the utilization of tax loss carryforwards and interest carryforwards for which no deferred tax was recognized.

Deferred tax income increased by €9.4 million (prior year: €67.1 million) as a result of the revaluation of deferred tax assets on loss carryforwards.

	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022
	EUR m	EUR m
Earnings before tax (EBT)	65.3	-357.0
Applicable tax rate	32.0%	32.0%
Expected tax expense (PY: tax income)	-20.9	114.2
Tax rate effects from domestic and cross border tax jurisdictions (trade tax)	20.1	7.6
Trade tax modifications (additions (-) / reductions (+))	-6.9	-6.2
Out-of-period income tax expense/income	-8.7	0.2
Non-tax-deductible operating expenses	-41.7	-39.2
Unrecognized deferred tax assets from tax loss or interest carryforwards	-7.5	-15.6
Utilization of previously unrecognized loss or interest carryforwards	10.1	0.3
Effect from the initial recognition of previously unrecognized deferred tax assets	9.4	61.6
Non tax-deductible goodwill impairments	-4.0	-76.0
Changes of permanent differences	-2.6	-1.2
Change in valuation allowances on deferred tax assets	3.3	0.0
Other	0.7	-2.4
Tax expense (PY: tax income)	-48.7	43.3

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

11 | Earnings per share

Class A shares are assessed as shares within the meaning of the definition in IAS 33. In accordance with the preference dividend described in Note 23, Class B shares represent shares with preferential rights. The calculated preferential dividends are not included in the calculation of earnings per share. There are no dilutive effects.

Earnings per share may deviate in the future significantly from the results presented, for example due measures taken under company law by the parent company.

Earnings per share are calculated as follows:

Profit (+) or Loss (-) of the period (Net Income)	EUR	16,670,626.7	-313,713,060.6
less preference dividend (cumulative interest on the class B capital account)	EUR	-4,592,348.0	-3,605,556.0
Profit (+) or loss (-) for the period after deduction of the preference dividend	EUR	12,078,278.7	-317,318,616.6
Profit (+) or loss (-) attributable to class A	EUR	6,808,499.8	-178,871,824.4
EPS: Profit (+) or loss (-) per class A share	EUR	247.6	-6,504.4

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

12 | Goodwill

The following table shows the development of goodwill for financial year 2022/23:

	2022/2023 EUR m	2021/2022 EUR m
Acquisition costs		
10/01/2022	1,946.0	1,906.6
Exchange differences	3.1	-3.8
Increases/decreases resulting from business combinations	1.6	43.2
09/30/2023	1,950.7	1,946.0
Accumulated impairment		
10/01/2022	909.9	678.0
Impairments	12.4	231.9
09/30/2023	922.3	909.9
Net carrying amounts		
End of the reporting period	1,028.4	1,036.1

In financial year 2022/23, two stores in the Netherlands and one store in France were acquired from former franchisees for a low single-digit million euro amount. The acquisitions resulted in goodwill of €1.6 million, of which €1.4 million was allocated to the operating segment BENE and €0.2 million to the operating segment France. The purchase price allocation has been completed.

Further information on impairments can be found in Note 16, Impairment of Assets according to IAS 36.

The currency effects on goodwill are attributable to the goodwill-bearing units Poland in the amount of €2.6 million (prior year: minus €2.7 million) and Hungary in the amount of €0.5 million (prior year: minus €1.1 million).

13 | Other intangible Assets

The following table shows the development of other intangible assets for financial year 2022/23.

	Brands, leasehold interests, licences, software and miscellaneous acquired other intangible assets 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					
10/01/2022	1,165.9	3.6	71.8	2.9	1,244.2
Exchange differences	0.0				0.0
Changes resulting from business combinations					0.0
Additions	5.1	1.1	12.4	18.9	37.5
Disposals	-1.4			-2.3	-3.7
Reclassifications	2.9	-2.9			0.0
09/30/2023	1,172.5	1.8	84.2	19.5	1,278.0
					0.0
Accumulated amortization, depreciation and impairment					0.0
10/01/2022	402.1	0.0	27.2	0.0	429.3
Exchange differences					0.0
Amortization or Depreciation	11.7		13.5		25.2
Impairments	3.2				3.2
Reversals of impairments	-2.1				-2.1
Disposals	-1.3				-1.3
Reclassifications					0.0
09/30/2023	413.6	0.0	40.7	0.0	454.3
					0.0
Net carrying amounts					0.0
09/30/2023	758.9	1.8	43.5	19.5	823.7

"Brands, leasehold interests, licenses, software and miscellaneous acquired intangible assets" include assets with indefinite useful lives amounting to €733.6 million (prior year: €734.4 million).

The following table shows the development of other intangible assets for financial year 2022/23:

	Brands, leasehold interests, licences, software and miscellaneous acquired other intangible assets 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
Changes 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
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
					0.0
Accumulated amortization, depreciation and impairment					
					0.0
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
Reversals of impairments	-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
					0.0
Net carrying amounts					
					0.0
09/30/2022	763.8	3.6	44.6	2.9	814.9

14 | Property, Plant and Equipment

The following table shows the development of property, plant and equipment for financial year 2022/23.

	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				
10/01/2022	448.6	630.4	18.5	1,097.5
Exchange differences	1.4	2.2	0.2	3.8
Additions	24.6	36.3	7.5	68.4
Disposals	-14.2	-18.3	-1.0	-33.5
Reclassifications	5.6	4.6	-10.2	0.0
09/30/2023	466.0	655.2	15.0	1,136.2
Accumulated amortization, depreciation and impairment				
10/01/2022	348.4	540.0	0.0	888.4
Exchange differences	0.9	1.7		2.6
Amortization or Depreciation	19.3	34.4		53.7
Impairments	0.4	0.6		1.0
Reversals of impairments	-0.4	-1.8		-2.2
Disposals	-14.2	-16.5		-30.7
Reclassifications	0.9	-0.9		0.0
09/30/2023	355.3	557.5	0.0	912.8
Net carrying amounts				
09/30/2023	110.7	97.7	15.0	223.4

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
Reversals of impairments	-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

15 | Right of Use Assets

The following table shows the development of rights of use under leases for financial year 2022/23:

	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					
10/01/2022	1,740.2	7.0	0.4	-0.1	1,747.5
Exchange differences	6.1				6.1
Additions	230.4	2.3	0.2	0.3	233.2
Disposals	-98.8	-0.5		-0.2	-99.5
09/30/2023	1,877.9	8.8	0.6	0.0	1,887.3
Accumulated amortization, depreciation and impairment					
10/01/2022	693.9	4.5	0.1	0.0	698.5
Exchange differences	2.0				2.0
Amortization or Depreciation	238.1	1.6	0.2		239.9
Impairments	10.5				10.5
Reversals of impairments	-3.3				-3.3
Disposals	-63.3	-0.4			-63.7
Reclassifications					0.0
09/30/2023	877.9	5.7	0.3	0.0	883.9
Net carrying amounts					
09/30/2023	1,000.0	3.1	0.3	0.0	1,003.4

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 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
Reversals of impairments	-0.9				-0.9
Disposals	-79.5	-0.4			-79.9
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

16 | Impairment of Assets according to IAS 36

In accordance with IAS 36 (Impairment of Assets), certain assets are tested for impairment annually or as result of a triggering event. The recoverable amount is estimated. If it is not possible to estimate the recoverable amount for the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit) is determined. The carrying amount of the asset or cash-generating unit (or groups of cash-generating units) is compared with the recoverable amount of the asset or cash-generating unit (or groups of cash-generating units). Any resulting impairment losses are recognized in the consolidated income statement under depreciation/amortization/impairment.

Goodwill and intangible assets with indefinite useful lives

Annual impairment tests are carried out for goodwill and other 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 in principle the organizational unit per country with the exception of Parfumdreams/Niche Beauty and Disapo. In the impairment test, the sum of the carrying amounts of the group of cash-generating units is compared with the recoverable amount.

Goodwill

During the financial year 2022/23, the Group reorganized its internal control and management reporting to the chief operating decision maker ("CODM"). This resulted in the creation of the "Parfumdreams / Niche Beauty" and Disapo operating segments. Until the reorganization, the activities of these operating segments were allocated to Germany (Germany is part of the DACH operating segment).⁶ As a result, the goodwill previously allocated to Germany was reallocated using a relative value approach. The reallocation based on relative values led to an allocation of €24.6 million to the operating segment Parfumdreams / Niche Beauty (after carrying out the impairment test and taking into account an impairment, the carrying amount of goodwill as of the reporting date was €12.2 million). The reorganization did not lead to any allocation of goodwill to Disapo, as the value was negative. The goodwill remaining in Germany amounted to €287.0 million.

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.

The allocation of the residual carrying amounts of goodwill to the reportable and operating segments is shown below.

⁶ Further information on this can be found in Note 31 "Segment reporting".

	09/30/2023			09/30/2022		
	Reportable Segment EUR m	Operating Segment EUR m	Group of CGU EUR m	Reportable Segment EUR m	Operating Segment EUR m	Group of CGU EUR m
DACHNL	488.6			511.9		
DACH		287.0			311.6	
Germany			287.0			311.6
BENE		201.6				
The Netherlands			201.6		200.2	200.2
France	437.0	437.0	437.0	436.8	436.8	436.8
Southern Europe	3.2	3.2		3.2	3.2	
Italy			3.2			3.2
Central Eastern Europe	87.3	87.3		84.2	84.2	
Poland			58.1			55.5
Other Central-Eastern-Europe			29.2			28.8
Parfumdreams / Niche Beauty	12.2	12.2	12.2			
Total	1,028.4	1,028.4	1,028.4	1,036.1	1,036.1	1,036.1

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.

In the **detailed planning phase**, we are assuming the following country-specific developments in revenue and Adjusted EBITDA for the main goodwill items.

Group of CGU	Sales (net)	EBITDA	Years
Germany	solid increase	strong increase	3
The Netherlands	significant increase	significant increase	3
France	vigorous increase	slight increase	3
Poland	significant increase	vigorous increase	3
Parfumdreams / Niche Beauty	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.

The comparative qualitative statements made on sales and EBITDA are based on the following ranking:

Ranking	Characteristics of the comparative-qualitative forecast
1.	in line with the previous year
2.	slight
3.	solid
4.	vigorous
5.	significant
6.	strong

In the goodwill-bearing units described above - Germany, the Netherlands, France, Italy, Poland and Parfumdreams / Niche Beauty - we 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 calculation of the perpetual annuity for all goodwill-bearing units 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.

	09/30/2023 before tax %	09/30/2022 before tax %
Germany	13.0	12.3
The Netherlands	12.3	11.5
France	12.7	12.2
Poland	14.2	13.3
Parfumdreams / Niche Beauty	13.0	12.3

In financial year 2022/23, the impairment test of goodwill led to an impairment loss of €12.4 million (prior year: €231.9 million). This impairment related to the reallocated goodwill of the Parfumdreams / Niche Beauty segment due to insufficient expected value to cover the carrying amount. As a result of the impairment loss recognized, the recoverable amount corresponded to the carrying amount. As a result, any unfavorable development of a material assumption would lead to a further impairment.

Overview of the impairment loss and recoverable amount at the level of the goodwill-bearing units:

	10/01/2022 - 09/30/2023	09/30/2023	10/01/2021 - 09/30/2022	09/30/2022
	Impairments EUR m	Recoverable amount EUR m	Impairments EUR m	Recoverable amount EUR m
Germany	-	-	177.9	467.1
Austria	-	-	44.4	-31.7
Portugal			7.6	5.3
Croatia			2.0	-13.6
Parfumdreams / Niche Beauty	12.4	37.4		
Total	12.4	37.4	231.9	427.1

Brands with indefinite useful life

The company assumes that the useful life of the "Douglas" and "Nocibé" brands is indefinite due to ongoing brand retention measures. As in the previous year, €534.4 million were allocated to the "Douglas" brand and €172.7 million to the "Nocibé" brand.

While the "Nocibé" brand is allocated exclusively to the operating segment France, the "Douglas" brand was allocated to the corresponding operating segments based on the planned sales revenue for the following financial year:

	09/30/2023 Operating Segment EUR m	09/30/2022 Operating Segment EUR m
DACH	256.5	262.8
BENE	62.7	60.6
Southern Europe	121.0	115.6
Central Eastern Europe	94.2	95.5
Total	534.4	534.4

The brands are allocated to the goodwill-bearing units according to their utility and are therefore part of the goodwill impairment test as corporate assets.

In addition, the recoverable amount of the respective brand is determined in order to establish a lower limit for any impairment requirement if an impairment loss was identified for the goodwill-bearing units during the goodwill impairment test.

The recoverable amount for the brands is the fair value (level 3), which is determined using a recognized valuation method (license price analogy). The key assumptions used to determine the fair value of the brands are the change in brand-relevant sales, the royalty rate and the cost of capital.

A sales-related royalty rate was derived from the earnings contributions generated by the brand and a standardized licensor share.

For the development of brand-relevant sales, the average annual growth rate was determined in the detailed planning period of three years, extrapolated over a total of 30 years and then subsequently reduced to zero over 10 years with uniformly declining sales revenues.

The same country-specific sales development was assumed as for the goodwill impairment test (see above). The assumed royalty rates were 2.9 percent for the "Douglas" brand (prior year: 1.8 percent) and 4.0 percent for the "Nocibé" brand (prior year: 3.0 percent).

The cash flows were discounted at a cost of capital of 9.1 percent (prior year: 7.6 percent) for the "Douglas" brand and 9.5 percent (prior year: 8.0 percent) for the "Nocibé" brand.

Location advantages associated with rental agreements

In operating segment France, location advantages associated with rental agreements are capitalized in the amount of €26.5 million (prior year: €27.8 million). The location advantages were acquired from the previous tenant in return for payment. The useful life is independent of the respective terms of the rental agreements and is 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 9.5 percent (prior year: 11.3 percent) was used for discounting.

The impairment test of these location advantages associated with rental agreements led to an impairment loss of €3.5 million (prior year: €0.7 million) in the France segment in the reporting period.

The recoverable amount of the location advantages associated with rental agreements affected by impairments was in total €0.7 million (prior year: €0.8 million).

Right of use for the central warehouse in Hamm

For the purposes of the impairment test, the right-of-use asset of the Hamm central warehouse opened at the end of financial year 2021/22 was allocated to the cash-generating units as a corporate asset.

The right-of-use asset is used by the countries Germany, Austria and Switzerland and the impairment test was performed at country level. The impairment test based on value in use led to an impairment loss of €8.4 million in the operating segment DACH. The recoverable amount of the CGU amounted to €10.2 million and the cost of capital after taxes was 9.7 percent. In the detailed planning period, a significant increase in sales and a slight increase in EBITDA were assumed.

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 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 9.1 percent and 14.9 percent (prior year: 8.3 percent and 13.9 percent) before taxes.

Impairment tests at store level as a cash-generating unit resulted in impairment losses totaling €0.6 million (prior year: €7.2 million) and were attributable to the reportable segments presented below.

	10/01/2022 - 09/30/2023 Reportable Segment EUR m	10/01/2021 - 09/30/2022 Reportable Segment EUR m
DACHNL	0.0	1.7
France	0.1	0.5
Southern Europe	0.0	3.8
Central Eastern Europe	0.4	1.1
Parfumdreams / Niche Beauty	0.0	0.1
Total	0.6	7.2

For further information on the development of right-of-use assets from leases, see Note 15, Right of Use Assets.

The recoverable amounts of the stores affected by impairment losses are distributed among the reportable segments as follows:

	10/01/2022 - 09/30/2023 Reportable Segment EUR m	10/01/2021 - 09/30/2022 Reportable Segment EUR m
DACHNL	-	31.6
France	4.3	5.1
Southern Europe	0.2	3.9
Central Eastern Europe	0.7	0.0
Parfumdreams / Niche Beauty	-	0.0
Total	5.2	40.6

17 | Deferred Taxes

Deferred taxes are calculated on the differences between the IFRS carrying amount and the tax base and are allocated to the individual financial statement items as follows:

	09/30/2023		09/30/2022	
	Deferred tax assets EUR m	Deferred tax liabilities EUR m	Deferred tax assets EUR m	Deferred tax liabilities EUR m
Intangible assets	6.5	208.5	6.6	200.4
Property, plant and equipment	15.5	7.0	14.6	6.5
Inventories	12.5	4.0	12.7	1.4
Financial assets	0.3	7.1	1.9	2.0
Other assets	1.7	11.6	2.3	0.2
Provisions	18.9	2.4	25.5	2.4
Financial liabilities	8.8	68.6	3.0	85.9
Other financial liabilities	7.9	0.3	5.7	0.4
Tax loss carryforward	86.9		77.2	
Effect from the initial recognition of previously unrecognized deferred tax assets	-16.9		-20.2	
Carrying amount of deferred tax before offset	142.1	309.5	129.3	299.2
Offsetting	-132.2	-132.1	-118.4	-118.4
Carrying amount of deferred tax	9.9	177.4	10.9	180.8

Presentation of the expense, income or amount recognized in other comprehensive income attributable to temporary differences by financial statement item:

	2022/2023		2021/2022	
	Included in Profit or Loss EUR m	Included in OCI EUR m	Included in Profit or Loss EUR m	Included in OCI EUR m
Intangible assets	-8.2		-20.2	
Property, plant and equipment	0.4		20.7	
Inventories	-2.8		-4.6	
Financial assets	-6.7		9.8	
Other assets	-12.0		-1.0	
Provisions	-4.9	-1.7	-8.3	1.8
Financial liabilities	23.1		3.4	
Other financial liabilities	2.3		12.1	
Tax loss carryforward	9.7		66.9	
Effect from the initial recognition of previously unrecognized deferred tax assets	3.3		0.0	
Total	4.1	-1.7	78.8	1.8

The temporary differences underlying the deferred taxes are mainly attributable to fair value measurements and measurements of financial assets and liabilities in accordance with IFRS 9. Deferred tax expenses of

€1.7 million (prior year: deferred tax income of €1.8 million) were recognized in other comprehensive income for pension provisions.

Group companies with tax losses in the current or previous period recognized deferred tax assets of €1.1 million (prior year: €0.3 million) in relation to temporary differences and loss carryforwards. The expected future expenses related to these effects is not covered by expected future income from the reversal of 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.

As of the reporting date, there were tax loss carryforwards amounting to €667.8 million (prior year: €704.9 million) for which no deferred tax assets were recognized. Thereof, €2.9 million (prior year: €4.5 million) will expire within the next five to seven years.

In addition, there were tax loss carryforwards of €41.6 million as of the reporting date, for which a deferred tax asset of €10.0 million was recognized (unchanged from the previous year), but for which a full valuation allowance was recorded.

There were interest carryforwards of €1,003.4 million (prior year: €892.8 million) as of the reporting date, for which no deferred taxes were recognized.

Tax loss carryforwards in the amount of €30.6 million (prior year: €1.4 million) and interest carryforwards in the amount of €20.7 million (prior year: €0.0 million), for which no deferred tax assets were recognized, were utilized in the financial year. With the exception of the above-mentioned limited loss carryforwards, all other loss and interest carryforwards can be carried forward indefinitely.

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 €50.8 million (prior year: €94.6 million), for which no deferred taxes were recognized.

Global Minimum taxation

To address the concerns about the unequal distribution of profits and the unequal tax contributions of large multinational companies, various agreements have been reached at global level, including an agreement by over 135 countries on the introduction of a global minimum tax rate of 15 percent. In December 2021, the OECD published a draft legal framework, followed by detailed guidance in March 2022, to be used by individual countries that have signed the agreement to amend their local tax laws. As soon as the changes to the tax laws in the countries in which the Group operates apply or are about to apply, the Group may be required to pay the minimum tax. The Group may be subject to the minimum tax as it has subsidiaries in countries where the statutory or effective tax rate may be below 15 percent. The Management Board is closely monitoring the progress of the legislative process in each country in which the Group operates. With regard to the accounting for deferred taxes, the Group has adopted the international tax reform - Pillar Two model regulations (amendments to IAS 12) with their publication on May 23, 2023. The amendments provide for a temporary mandatory exemption from accounting for deferred taxes for top-up tax, effective immediately, and require new disclosures on Pillar Two risk.

The mandatory practical expedient applies retrospectively. However, as no related deferred taxes were recognized in any country in which the Group operates as of September 30, 2023, the retrospective application has no impact on the Group's consolidated financial statements.

As of September 30, 2023, the Group did not have sufficient information to determine the overall possible quantitative effects of the top-up tax.

18 | Inventories

	09/30/2023 EUR m	09/30/2022 EUR m
Finished goods and merchandise	761.0	713.3
Raw materials, consumables and supplies	1.5	6.1
Advances to suppliers for merchandise	0.1	0.0
Total	762.6	719.4

Write-downs to the net realizable value resulted in impairment losses of €4.1 million in financial year 2022/23 (prior year: €6.8 million).

Inventories are regularly subject to the customary retention of title.

19 | Trade Accounts Receivable

Trade accounts receivable primarily include receivables from customers.

The receivables are due in the short term, regularly less than 30 days, do not bear interest and are therefore not subject to interest rate risk. The carrying amount of the receivables corresponds to the fair value. The (theoretical) maximum default risk on the reporting date corresponds to the carrying amount.

The expected credit loss model in accordance with IFRS 9 is applied to trade receivables.

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 subsequently 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, 2023.

	Weighted average loss rate %	Trade accounts receivable EUR m	Loss allowance EUR m	Credit- impaired
Current (not past due)	0.9	20.2	0.2	No
1-30 days past due	1.4	13.5	0.2	No
31-60 days past due	7.4	2.2	0.2	No
61-90 days past due	23.6	0.4	0.1	No
More than 90 days past due	40.0	0.6	0.2	Yes
As of September 30		36.9	0.8	

The following table provides information on the estimated default risk and expected credit losses for trade accounts receivable as of September 30, 2022:

	Weighted average loss rate %	Trade accounts receivable 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	
As of September 30		32.9	0.7	

Kirk Beauty A GmbH does not demand securities for trade accounts receivable.

Movement in the allowance for impairment in respect of trade accounts receivable and contract assets

As a result of default risks, valuation allowances amounting to €8.6 million (prior year: €12.8 million) exist at the reporting date. They include valuation allowances for expected credit losses.

The development of allowances related to trade accounts receivable and contract assets is shown in the following table.

	2022/2023 EUR m	2021/2022 EUR m
As of 1 October	12.8	11.2
Change in scope of consolidation	-	1.9
Additions	2.4	2.7
Reversal	-0.5	-1.0
Utilization	-6.1	-2.0
As of September 30	8.6	12.8

20 | 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.

Embedded options and derivative financial instruments are recognized at fair value through profit or loss.

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:

	09/30/2023			09/30/2022		
	Total EUR m	With a remaining term of		Total EUR m	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	160.4	160.4		131.9	131.9	-
Embedded options	31.7	-	31.7	0.0	-	-
Derivative financial instruments	1.4	-	1.4			
Equity participations	2.1	-	-	2.1	-	-
Lease receivables	34.4	27.9	6.5	38.5	29.4	9.1
Receivables from payment service providers	24.1	24.1		16.6	16.6	
Miscellaneous other financial receivables	4.8	4.0	0.8	5.8	5.5	0.4
Total	258.8	216.4	40.4	195.0	183.4	9.5

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 Senior PIK Notes include a right of cancellation of the loans by the issuer (Douglas Group) that can be exercised at any time, according to which the Douglas Group has the right to repurchase the Senior Secured Notes and the Senior PIK Notes 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 to precisely value the repurchase options, which simulates the interest rate trend over the entire term or until the options are exercised.

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 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 income of €31.6 million (prior year: valuation loss of €25.1 million), which is recognized in finance result.

The investments mainly represent acquired shares in shopping centers in France, which are a requirement for operating a store in the respective shopping center.

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 allowance on other financial assets

The following table contains an analysis of other financial assets:

	09/30/2023 EUR m	09/30/2022 EUR m
<i>Not due</i>	226.4	174.3
<i>Past due < 30 days</i>	26.6	18.8
<i>Past due > 30 days</i>	3.9	1.9
Total	256.8	195.0

No cash receipts relating to receivables fully written-off in prior periods were recognized in financial year 2021/22. The maximum default risk corresponds to the carrying value as of the reporting date.

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:

	2022/2023 EUR m	2021/2022 EUR m
As of 1 October	3.4	3.4
Additions	0.1	0.3
Reversal	-0.1	-0.2
Utilization		-0.1
As of September 30	3.4	3.4

Level 2 - Lifetime expected credit losses:

	2022/2023 EUR m	2021/2022 EUR m
As of 1 October	0.0	0.0
As of September 30	0.0	0.0

21 | Other Assets

Other assets mainly include prepaid expenses and deferred prepayments as well as contractual assets from customer returns amounting to €2.4 million (prior year: €1.7 million)

22 | 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 demand deposits 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 €182.4 million (prior year: €184.6 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 the debt due 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 €7.2 million (prior year: €8.2 million) were subject to restrictions on disposal.

23 | Equity

Capital stock

The capital stock of Kirk Beauty A GmbH totaled € 48,785.00 as of the reporting date (unchanged from the previous year). The subscribed capital is divided into 27,500 Class A shares and 21,285 Class B shares with a nominal value of €1.00 each. Capital stock was paid up in full.

A preferential dividend of 2 percent p.a. is paid on Class B shares and share premiums. If a distribution cannot be made, the preferential dividend of the respective following year is accumulated. In addition to the accumulation, a further 2 percent growth on the increased amount has been agreed. The Class A shares are only entitled to dividends once the preferential beneficiaries have been paid. Dividends cannot be distributed in total as long as the company has interest-bearing third-party liabilities or is the guarantor for such liabilities.

Additional paid-in capital

Additional paid-in capital contains the contributions by shareholders to Kirk Beauty A GmbH in excess of the subscribed capital and totaled €326.0 million as of the reporting date (unchanged from the previous year).

Reserves

	09/30/2023 EUR m	09/30/2022 EUR m
Retained earnings	-1,575.4	-1,607.9
Reserve for the recognition of actuarial gains/losses from pension provisions	3.0	2.6
Deferred taxes recognized under other comprehensive income	0.3	0.2
Reserve for currency translation differences	-9.1	-14.9
Total	-1,581.3	-1,619.9

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.

The program ensures that after a defined exit event (which may include an IPO or 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 instruments mentioned are serviced from the proceeds of the sale after deduction of costs, taking into account the planned interest rates. The investors are obliged to participate in an exit event and participate in the disposal proceeds in proportion to the portfolio they hold.

In order to determine the expense for the period within the meaning of IFRS 2, the purchase prices to be paid by the participants were compared with the fair values of the instruments granted on the respective entry date (grant date). If this shows that the employees acquired the shares at a lower value than the fair value, the fair value of the benefit granted to the employee from the granting of the instrument is determined in the amount of the difference. The fair values of the individual instruments were determined using

discounted cash flow valuations of the Douglas-Group on the basis of the business plans valid at the entry 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 April 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	2022/2023	2021/2022
risk-free interest rate	2.0%	1.5%
market risk premium	7.5%	8.0%
unlevered beta	1.0	0.9
volatility	28.7% - 30.0%	28.6%
WACC after tax	9.3%	9.1%
DLOM	6.0% - 8.6%	8.8%

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 2022/23 amounted to €8.1 thousand (prior year: €8.6 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 €1.8 million (prior year: €0.6 million) for the shares in the shareholder loan.

The total value of benefits granted to employees in the financial year amounts to €26.3 million (prior year: €7.9 million).

The instruments issued to employees as part of MEP II developed as follows in the financial year and totaled as of the reporting date:

	2022/2023	2021/2022
10/01/2022	1,859.65	1,214.75
Instruments granted	3,299.99	913.28
Instruments returned	-689.59	-268.38
09/30/2023	4,470.05	1,859.65

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 €15.9 million (prior year: €6.1 million) were recognized for this share-based payment in the financial year.

Management participation program I

In addition to the MEP II described above, there is another management participation program ("MEP I"), which has existed since March 2016 in a management participation company as a shareholder of Kirk Beauty International S.A. A new plan participant was admitted in financial year 2022/23.

The program gives existing participants the opportunity to indirectly acquire shares in Kirk Beauty International S.A. via a predefined structure. The participants' investment allows them to participate indirectly in the returns and performance of a defined portfolio consisting of ordinary shares, preferred shares and preferred interest-bearing equity instruments (PECs). The preferred shares and PECs have defined interest rates on the capital invested. PECs have priority over preferred shares, which in turn have priority over ordinary shares.

Participants may only sell the shares they have acquired to Kirk Beauty Investments S.A. If a participant withdraws, Kirk Beauty Investments S.A. is authorized to repurchase his shares (call option).

As the companies of the Douglas-Group are not obliged to settle the share-based payment themselves, it is an equity-settled share-based payment in accordance with IFRS 2.43B (b).

The instruments issued to employees developed as follows in the financial year and amounted to the following as of the reporting date:

	Ordinary shares	Preferred shares	PECs
10/01/2022	652,852	1,013,792	160,719,965
Instruments granted	14,085	21,873	5,002,305
Instruments returned	-50,193	-77,943	-12,148,902
09/30/2023	616,744	957,722	153,573,368

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. The program therefore has no impact on the Consolidated Statement of Financial Position or Consolidated Statement of Profit or Loss for financial year 2022/23.

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 %
09/30/2023				
Interest rate	4.00	3.60	3.90	1.90
Pension benefit increase rate	2.20	0.00	2.40	0.00

	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

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):

	09/30/2023			09/30/2022		
	Unfunded obligation EUR m	Funded obligation EUR m	Total EUR m	Unfunded obligation EUR m	Funded obligation EUR m	Total EUR m
DBO	25.2	15.0	40.2	26.2	16.9	43.1
Fair value of plan assets		-13.2	-13.2		-14.9	-14.9
DBL	25.2	1.8	27.0	26.2	2.0	28.2

The following table shows the development of the defined benefit obligation:

	2022/2023			2021/2022		
	Unfunded obligation EUR m	Funded obligation EUR m	Total EUR m	Unfunded obligation EUR m	Funded obligation EUR m	Total EUR m
DBO at the beginning of the period	26.2	16.9	43.1	32.5	20.8	53.3
Included in Profit or Loss						
Service cost	0.3	0.3	0.6	0.3	0.4	0.7
Interest expense	0.8	0.4	1.2	0.2	0.1	0.3
Past service cost	-0.1		-0.1			0.0
Curtailments	-0.1		-0.1	-0.2		-0.2
	0.9	0.7	1.6	0.3	0.5	0.8
Included in OCI						
Actuarial gains or losses resulting from adjustment of demographic assumptions	0.0	0.1	0.1	0.0	0.1	0.1
Actuarial gains or losses resulting from adjustment of financial assumptions	-1.8	-1.1	-2.9	-6.6	-4.9	-11.5
Actuarial gains or losses resulting from experience adjustment	1.5	0.0	1.5	1.6	0.1	1.7
	-0.3	-1.0	-1.3	-5.0	-4.7	-9.7
Other						
Contributions paid by the employee		0.1	0.1		0.2	0.2
Benefits paid	-1.6	-1.6	-3.2	-1.6	-0.9	-2.5
Currency translation adjustments		-0.1	-0.1		1.0	1.0
DBO at the end of the period	25.2	15.0	40.2	26.2	16.9	43.1

The development of plan assets is shown in the following table:

	2022/2023 EUR m	2021/2022 EUR m
Plan assets at the beginning of the period	14.9	17.3
Included in Profit or Loss		
Expected return on plan assets	0.3	0.1
Included in OCI		
Return on plan assets excluding interest income	-0.8	-2.9
Other		
Contributions paid by the employee	0.2	0.2
Contributions paid by the employer	0.3	0.2
Benefits paid	-1.6	-0.9
Exchange differences	-0.1	0.9
Plan assets at the end of the period	13.2	14.9

The fair value of plan assets at the end of the period is attributable to the following asset classes:

	2022/2023 EUR m	2021/2022 EUR m
Insurance contracts	8.3	9.3
Equity instruments	1.5	1.6
Debt instruments	1.1	1.6
Property	1.2	1.4
Alternative assets (private equity, hedge funds, infrastructure)	0.8	0.6
Cash	0.1	0.2
Other	0.2	0.2
Plan assets at the end of the period	13.2	14.9

Pension payments in the amount of €2.3 million and contributions to plan assets in the amount of €0.4 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 €2.9 million. A decrease of 0.7 percentage points in the discount rate would increase the present value of the benefit obligations by €3.3 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 €1.7 million or decrease the present value of the defined benefit obligations by €1.0 million, respectively. The weighted average duration of all obligations is 11.3 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 €30.3 million (prior year: €28.7 million) was paid for defined contribution plans in the period ended September 30, 2023.

25 | Provisions

Statement of changes in provisions – for the financial year 10/01/2022 - 09/30/2023

	Human resources commitments EUR m	Real estate commitments EUR m	Other provisions EUR m	Total EUR m
10/01/2022	63.8	33.1	47.0	143.9
Utilization	-40.0	-5.3	-12.8	-58.1
Reversal	-7.9	-5.1	-3.7	-16.7
Additions	46.6	17.4	14.1	78.1
Reclassification to current provisions	-0.2	0.0	0.2	0.0
Reclassification to other liabilities	0.0	0.0	-7.2	-7.2
Interest	0.1	0.0	0.0	0.1
Exchange differences	0.1	0.0	0.2	0.3
09/30/2023	62.5	40.1	37.8	140.4
-- <i>thereof non-current</i>	<i>11.0</i>	<i>32.8</i>	<i>7.6</i>	<i>51.4</i>
-- <i>thereof current</i>	<i>51.5</i>	<i>7.3</i>	<i>30.2</i>	<i>89.0</i>

Of the reversal of provisions for personnel-related obligations, €6.4 million resulted from unused provisions for premiums and €1.5 million from severance payments. 1.5 million of the reversal of provisions in other provisions relates to 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 4.0 percent.

Current provisions:

Provisions for personnel-related obligations were mainly recognized for bonuses and severance payments.

Obligations from the real estate sector relate in particular to incidental rental costs as well as turnover-based rents.

Other provisions were mainly recognized for litigation risks and related legal costs.

Current provisions are expected to be utilized in the following financial year resulting in an expected cash outflow equaling the respective carrying amounts.

26 / Trade Accounts payable

All business transactions recognized under trade accounts payable have remaining terms of less than one year.

27 / Other Financial Liabilities

	09/30/2023				09/30/2022			
	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	1,332.7	35.9	1,296.8	0.0	1,329.8	35.9	1,293.9	0.0
Senior PIK Notes	590.4	21.5	569.0	0.0	542.9	21.4	521.5	0.0
Liabilities to bank	682.5	16.8	665.7	0.0	670.1	10.4	659.8	0.0
Lease liabilities	1,100.0	224.7	618.9	256.4	1,155.1	252.9	661.7	240.5
Liabilities to shareholder	704.6	0.0	651.2	53.5	645.1	0.0	269.6	375.5
Financial liabilities from options held by non-controlling interests	0.2	0.2	0.0	0.0	5.3	5.3	0.0	0.0
Financial liabilities from contingent considerations	0.0	0.0	0.0	0.0	4.4	2.1	2.3	0.0
Financial purchase price liabilities	0.0	0.0	0.0	0.0	10.9	0.0	10.9	0.0
Contract liabilities from customer returns	4.8	4.8	0.0	0.0	2.6	2.6	0.0	0.0
Miscellaneous other financial liabilities	0.6	0.6	0.0	0.1	3.4	2.2	1.3	0.1
Total other financial liabilities	4,415.8	304.4	3,801.5	310.0	4,369.7	332.8	3,420.9	616.0

Liabilities to non-controlling interests

In the case of a partnership domiciled in Germany, the shareholders have an ordinary statutory right of termination. This termination right of the shareholder is a bearer termination right within the meaning of IAS 32.18(b), which means that contributions from minority shareholders (non-controlling interests) in German partnerships must always be classified as a liability in IFRS consolidated financial statements. This results in a total liability of €0.2 million (prior year: €5.3 million) as of the reporting date.

The remaining non-controlling interests in a subsidiary based in Bulgaria were acquired in full in financial year 2022/23.

All purchase price components contractually agreed in connection with the acquisition of Disapo.de Apotheke B.V. ("Disapo"), based in Heerlen (Netherlands), in the previous financial year 2021/22, including the contingent purchase price payments, were settled in the financial year 2022/23.

28 / Other Liabilities⁷

	09/30/2023				09/30/2022			
	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 from gift cards not yet redeemed	161.6	161.6	0.0	0.0	151.7	151.7	0.0	0.0
Contract liabilities from customer loyalty programs	46.8	46.8	0.0	0.0	39.6	39.6	0.0	0.0
Total contract liabilities	208.5	208.5	0.0	0.0	191.3	191.3	0.0	0.0
Personnel liabilities	67.2	67.2	0.0	0.0	54.5	54.5	0.0	0.0
Supplier bonus accruals	3.0	3.0	0.0	0.0	2.1	2.1	0.0	0.0
Accrued rental payments	0.8	0.8	0.0	0.0	0.8	0.8	0.0	0.0
Miscellaneous	16.5	12.4	4.1	0.0	21.5	16.9	4.4	0.2
Total miscellaneous other liabilities	87.6	83.5	4.1	0.0	78.9	74.3	4.4	0.2
Total other liabilities	296.1	292.0	4.1	0.0	270.2	265.6	4.4	0.2

The reported contract liabilities are deferred revenue. For the presentation of revenue recognition, see Note 4, Accounting and Valuation Principles.

The item "Miscellaneous" mainly includes deferred payments of which Douglas Card commissions in particular amount to €4.5 million (prior year: €4.7 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 9⁸ 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 as of 09/30/2023:

⁷ The classification of individual items was changed from provisions to liabilities in the reporting year, and the prior year was adjusted accordingly.

⁸ 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

	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	36.9	AC	36.9				
Cash	262.3	AC	262.3				
Other financial assets	258.8						
-- thereof Embedded options	31.7	FVtPL		31.7		31.7	2
-- thereof Derivative financial instruments	1.4	FVtPL		1.4		1.4	2
-- thereof Equity participations	2.1	FVtPL		2.1		2.1	3
Total financial assets	558.0						
Financial liabilities							
Trade accounts payable	617.6	AC	617.6				
Other financial liabilities	3,335.5						
-- thereof Senior Secured Notes	1,332.7	AC	1,332.7			1,269.1	1
-- thereof Senior PIK Notes	590.4	AC	590.4			549.0	1
-- thereof Liabilities to bank	682.5	AC	682.5			682.5	2
-- thereof Liabilities to shareholders	704.6	AC	704.6			704.6	
-- thereof Liabilities from non-controlling options	0.2	AC	0.2			0.2	3
-- thereof Liabilities from customer returns	4.8	AC	4.8			4.8	
Total financial liabilities according to IFRS 9	3,953.1						
Lease liabilities according to IFRS 16	1,080.3						
Total financial liabilities	5,033.4						

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

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

To manage the interest rate risk of the Senior Secured Term Loan Facility, Douglas GmbH has concluded interest rate hedging agreements with a nominal volume of €675.0 million and a term until April 8, 2026, which limit the risk of a rising EURIBOR to 3.5 percent. As a stand-alone derivative, it is measured separately at fair value through profit or loss within the finance result.

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.

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.

For contracts that allow the customer to return an item, a corresponding contract liability is recognized on the basis of historical data.

Financial instruments categorized in accordance with IFRS 9 as of 09/30/2022:

	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	32.9				
Cash	245.3	AC	245.3				
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	634.5				
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	1
-- <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	3
-- <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	4,369.7						

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.

As of September 30, 2023 cash amounted to €262.3 million (prior year: €245.3 million) and solely consisted of cash as reported in the Statement of Financial Position.

Cash inflow from operating activities totaled €584.7 million (prior year: €468.1 million) in financial year 2022/23.

Changes in working capital (without liabilities from investments in non-current assets) of €87.8 million (prior year: €53.7 million) and changes in other assets and liabilities not classifiable to investing or financing activities in the amount of €15.5 million (prior year: minus €27.1 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 trade payables in connection with investments 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 €104.1 million in the reporting year (prior year: €101.5 million). In the previous year, €24.2 million of this amount was related to the acquisition of the shares in Disapo.

Cash outflow from financing activities amounted to €465.6 million (prior year: €360.4 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 2021/22.

	Liabilities to bank EUR m	Senior Secured Notes EUR m	Senior PIK Notes EUR m	Liabilities to shareholder EUR m	Lease liabilities EUR m	Financial liabilities from options held by non-controlling interests EUR m	Financial liabilities from contingent considerations EUR m	Financial purchase price liabilities EUR m	Other financial liabilities EUR m	Total financial liabilities EUR m
Net carrying amount at the beginning 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
Changes scope of consolidation										0.0
Interest expense	66.3	81.2	47.6	59.5	54.2	3.7				312.5
exchange differences					4.7					4.7
Additions to lease liabilities					234.7					234.7
Modifications of lease liabilities					-40.4					-40.4
Other changes									0.3	0.3
Changes not effecting cash flow from financing activities	66.3	81.2	47.6	59.5	253.2	3.7	0.0	0.0	0.3	511.8
Payments for the redemption of financial loans and bonds						-8.5	-4.4	-10.9	-0.7	-24.5
Payments for the redemption of lease liabilities					-254.1					-254.1
Proceeds from the issuance of financial loans and bonds									0.0	0.0
Transaction costs paid in respect of financial loans and bonds										0.0
Interest paid	-53.9	-78.3			-54.2	-0.4			-1.3	-188.1
Interest received									1.1	1.1
Effects on cash flow from financing activities	-53.9	-78.3	0.0	0.0	-308.3	-8.9	-4.4	-10.9	-0.9	-465.6
Net carrying amount at the end of the reporting period	682.5	1,332.7	590.4	704.6	1,100.0	0.2	0.0	0.0	5.4	4,415.9

	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 financial 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	Financial purchase price liabilities EUR m	Other financial liabilities EUR m	Total financial liabilities EUR m
Net carrying amount at the beginning of the reporting period	589.5	1,328.6	497.7	589.5	0.0	1,153.2	4.0	13.5	0.0	3.4	4,179.3
Changes in scope of consolidation						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
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	0.0	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	0.0	-296.3	-1.1	-12.0	0.0	-1.5	-360.4
Net carrying amount at the end of the reporting period	670.1	1,329.8	542.9	645.1	0.0	1,155.1	5.4	4.4	10.9	6.0	4,369.7

31 | Segment Reporting

Changes in the Group's segment reporting

During the financial year 2022/23, the Group made the following changes to its internal control and management reporting, which had the following impact on segment reporting as of September 30, 2023:

- Creation of the reportable segment "Parfumdreams / Niche Beauty", which has been carved out from the DACH operating segment;
- Removal of the "Disapo" operating segment from the DACH operating segment and inclusion in the residual category "Reconciliation to the Group" together with the corporate headquarter functions
- Reallocation of the Group's local activities in Croatia and Slovenia from the reportable segment "Central Eastern Europe" to the reportable segment "Southern Europe";
- Expansion of the "Netherlands" operating segment to include the newly created activities in Belgium. The expanded operating segment is referred to as "BENE" and is included in the reportable segment "DACHNL";
- Reporting of segment information per individual reportable segment and for the total of all reportable segments on an unconsolidated basis, resulting in the inclusion of consolidation effects in the "Reconciliation to the Group";
- Deletion of the performance indicator "EBITDA before application of IFRS 16" from segment reporting and revision of the definition of the segment performance indicator "Adjusted EBITDA" as a result of the adjustment of the Group's internal management and reporting to IFRS 16.

The comparative information has been adjusted accordingly. In these consolidated financial statements, the Group has decided to voluntarily present two comparative periods, the financial years 2021/22 and 2020/21, in order to improve the comparability of segment information for the business up to and including the period ending September 30, 2023.

Chief Operating Decision Maker

The reportable segments are determined on the basis of the Group's organizational and decision-making structure and the content of internal reporting to the chief operating decision maker ("CODM"). The Board of Directors of Kirk Beauty A GmbH is the CODM within the meaning of IFRS 8. It manages the Douglas-Group, is responsible at the highest level for the allocation of resources to the operating segments and assesses and monitors their profitability. Internal organization and reporting is primarily based on geographical aspects, with the exception of the newly created "Parfumdreams / Niche Beauty" segment, which differs from the other segments in terms of its distribution channel. The segment managers are responsible for the operating business and report to the CODM. Consequently, management and monitoring by the CODM also takes place at this level.

Operating and reportable segments

Based on the internal reporting structure, the Douglas-Group has defined the following operating segments in accordance with IFRS 8. The segmentation is essentially based on a regional approach with a further separation of those business activities that utilize a unique online sales model:

- DACH (Germany, Austria and Switzerland)
- BENE (Netherlands, Belgium)
- France (incl. Monaco)
- Southern Europa (Italy, Spain (incl. Andorra), Portugal, Croatia and Slovenia)
- Central-Eastern Europe (Poland, Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Latvia, Lithuania and Estonia)

- Parfumdreams / Niche Beauty
- Disapo

The reportable segments are as follows:

- DACHNL (consisting of DACH and BENE)
- France
- Southern Europe
- Central-East-Europe
- Parfumdreams / Niche Beauty

The operating segments DACH and BENE are combined into the reportable segment DACHNL as they have similar economic characteristics, which are determined on the basis of the segments' gross profit margins and Adjusted EBITDA margins, as well as their similar product portfolios, which are offered via similar sales channels that rely on a common central sales infrastructure. As part of DACHNL, the BENE operating segment comprises the activities in the Netherlands as well as the new Belgian activities created in the reporting period. BENE is managed by the segment manager responsible for the Netherlands. The change in the composition of the operating segment, which was previously referred to as "Netherlands" and now includes Belgium, did not result in any adjustments to the comparative periods.

Although the operating segment "Parfumdreams / Niche Beauty" does not meet the size criteria of IFRS 8, the Group has decided that, due to its nature and relevance to the Group as a fully online business, it should be a separate reportable segment, which distinguishes it from the Group's other business units. The Disapo operating segment also does not meet the size criteria of IFRS 8 for presentation as a separate reportable segment. In view of its size and the uniqueness of its (online) business, the Group considers it appropriate to include Disapo in the "Reconciliation to the Group".

The residual category "Reconciliation to the Group" comprises several revenue components, which are described in detail below in the reconciliation of adjusted revenue to revenue according to the consolidated income statement. The reconciliation to the Group also includes the corresponding expenses, i.e. cost of raw materials, consumables and supplies and merchandise, personnel expenses and other operating income and expenses that are relevant for the calculation of (Adjusted) EBITDA. For further details, please refer to the respective reconciliation statement below.

Corporate overheads (corporate headquarters costs) are not allocated to the reportable segments. These costs are incurred in central departments at the level of the Douglas-Group headquarters in Germany, which are responsible for functions that comprise significant parts of the value chain. In addition to the higher-level management and administrative functions, these include the central purchasing and marketing departments, the Corporate Brands business and international E-Com. International E-Com is responsible for the strategic orientation and development of the e-com markets and digital platforms as part of the "Let it Bloom" strategy. The gross profit of the Corporate Brands business is allocated to the reportable segments, while the inventory and product risks essentially remain in the Corporate Center.

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.

The sales (net) that forms the basis for the segment revenue figure Adjusted Sales (net) corresponds to external sales, including intersegment sales (net). Intersegment sales represent sales between the individual segments. Sales are allocated to the reportable segments on the basis of the domicile of the selling company.

Transfers between the segments are generally carried out at the same prices that would apply to transactions with third parties (arm's length principle). In addition, when translating information from the segment income statement derived from management reporting data, the closing rates rather than the average rates in accordance with IAS 21 are used. This difference between management reporting and financial reporting only affects the comparative periods. From the reporting year onwards, the currency translation method between management and external reporting was harmonized. For the comparative periods, the corresponding effects are included in the reconciliation to Douglas-Group sales below. Internal license costs and similar costs charged by the Group functions and the DACH operating segment to the reportable segments Southern Europe and Central Eastern Europe are not included in the presentation of segment EBITDA and adjusted segment EBITDA in accordance with the internal management logic. This means that the regional segments do not bear any brand and IT license costs, but benefit from central brand management and IT equipment.

Adjusted EBITDA, which is used for management purposes, is derived from the EBITDA reported in the consolidated income statement and adjusted for those items which, in the opinion and judgment of the management of Kirk Beauty A GmbH, are not recurring, exceptional or appropriate for management purposes. In the same way, Adjusted Sales (net) is derived from sales (net) in the consolidated statement of profit or loss and adjusted for such items.

Reconciliation to the Consolidated Statement of Profit or Loss

Reconciliation of the segment performance indicator Adjusted Sales (net)

The following table shows the reconciliation of Adjusted Sales (net) for the Group's reportable segments to Sales (net) according to the Consolidated Statement of Profit or Loss:

	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
	EUR m	EUR m	EUR m
Adjusted Sales (net) of the reportable segments	4,036.0	3,597.2	3,120.0
Adjusted Sales (net) included in reconciliation to Group	56.1	42.8	0.2
Consolidation and foreign exchange effects	-1.1	10.0	-0.6
Adjusted Sales (net)	4,091.0	3,649.9	3,119.6
Adjustments of sales (net) from restructurings	2.9	27.5	0.0
Sales (net)	4,093.9	3,677.5	3,119.6

The sales included in the "Reconciliation to the Group" is made up as follows.

- Sales from operating segment Disapo (part of the Group since April 2022) in the amount of €55.7 million in financial year 2022/23 and €43.6 million in financial year 2021/22; and
- Internal sales (intersegment sales) resulting from cross-charging of central functions to the Group companies in the amount of €0.4 million in financial year 2022/23, €0.2 million in financial year 2021/22 and €0.2 million in financial year 2020/21.

The item "Consolidation and foreign exchange effects" includes the correction of management reporting described above in connection with the use of closing rates when translating foreign currency information in the segment income statement (n/a in financial year 2022/23, €10.9 million in financial year 2021/22 and €0.0 million in financial year 2020/21). Consolidation effects in connection with intersegment sales are also included in this item and amounted to minus €1.1 million in financial year 2022/23, minus €0.9 million in financial year 2021/22 and minus €0.6 million in financial year 2020/21.

In reporting to the Chief Operating Decision Maker, adjustments are made to sales in connection with significant restructurings, such as closures or disposals of a significant number of stores or business units implemented as part of a single plan, if management concludes that the related financial information is inappropriate for management purposes and should therefore be adjusted. In both the current and the previous financial year, the adjustments (here: reduction in sales(net)) amounting to €2.9 million and €27.5 million respectively mainly relate to the reportable Southern Europe segment. As part of these adjustments, sales (net) was reduced by removing revenues related to stores affected by the restructuring and the Store Optimization Program (SOP). The expenses in connection with these stores were also deducted when calculating Adjusted EBITDA (see below).

Reconciliation of the segment performance indicator Adjusted EBITDA

The table below shows the reconciliation of Adjusted EBITDA for the Group's reportable segments to EBITDA according to the consolidated income statement. For the reconciliation of Group EBITDA to Group profit before tax, see the consolidated income statement.

Adjusted EBITDA attributable to the category "Reconciliation to the Group" category, amounted to minus €136.4 million in financial year 2022/23, minus €133 million in financial year 2021/22 and minus €106.8 million in financial year 2020/21, whereby

- the central division, which provides the core functions of the Douglas-Group at the level of the Group headquarters in Germany, contributed Adjusted EBITDA of minus €52.2 million in financial year 2022/23, minus €46.5 million in financial year 2021/22 and minus €39.6 million in financial year 2020/21, as this division does not generate any sales and is largely not operated as a profit center.
- In addition, the central management and administrative functions, including Central Purchasing and Marketing, the Corporate Brands business, the Group's international E-Com functions and the Disapo operating segment contributed to Adjusted EBITDA of minus €84.2 million in financial year 2022/23, minus €86.5 million in financial year 2021/22 and minus €67.2 million in financial year 2020/21.

	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
	EUR m	EUR m	EUR m
Adjusted EBITDA of the Reportable Segments	864.2	724.9	542.8
Adjusted EBITDA of the reconciliation to the Group	-136.4	-133.0	-106.8
Consolidation and foreign exchange effects	-1.9	1.5	1.3
Adjusted EBITDA	725.9	593.4	437.4
Purchase Price Allocations (PPA)	-2.2	-0.4	4.1
Restructuring costs (staff-related) and severance payments	4.0	32.8	0.3
Consulting fees	12.6	29.4	7.7
Other adjustments	30.4	-2.0	6.9
Write-down of inventories	0.0	0.0	8.2
COVID-19-effects	-0.4	-3.3	45.8
Store Optimization Program (SOP)	-1.5	7.0	73.0
Adjustments on EBITDA	42.9	63.4	146.1
EBITDA	683.0	530.0	291.3

The respective categories essentially comprise the following issues:

- Purchase price allocation (PPA):**

This item includes the impact on EBITDA from effects recognized in profit or loss from the subsequent measurement of assets and liabilities recognized in connection with business combinations.

- **Restructuring costs and severance payments:**

Expenses in connection with the sale or termination of a business division, the closure or sale of a group of stores, significant changes in the structure of management or fundamental reorganizations. These include, in particular, expenses in the form of severance payments and continued salary payments without the position being filled, as well as for management positions at national or Group level regardless of whether the position is filled.

In the reporting year, these mainly comprised restructuring costs at Group headquarters and in the reportable segments France (severance payments) and Southern Europe (store closures). In financial year 2021/22, they included in particular restructuring expenses from further store closures in the Southern Europe reporting segment. Sales in connection with these stores were also partially deducted when calculating Adjusted Sales (net) (see above).

- **Consulting expenses**

This item generally comprises expenses for consulting services in connection with strategic projects and initiatives as well as major acquisitions and (re-)financing. In the financial year, the consulting expenses to be adjusted in the amount of €12.6 million mainly include projects within the Group's finance function (€7.5 million) and other strategic projects (€4.4 million). In financial year 2021/22, consulting costs to be adjusted amounting to €29.4 million were mainly incurred in connection with our strategic logistics project "One Warehouse All Channels" (OWAC) (€18.2 million), projects within the Group's finance function (€6.4 million) and other strategic projects (€3.6 million). The consulting costs incurred in financial year 2020/21 mainly relate to strategic projects and initiatives (€4.7 million), projects within the Group's finance function (€2 million) and refinancing.

- **Other adjustments:**

Other adjustments are other items that do not recur regularly, are exceptional or are not suitable for internal management purposes. These include restructuring expenses that are not personnel-related, integration costs, income from the reversal of previously adjusted provisions, expenses in connection with management participation programs and infrastructure or reorganization costs. In all periods presented, this item includes expenses for management participation programs. For financial year 2022/23, these expenses of €24.8 million relate to long-term incentive programs (LTIP) for management, in particular share-based payment expenses in connection with the Management Participation Program II and costs in connection with a long-term incentive program in Southern Europe. The share-based payment expenses from the Management Participation Program II are also included in other adjustments in financial year 2021/22 (€6.1 million) and in financial year 2020/21 (€8.1 million). In addition, the start-up costs in connection with our strategic logistics project OWAC are included in the other adjustments for financial year 2022/23. The warehouse had excess capacity and the related expenses included in EBITDA were adjusted. In addition, other warehouses will initially continue to be used during the start-up phase of OWAC until the logistics functions of these warehouses are transferred to OWAC, resulting in redundancies. The operating costs for duplicate logistics processes within OWAC and other warehouses are also taken into account when deriving the Adjusted EBITDA. The adjustment is based on the expenses incurred by OWAC for temporary redundancies. In financial year 2022/23, the OWAC-related expenses adjusted in this way amounted to €15.4 million. Reversals included in EBITDA, which relate to effects that were not included in EBITDA at the time of original recognition, led to an offsetting effect of €13.7 million in financial year 2022/23. Similar offsetting effects in both comparative periods mainly related to the reversal of impairments of previously impaired stores (financial year 2021/22) and the reversal of provisions (financial year 2020/21).

- **Impairment of inventories:**

This item includes impairment losses on inventories in stores that are closed as part of a restructuring as defined above or as part of the Store Optimization Program (SOP). If material, these impairment losses on inventories are reported separately. In principle, impairment losses on inventories are classified as recurring expenses in the course of our ordinary business activities. In this specific context, however, we consider the impairment of inventories to be a non-recurring item that can be adjusted when calculating Adjusted EBITDA.

- **COVID-19 effects**

In the financial year, COVID-19 adjustments were only made in isolated cases and related in particular to retroactively granted COVID-19 aid. As the COVID-19 pandemic subsides in financial year 2021/22, the COVID-19 effects in this period mainly result from retroactively granted rent reductions and government subsidies. In financial year 2020/21, the COVID-19 adjustments included in particular personnel and incidental rental costs related to vacancy costs in connection with our closed stores and other additional costs caused by the COVID-19 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.

Other information on segment reporting - revenue

As a specialist retail group in Europe, the Douglas-Group operates 1,718 own perfumery stores under its core brands "Douglas" and "Nocibé" as well as various online stores in 22 European countries, which primarily sell perfumery, cosmetics, care products and nutritional supplements to end customers. The business is operated according to an Omnichannel or platform approach, through which the store and E-Com business is interlinked in such a way that customers can be served in the best possible way.

The following tables contain a breakdown of sales and Adjusted Sales by sales channel:

		DACHNL			France		
		10/01/2022- 09/30/2023	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
Store Sales (net)	EUR m	1,144.0	968.7	639.9	643.8	620.5	516.8
E-Com Sales (net)	EUR m	727.8	670.6	722.4	169.8	165.4	182.5
Total	EUR m	1,871.9	1,639.3	1,362.3	813.5	785.9	699.3
Adjusted Store Sales	EUR m	1,144.0	968.2	639.9	643.8	615.9	516.8
Adjusted E-Com Sales	EUR m	727.8	670.6	722.4	169.8	165.4	182.5
Total	EUR m	1,871.9	1,638.7	1,362.3	813.5	781.3	699.3

		Southern Europe			Central Eastern Europe		
		10/01/2022- 09/30/2023	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022	10/01/2020- 09/30/2021
Store Sales (net)	EUR m	535.2	522.4	497.2	436.1	344.0	250.6
E-Com Sales (net)	EUR m	90.4	88.8	81.2	120.0	98.0	92.4
Total	EUR m	625.6	611.2	578.4	556.1	442.0	343.0
Adjusted Store Sales	EUR m	532.3	499.6	497.2	436.1	343.9	250.3
Adjusted E-Com Sales	EUR m	90.4	88.8	81.2	120.0	98.1	92.4
Total	EUR m	622.7	588.4	578.4	556.1	442.0	342.7

		Parfumdreams / Niche Beauty			Total Reportable Segments		
		10/01/2022-09/30/2023	10/01/2021-09/30/2022	10/01/2020-09/30/2021	10/01/2022-09/30/2023	10/01/2021-09/30/2022	10/01/2020-09/30/2021
Store Sales (net)	EUR m	12.8	12.3	11.2	2,771.9	2,468.0	1,915.7
E-Com Sales (net)	EUR m	158.8	134.5	125.9	1,266.7	1,157.3	1,204.3
Total	EUR m	171.6	146.8	137.0	4,038.7	3,625.2	3,120.0
Adjusted Store Sales	EUR m	12.8	12.3	11.2	2,769.0	2,439.9	1,915.4
Adjusted E-Com Sales	EUR m	158.8	134.5	125.9	1,266.7	1,157.4	1,204.3
Total	EUR m	171.6	146.8	137.0	4,035.7	3,597.2	3,119.8

		Reconciliation to Group			Douglas Group		
		10/01/2022-09/30/2023	10/01/2021-09/30/2022	10/01/2020-09/30/2021	10/01/2022-09/30/2023	10/01/2021-09/30/2022	10/01/2020-09/30/2021
Store Sales (net)	EUR m	-0.5	10.4	-0.4	2,771.4	2,478.4	1,915.3
E-Com Sales (net)	EUR m	55.7	41.9	0.0	1,322.4	1,199.1	1,204.4
Total	EUR m	55.2	52.2	-0.4	4,093.9	3,677.5	3,119.6
Adjusted Store Sales	EUR m	-0.5	10.4	-0.2	2,768.5	2,450.3	1,915.3
Adjusted E-Com Sales	EUR m	55.7	42.3	0.0	1,322.4	1,199.7	1,204.4
Total	EUR m	55.2	52.7	-0.1	4,091.0	3,649.9	3,119.6

The following table shows the sales attributable to the country in which the Group is headquartered (Germany) and to foreign countries:

	09/30/2023 EUR m	09/30/2022 EUR m	09/30/2021 EUR m
Germany	1,550.9	1,369.1	1,149.4
Abroad	2,543.0	2,308.4	1,970.2
Douglas-Group	4,093.9	3,677.5	3,119.6

Due to its business model, the Group is not dependent on certain major customers.

Other disclosures on segment reporting - Assets

In the monthly reporting to the chief operating decision maker, only the inventories of the individual segments are reported as segment assets. The inventories shown in the segment reporting include purchased goods, raw materials and supplies as well as advance payments on inventories.

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

The following table provides an overview of the Group's non-current assets (see definition below), which are allocated to the country in which the Group is headquartered (Germany) and other key countries. Disapo, which was part of the operating segment DACH in the previous financial year, and therefore included in the

non-current assets figure for Germany, was allocated to respective figure for other foreign countries, corresponding to having its registered office in the Netherlands.

Non-current assets:

	09/30/2023 EUR m	09/30/2022 EUR m	09/30/2021 EUR m
Germany	1,434.6	1,460.1	1,514.7
France	834.7	824.7	826.7
Other foreign countries	809.5	824.4	958.1
Douglas Group	3,078.8	3,109.1	3,299.5

The non-current assets presented across all segments comprise intangible assets, property, plant and equipment and right-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

Going concern assumption as the basis for accounting⁹

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

Further information on liquidity risk

The Group generally has access to various sources for the funding of business operations, investments and potential acquisitions. This includes existing cash, 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.

⁹With regard to liquidity risks, reference is made to Note 2, Basis for Accounting, in section Going concern assumption as the basis for accounting.

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 loans¹⁰, 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	567.4	8.25% / 9.00%	1 October 2026
Senior Secured Term Loan Facility (Facility B)	675.0	9.18%	8 April 2026
Senior Secured Multi-Currency Revolving Credit Facility (RCF)	170.0	4.50%	8 January 2026
Total	2,717.4		

The RCF was not utilized in terms of liquidity as of the reporting date.¹¹

The financing volume of the Senior PIK Notes increases to the extent that the interest due on the respective interest due date is not paid but capitalized. The Senior PIK Notes are based on two different interest rates, 8.25 percent in the case of interest payments at maturity and 9.00 percent in the case of non-payment (capitalization).

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 option of initiating a contractually defined process resulting in immediate maturity of the liability and the utilization of the pledged assets.

Kirk Beauty A GmbH and its subsidiaries must comply with certain obligations and 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 down (corresponds to €68.0 million). A part of the RCF totaling up to €40 million can be used as so-called ancillaries for liquidity-related utilization. Utilization of the ancillaries is not counted towards the covenant test. During the past financial year and as of September 30, 2023, compliance with these financial covenants was not relevant, because the RCF was not utilized in terms of liquidity."

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 so-called 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 2022/23.

The individual financing components of the Group in the form of the bonds issued (Senior Secured Notes and Senior PIK Notes), the syndicated loan (Senior Secured Term Loan Facility (Facility B)) and the Revolving Credit Facility (Senior Secured Multi-Currency Revolving Credit Facility), which had not been drawn down in terms of liquidity as of the reporting date, are closely interwoven. Due to these risk interdependencies, there is an increased concentration of risk.

¹⁰ For shareholder loans, see the explanations in Note 34, Related Parties.

¹¹ As of the reporting date, the RCF had not been drawn in terms of liquidity. However, it was used as collateral in the form of rental guarantees in the amount of €8.8 million.

Financing liabilities of the Douglas-Group as of September 30, 2023:

	09/30/2023	Nominal	09/30/2022	Nominal
	Carrying	amount	Carrying	amount
	amount	EUR m	amount	EUR m
	EUR m	EUR m	EUR m	EUR m
Senior Secured Notes	1,332.7	1,305.0	1,329.8	1,305.0
Senior PIK Notes	590.4	567.4	542.9	519.6
Senior Secured Term Loan Facility (Facility B)	683.8	675.0	672.5	675.0
Senior Secured Multi-Currency Revolving Credit Facility (RCF)	-2.4	0.0	-3.6	0.0
Other borrowings	1.1	1.1	1.2	1.2
Finance liabilities (total from notes and bank liabilities)	2,605.6	2,548.5	2,542.8	2,500.8

Carrying amounts mainly include accrued interest, as well as valuation effects.

In addition, individual Group companies have access to bilateral overdraft facilities, of which €0.0 million (prior year: €0.0 million) had been utilized as of the reporting date. Government loans from national aid programs totaling €1.1 million (prior year: €1.2 million) were also utilized as of the reporting date.

Maturity analysis of contractual obligations as of September 30, 2023:

	Carrying amount	Payments due within the next 30 days		Payments due within 30 to 90 days		Payments due within 90 to 360 days		Payments due over a period of 1 to 5 years		Payments due after more than 5 years	
	EUR m	EUR m		EUR m		EUR m		EUR m		EUR m	
	09/30/2023	Redemption	Interest portion	Redemption	Interest portion	Redemption	Interest portion	Redemption	Interest portion	Redemption	Interest portion
Senior Secured Notes	1,332.7		39.2				39.2	1,305.0	155.1		
Senior PIK Notes	590.4		23.4			23.4		567.4	115.2		
Liabilities to bank	682.5				15.8	0.2	47.2	675.8	95.5		
Liabilities to shareholders	704.6							824.6	88.7	71.5	10.1
Trade accounts payable	617.6	308.6		279.3		28.4		1.3			
Financial liabilities from options held by non-controlling interests	0.2					0.2					
Financial liabilities from contingent considerations	0.0										
Other financial instruments	5.4	4.8				0.6		0.0			

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, 2022

	Carrying amount	Payments due within the next 30 days		Payments due within 30 to 90 days		Payments due within 90 to 360 days		Payments due over a period of 1 to 5 years		Payments due after more than 5 years	
	EUR m	EUR m		EUR m		EUR m		EUR m		EUR m	
	09/30/2022	Redemption	Interest portion	Redemption	Interest portion	Redemption	Interest portion	Redemption	Interest portion	Redemption	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			

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.

To manage the interest rate risk of the Senior Secured Term Loan Facility, Douglas GmbH has concluded interest rate hedging agreements with a nominal volume of €675.0 million and a term until April 8, 2026, which limit the risk of a rising EURIBOR to 3.5 percent. As a stand-alone derivative, it is measured separately at fair value through profit or loss within the finance result.

A sensitivity analysis was conducted to quantify the interest rate risk. Subject to this analysis was the Senior Facilities Agreement, the interest of which is based on the EURIBOR.

Taking into account the interest rate hedging agreements concluded, which limit the risk of a rising EURIBOR to 3.5 percent, a relative increase in the interest rate by 100 basis points would have led to higher nominal interest expenses of €4.2 million in financial year 2022/23.

A relative reduction in the interest rate by 100 basis points would have led to lower nominal interest expenses of €4.8 million in financial year 2022/23.

Currency risk

The operating companies of the Douglas-Group predominantly conduct their activities in their respective functional currencies.

Finance income from exchange differences totaled €13.9 million in the reporting year and the corresponding expenses amounted to €7.8 million. See also Note 9, Finance Result.

The Group's foreign currency risk is classified as low, as just under 90 percent of sales were generated in euros in financial year 2022/23 and goods were purchased almost exclusively in euros. Translation differences arising in the context of preparing Consolidated Financial Statements in the Group's presentation currency do not impact currency risk.

In accordance with the provisions of IFRS 7, a sensitivity analysis of the currency risks was carried out for the Group's key foreign currencies (Bulgarian lev, Swiss franc, Czech koruna, Hungarian forint, Polish zloty and Romanian lei). The exchange rate effects from foreign currency items, which were recognized in the income statement at the closing rate in accordance with IAS 21, were taken into account. This would result in total income of €0.4 million for the Douglas-Group in financial year 2022/23 if the euro were to improve by 5 percent and total expenses of €0.5 million if the euro were to deteriorate by 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-Com 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 that are rated at least investment grade (BBB-). At the same time, the volume is distributed among several counterparties in order to avoid concentration risks and monitor investments on an ongoing basis.

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 (refer above, not applicable to the current financial year) are met. These targets were achieved in the financial year. A further goal of capital management is to increase the enterprise value on a long-term basis. As a secondary condition of capital management, the aim is to ensure that all Group companies are equipped with equity in accordance with local requirements so that external capital requirements were always met in the past financial year.

Douglas monitors net debt as follows:

	09/30/2023 Carrying amount EUR m	09/30/2022 Carrying amount EUR m
Senior Secured Notes	1,332.7	1,329.8
Senior PIK Notes	590.4	542.9
Term Loan B	683.8	672.5
RCF	-2.4	-3.6
Other borrowings	1.1	1.2
Finance liabilities (total from notes and bank liabilities)	2,605.6	2,542.8
Lease liabilities according to IFRS 16	1,080.3	1,130.2
Total	3,685.9	3,673.0
Cash	262.3	245.3
Net debt	3,423.6	3,427.7

As in the previous year, the RCF was not utilized in terms of liquidity in the financial year.

33 | Other financial Obligations and contingent Liabilities

As of the reporting date, order commitments for approved investments in property, plant and equipment totaled €24.0 million and for other intangible assets €8.9 million.

In the previous year, order commitments totaled €22.2 million.

34 | Related Parties

The Douglas-Group had the following delivery and supply relationships with related parties in financial year 2022/23.

	10/01/2022- 09/30/2023 EUR m	10/01/2021- 09/30/2022 EUR m
Deliveries and services received		
Shareholders	59.6	55.7
Other related companies and related persons	5.0	7.6
Total	64.6	63.3

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.

The goods and services received from other related parties related to the purchase of goods. The resulting trade payables totaled €0.0 million.

The interest rate of 2.00 percent to the nominal contractual shareholder loan amounts totaling €896.1 million (prior year: €878.5 million) resulted in interest expenses of €17.9 million (prior year: €17.6 million) in the

reporting year. For accounting purposes, the loans are recognized using the effective interest method, which resulted in interest expenses of €59.6 million (prior year: €55.7 million) for the current financial year 2022/23.

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 €704.6 million at the reporting date (prior year: €645.1 million).

Key management personnel and total remuneration of the Board of Management

Key management

Key management personnel include the members of management of Kirk Beauty A GmbH as well as the members of the Supervisory Board of Douglas GmbH.

Expenses for short-term benefits to key management personnel amount to €21.5 million (prior year: €7.1 million), of which €0.3 million (prior year: €0.3 million) is attributable to the Supervisory Board. Expenses for termination benefits of key management personnel amounted to €1.0 million (prior year: €0.0 million). In accordance with IFRS 2, expenses from share-based payments to key management personnel amounted to €16.3 million (prior year: €2.9 million).

Total remuneration of management

Total remuneration for the management amounted to €19.0 million (prior year: €8.4 million) for financial year 2022/23; the number of managing directors in the reporting year as in the previous year was between 2 and 3.

Total remuneration includes the share-based payment at fair value upon grant of €25.1 million (prior year: €4.5 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 (prior year: €0.0 million)

The amount granted for defined contribution benefits in the financial year totaled €0.1 million (prior year: €0.1 million).

The total remuneration of former members of the Board of Management and their surviving dependents amounted to €1.2 million (prior year: €1.2 million). Pension obligations (DBO) to former members of the Board of Management and their surviving dependents amounted to €15.9 million as of September 30, 2023 (prior year: €16.4 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 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 commencement date 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 Douglas-Group company 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.

The following tables show the interest matrix for properties for the financial year:

Interest rate matrix for the 2022/23 financial year:

	Term			
	1 to 5 years %	6 to 10 years %	11 to 15 years %	16 to 20 years %
EUR	4,74 - 14,42	6,24 - 13,22	7,08 - 12,61	7,41 - 12,23
BGN	3,89 - 13,89	6,09 - 13,87	7,76 - 13,92	8,68 - 13,94
CHF	3,31 - 12,53	4,64 - 11,85	5,77 - 11,43	6,23 - 11,18
CZK	7,36 - 18,65	7,70 - 16,36	8,27 - 15,08	8,54 - 14,41
HRK	3,96 - 13,74	6,16 - 13,30	7,47 - 13,15	7,98 - 13,15
HUF	10,52 - 25,23	11,39 - 22,68	11,38 - 20,38	11,46 - 19,29
PLN	5,68 - 19,04	7,63 - 17,56	8,74 - 16,55	9,25 - 16,01
RON	7,55 - 19,67	9,22 - 18,22	10,58 - 17,22	11,13 - 16,84

Interest rate matrix for the 2021/22 financial year:

	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	7.77 - 7.75
HUF	7.75 - 8.89	8.97 - 9.44	9.48 - 9.60	9.60 - 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

Total cash outflows from leases totaled €308.2 million in the financial year (prior year: €296.2 million).

A sensitivity analysis was carried out for the index-linked leases. Taking into account a 1 percent increase in index-linked rents, this would result in a €1.9 million higher cash outflow in the following financial year.

For the extension options not included in the lease liabilities, cash outflows of up to approximately the amount of the recognized lease liabilities may arise upon exercise, (as last year), whereby the payments are spread over the term of the options. The options are exercised depending on the profitability of the respective shops and the alternatives available for other locations."

With the exception of the "real estate" asset class, the Douglas-Group has made use of the exemptions under IFRS 16.5 for short-term leases and leases where the underlying asset is of low value.

In the reporting period the following amounts were recognized in profit or loss

	10/01/2022- 09/30/2023	10/01/2021- 09/30/2022
	EUR m	EUR m
Expense related to variable lease payments not included in the measurement of lease liabilities	3.1	1.8
Income from subleasing right-of-use assets	0.3	0.3
Expense relating to short-term leases	0.2	0.2
Expenses relating to leases of low-value assets	0.5	0.5

Maturity analysis of undiscounted lease receivables in financial year

	09/30/2023 EUR m	09/30/2022 EUR m
Less than one year	4.2	4.4
One to two years	2.5	4.1
Two to three years	1.4	2.4
Three to four years	1.3	1.3
Four to five years	0.7	1.2
More than five years	0.2	0.5
Total amount of undiscounted lease receivables	10.3	13.9
Unrealized finance income	1.0	0.5
Net investment in the lease	9.3	13.3

Maturity analysis of undiscounted lease liabilities in financial year

	09/30/2023 EUR m	09/30/2022 EUR m
Less than one year	282.7	268.8
One to five years	727.0	733.3
More than five years	271.1	308.8
Total	1,280.8	1,310.9

Information on the development of right-of-use assets from leases, including amortization and impairment, can be found in Note 14, Right of Use Assets; information on interest expenses from lease liabilities is included in Note 9, Finance Result.

In principle, there are only a few cases in which the Douglas-Group acts as lessor. Essentially, the Group acts as lessor in contracts in which a rented property is sublet to a third party (subletting). 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 are of minor significance.

36 | Government Grants

To mitigate the economic disadvantages caused by the COVID-19 pandemic, the Douglas-Group was granted monetary government grants, primarily in the form of subsidies for personnel expenses and social security contributions.

In financial year 2022/23, government grants totaling €1.7 million (prior year: €7.6 million) were awarded.

Government loans totaling €1.1 million (prior year: €1.2 million) were also drawn down from national aid programs.

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
Niche-Beauty.COM GmbH	Hamburg

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.

	10/01/2022- 09/30/2023 EUR m
Audit of financial statements	1.5
<i>-- thereof for the prior year</i>	<i>0.1</i>
Other assurance and audit-related services	0.1
Tax consultation services	0.0
Other services	1.7
Total	3.3

39 / Corporate Bodies

Management

In financial year 2022/23, the Douglas-Group´s business was managed by:

Name	Function	Date
Alexander van der Laan	Chief Executive Officer (CEO)	since end of October 2022
Mark Langer	Chief Financial Officer (CFO)	
Philipp Andrée	Chief Commercial Officer (CCO)	since January 2023
Tina Müller	Chief Executive Officer (CEO)	until end of October 2022

At the end of October 2022, Tina Müller left her position at her own request and moved to the Supervisory Board of Douglas GmbH, from which she left at the end of September 30, 2023. Alexander van der Laan succeeded her as Managing Director and Chief Executive Officer of the Douglas-Group.

Philipp Andrée has been Managing Director and Chief Commercial Officer of the Douglas-Group since January 2023.

Supervisory board

In financial year 2022/23, the shareholders and employees were represented on the Supervisory Board of Douglas GmbH by:

Name	Function
Dr. Henning Kreke	Chairman and shareholder representative
Ulrike Grabe	Vice Chairwoman and employee representative
Dr. Daniel Pindur	Shareholder 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
Tina Müller	(until September 30, 2023)
Petra Ringer	Employee representative
Can Toygar	Shareholder representative
Søren Vestergaard-Poulsen	Shareholder representative (until December 8, 2022)

The following persons left the company in financial year 2022/23:

- Søren Vestergaard-Poulsen with effect from the end of December 8, 2022
- Tina Müller with effect from the end of September 30, 2023

*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	
Parfümerie Douglas Deutschland GmbH, Düsseldorf	100
Parfümerie Douglas GmbH & Co. KG, Düsseldorf	100
DOUGLAS Informatik & Service GmbH, Hagen	100
Parfümerie Douglas International GmbH, Düsseldorf	100
Douglas GmbH & Co. Objekt Zeil KG, Pullach im Isartal	88
DOUGLAS Grundbesitz GmbH, Hagen	100
Douglas Cosmetics GmbH, Düsseldorf	100
Douglas International Purchasing GmbH, Zossen	100
Douglas Marken- und Lizenzen Zossen GmbH, Zossen	100
Douglas Marken und Lizenzen Verwaltungsgesellschaft mbH, Zossen	100
Ultimate Skin Aesthetics GmbH, Düsseldorf	100
Parfümerie AKZENTE GmbH, Pfedelbach	100
NICHE-BEAUTY.COM GmbH, Hamburg	100
Beauty Media Solutions GmbH, Düsseldorf	100
Parfümerie Douglas Megastore GmbH, Düsseldorf	100
Parfümerie Douglas Beteiligungsgesellschaft mbH, Düsseldorf	100
Douglas GmbH Düsseldorf	100
Kirk Beauty SUN GmbH, Düsseldorf	100
Douglas House of Beauty GmbH, Düsseldorf	100
Parfümerie Douglas Ges.m.b.H., Vienna/Austria	100
Parfümerie Douglas AG, Baar/Switzerland	100
Parfumerie Douglas Nederland B.V., Nijmegen/The Netherlands	100
Douglas Franchise B.V., Nijmegen/The Netherlands	100
Douglas Vastgoed B.V. I, Nijmegen/The Netherlands	100
Douglas Vastgoed B.V. II, Nijmegen/The Netherlands	100
Kirk Beauty Netherlands Holding B.V., Nijmegen/The Netherlands	100
Douglas Cosmetics Belgium B.V., Antwerp/Belgium	100
Groupe Nocibé SAS, Villeneuve d'Ascq/France	100
Groupe Douglas France SAS, Villeneuve d'Ascq/France	100
Parfumerie Douglas Monaco S.A.M., Monaco/Monaco	100
Perfumeria Douglas Portugal Lda., Lisbon/Portugal	100
Douglas Parfumerije, trgovina na drobno d.o.o., Ljubljana/Slovenia	100
Douglas Spain SA, Madrid/Spain	100
Douglas Italia S.p.A., Mailand/Italy	100
Passera distribució S.L., Andorra	100
Douglas Parfumerije d.o.o., Zagreb/Croatia	100
Douglas Ungarn Kft., Budapest/Hungary	100
Douglas Polska SP.z.o.o., Warsaw/Poland	100
Parfumerie Douglas s.r.o., Prague/Czech Republic	100
Douglas Parfümeri Limited Sirketi, Istanbul/Turkey	100
Parf. Douglas S.R.L., Bucharest/Romania	100
Parfumerie Douglas Bulgaria ood, Sofia/Bulgaria	100
UAB "Douglas LT", Vilnius/Lithuania	100
SIA "Douglas Latvia", Riga/Latvia	100
SIA "Douglas Baltic", Riga/Latvia	100

Ltd. Douglas Estonia, Tallinn/Estonia	100
Parfümerie Douglas Slowenska s.r.o., Bratislava/Slovakia	100
Disapo.de Apotheke B.V., Heerlen/The Netherlands	100
BrandsCommerce Trading Hangzhou Co. Ltd, Hangzhou/China	100

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:

By notarial certification dated 13 November, 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 Andree

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, 2023, 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, 2022 to September 30, 2023, the statement of changes in group equity, and the consolidated statement of cash flows for the financial year from October 1, 2022 to September 30, 2023 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, 2022 to September 30, 2023. 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

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, 2023, 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, 2022 to September 30, 2023, the Statement of Changes in Group Equity, and the Consolidated Statement of Cash Flows for the financial year from October 1, 2022 to September 30, 2023 and 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, 2022 to September 30, 2023.

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, 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, 2023, and of its financial performance for the financial year from October 1, 2022 to September 30, 2023, 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, and 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 those principles. 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 business 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 of 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.
- 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.

Cologne, December 19, 2023

KPMG AG Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Stollenwerk
Wirtschaftsprüferin
German Public Auditor]

Pütz
Wirtschaftsprüfer
[German Public Auditor]