Financial Report

Kirk Beauty One GmbH

as at September 30th 2016

Content

Content

The consolidated statements have been prepared in millions of euros (EUR m). Rounding differences may arise when individual amounts or percentages are added together.

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Disclosure Regarding Forward-Looking Statements

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

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

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

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

We urge 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 Annual Report, the following risk factors should be read carefully in connection with evaluating Douglas and its business and this Annual 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 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 "Disclosure Regarding Forward-Looking Statements."

Risks Relating to Our Market Environment and Business

We are exposed to changes in general economic and political conditions, in particular in Germany and France

We are exposed to changes in the economic conditions in the markets in which we operate, in particular Germany and France where we derive the majority of our sales, accounting for 70.7 percent of total sales in 2015/2016, and in our other core markets, which include the Netherlands, Italy and Poland. These economic conditions include levels of employment, inflation or deflation, real disposable income, interest rates, taxation, currency exchange rates, the availability of consumer credit, levels of consumer debt, consumer confidence, consumer perception of economic conditions and related willingness or ability to spend, all of which are beyond our control.

Since 2008, the macroeconomic environment has been marked by the global financial and economic crisis and the European sovereign debt crisis. The crises affected consumer confidence and, accordingly, consumer spending in the European selective beauty market, mainly in Southern Europe and in particular Spain. Future negative economic developments in the global economy, the Eurozone or the countries in which we operate could have an adverse impact on the European selective beauty market in general or in the countries in which we operate and, as a result, consumers may change their purchasing habits and buy more affordable products than those on offer in the selective beauty market, which could have a material adverse effect on our business, results of operations and financial position.

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

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

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

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

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

The Internet, including the dissemination of information via social media, is becoming increasingly important and is changing the role of stationary retail. As a result, we are currently re-evaluating our offerings and the way we communicate with our customers. For example, footfall in the stationary retail business has been decreasing in recent years due to changes in shopping behavior. In particular, there has been a diversion of sales from stationary stores due to continuous increases in the proportion of sales through e-commerce channels. If we fail to adapt our offerings and the way we communicate with our customers to meet such trends then this could have a material adverse effect on our business, results of operations and financial position.

E-commerce enables consumers to quickly compare different online suppliers and their prices and increases the risk that we may lose sales to other e-commerce retailers. In addition, we may continue to be faced with the relatively high fixed costs relating to the leases of our stationary stores in prime locations, while achieving a lower level of sales from our stationary business due to increased e-commerce purchases by consumers. We may be unable to compensate any such reduced stationary sales with our e-commerce sales.

If we misjudge either the demand for the products and services, or our customers' purchasing habits and preferences, we may be faced with lower sales and excess inventories. As a result, we may be required to increase our promotional activities or mark down the price of unsold inventories and as a result face reduced liquidity levels and higher working capital requirements.

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

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

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

Any decrease in sales during peak selling periods, in particular during the Christmas season, could have a material adverse effect on our business and results of operations for a particular financial year. For example, unusual adverse weather conditions, a significant interruption in the supply of products (whether attributable to suppliers, the supply chain or logistics or other product delivery problems), or a sharp decline in consumer traffic in our store network during peak seasons, could materially affect sales during the relevant financial year.

Seasonal fluctuations also impact our working capital, liquidity levels and inventory. We incur additional expenses in the preparation for the increased demand we typically expect leading up to,

and around, the Christmas season and other peak selling periods and must carry a significant amount of inventory before such periods, which is also reflected in our liquidity (with a certain time lag due to the payment terms that we have agreed with our suppliers).

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

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

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

In addition, while many of these competitors currently compete with us only in certain segments of the beauty and personal care market, they may extend their offerings to compete with us more broadly in the future. In particular, drugstores, which currently mostly offer mass beauty and personal care products, could increase their range of selective products.

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

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

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

and financial position. In certain regional markets, low-cost competitors offering products at discount prices have in recent years gained substantial weight and continue to put pressure on our business.

In addition, we face the risk of increased competition from the so-called "grey market," *i.e.,* the sale of selective beauty products through channels other than the official channels explicitly allowed by the manufacturers. For example, selective products that are sold more cheaply in emerging or developing markets are reimported into established markets at lower prices. These products are typically offered at discounted prices that can be substantially lower than those of the selective distributors and could increasingly undermine the selective distribution channel on which our business model is based. These products can appear first in online/mobile searches for a particular product, for example through online price comparison tools. We also face increased competition from grey market products for our stationary business, especially when drugstores and discounters expand their selective offerings and source selective products from the grey market. These types of offerings sometimes also extend to counterfeit products.

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

The strength of the "Douglas" and the "Nocibé" brand (our "Douglas Nocibé Collection") or the brand products of our suppliers may deteriorate

Our success is dependent, to a large extent, on the strength and reputation of, and value associated with, the "Douglas" and the "Nocibé" brand (our "Douglas Nocibé Collection") and other smaller perfumeries brands owned by us, as well as the brands of our suppliers of selective or exclusive products.

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

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

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

Any such deterioration of the strength of our brands and products or the brand products of our suppliers could have a material adverse effect on our business, results of operations and financial position.

We depend on our suppliers to obtain a sufficient amount and variety of quality selective and exclusive products

We depend entirely upon third parties for the supply of the products that we sell. For example, in the financial year 2015/2016, in Germany, we sourced our products (including our exclusive products) from approximately 400 different suppliers, including domestic and international distributors and wholesalers. However, in that financial year, approximately two-thirds of purchasing volume, on a combined basis, related to products sourced from our top ten suppliers. Our top-50 suppliers accounted for approximately 90 percent of our total purchasing volume in Germany in the financial year 2015/2016.

Our supply chain is susceptible to various risks, including failure by our suppliers to deliver products due to operational or production disruptions, financial problems, labor issues, product quality issues, lack of raw material or other reasons. If one or more suppliers were to fail to deliver the products to us of adequate quality in time or at all, or if we fail to acquire, maintain or strengthen relationships with our suppliers, in particular with respect to selective products, our ability to obtain a sufficient amount and variety of products may be limited and may become insufficient to meet demand. There can be no assurance that additional or alternative suppliers will be available when required on terms that are acceptable to us. Furthermore, in such cases, we might need to make changes to our supply chain and enter into other business arrangements in order to ensure supply of quality products in a timely manner, which could result in additional costs and temporary supply shortages or disruptions. Additionally, any resulting prolonged negative impact on the quality of the products or services supplied to us could materially adversely affect our reputation and business.

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

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

Our inability to acquire products on terms and conditions acceptable to us in the future or at all, the loss of any of our largest suppliers or several smaller suppliers, any changes in exclusivity arrangements with one of our key suppliers or delays or a significant disruption to the supply chain

could have a material adverse effect on our business, results of operations and financial position and a negative impact on our competitive position.

We are subject to risks in connection with the quality and timely delivery of our "Douglas Nocibé Collection" and our relationship with the manufacturers of such products

A portion of our sales relate to our "Douglas Nocibé Collection" which we acquire from over 60 suppliers mainly in Germany, France, Italy and Asia. These suppliers generally also manufacture products for our competitors and their suppliers. Our agreements with the manufacturers of our "Douglas Nocibé Collection" which set forth the production and delivery of those products, are typically based on an order-by-order concept for each "Douglas Nocibé Collection" product or product line rather than long-term supply agreements and may typically be terminated with six-months' notice. In case an agreement with a "Douglas Nocibé Collection" product manufacturer is terminated, there can be no assurance that we will find other manufacturers that will be able to produce comparable replacement products for us at competitive prices or at all. In addition, we typically do not own the recipes to these products, and manufacturers may sell the same products to other retailers, who may offer them under a different brand and packaging. If those products were sold by other retailers under a different brand and packaging at a lower price, it could reduce our sales of the relevant products, which could have a material adverse effect on our business, results of operations and financial condition.

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

As we are the "responsible person" for our "Douglas Nocibé Collection" products within the context of the applicable European regulations on product safety applicable to cosmetics, any quality defect could lead (on the basis of EU law or similar applicable national laws) to substantial customer claims, administrative or criminal proceedings, penalties or similar. We could also face damage to our own brands' reputation.

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

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

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

In addition to our stationary sales, we also sell products via our e-commerce platform, and our success is, among other factors, dependent on our ability to maintain attractive online shops, continue to expand our online and mobile presence, generate e-commerce traffic and convert this traffic into sales.

Our e-commerce operations are subject to a number of risks, including reliance on third parties for computer hardware, software, services and support, the need to keep up with rapid technological change and the implementation of new systems and platforms, as well as the risk that our

e-commerce platform or any of our online shops may become unstable, unavailable or subject to cyber-attacks or that customer data may be misappropriated.

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

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

We use e-mail to promote our products or marketing messages. The delivery of such e-mails and messages may fail or be delayed for technical reasons, customers may not take note of them or they may be marked as "spam" or "junk." Actions by third parties to block, impose restrictions on or charge for the delivery of e-mails or other messages, as well as legal or regulatory changes limiting our right to send such messages or imposing additional requirements on us in connection with them, could impair our ability to communicate with our customers using e-mail or other means. In addition, certain customers may be dissatisfied when exposed to too many advertising campaigns or newsletters and to what they may consider to be e-mail or text message "flooding."

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

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

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

Furthermore, our success, in particular with respect to our e-commerce sales, depends on our ability to continuously improve our technological platform and to develop new applications in line with the technological development and trends in order to remain competitive. For example, the introduction of new payment solutions may entail substantial costs and effort and there is no guarantee that such new solutions will be accepted by customers, which may result in frustrated expenses. We may fail to adopt and apply new technological advances in a timely manner, or experience difficulties or compatibility issues.

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

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

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

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

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

Furthermore, certain advertising or marketing methods currently used by us may become less effective or legally restricted in the future. In addition, changes to the terms and conditions of social networking services as well as changes to search algorithms of online search engines could limit our promotional capabilities, and there could be a decline in the use of such social networking services by customers and potential customers in the future.

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

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

Part of our growth strategy includes increasing the number of our stationary stores through new store openings, acquisition of smaller competitors and, to some extent, through the expansion of our franchise program. However, we may not be able to implement our growth strategy successfully or at the envisaged pace if we fail to identify and lease attractive store locations on acceptable terms, attract and hire skilled sales staff or implement the required infrastructure. We may also face difficulties in obtaining adequate financing to fund expansion. Consequently, the intended increase of our stationary market share may fail to materialize.

The success of new stores may also be affected by our failure to correctly estimate customer demand for stationary store sales. In addition, the opening of additional franchised stores

depends, in part, upon the availability of prospective franchisees who meet our criteria. If we fail to add new stores to our network, this could adversely affect our ability to increase our sales.

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

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

Moreover, we have explored different product offerings beyond our core beauty focus and we plan to continue to develop selected non-core product offerings in the future. There can be no assurance that we will be successful in expanding into areas beyond our core beauty portfolio, that any new product categories will perform as expected, and that the investments incurred in connection with such expansion will be recovered. In addition, our existing or new competitors may also target these segments and may be able to pre-empt some of our expansion plans. Furthermore, our plans to grow our business, among others, through the growth of products sold under our own brands, may result in our taking greater risks on holding inventory. If we are left with excess inventory of our "Douglas Nocibé Collection" products, due to such products' failure to meet customers' tastes or preferences or for other reasons, we may not be able to make arrangements with the suppliers of these products to dispose of the excess inventory or offset all or part of the costs incurred.

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

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

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

In the past, we have strategically pursued acquisitions and entered into participations in order to expand our footprint and operations. Such activities include both large-scale acquisitions, as well

as smaller bolt-on acquisitions across different countries with the aim of strengthening our presence and market position in the respective jurisdictions.

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

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

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

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

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

We may face certain risks in connection with divestitures, such as the sale and transfer of the Confectionery Business to a third party in 2014 and the sale and transfer of our former operating businesses, the Books Business, the Jewelry Business and the Fashion Business, to separate direct subsidiaries of AI Beauty as of September 30, 2014.

Douglas Group still remains party (as lessee) to a substantial number of lease agreements relating to stores of the Non-Acquired Business ("Non-Acquired Business Lease Agreements") and others. Regarding the Non-Acquired Business sub-lease agreements are in place between Douglas as sub-lessor and the respective Thalia, Appelrath, Christ or Hussel companies operating the respective store as sub-lessee. Such sub-lease agreements mirror to the largest extent possible the terms of the external Non-Acquired Business Lease Agreements. Douglas has further issued, in its capacity as former parent company of the Non-Acquired Business, certain letters of comfort and guarantees in favor of lessors under certain lease agreements entered into by Thalia, Appelrath, Christ and Hussel companies as lessee ("DHAG Parent Securities"). As of September 30, 2016, the present

value of the basic rental charge for the Non-Acquired Business was €50.4 million and the aggregate amount of the DHAG Parent Securities was €1.2 million.

The agreements relating to the disposal of the Non-Acquired Businesses provide that the parties thereto shall use commercially reasonable efforts to effect an assumption of the Non-Acquired Business Lease Agreements by the relevant Non-Acquired Business and to obtain any required consent of the relevant lessors and that the respective purchaser is obliged to indemnify Douglas and all of its affiliates from any and all claims, losses, costs, fees, charges or damages resulting from or arising in connection with the Non-Acquired Business Lease Agreements or the DHAG Parent Securities. In addition, the Sellers are obliged to indemnify the Senior Secured Notes Issuer under the Acquisition Agreement from such obligations if they cannot be collected under the respective disposal agreements. This indemnity is subject to certain limitations and risks as described in "*Risk Factors—Risks Related to the CVC-Transactions*." While Douglas has been able to achieve a transfer of Non-Acquired Business Lease Agreements to Non-Acquired Businesses with full release for Douglas in a number of cases and reached agreement on such transfer in many other cases, not all lessors have granted or will grant the required consent for such transfer and release and Douglas will therefore remain responsible for fulfillment of the obligations under the Non-Acquired Business Lease Agreements concerned. Compared to the previous year, the number of these obligations and the resulting risks could be reduced, but if and to the extent the relevant Thalia, Appelrath, Christ and Hussel companies no longer perform (or are no longer able to perform) their obligations under the corresponding sub-lease agreements, Douglas may not be able to sub-lease the premises concerned to third parties at the same economic terms as applicable under the Non-Acquired Business Lease Agreement concerned, which could have a material adverse effect on its business, results of operations and financial condition. Further, Douglas has incurred or will incur certain payment obligations to lessors as compensation for the transfer of Non-Acquired Business Lease Agreements to Non-Acquired Businesses or has granted or will have to grant certain guarantees in favor of lessors in connection with such transfer.

For the Non-Acquired Business, Douglas was and continues to be a party to transitional services agreements between Group companies and the divested companies. Douglas intends to gradually reduce the extent of these services and to achieve a phase-out within the next few years. As of September 2016 Douglas manages the leases for the Non-Acquired Business. If and to the extent the divested companies no longer perform (or are no longer able to perform) their obligations (in particular their payment obligations) under these transitional services agreements, Douglas will have the risk of suffering a shortfall in revenues which could have a material adverse effect on its business, results of operations and financial condition.

Douglas may face certain risks in connection with the divestiture of our perfumeries business

We may be unable to accurately anticipate all obligations resulting from retreating our business activities from certain countries, e.g. in the current business year Douglas is retreating from the Turkish market. Therefore, authorities have to be informed, contracts need to be terminated, final balances have to be drawn up and the corresponding costs and subsequent costs have to be calculated. As a consequence it is possible that not all influencing factors have been taken into account or have been correctly assessed. Therefore the withdrawal from a country may have further or unrecognized financial impact to our business.

Our reorganization measures may not achieve the expected results

We have carried out several reorganization measures in the past few years.

We have also recently undergone internal restructurings and reorganizations, such as the relocation of the Head Quarter to Düsseldorf. This may lead to departure of certain employees and the loss of staff may lead to a loss of know-how. Furthermore productivity will be decreased due to the training of new colleagues. We may carry out further reorganization measures from time to

time. Such measures entail costs, may divert management's attention from our daily business and/or strategic business decisions, and may otherwise be disruptive to our business. In addition, there can be no assurance that such reorganization measures may lead to the expected efficiency improvements or cost savings, or be completed within the planned timeframe. Furthermore, any such reorganization process may have a disruptive effect on our work force. Any of these factors could have a material adverse effect on our competitive position, profitability and growth, and thus on our business, results of operations and financial position.

We may be unable to manage our growing business activities effectively

On a net basis, our stationary store network grew by 381 stores (excluding franchised stores) between October 1, 2011 and September 30, 2016. At the date of this report we also operate online shops in 17 countries, including several stores that were launched during the past few years. We cannot guarantee that opening or acquiring additional stationary stores will not adversely affect our existing stores' operations or that our strategy of adding new stores to our network will be profitable.

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

In addition, our growth could make it difficult for us to adequately predict the expenditures we will need to make in the future. This growth could also impact the operational flexibility of the supply chain organization and impair our ability to react promptly to changing customer demands and new market trends. If we do not make the necessary capital or other expenditures to accommodate our future growth, we may not be successful in our growth strategy. Continued growth could also strain our ability to maintain reliable service levels for our customers and to develop and improve our internal controls.

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

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

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

Our commercial leases typically provide for an adjustment of the rent due to changes in certain public indices. Such adjustments are intended to counteract inflation risks of long-term contracts. If the relevant indices increase at a higher rate compared to past performances, or if there are adverse changes in terms of calculations relating to such indices, rents linked to these indices will be adjusted at higher levels which could increase our expenses and have a negative impact on our profitability and results of operation which could have a material adverse effect on our business, results of operations and financial position. In addition, many of our lease agreements contain sales-related additional variable lease payments and hence, the ultimate level of our rent will depend on the level of our sales.

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

Sales from stationary stores accounted for about 88 percent of our sales for the financial year 2015/2016. Our stationary stores are typically located in prominent locations within shopping centers and town centers. Our sales at these stores are dependent, to a significant extent, on the volume of customer traffic in such retail destinations and the surrounding areas. This in turn benefits and is dependent on the ability of other retailers in those destinations to generate customer traffic in the vicinity of such stores.

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

The decrease in footfall as a result of these or other factors constitutes a major challenge for the like-for-like growth of our stationary business. The realization of any of these risks could have a material adverse effect on our business, results of operations and financial position.

We may be unable to effectively manage our costs and inventories

Our profitability depends on our ability to effectively manage operating costs, including the implementation of cost-control programs relating to store leases and operations, cost-effective purchasing programs for the products sold, the optimization of personnel costs, achieving central overhead cost synergies and improving supply chain and inventory management. Our cost structure may be negatively affected by cost increases, in particular those relating to rental, electricity and personnel costs, as well as transportation and logistics costs, among others. In particular with respect to transportation costs, we have experienced such costs increases in a significant manner in recent financial years.

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

If we are unable to continue to achieve these economies of scale and cost efficiencies due to fluctuations in our operating costs or for other reasons, this could also have a negative impact on our results of operations. In addition, if we fail to effectively manage our operating costs or

inventory stocks, our profitability and growth could be adversely affected, which could have a material adverse effect on our business, results of operations and financial position.

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

The continuous optimization of our procurement and logistics processes significantly impacts our operational performance. The demands on logistics have continued to rise, especially with the growing e-commerce business and the increasing interlinking of stationary stores and e-commerce platforms.

We run some of our inbound and outbound logistic processes in-house, dealing with logistics from our warehouses to our stores, and also co-operate with a few logistic partners who, for example, run our e-commerce distribution center in Germany, our cross-docking centers in foreign countries, and ship our products to our stores and directly to our e-commerce customers. In some of our regional markets, it may be difficult to replace our current logistics providers due to a lack of alternative offerings at comparable prices and/or service quality and we may face higher costs when an existing logistics contract is renewed or replaced. Furthermore, all but one of our main warehouses are leased or operated by third party warehouse service providers, and some of the relevant leases and service agreements will expire within the next two years. For further information about our leases and sevice agreements, please refer to "*Business – Real Estate and Leases*". If we are unable to renew the respective leases or services agreements, it may be difficult for us to lease suitable alternative locations on favorable terms, and any new leases may involve changes to our logistics organization as well as increases in lease payments and other costs.

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

In addition, the delivery of the products that we sell (both the delivery to our stationary store network as well as to customers who purchased the products via our e-commerce platform) could be delayed or fail due to technical problems, strikes or force majeure, including adverse weather conditions. Furthermore, any major operational disruptions or accidents in our warehouses and centers, and any breakdowns or disruptions of the operations of our suppliers, might significantly impact our ability to distribute products and maintain an adequate product supply chain and in-store inventory. In addition to delivery disruptions, our business could be negatively affected if we receive damaged goods from our suppliers.

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

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

Our success also depends on the continuous and uninterrupted availability and quality of our information technology ("IT") systems and the relevant data. This data includes orders and other customer transactions, to manage inventory, to purchase and ship the products that we sell, and to effectively manage the operations of our stationary stores and e-commerce platform. We also depend on our IT systems to be able to effectively manage our customer relationships. With technological advances, greater networking and an increasing integration of business processes, the need for the permanent availability of our IT systems has become even more critical.

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

The risk of disruption to our IT systems cannot be entirely eliminated. Such disruptions may result from a range of factors, including events beyond our control, such as telecommunication problems, software errors, hardware failures, power outages or damages, user errors, inadequate capacity at IT centers, computer viruses, attacks by hackers or other third parties or other security issues, fire or natural disasters. Any material disruption or slowdown of our IT systems could cause information, including data related to customer orders, to be lost or delayed, and functionalities to be interrupted, both of which could disrupt our ability to market, offer and sell our products, as well as our ability to track, record and analyze the sales of our products, which could negatively impact our operations and result in lost sales, in particular if occurring in one of our peak selling periods. In addition, our business could be adversely affected if changes in technology cause our IT systems to become obsolete or outdated or if our IT systems are inadequate to handle our growth. Any of these factors could have a material adverse effect on our business, results of operation and financial position.

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

The success of our business depends significantly on our ability to retain senior management, other qualified managers and employees in key positions, many of whom have many years of experience and specialized expertise in our business. Competition for qualified, motivated personnel is intense, and we may not be able to attract and retain a sufficient number of qualified personnel in the future.

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

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

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

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

In addition, since the business is labor intensive, maintaining good relationships with our employees, unions and other employee representatives is crucial to our operations. Any deterioration of such relationships in the future or any material work stoppages, strikes or other types of conflicts with labor unions or our employees could have a material adverse effect on our business, results of operations and financial position. Occasionally, works councils were established on the operational level and it cannot be excluded that further entities or regions may follow.

We may not be able to prevent theft fraud or abuse of properties and resources

Despite the presence of a well-defined and well-documented and widespread internal control system (ICS) we may be confronted with cases of internal and external fraud, theft or the abusive usage of our resources, like products, vouchers, bonuses or systems.

Non-compliance of Internal control mechanisms like the 4-eyes-principle may lead to serious damage in finance and reputation. Further we could be subject to unwanted data leakage or even intentional transfer of business secrets (e.g. insider trading).

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

As of September 30, 2016, we had intangible assets totaling €2,560.0 million. The intangible assets mainly consisted of goodwill, the "Douglas" brand, the "Nocibé" brand and certain leasehold interests and similar rights. We determine the value of the intangible assets in accordance with applicable accounting principles and distinguish between amortizable intangible assets, such as leasehold rights, and non-amortizable assets, such as goodwill.

With respect to intangible assets that are not amortized, an impairment loss may have to be recognized if the expectations on which the current carrying amounts are based are not fulfilled and the recoverable amount of any cash generating unit is less than the Group's carrying amount, such as if market and industry conditions deteriorate or interest rates rise.

In performing impairment tests of assets, such as goodwill and other intangible assets, including our main brands, management considers several assumptions and carries out analyses that are based on projections and judgments. Economic downturns, including deteriorating economic conditions in the industries and regional markets in which we operate, as well as legal, regulatory, competitive, contractual and other factors may affect these assumptions and therefore the value of our assets. Recognition of an impairment charge would reduce our reported assets and earnings. We did not have any goodwill impairments as of September 30, 2016. However, we recorded impairments on property, plant and equipment in the last three financial years, in each case triggered by on-going negative contribution margins of certain stores and intended store closures. We cannot predict whether further future impairment charges may become necessary.

An impairment loss with respect to intangible assets and/or deferred tax assets may have a material adverse effect on our net assets, financial position and results of operations.

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

We currently offer different payment methods tailored to meet our local customers' payment preferences, both in our stationary stores and online shops including cash, credit or debit card, gift cards, the Douglas card, PayPal, direct deposit, online bank transfer, direct debit and checks. Payments in transit using certain of these payment methods, as well as cash registers, are taken into account when calculating net leverage ratios pursuant to the indentures governing the Notes as well as other of our financing arrangements.

We face the risk of operational failures during the check-out process in our e-commerce platform relating to the complexity of certain payment methods. Such difficulties could adversely affect our conversion rate which is the proportion of site visitors that actually complete the purchasing process. We may also become subject to additional or changing regulations regarding certain payment methods, such as the operating rules and certification requirements of payment scheme associations and rules governing electronic funds transfers, which apply to credit and debit cards, whether in general or in a particular country in which we operate. We may also become subject to more stringent or complex compliance requirements, for example with respect to certain of our

gift cards. For certain payment methods, such as credit and debit cards, we also pay interchange and other fees, which may increase over time and cause our expenses to rise.

Furthermore, customers may claim that purchases or payments were not properly authorized or were transmitted in error. We also face the risk that customers may have insufficient funds, and of various types of fraud or cyber-attacks. Any failure to avoid or limit losses from fraudulent transactions could damage our reputation and result in increased legal expenses and fees. In the case of invoicing and of customers paying with the Douglas card, 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. Under German law, the risk of an invalid transfer instruction by a customer, and thus the risk of abuse, lies generally with the retailer. Therefore, we could become liable for certain fraudulent credit card transactions, which could have a material adverse effect on our business, financial position and results of operations.

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

In the ordinary course of our business, we are exposed to a risk of theft of products in our stationary stores. Products may also be misappropriated during transportation or at our warehouses and logistic centers and those of our logistic partners. In addition, we may experience a misappropriation of funds in our stores or at other levels of our business.

Furthermore, we face the risk that customer data that we collect for marketing purposes may be stolen or misappropriated. In this case, customers may be discouraged from providing us with their data or our marketing or reputation could be negatively affected as a result.

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

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

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

We generate our sales and purchased merchandise predominately in Euros (more than 90 percent in the financial year 2015/2016) and to a limited extent also in a number of non-Euro currencies, such as the Polish zloty and the Swiss franc. Due to the expansion of our regional footprint, we expect the share of our sales and costs in non-Euro currencies to increase. Exchange rate fluctuations also affect the translated value of balance sheet and income statement positions of our Group companies outside the Eurozone, which are denominated in the relevant national currency, predominantly in Polish zloty, since these positions must be converted into Euro in connection with the preparation of our consolidated financial statements. As a result, exchange losses may arise due to this conversion. As we have not entered into currency hedging contracts, exchange rate fluctuations may have an adverse effect on our financial position.

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

Our insurance coverage could prove inadequate

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

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

If one or more claims exceed a certain aggregate amount in a given calendar year, insurers may increase the insurance premiums or the terms and conditions of our insurance coverage may become less favorable than at present. Our insurance costs may also increase over time in response to any negative development in our claims history or due to material price increases in the insurance market in general. There is no guarantee that we will continue to be able to obtain sufficient insurance coverage at commercially reasonable terms or at all.

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

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

We believe that many of our suppliers have traditionally taken out credit insurance to protect their receivables against the risk of bad debt, insolvency or protracted default of their buyers, including us. Credit levels available to us from our suppliers remain dependent on the general economic environment and our financial position. If there is a significant decrease in the availability of credit insurance to our suppliers, or if an increase in credit levels is administered too slowly or such insurance is withdrawn in its entirety, and if such suppliers are unwilling or unable to take credit risk themselves or find alternative credit sources, they may choose to reduce their credit exposure to us, for example by seeking to change their credit terms *vis-à-vis* our Group. Any such actions could have a material adverse effect on our cash position, lead to an increase in our indebtedness or have a negative impact on our product offerings and, thus, on our sales. This could have a material adverse effect on our business, financial position and results of operations.

Legal, Regulatory and Tax Risks

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

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

In addition, the sale, distribution and marketing of certain products that we sell, in particular, cosmetic products, are regulated. For example, with respect to certain of our ”Douglas Nocibé Collection” products, certain subsidiaries of our Group act as responsible persons for purposes of the European Cosmetic Products Regulation and may be subject to liability under this regulation. Furthermore, and irrespective of our designation as responsible persons within the meaning of the European Cosmetic Products Regulation, as a retailer we are subject to regulations regarding product safety and product liability under which we are obliged, *inter alia*, to monitor that the products we offer comply with general safety requirements and must adopt the necessary measures to avoid any safety threats, for example, by withdrawing unsafe products from the market, informing customers and recalling products that have already been supplied to customers to avoid being exposed to the risks of liability.

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

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

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

In addition, we are indirectly affected by changes in the laws, regulations, administrative actions and policies with which suppliers of our products, in particular the manufacturers of our ”Douglas Nocibé Collection” products, must comply. For example, the formulation, manufacturing, packaging, labeling, distribution, sale and storage of our suppliers’ products and our ”Douglas Nocibé Collection” products are subject to extensive consumer laws and regulations in different

jurisdictions, which may change or develop over time in a way that could have a material adverse effect on our business, financial position and results of operations.

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

We are subject to local and international laws and regulations governing the collection, use, retention, sharing and security of personal data. A failure to comply with applicable laws or regulations could have an adverse impact on our reputation and could lead to us becoming subject to penalties or claims, which could have a material adverse effect on our business and results of operations. The need to comply with data protection legislation is a significant controlling, operational and reputational risk which can affect us in a number of ways including, for example, making it more difficult to maintain and expand our marketing data and also through potential litigation relating to the alleged misuse of personal data. Regulation regarding data collection and data protection may also become stricter in the future. New laws, regulations or developments in this field and changes in consumer behavior could interfere with our strategies to use privacy-related information for our omni-channel marketing efforts and could also have an adverse effect on our business and results of operations.

Significant modifications in laws or regulations in countries in which we operate may consequently lead to us incurring higher costs or having to change our business practices. Also, compliance will become more complex and involve higher costs and the increasing risk of noncompliance may give rise to civil liability, administrative orders (including injunctive relief), fines or even criminal charges. For example, a proposed new regulation on data privacy issued by the European Commission in January 2012 (the "General Data Protection Regulation") will introduce substantial changes to the EU data protection regime, involving replacement of the current national data protection laws by a directly applicable EU regulation. As the law comes into effect on May 25, 2018, it will impose a substantially higher compliance burden on our business. In addition the regulation would foresee higher maximum level of fines than is currently the case for potential compliance failures. The proposed EU regulation continues to progress through the legislative process and it is not currently possible to assess its full potential impact.

We are exposed to the risk that our data could be wrongfully appropriated, lost or disclosed, or processed in breach of data protection regulation, by us or on our behalf. If we or any third party service providers on which we may rely fail to transmit customer information in a secure manner, or if any such loss of personal customer data were otherwise to occur, we could face liability under data protection laws. This could also result in the loss of our customers' goodwill and deter new customers.

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

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

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

Moreover, there can be no assurance that the introduction of new antitrust or competition laws in the jurisdictions that are relevant to our operations or the interpretation or enforcement of existing competition laws will not affect our business and operations in the future or will not

restrain us from making future acquisition or expanding our business, in the event we wish to do so in the future.

Furthermore, the use of selective distribution contracts, *i.e.,* contracts that require formal approval of the supplier for the product to be listed, effectively restricts competition by limiting the sale of cosmetics products almost exclusively to selective distribution channel retailers, is critical to our current business model. Selective distribution currently benefits from a specific legal framework provided by EU Regulation (No. 330/2010 (EC)). This regulation provides for an exemption from the prohibition of anti-competitive restrictions for selective distribution agreements, *i.e.,* agreements pursuant to which a supplier undertakes to sell only to distributors selected on the basis of specific qualitative and quantitative criteria. On the basis of EU Regulation No. 330/2010, selective distribution agreements are exempted as long as, in particular, the market share of both the supplier and the buyer does not exceed 30 percent and these agreements do not contain "hard core" restrictions of competition (*e.g.,* resale price maintenance or restrictions of active or passive sales to end-users by the members of the selective distribution network). See "*Business—Regulatory Environment*."

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

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

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

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

We are currently subject to several pending litigation proceedings including in connection with the adequacy of compensation to minority shareholders in relation to a squeeze-out of the minority shareholders in the Douglas Group, which became effective in July 2013. To cover any risks associated with these proceedings we have reserved an amount of €8.0 million. In addition, we are currently involved in litigation with a distributor, Passion Beauté, France, in relation to alleged acts of wrongful termination and breach of contract of our affiliation agreement with Passion Beauté. As of September 30, 2016, we have reserved €1.5 million in relation to this dispute.

We are also subject to legal proceedings against several lessors in Austria who claimed increased rent as a consequence of the alleged triggering of change of control provisions due to two indirect changes of control in Douglas Austria in 2012/2013 and 2014/2015.

As of September 30, 2016, we have reserved for any potential rent increase in connection with the change of control in Douglas Austria in 2012/2013 and in 2014/2015 an amount of €1.1 million.

If we are unsuccessful in defending any current or future claims, also in the connection with other legal disputes, not described above, we may incur liabilities in excess of the reserved amounts in the future. This could have a material adverse effect on our business, financial position and results of operations.

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

The market for the products and services that we offer depends to a significant extent upon the value associated with their respective brands. Therefore, our commercial success depends on our and our suppliers' ability to successfully defend our and their intellectual property, including trademarks, know-how, customer lists and domain names, including the ability of franchised stores to operate in a manner consistent with our required standards and guidelines in this area.

In particular, we own a portfolio of trademarks, including word trademarks and word/device trademarks used by companies in our Group and by franchisees, domain names, and some design rights. In particular, the trademarks that protect the designation "Douglas" as well as the trademark "Nocibé" are important to us. Furthermore, we use some smaller local (sub-)brands or company symbols to differentiate our offering and address different target groups, for example, Schnitzler (targeting luxury, high-end customers in Düsseldorf, Germany), HELA (targeting more price-sensitive customers mainly in Munich, Germany) and Les Bellista by Nocibé (targeting trendy, younger customers in France). With respect to several of the registered trademarks, we have entered into co-existence agreements and prior rights agreements for specific countries or situations. Regarding domain names, in particular "douglas.de", and the top-level domains for other countries, in particular those in which we operate an online shop, play an important role in our business operations. We do not own the recipes or intellectual property rights relating to our "Douglas Nocibé Collection" products, which are manufactured by third parties.

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

If we do not have or cannot obtain or maintain on reasonable terms the ability to use our "Douglas" or "Nocibé" trademarks, or any other significant brand in a particular country, or to use or register "Douglas" for a certain domain name, we could be forced either to incur significant additional expenses to market our products within that country, including the development of a new brand and the creation of new promotional materials and packaging, or to elect not to sell products in that country. Furthermore, the regulations governing domain names and laws protecting marks and similar proprietary rights could change in ways that block or interfere with our ability to use relevant domains or our current brands. In addition, we may not be able to prevent third parties from registering, using or retaining domain names that interfere with our

customer communications or infringe or otherwise decrease the value of our trademarks, domain names and other proprietary rights. Regulatory bodies may establish additional generic or country-code top-level domains or may allow modifications of the requirements for registering, holding or using domain names. As a result, we may not be able to register, use or maintain the domain names that utilize the name "Douglas" (or "Nocibé", currently for France) in all of the countries in which we currently conduct business or intend to conduct business in the future.

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

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

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

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

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

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

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

the legal framework, particularly through case law. A change in the legal framework could have a material adverse effect on our business, financial position and results of operations.

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

Our tax burden is dependent on certain aspects of the tax laws across several different jurisdictions and their application and interpretation. Changes in tax laws or their interpretation or application or changes in the amount of taxes imposed on companies could increase our future tax burden. As a result of current or future tax audits or other review actions by the relevant financial or tax authorities, our internal tax assessments, including our interpretation and application of tax laws, could be revised and/or additional taxes, including interest and penalty payments or social security payments, could be assessed in relation to future or previous tax assessment periods which could lead to an increase in our tax obligations, either as a result of the relevant tax payment being assessed directly against us or as a result of our becoming liable for the relevant tax as a secondary obligor due to the primary obligor's (such as, for example, an employee) failure to pay. This may be due to an interpretation or view of laws and/or facts by tax authorities in a manner deviating from our view.

Due to our international focus, we are exposed to tax risks, in particular with regard to transfer pricing rules that apply in several jurisdictions and, in relation to cross border business relationships. Pursuant to such rules, related enterprises are obligated to conduct any inter-company transactions on conditions which would also apply among unrelated third parties concluding comparable agreements (so-called "at arm's length principle") and to provide sufficient documentation thereof, subject to the rules applicable to them in the relevant jurisdiction. The possibility that the tax authorities will challenge our compliance with applicable transfer pricing rules cannot be ruled out. Furthermore, transfer pricing risks may increase in the future as intra-group cross-border business grows, in particular relating to our increasing sales of "Douglas Nocibé Collection" products. Furthermore, changes to the Competitiveness and Employment Tax Credit in France (*Credit d'impôt compétitivité et emploi*, or "CICE"), including changes in the conditions or requirements thereunder or the accounting of tax treatment thereunder, may result in the decrease or elimination of the expected positive impact of the CICE on our results of operations.

The Company as well as the German and other foreign subsidiaries within the Douglas Group are subject to tax audits by the respective tax authorities on a regular basis. The recent tax audits of the German companies of the Douglas Group comprised the financial years from 2009/2010 to 2014/2015. Nocibé France Distribution, a subsidiary of Nocibé, was subject to a tax audit covering the financial years ended on December 31, 2012 and December 31, 2013. The tax auditor finalized the review in July 2015 and assessed additional taxes to be paid and penalties in the amount of approximately €2.63 million. Nocibé France Distribution submitted their response in September 2015 objecting to the conclusions of the tax auditor. A tax audit of Parfumerie Douglas France covering the financial years from 2012/2013 to 2013/2014 is currently underway. A protest against the finding and statement was filed. Parfumerie Douglas France is an entity that was merged into Nocibé France Distribution on September 30, 2015.

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

Our corporate structure has been, and may be in the future, subject to reorganization measures (for example, transfer of subsidiaries, carve-outs or mergers). We may not be aware of a certain tax issue or that the tax authorities will question some or all of the positions that we have taken and,

consequently, additional taxes may be assessed or tax assets be challenged. Furthermore, due to our international operations, we are exposed to risks arising from the application of international tax concepts used for the purpose of allocating taxing rights between countries, for example the concept of permanent establishment as used, *inter alia*, in OECD model treaties. In particular, our business activities outside Germany might inadvertently trigger taxing rights of foreign countries (*e.g.,* due to a representative's permanent establishment), leading to additional tax burdens for us.

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

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

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

As of September 30, 2016 we operate in 19 countries, including in certain developing countries with less stable political, legal and regulatory regimes as well as inconsistent enforcement of laws and regulations, and have a number of employees of 17,721. Moreover, we have limited influence over the day-to-day operations of our franchised stores (primarily in France), as well as our suppliers. This inherently creates a risk that applicable legislation and regulations may be breached. Such behavior could lead to further legal proceedings against us, fines, sanctions, additional tax liability, court orders affecting future conduct, forfeiture of profits, rescission of existing contracts, exclusion from certain businesses, loss of trade licenses or other restrictions, which, in turn, might limit our ability to pursue strategic projects and transactions that may be important for the business and which could have a material adverse effect on our business, financial position and results of operations.

Employees may not act in compliance with applicable statutory provisions (including antitrust regulation, anti-corruption legislation as well as data protection laws) and internal guidelines and we may face the risk that penalties or liabilities may be imposed on us or that our business will be adversely affected as a result of such non-compliance. Thus, our compliance system and monitoring capabilities may not be sufficient to prevent violations of legal provisions and internal guidelines, to identify past violations or prevent damages from fraud or similar crimes in the Group.

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

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

Risks Related to our Financing

Our substantial leverage and debt service obligations could adversely affect our business and prevent us from fulfilling our obligations with respect to the Notes and the Note Guarantees

As a result of the Financing, we are highly leveraged. As of September 30, 2016, we had external borrowings of €2,005.5 million, including €1,370.0 million drawn under the Term Loan B Facility. The terms of each of the Senior Secured Credit Facilities Agreement, Senior Secured Notes Indenture and the Senior Notes Indenture allow us to incur substantial additional indebtedness, including in respect of committed borrowings of up to €200.0 million under the Revolving Credit Facility of which we utilized approximately €11.8 million as of September 30, 2016 for outstanding letters of credit.

Our substantial leverage could have important consequences to holders of the Notes, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes;
- increasing our vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures, product research and development or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, including the Notes.

We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to pursue business opportunities and activities

Each of the Senior Secured Notes Indenture and the Senior Notes Indenture restricts, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of the Senior Notes Issuer or its restricted subsidiaries;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to, and on the transfer of, assets to the Senior Secured Notes Issuer or the Senior Notes Issuer, as the case may be;
- sell, lease or transfer certain assets, including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities; and
- impair security interests for the benefit of the holders of the relevant Notes.

These limitations are subject to significant exceptions and qualifications. See "*Description of Certain Financing Arrangements – Senior Secured Notes - Certain Covenants*" and "*Description of Certain Financing Arrangements – Senior Notes - Certain Covenants*." The covenants to which we

are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

In addition, we are subject to the affirmative and negative covenants contained in the Senior Secured Credit Facilities Agreement. In particular, the Senior Secured Credit Facilities Agreement requires us to maintain a specified financial ratio if the revolving credit facility thereunder is drawn for more than 40 percent on a financial quarter end date. Our ability to meet this financial ratio can be affected by events beyond our control, and we cannot assure you that we will meet it. A breach of any of those covenants or restrictions could result in an event of default under our Senior Secured Credit Facilities Agreement. Upon the occurrence of any event of default under our Senior Secured Credit Facilities, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the facilities and elect to declare all amounts outstanding under the Senior Secured Credit Facilities, together with accrued interest, immediately due and payable. In addition, any default or acceleration under the Senior Secured Credit Facilities could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the Indentures for the Senior Secured Notes and the Senior Notes. If our creditors, including the creditors under our Senior Secured Credit Facilities Agreement, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay the Senior Secured Notes or the Senior Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could proceed against any collateral granted to them to secure repayment of those amounts.

We will require a significant amount of cash to meet our obligations under our indebtedness and to sustain our operations, which we may not be able to generate or raise

Our ability to make principal or interest payments when due on our indebtedness, including the Senior Secured Credit Facilities and our obligations under the Senior Secured Notes and the Senior Notes, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal, regulatory and other factors, as well as other factors discussed in these "*Risk Factors*," many of which are beyond our control. Our Senior Secured Credit Facilities Agreement provides for a term loan facility which will mature in 2022. The Senior Secured Notes also will mature in 2022 and the Senior Notes will mature in 2023. See "*Description of Certain Financing Arrangements*" - "*Senior Secured Notes*" and "*Senior Notes*." At the maturity of these loans, the Senior Secured Notes, the Senior Notes and any other debt which we incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, or we are otherwise restricted from doing so due to corporate, tax or contractual limitations, we may be required to refinance our indebtedness. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to reduce or delay our business activities or capital expenditures, sell assets or raise additional debt or equity financing in amounts that could be substantial. The type, timing and terms of any future financing will depend on our cash needs and the prevailing conditions in the financial markets. We cannot assure you that we will be able to accomplish any of these measures in a timely manner or on commercially reasonable terms, if at all. In addition, the terms of our Senior Secured Credit Facilities Agreement, the Senior Secured Notes Indenture, the Senior Notes Indenture and any future debt may limit our ability to pursue any of these measures.

Despite our current level of indebtedness, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our businesses

We may incur substantial additional debt in the future. Any debt that our subsidiaries incur could be structurally senior to the Notes, and other debt could be secured or could mature prior to the

Notes. In addition, such debt could be incurred on a basis senior to the guarantees of the Senior Notes. Although the Senior Secured Credit Facilities Agreement and the Indentures will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If new debt is added to our and our subsidiaries' existing debt levels, the related risks that we now face would increase. In addition, the Senior Secured Credit Facilities and the Indentures will not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

The loans under our Senior Secured Credit Facilities Agreement bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow

The loans under our Senior Secured Credit Facilities Agreement bear interest at floating rates of interest per annum equal to LIBOR or EURIBOR, as adjusted periodically, plus a margin. These interest rates could rise significantly in the future. Although we entered into certain interest rate hedging arrangements designed to fix a material portion of these rates, there can be no assurance that hedging will continue to be available on commercially reasonable terms. To the extent that interest rates were to increase significantly, our interest expense would correspondingly increase, reducing our cash flow.

Our interest rate hedging agreements may expose us to credit default risks and potential losses if our counterparties fall into bankruptcy

We have entered into interest rate hedging agreements to hedge a material portion of our exposure to fluctuations in interest rates, primarily under the Senior Secured Credit Facilities. Under these agreements, we are exposed to credit risks of our counterparties. If one or more of our counterparties falls into bankruptcy, claims we have under the cap agreements may become worthless. In addition, in the event that we refinance our debt or otherwise terminate hedging agreements, we may be required to make termination payments, which would result in a loss.

Market perceptions concerning the instability of the Euro, the potential re-introduction of individual currencies within the Eurozone, or the potential dissolution of the Euro entirely could have adverse consequences for us with respect to our outstanding debt obligations, such as the Notes, that are Euro-denominated

As a result of the credit crisis in Europe, in particular in Greece, Italy, Ireland, Portugal and Spain, the European Commission created the European Financial Stability Facility (the "EFSF") and the European Financial Stability Mechanism (the "EFSM") to provide funding to Eurozone countries in financial difficulties that seek such support. Despite these measures, concerns persist regarding the debt burden of certain Eurozone countries and their ability to meet future financial obligations, the overall stability of the Euro and the suitability of the Euro as a single currency given the diverse economic and political circumstances in individual Member States. These and other concerns could lead to the re-introduction of individual currencies in one or more Member States or, even possibly, the dissolution of the Euro entirely. Should the Euro dissolve entirely, the legal and contractual consequences for holders of euro-dominated obligations and for parties subject to other contractual provisions referencing the Euro such a supply contracts would be determined by laws in effect at such time. These potential developments, or market perceptions concerning these and related issues could have adverse consequences for us with respect to our outstanding debt obligations that are Euro-denominated, such as the Notes, and, as we have a substantial amount of debt denominated in Euro, our financial condition may be materially affected.

Furthermore, the Indentures and our Senior Secured Credit Facilities contain covenants restricting our and our subsidiaries' corporate activities. See *"Risk Factors - We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs and to*

pursue business opportunities and activities." Certain of such covenants impose limitations based on Euro amounts (e.g., the amount of additional indebtedness we or our subsidiaries may incur). As such, if the Euro were to significantly decrease in value, the restrictions imposed by these covenants would become tighter, further restricting our ability to finance our operations and conduct our day-to-day business.

Risks Related to the CVC-Transactions

The interests of our shareholders may conflict with the interests of the holders of the Notes and the Shareholders Agreement could impose operating and financial restrictions on our business

The interest of our shareholders could conflict with the interests of investors in the Notes, particularly if we encounter financial difficulties or are unable to pay our debts when due. The shareholders could cause us to pursue acquisitions or divestitures and other transactions or make large dividend payments (subject to limitations set forth in the Indenture) or other distributions or payments to them as the shareholders, even though such transactions may involve increased risk for the holders of the Notes. In addition, the shareholders may, in the future, own businesses that directly compete with ours. Furthermore, no assurance can be given that the shareholders will not sell all or any part of their respective shareholdings at any time nor that either of them will not look to reduce their respective holding by means of a sale to a strategic investor, an equity offering or otherwise.

We may not be able to enforce the indemnity AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l. have provided to us, and we are exposed to the credit risk of AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l.

In connection with the Acquisition, AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l., as the sellers, granted certain warranties to us and agreed to compensate us for certain damages arising from breaches of warranties and indemnify us for certain liabilities, in each case subject to certain limitations. Certain funds indirectly invested in AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l. have agreed to provide a guarantee for parts of the potential claims against AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l. in case they cannot be recovered from them. However, there can be no assurance that we will be able to enforce our potential claims under the warranties or indemnities against AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l. or against such funds. Moreover, even if we ultimately succeed in recovering any damages or amounts for which we are held liable by third parties from AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l., we may temporarily be required to bear these losses ourselves. In addition, our ability to enforce our claims under the warranties and indemnities against AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l. are dependent on the creditworthiness of AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l. at the time we seek to enforce our claims, and there can be no assurances regarding the financial condition of AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l. in the future. The same applies also to any claims under the guarantee from the funds. Moreover, the claims for breach of warranties and indemnities from AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l. are subject to significant limitations.

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

Investors should read the following "Management's Discussion and Analysis of Financial Condition and Results of Operations" 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 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 taken from our Audited Consolidated Financial Statements. Our Audited Consolidated Financial Statements are presented in the F-pages (F1 to F59). The financial information represented in the following text is partly based on these audited financial statements and partly based on unaudited financial information. The column entitled "Aggregated" is calculated as sum of the financial period October 1, 2014 to July 31, 2015 and the financial period April 10, 2015 to September 30, 2015. All of the financial data presented in the text and tables below are shown in millions of Euro, except as otherwise stated. Certain financial data (including percentages) in the following tables have been rounded according to established commercial standards, whereby aggregate amounts (sum totals, sub-totals, differences or amounts put in relation) are calculated based on the underlying unrounded amounts. As a result, the aggregate amounts in the following tables may not correspond in all cases to the corresponding rounded amounts contained in the following tables. Furthermore, in those tables, these rounded figures may not add up exactly to the totals contained in those tables. In respect of financial data set out in this financial report, a dash ("—") signifies that the relevant figure is not available or not applicable, while a zero ("0") signifies that the relevant figure is available but has been rounded to or equals zero.

We have a complex financial history reflected by various sets of financial statements contained in this financial report.

Selected Factors Affecting Results of Operations and Financial Position

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

General information concerning the Douglas Group

The Kirk Beauty One GmbH ("Douglas", "Douglas Group", the "Company", the "Group") is a German limited liability company (Gesellschaft mit beschränkter Haftung) incorporated on April 10, 2015, and has its registered office at Hans-Günther-Sohl-Straße 7-11, 40235 Düsseldorf/Germany (until December 2016 Kabeler Straße 4, 58099 Hagen/Germany).

In August 13, 2015, Kirk Beauty Zero GmbH acquired all shares in Beauty Holding Zero GmbH, a German limited liability company that owns all shares in the Douglas Group.

Douglas is a European specialist retailer of selective beauty and personal care products who generates the vast majority of its sales in the selective beauty distribution channel, i.e. it requires the formal approval by a supplier to distribute a selective product, as opposed to the mass market channel. As of September 30, 2016, Douglas operated stationary stores in 19 European countries and had e-commerce operations in 16 countries. At the beginning of the financial year 2016/2017 the head office of Douglas moved to Düsseldorf/Germany.

Development of the European Selective Beauty Market

See section "*Business – Competitive Strengths – Leading Position in the European Selective Beauty Market*" and section "*Business – Competitive Strengths – Focus on Attractive Market Segments to Benefit from Strong Industry Economics*".

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 retailer 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, in particular in Germany and France.

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

Trends towards Omni-channel Distribution and E-Commerce

See section "*Business"*, especially subchapters *"Competitive Strengths – Strong Omni-Channel Operations with E-commerce Leadership Positions across Key Markets in Europe", "Our E commerce Platform"* and *"Strategy – Extend Leadership in Channel Excellence and Front-run the Omni-Channel Opportunity"*.

We focus on total like-for-like performance on an omni-channel basis including both stationary and e-commerce. In accordance with our overall strategy, e-commerce has seen a particular strong growth in recent financial years and has contributed above-average to our overall like-for-like growth. This development was underpinned by a strong underlying growth of the online selective beauty market, as well as recent improvements to our e-commerce platform and the pan-European roll-out of this platform.

Driven by ongoing changes in customer demand and shopping behavior, we have continuously invested in omni-channel distribution capacities, including our e-commerce platform, and have implemented organizational changes to integrate our stationary and online businesses. Although we see ourselves as the leading omni-channel pioneer in selective beauty retailing in Europe with highly integrated stationary, 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 on-going trend towards e-commerce and omni-channel distribution. In the financial year 2014/2015 our e-commerce sales amounted to €261.0 million, corresponding to 10.0 percent of our total sales. In the financial year 2015/2016, our e-commerce sales increased to €324.2 million, corresponding to 12.0 percent of our total sales. Compared to the financial year 2014/2015, our e-commerce sales grew by 24.3 percent. We define e-commerce sales as the sum of all invoiced sales relating to products and services by customer orders via websites, internet websites designed to be accessed via mobile or "smart" telephones (so-called "m" sites) or tablets (so-called "t" sites), or "apps" (applications designed to optimize internet usage with respect to a specific task using a mobile or "smart" telephone).

The continued growth of our e-commerce platform has been accompanied by an increase of related variable costs, in particular cost of freight and packaging costs, which, on a relative basis,

represent a larger portion than for our stationary stores. However, expressed as a percentage of e-commerce sales, these variable costs have constantly decreased during the lastfinancial years.

We believe that there is potential for the e-commerce sales' share of our total sales to continue to rise which we believe would have a positive impact on the profitability of our business.

Expansion and Optimization of Store Network and Geographical Footprint

See section *"Business"*, especially to the subchapters *"Our Store Network", "Competitive Strengths"* and *"Strategy".*

Our ability to increase our sales and our profitability is directly affected by the total number of stores that we operate. Moreover, our ability to continue to secure prime retail locations at costs that allow us to maintain our target profit margins is a key factor to our success. For details on the development of our store portfolio, please refer to section "*Business – Our Store Network*".

Our capital expenditures totaled €89.1 million and €83.8 million in the financial years 2015/2016 and 2014/2015, respectively. Almost 72.0 percent of total CAPEX is attributable to Germany and France. The majority of these capital expenditures related to investments in the refurbishment, maintenance, design and re-design of existing stores.

The remaining part of our capital expenditures mainly related to the opening of new stores as well as for our new headquarters in Düsseldorf. Half of the capital expenses for the headquarters will be reimbursed from the lessor in the form of building cost subsidies in the beginning of 2017.

Growth and Value-Creation Initiatives

In order to accelerate growth, the Douglas Group has announced a reinvestment program in the amount of €100 million. The reinvestments will focus on the growth drivers, in particular the Douglas brand, "Douglas Nocibé Collection" products, customer experience, enhancement of customer experience and omni-channel. Furthermore, we moved our headquarter in Germany to Düsseldorf in October 2016, merging all customer-facing functions of the stationary business and the online business.

In this course Douglas started to reorganize central processes and downsized overhead personnel to further improve overhead efficiency. The restructuring of the organization was announced in the second quarter of the financial year 2015/2016. Accordingly, a provision for all related expected costs were recognized in the financial year 2015/2016. The savings from this reorganization program will support the financing of the €100 million described above.

Cost Base and Efficiency Measures

Fixed costs represent a major share of our cost base and, consequently, are an important factor in determining our financial results. Our fixed costs include rental expenses and energy costs. Personnel expenses have both 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 for other operating income from marketing and advertising costs recharged, our largest cost factors in the periods under review were personnel expenses, as well as rental and energy costs.

Personnel expenses include the costs of staff in our directly operated stationary 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 store employees includes a variable component mainly based on the level of sales, 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.

Furthermore, we have recently focused on excellence in the execution of our processes, for example through the centralization and systematization of selected functions such as assortment planning, procurement, pricing and campaigning as well as through the improvement of support and administrative processes.

Our personnel expenses, which are in the vast majority fixed in the short term, increased from €533.6 million in the financial year 2014/2015 to €545.7 million in the financial year 2015/2016, resulting in an increase of personnel expenses of 2.3 percent. The increase was mainly driven by extraordinary expenses of €19.8 million, particularly in the form of severance payments which were recorded in relation to the above described staff reduction measures. In financial year 2014/2015, €8.0 million were related to extraordinary payments mainly for one-off bonus and severance payments. Our personnel expenses adjusted for these items decreased from 20.2 percent of total sales in the financial year 2014/2015 to 19.4 percent of total sales in the financial year 2015/2016, primarily as a result of the above described personnel related measures.

Our other selling, general and administrative costs, which we define as other operating expenses net of other operating income (the "other SG&A costs"), increased from €488.0 million in the financial year 2014/2015 to €501.4 million in the financial year 2015/2016. The increase in other SG&A costs are related to lower other operating income (in the financial year 2014/2015 other operating income has been positively affected by the disposal of store assets in France regarding the sale of several stores due to antitrust obligations), as well as reversal of provisions. When adjusted for extraordinary effects of €27.7 million in the financial year 2015/2016 and €45.0 million in the financial year 2014/2015, our other SG&A costs increased from €443.1 million in the financial year 2014/2015 to €473.6 million in the financial year 2015/2016. Expressed as a percentage of sales, our adjusted other SG&A costs increased from 17.0 percent in the financial year 2014/2015 to 17.5 percent in the financial year 2015/2016. The increase in other SG&A costs compared to the prior financial year is related to a lower income from the reversal of accruals as well as from higher marketing costs and cost of delivery resulting from stronger promotional activities and positive development of our omni-channel business.

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, rents automatically increase pursuant to applicable law on the anniversary date of a lease in accordance with an official index or are otherwise tied to other indices (such as the *Baupreisindex* in Germany). Rent expenses (excluding ancillary costs) increased from €207.6 million in the financial year 2014/2015 to €216.6 million in the financial year 2015/2016. Expressed as a percentage of sales, rent expenses (excluding ancillary costs) have been stable on prior year level on 8.0 percent.

The results of the sales growth and value-creation initiatives described above as well as the described restructuring measures were the main drivers which led to the improvement of our Adjusted EBITDA margin from 11.5 percent in the financial year 2014/2015 to 12.5 percent in the financial year 2015/2016. In addition to the above mentioned strategic and operative measures and initiatives, synergies resulting from the Nocibé Acquisition as well as scale effects in our e-commerce business also contributed to the increase of the Adjusted EBITDA margin. We also expect that these effects and trends will further positively contribute to our profitable growth path in the short to medium term.

Marketing and Customer Retention

See *"Business – Brand Strategy, Marketing and Customer Relationship Management"* of this financial report.

We believe that driving customer loyalty and purchase frequency is critical to our growth and profitability. We employ a holistic promotion strategy across all channels and customer touch-points. On a gross basis, we have incurred, and expect to continue to incur, significant expenses in marketing which, in the periods under review, constituted the third largest share in our cost base. However, the largest portion of our annual gross marketing costs is financed by the third party brand suppliers of selective products in the form of so-called "market development funds." These market development funds are funds that are made available by brand manufacturers to help us as a specialist selective retailer in selling their products and create local awareness about the manufacturers' 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.

Marketing is becoming an increasingly important factor to promote customer loyalty and support sales development. Therefore we run a variety of customer retention programs. An important loyalty program is the Douglas Card with more than 11 million card holders in 15 countries across Europe which offers certain benefits to the individual card holder, such as vouchers, special rebates or the Douglas magazine. A similar loyalty card program, the Nocibé card program, exists in France and Monaco with more than 8 million card holders. In-store couponing is another tool used to promote customer loyalty and to activate customers by receiving a benefit coupon for a future purchase. Based on an analysis regarding sales via our German Douglas Card customers, we believe that loyalty card holders are particularly attractive customers, as the average ticket of our German Douglas Card customers is higher and grew significantly more in the past three financial years as compared to our German non-loyalty card customers. Furthermore, based on the same analysis, our German Douglas Card customers spend more per customer per purchase than our German non-loyalty card customers (as measured by sales at stationary stores).

In addition to our existing Douglas card program we have decided to strengthen our position and invested significantly in the extension of our loyalty card portfolio with a newly released Douglas Beauty Card in October 2016.

Seasonality, Working Capital and Inventory Management

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

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 six week period leading up to Christmas and the New Year that ends on December 31 (which period falls into the first quarter of our financial year). Our first quarter typically represents 30-40 percent of our total sales (while the remaining sales are relatively equally split between the last three quarters) and 45-55 percent of our Adjusted EBITDA over the financial year.

Our gross profit margin (defined as sales minus cost of raw materials, consumables and supplies and merchandise) is affected by variation in pricing of products as there are different promotions during the year, whereas otherwise our gross profit margin is impacted by price reductions and other promotions. Our operating expenses are also influenced by seasonal trading patterns, such as the increase in the use of temporary workers during the busiest trading periods.

We define our net working capital as the sum of the line items (i) inventories, (ii) trade accounts receivable, (iii) trade accounts payable, as well as (iv) other receivables and liabilities related to

supplier receivables for rebates/bonuses and marketing subsidies, outstanding voucher liabilities. Our net working capital shows seasonal patterns with investments in inventory generally reaching a peak in October and November while our trade payables typically peak in December. The development of our net working capital is a key factor for our operating cash flow.

	Financial year ended September 30,	
	2016 (in EUR m)	**2015 (in EUR m)**
Inventories	512.6	613.4
Trade accounts receivable	34.5	33.4
Trade accounts payable	-307.2	-290.5
Others	-38.9	-36.3
Net Working Capital	**201.0**	**320.0**

Net Working capital decreased by €119.0 million to €201.0 million as of September 30, 2016. As a result of the PPA related to the CVC acquisition our inventories as of September 30, 2015, have been revaluated to fair value resulting in a higher balance. The sale of inventories in the normal course of business led to a decline in gross profit without any cash effects. Adjusted for this PPA effect inventories as of September 30, 2015 would have amounted to €512.9 million representing a comparable figure to the value of inventories in the actual year's financial statements. In addition the financial year 2014/2015 was affected by higher trade payables due to transaction costs (€26.5 million) that have been paid in the financial year 2015/2016. Excluding the effects of the PPA and the effects of the transaction costs our Net Working Capital decreased by €45.1 million despite a substantial increase in sales. Reasons for this decrease are an improved category management for our inventories and a tight management of receivables and payables. Furthermore, timing effects at the cut-off date and optimization of payment conditions have influenced the positive development of Net Working Capital.

Also, 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. Expressed as a percentage of sales, our adjusted net working capital ratio improved from 9.4 percent in the financial year 2014/2015 to 7.5 percent in the financial year 2015/2016.

Acquisitions and Joint Ventures

In the past we have had a track record of successfully executing acquisitions, including both large-scale acquisitions, such as the Nocibé Acquisition, as well as a number of smaller value accretive acquisitions of individual perfumeries or perfumery chains, mainly in France and Germany. In the beginning of the financial year 2015/2016, Douglas acquired the Königsparfümerie Wolfgang Dommaschk in Dresden, Germany. Furthermore a store in Deauville, France has been acquired as of January 28, 2016.

The aggregated purchase price for these acquisitions amounted to €1.2 million. The acquired stores contributed in total €1.2 million to our revenue in the financial year 2015/2016.

In July 2012, we entered into a sourcing co-operation with Passion Beauté through the establishment of Douglas-Passion Beauté Achats S.A.S. ("DPB Achats"), an entity fully consolidated in our Audited Consolidated Financial Statements. In DPB Achats, we combined the sourcing for our French directly operated and franchised Douglas stores as well as for the store network of Passion Beauté, another French beauty retail chain. In the financial year 2013/2014, it generated sales of €38.4 million. In December 2014, we discontinued the co-operation pursuant to an

antitrust settlement. The termination has negatively impacted the sales for our segment France in 2015/2016 but has had only a limited effect on our EBITDA as the business of DBP Achats had a small impact on our gross profit margin. In the financial year of 2014/2015, DBP Achats contributed €17.6 million to our sales.

In financial year 2015/2016, we decided to leave the Turkish market. The exit will negatively impact the sales for our segment Eastern Europe but will have limited small positve effect on our EBITDA. In the financial year 2015/2016 Douglas Turkey contributed €10.0 million to our total sales.

Separation of the non-acquired business

Since being taken private in the financial year 2012/2013, Douglas has been transformed from a predominately German diversified retail conglomerate into a European pure-play beauty retailer. The Confectionery Business was sold to a third party with effect as of April 30, 2014. The Books Business, the Jewelry Business and the Fashion Business were sold and transferred with effect as of October 1, 2014. Thus, we now exclusively focus on our core beauty and personal care business, where substantial operational improvement initiatives have been implemented in the past few years.

In our Consolidated Financial Statements, this Non-Acquired Business was accounted for in accordance with IFRS 5—"Non-current Assets Held for Sale and Discontinued Operations".

Thus, the earnings from the discontinued operations were presented separately in a condensed form as an additional line item of the consolidated income statements for the financial year 2014/2015 below earnings from continued operations and the net cash flows attributable to the operating, investing, and financing activities of the discontinued operations were also presented as a separate line item on the face of the consolidated statements of cash flows for the financial year 2014/2015. The financial year 2015/2016 was not affected by a separation of discontinued operations in accordance with IFRS 5.

For information on certain risks related to the Separation of the Non-Acquired Business, see *"Risk Factors—We incurred certain obligations and may face certain risks (subletting risk, non-fulfillment risk with respect to transitional service agreements) in connection with the divestiture of our non-perfumeries business".*

Presentation of the Financial Information Used in this Financial Report

The results of operations and related cash flows are presented for two periods: the period prior to the Acquisition ("Predecessor") and the period subsequent to the Acquisition ("Successor"). Historical financial data in this financial report was taken from Kirk Beauty One's (Successor) Audited Consolidated Financial Statement or Beauty Holding Zero`s (Predecessor) Audited Consolidated Financial Statements (including the financial statements for the periods from October 1, 2014 through July 31, 2015 (the Predecessor Period, as defined below). The financial information represented in the following text is partly based on audited financial statements and partly based on unaudited financial information.

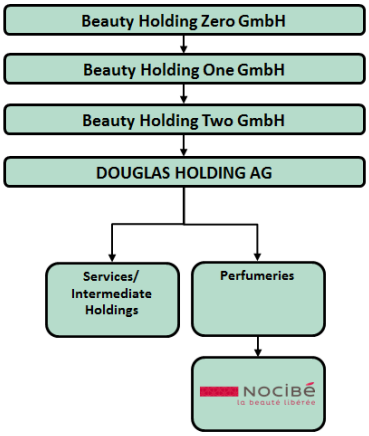
The period from October 1, 2015 through September 30, 2016 is referred to as "financial year 2015/2016" or "2015/2016". In order to present amounts that are comparable to the figures presented in the 2015/2016 financial year, the financial data of the previous year included in the consolidated statement of comprehensive income as well as the financial data included in the consolidated cash flow statement for the period from April 10, 2015 through September 30, 2015 and for the period from October 1, 2014 through July 31, 2015 have been added up to form "Aggregated Financial Statements" for the period from October 1, 2014 through September 30, 2015. This period is referred to as "financial year 2014/2015" or "2014/2015". When comparing both financial years it should be noted that the financial result 2014/2015 was

affected by several effects concerning the new financing structure, such as effects from the payback of the Mezzanine "make-whole" premium or the refinancing related amortization of financing fees. Financial result 2015/2016 is affected by several fair value valuations of hedging activities. For further information on the Consolidated Financial Statements for the periods from October 1, 2015 through September 30, 2016, from April 10, 2015 through September 30, 2015 and from October 1, 2014 through July 31, 2015 please refer to the section *"Consolidated Financial Statements"* in this financial report.

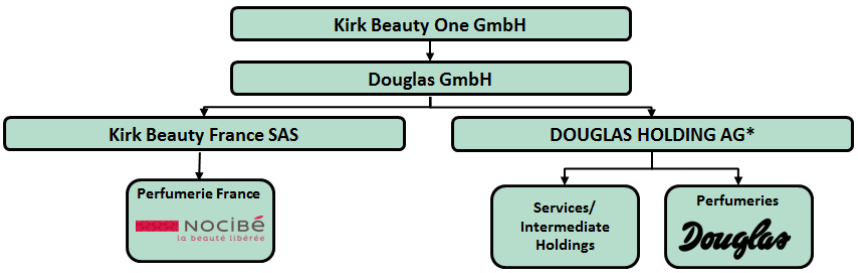
Kirk Beauty One GmbH and its subsidiary, Douglas GmbH (former Kirk Beauty Zero GmbH), were formed for the purpose of acquiring 100.0 percent of the equity interests of Beauty Holding Zero GmbH. Accordingly, the selected financial data for the current year has been derived from the data of Kirk Beauty One GmbH as of September 30, 2015 and for the period from October 1, 2015 through September 30, 2016 (the "Successor Period") and the selected financial data for the prior year presented in the Audited Consolidated Financial Statements has been derived from the data of Kirk Beauty One GmbH as of September 30, 2015 and for the period from April 10, 2015 through September 30, 2015 (the "Successor Period") and the data of the Predecessor, Beauty Holding Zero GmbH, for the period from October 1, 2014 through July 31, 2015 ("the Predecessor Period").

As part of the transactions, the entire share capital of Beauty Holding Zero GmbH was transferred to Kirk Beauty Zero GmbH on the Completion Date in August 2015. The Senior Secured Notes Issuer is direct subsidiary to the Senior Notes Issuer which in turn is held by TopCo. This financial report in respect of the financial year ending September 30, 2016 is reported at the Senior Notes Issuer level.

- Financial Year 2014/2015 before Acquisition of Douglas by CVC (Predecessor)



- Financial Year 2015/2016 (Successor)



* Beauty Holding Zero GmbH
Beauty Holding One GmbH
Beauty Holding Two GmbH
have been merged with DOUGLAS HOLDING AG

For further information on the factors affecting comparability of our Audited Consolidated Financial Statements, further refer to "*—Factors Affecting Comparability of the Financial Information Used in this Financial Report*".

Our Audited Consolidated Financial Statements have been prepared in accordance with IFRS as adopted by the European Union taking into account the basis of preparation as described in the notes thereto. They were audited by Roever Broenner Susat Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, who issued an unqualified auditor's report (*uneingeschränkter Bestätigungsvermerk*) for the Consolidated Financial Statements of each financial year as included in F-pages. The audit of our Audited Consolidated Financial Statements was conducted in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institut der Wirtschaftsprüfer in Deutschland e.V.), which are compliant with International Standards on Auditing ("ISA").

The Audited Consolidated Financial Statements were prepared to provide historical financial information of the Douglas Group as described in the section "*Consolidated Financial Statements*" under "*Accounting and valuation principles*" of our Audited Consolidated Financial Statements included in this financial report.

In the financial year 2014/2015 our Audited Consolidated Financial Statements were the first financial statements of Kirk Beauty One GmbH. We prepared these Audited Consolidated Financial Statements using IFRS 1.D16 (a) ("predecessor accounting method"). We used the same accounting policies and valuation methods for the preparation of our Aggregated Financial Statements, as those used for the preparation of the financial information included in consolidated financial statements of Beauty Holding Zero GmbH and Kirk Beauty One GmbH. These accounting policies have been disclosed under "*Accounting and valuation principles*" in section "*Consolidated Financial Statements*".

Since IFRS does not provide any guidance for the preparation of aggregated financial statements, IAS 8.12 has been used, which requires that the latest pronouncements of other standard setters, other accounting literature and accepted industry practice should be considered. With regards to the year 2014/2015 our Aggregated Financial Statements have been derived from the aggregation of the net assets of Beauty Holding Zero GmbH and Kirk Beauty One GmbH and its direct and indirect subsidiaries, as described in section "*Consolidated Financial Statements*" under "*Consolidation principles*". All intra-group balances, income, expenses and unrealized gains and losses arising from transactions between Beauty Holding Zero respectively Kirk Beauty One and its direct and indirect subsidiaries were eliminated when preparing the Audited Consolidated Financial Statements.

For further information on the preparation of our Audited Consolidated Financial Statements refer to "*Accounting and valuation principles*" of our Audited Consolidated Financial Statements included in this financial report.

Our Audited Consolidated Financial Statements are included in this financial report and are also discussed below.

Factors Affecting Comparability of the Financial Information Used in this Financial Report

When comparing financial information corresponding to the different periods, the following material differences resulting from the CVC Acquisition and the subsequent refinancing and the Separation of the Non-Acquired Business as well as the resulting changes regarding the composition of the Douglas Group should be taken into account. Because of such effects, the financial information as presented in the different sets of financial statements included in this financial report may not be fully comparable.

Segments

The segment reporting of the Group, prepared in conformity with IFRS 8, reflects the internal management and reporting structure, which is based on geographical regions. For the purposes of segment reporting, the individual countries in which Douglas operates are allocated to the regions Germany (including Norway), France (including Monaco), South-Western Europe (including Austria, Italy, the Netherlands, Portugal, Spain and Switzerland) and Eastern Europe (including Bulgaria, Croatia, the Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania and Turkey). Service and regional holding entities are allocated to the segments based on the region of their place of business. Transfers between our segments are conducted on an arm's length basis.

Segment sales (net) reflect the sales generated with third parties outside the Douglas Group while intersegment sales reflect any sales between our four regional segments. The key segmental performance indicators are sales and Adjusted EBITDA. EBITDA is adjusted for either non-recurring or one-off items or impacts limited to a certain period of time. Non-recurring and one-off items include, but are not limited to, consulting fees, restructuring costs, extraordinary financing costs such as fees and other extraordinary costs. Further adjustments are due to ongoing, disputed lease contracts, revaluation effects of inventories and trade receivables and credit card fees. Revaluation effects of inventories and trade receivables are considered as depreciations and therefore are

excluded from EBITDA but included in net income. Credit card fees are considered as financial expenses and therefore are excluded from EBITDA but included in financial income. Furthermore, net income is adjusted for impairment losses, one-off financing expenses and fees, as well as tax effects on the aforementioned adjustments. Segment inventory comprises finished goods and merchandise, raw materials, consumables and supplies as well as advances to suppliers for merchandise. Capital expenditure shown under segment reporting relates to additions made to intangible assets and property, plant and equipment. Segment assets generally comprise non-current assets. As a rule, segment assets do not include non-current tax positions.

Explanation of Key Income Statement Items For explanations of key income statement items please refer to Section *"Certain Definitions – Definitions of Financial Figures"* and to the F-Pages in this report.

Results of Operations for the Financial Years 2015/2016 and 2014/2015 (Aggregated).

In the schedules below within this Management's Discussion and Analysis the column "Aggregated" is calculated as a sum of the financial period 10/01/2014 to 07/31/2015 and the financial period 04/10/2015 to 09/30/2015.

The following table shows our consolidated statement of comprehensive income for the period from October 1, 2015 through September 30, 2016 and our aggregated statement of comprehensive income for the period from October 1, 2014 through September 30, 2015:

		Successor 10/01/2015 - 09/30/2016 (in EUR m)	**Aggregated (in EUR m)**	**Successor 04/10/2015 - 09/30/2015 (in EUR m)**	**Predecessor 10/01/2014 - 07/31/2015 (in EUR m)**
1.	**Sales**	**2,708.6**	**2,606.9**	**371.0**	**2,235.9**
2.	Cost of raw materials, consumables and supplies and merchandise	-1,477.4	-1,386.8	-203.0	-1,183.8
3.	**Gross profit from retail business**	**1,231.2**	**1,220.1**	**168.0**	**1,052.1**
4.	Other operating income	209.4	228.5	49.3	179.2
5.	Personnel expenses	-545.7	-533.6	-85.9	-447.7
6.	Other operating expenses	-710.6	-716.4	-128.1	-588.3
7.	**EBITDA**	**184.3**	**198.6**	**3.3**	**195.3**
	Non-recurring effects/adjustments	*153.0*	*101.0*	*40.3*	*60.7*
	Adjusted EBITDA	*337.3*	*299.6*	*43.6*	*256.0*
8.	Amortization/depreciation	-104.5	-91.8	-21.1	-70.7
9.	**EBIT**	**79.8**	**106.8**	**-17.8**	**124.6**
10.	Financial income	4.3	5.5	0.9	4.6
11.	Financial expenses	-196.4	-188.9	-104.9	-84.0
12.	Financial result	-192.1	-183.4	-104.0	-79.4
13.	**Earnings (loss) before tax (EBT)**	**-112.3**	**-76.6**	**-121.8**	**45.2**
14.	Income taxes	10.8	1.1	21.5	-20.4
15.	**Result from continued operations**	**-101.5**	**-75.5**	**-100.3**	**24.8**
16.	Result from discontinued operations	0.0	143.2	0.0	143.2
17.	Profit attributable to non-controlling interests	*0.0*	*-0.3*	*-0.2*	*-0.1*
18.	**Profit (loss) attributable to group shareholders**	**-101.5**	**67.4**	**-100.5**	**167.9**

Comparison of the Financial Years 2015/2016 and 2014/2015 (Aggregated)

Sales

The following table shows our aggregated and consolidated sales for the periods indicated:

		Successor		Successor	Predecessor
		10/01/2015 - 09/30/2016	Aggregated	04/10/2015 - 09/30/2015	10/01/2014 - 07/31/2015
Sales	EUR m	2,708.6	2,606.9	371.0	2,235.9
Segments					
Germany					
Sales (net)	*EUR m*	*1,208.3*	*1,160.6*	*170.5*	*990.1*
Intersegment sales	*EUR m*	29.6	19.5	2.7	16.8
Sales	*EUR m*	1,237.9	1,180.1	173.2	1,006.9
France					
Sales (net)	*EUR m*	706.3	695.4	89.0	606.4
Intersegment sales	*EUR m*	0.1	7.9	0.0	7.9
Sales	*EUR m*	706.4	703.3	89.0	614.3
South-Western Europe					
Sales (net)	*EUR m*	528.9	505.5	72.8	432.7
Intersegment sales	*EUR m*	0.0	0.0	0.0	0.0
Sales	*EUR m*	528.9	505.5	72.8	432.7
Eastern Europe					
Sales (net)	*EUR m*	265.1	245.3	38.6	206.7
Intersegment sales	*EUR m*	0.0	0.0	0.0	0.0
Sales	*EUR m*	265.1	245.3	38.6	206.7

In the financial year 2015/2016, our consolidated sales increased by €101.7 million or 3.9 percent compared to the aggregated sales in 2014/2015. All segments contribute to this positive development. Adjusted for the sales of the former wholesale company DPB Achats, which was terminated in the financial year 2014/15, our consolidated sales exceeded prior year by 4.6 percent.

Furthermore, the sales increased as a result of a positive like-for-like development in all segments. Both stationary and e-commerce business grew on a like-for-like basis. Total like-for-like sales grew by 5.2 percent. The e-commerce business grew significantly by 24.3 percent. The store network was further optimized: 29 new stores opened in our segments, 2 stores were acquired in Germany and France, and 35 stores were closed mainly in Turkey, Germany and France.

Sales on segment level

On a segment level, sales (net) of our German segment increased by €47.7 million or 4.1 percent. This increase was attributable to both effects, the increase of stationary business and a strong increase in e-commerce sales. Like-for-like sales grew by 4.6 percent. Sales benefited from our leading market position, strengthened online offerings and operational excellence initiatives. The sales increase related to our stationary business was mainly driven by a positive like-for-like development. Moreover, a higher average ticket, an increase in the number of customers as well as the expansion of our "Douglas Nocibé Collection" had a positive impact on the sales performance.

Sales (net) of our French segment increased by €10.9 million or 1.6 percent. The prior financial year was positively impacted by sales of our wholesale operations DPB Achats, which was terminated on December 31, 2014. On a like-for-like basis sales increased by 5.6 percent. Sales

increased in both, the e-commerce and stationary business. Further, the increase of our market share and the successful integration of the acquired Clin d'Oeil stores had a positive impact on the sales performance. On September 30, 2016, our French business operated 487 stores (489 stores as at September 30, 2015). In the financial year 2015/2016, one store was opened; one store was acquired and four stores were closed.

Sales (net) of our South-Western Europe segment increased by €23.4 million or 4.6 percent. On a like-for-like basis sales grew by 5.1 percent mainly driven by the strong increase of e-commerce sales. In particular, our operations in Austria, the Netherlands and Spain contributed to the positive performance. The store network increased slightly by three stores compared to 347 as of September 30, 2015, mainly related to new openings in Italy and Portugal.

Sales (net) of our Eastern Europe segment increased by €19.8 million or 8.1 percent. The Eastern Europe segment continued to be our fastest growing segment. Like-for-like growth was 7.8 percent driven by stationary as well as e-commerce business especially in Poland, Czech Republic, the Baltics and Romania. The store network comprises 274 stores as of September 30, 2015. During the financial year 2015/2016, 16 stores were opened and 18 stores were closed over the same period, mainly due to the decision to withdraw from the Turkish market, see *"Business – Strategy - Further Strengthen Market Leadership by Expanding Footprint in Existing and New Markets in Europe"*.

Cost of Raw Materials, Consumables and Supplies and Merchandise

In the financial year 2015/2016, our cost of raw materials, consumables and supplies and merchandise increased by €90.6 million or 6.5 percent.

Both financial years were impacted by purchase price allocation (PPA) effects. The financial year 2014/2015 was impacted by PPA effects in connection with the Nocibé Acquisition which amounted to €24.3 million and PPA effects in connection with the Acquisition of the Douglas Group by CVC which amounted to €20.1 million. The financial year 2015/2016 was impacted by PPA effects in connection the Acquisition of the Douglas Group by CVC which amounted to €100.5 million.

Adjusted for the PPA and extraordinary effects, cost of raw materials, consumables and supplies and merchandise increased slightly by €33.1 million or 2.5 percent compared to the prior year. Expressed as percentage of sales, the ratio of our cost of raw materials, consumables and supplies and merchandise adjusted for PPA and extraordinary effects is 51.4 percent in the financial year 2014/2015 and 50.6 percent in the financial year 2015/2016. Gross profit adjusted for PPA and extraordinary effects (defined as sales less cost of raw materials, consumables and supplies and merchandise) and expressed as percentage of sales increased to 49.4 percent in the financial year 2015/2016, as compared to 48.6 percent in the financial year 2014/2015. The increase in gross margin of 0.8 percentage points as a percentage of total sales is attributable to the termination of the low margin wholesale business DPB Achats in France as of December 31, 2014. Furthermore, gross profit was positively affected by higher sales of our exclusive brands and "Douglas Nocibé Collection"products. Sales from both accounted for 16.9 percent of our total sales in the financial year 2015/2016 compared to 15.4 percent in the financial year 2014/2015.

Other Operating Income

In the financial year 2015/2016, other operating income decreased by €19.1 million or 8.4 percent. This decrease mainly results from income from the disposal of assets in connection with the sale of several French stores in the second quarter of the financial year 2014/15 due to antitrust obligations as well as from a significantly lower income from the reversals of provisions compared to the financial year 2014/2015. Adjusted for extraordinary effects, other operating income as a

percentage of sales accounted for 7.4 percent as compared to 7.8 percent in the financial year 2014/2015.

Personnel Expenses

In the financial year 2015/2016, personnel expenses increased by €12.1 million or 2.3 percent. The increase was mainly driven by severance payments in connection with the downsizing of overhead personnel in financial year 2015/16.

In financial year 2015/2016, extraordinary expenses of €19.8 million were recorded in relation to the downsizing of overhead personnel and other staff to further improve our overhead efficiency. In financial year 2014/2015, an amount of €8.0 million related to extraordinary expenses mainly for one-off bonuses and severance payments. Adjusted for these extraordinary items and smaller other effects the personnel expenses as a percentage of total sales accounted for 19.4 percent as compared to 20.2 percent during the twelve months ended September 30, 2015. This translates into a decrease of 0.8 percentage points as a result of different productivity measures in the head office as well as in the stores.

Other Operating Expenses

In the financial year 2015/2016, other operating expenses decreased by €5.8 million or 0.8 percent to €710.6 million.

Adjusted for extraordinary effects (mainly related to consulting and credit card fees, as well as restructuring expenses and extraordinary effects) other operating expense increased by €27.5 million or 4.3 percent. As a percentage of sales, other operating expenses adjusted for extraordinary effects remained with 24.8 percent on previous year's level.

Marketing and advertising costs increased by €9.4 million mainly driven by higher promotional activities, CRM-measures and investments in our Douglas brand in the context of the announced reinvestment program. As a percentage of sales, marketing and advertising costs accounted for 5.4 percent as compared to 5.3 percent in the financial year 2014/2015. This translates into a slightly increase of 0.1 percentage points as a result of the above mentioned measures.

Costs of delivery increased by €9.0 million in line with the strong growth of our e-commerce growths business. The increase in IT and miscellaneous costs is related to the continuous improvement of our e-commerce infrastructure and our omni-channel activities.

Non-operating expenses decreased by €22.9 million. A majority of this decrease is attributable to the losses from the disposal of several stores in France due to antitrust obligations in the second quarter of the financial year 2014/2015 as well as from a lower transfer to provisions compared to the prior financial year. Adjusted for extraordinary effects, non-operating expenses as a percentage of total sales accounted for 0.8 percent as compared to 1.2 percent in the financial year 2014/2015. This translates into a slightly decrease of 0.4 percentage points.

EBITDA and Adjusted EBITDA

The following tables show EBITDA and Adjusted EBITDA separated by segments for the periods indicated:

		Successor		Successor	Predecessor
		10/01/2015 - 09/30/2016	Aggregated	04/10/2015 - 09/30/2015	10/01/2014 - 07/31/2015
EBITDA	EUR m	184.3	198.6	3.3	195.3
EBITDA margin	%	6.8	7.6	0.9	8.7
Non-recurring effects/adjustments	*EUR m*	*153.0*	*101.0*	*40.3*	*60.7*
Adjusted EBITDA	*EUR m*	*337.3*	*299.6*	*43.6*	*256.0*
Adjusted EBITDA margin	*%*	*12.5*	*11.5*	*11.8*	*11.4*
Segments					
Germany					
EBITDA	EUR m	91.0	99.7	-2.7	102.4
EBITDA margin	%	7.5	8.6	-1.6	10.3
Non-recurring effects/adjustments	*EUR m*	*78.1*	*51.1*	*31.3*	*19.8*
Adjusted EBITDA	*EUR m*	*169.1*	*150.8*	*28.6*	*122.2*
Adjusted EBITDA margin	*%*	*14.0*	*13.0*	*16.8*	*12.3*
France					
EBITDA	EUR m	63.4	49.6	5.1	44.5
EBITDA margin	%	9.0	7.1	5.7	7.3
Non-recurring effects/adjustments	*EUR m*	*34.5*	*39.1*	*3.6*	*35.5*
Adjusted EBITDA	*EUR m*	*97.9*	*88.7*	*8.7*	*80.0*
Adjusted EBITDA margin	*%*	*13.9*	*12.8*	*9.8*	*13.2*
South-Western Europe					
EBITDA	EUR m	26.2	34.5	4.5	30.0
EBITDA margin	%	5.0	6.8	6.2	6.9
Non-recurring effects/adjustments	*EUR m*	*19.5*	*6.0*	*1.9*	*4.1*
Adjusted EBITDA	*EUR m*	*45.7*	*40.5*	*6.4*	*34.1*
Adjusted EBITDA margin	*%*	*8.6*	*8.0*	*8.8*	*7.9*
Eastern Europe					
EBITDA	EUR m	3.4	15.6	-3.4	19.0
EBITDA margin	%	1.3	6.4	-8.8	9.2
Non-recurring effects/adjustments	*EUR m*	*20.8*	*4.7*	*3.4*	*1.3*
Adjusted EBITDA	*EUR m*	*24.2*	*20.3*	*0.0*	*20.3*
Adjusted EBITDA margin	*%*	*9.1*	*8.3*	*0.0*	*9.8*

In the financial year 2015/2016, EBITDA decreased by €14.3 million or 7.2 percent in comparison to the EBITDA of the financial year 2014/2015.

EBITDA (adjusted for the PPA effects as well as non-recurring and extraordinary items) increased by €37.7 million or 12.6 percent to €337.3 million. The main drivers are the strong sales growth and positive effects derived from our initiated cost efficiency program. Adjustments totaled €153.0 million in the financial year 2015/2016 and are primarily related to the above mentioned PPA in the amount of €100.5 million as well as consulting fees in the amount of €17.3 million.

Additional extraordinary items in the financial year 2015/2016 included restructuring costs of €20.8 million, primarily related to the downsizing of overhead personnel and other staff in order to further improve our overhead efficiency as well as to the withdraw from the Turkish market, credit card fees in the amount of €8.5 million and bad debt adjustments of €1.6 million.

Other exceptional items amounted to €4.3 million comprising particularly revaluation effects and real estate earnings and costs.

EBITDA and Adjusted EBITDA on segment level

On a segment level, EBITDA in Germany decreased by €8.7 million and 8.7 percent respectively. Adjusted EBITDA of the German segment increased by €18.3 million to €169.1 million in the financial year 2015/2016. Adjustments related to the German segment totaled €78.1 million mainly related to PPA effects in the amount of €52.2 million as well as consulting fees in connection with the implemented value creation program of €17.2 million and severance payments in the amount of 13.9 million. During the last twelve months ended September 30, 2016 the sales increase of 4.1 percent has been translated a strong increase of Adjusted EBITDA of 12.1 percent. Furthermore, the financial year 2015/2016 was positively affected by the initiated value creation program and the personnel efficiency measures which we realized across our German overhead structure and central processes as well as increasing store productivity. Thus, the positive sales growth was supported by higher income and higher cost savings leading to a substantial increase in Adjusted EBITDA. Adjusted EBITDA margin increased by 1.0 percentage points from 13.0 percent in the financial year 2014/2015 to 14.0 percent in 2015/2016.

The EBITDA of the segment France increased by €13.8 million in the financial year 2015/2016. Adjusted EBITDA of the French segment increased by €9.2 million. This substantial improvement was primarily driven by the strong sales performance as well as an improvement in gross margin. Furthermore, the financial year 2015/2016 shows the full twelve month effect of the integration of the acquired Clin d`Oeil stores which occurred in the second quarter of the financial year 2014/2015. The adjustments in the financial years 2014/2015 and 2015/2016 were both mainly affected by PPA effects. The financial year 2014/2015 was impacted by PPA effects in connection with the Nocibé Acquisition which amounted to €24.3 million and PPA effects related to the acquisition of the Douglas Group by CVC of €4.0 million. The PPA effect of the financial year 2015/2016 amounted to €20.1 million. Other adjustments related to restructuring costs, consulting fees and credit card fees.

The EBITDA of the South-Western Europe segment decreased by €8.3 million, the Adjusted EBITDA increased by €5.2 million. All countries contributed to this positive development. A majority of this increase is attributable to the growing e-commerce business and the strong development of the stationary like-for-like business in the Netherlands, where we have gained substantial market share. Furthermore, we have continuously exceeded our cost efficiency program in Italy. Adjustments in the financial year 2015/2016 totaled €19.4 million and were primarily related to PPA effects of €13.6 million as well as credit card fees with an amount of €1.6 million.

EBITDA of the Eastern Europe segment decreased by €12.2 million mainly due to PPA effects from the CVC acquisition €14.6 million compared to €2.9 million in the financial year 2014/2015. Adjusted for PPA effects and extraordinary items EBITDA increased by €3.9 million or 19.2 percent. A majority of the positive performance related to increased stationary and e-commerce sales, margin improvements as well as a continuous expansion of the store network. The business development in Poland was particularly strong.

EBIT

In the financial year 2015/2016, the EBIT of our Group decreased by €27.0 million or 25.3 percent.

The decrease was predominantly attributable to the lower EBITDA as mentioned above. In addition, the EBIT was negatively affected by an increase in amortization and depreciation charges of €12.7 million or 13.8 percent, to €104.5 million in the financial year 2015/2016 (2014/2015: €91.8 million). This was mainly due to a higher amortization and depreciation on intangible assets and property, plant and equipment which increased by €11.4 million (including a €10.2 million higher depreciation in intangible assets out of the PPA).

Impairments in the amount of €6.5 million in financial year 2015/2016 and in the amount of €5.6 million in 2014/2015 were related to intangible assets, property, plant and equipment.

Financial Result

In the financial year 2015/2016, the financial result decreased by €8.7 million or 4.7 percent, mainly due to an increase in financial expenses of €7.5 million to €196.4 million (2014/2015: €188.9 million). Both financial years were negatively affected by material extraordinary effects: Previous year figures were burdened by the repayment of the previously long-term financing and respective acceleration fees and liquidation of disagio resulting in additional expenses of €70.7 million. The financial year 2015/2016 was affected by negative valuation effects concerning derivative financial instruments of €39.8 million.

Net Profit (Loss) for the Year

In the financial year 2015/2016, net profit decreased by €168.9 million to a loss of €101.5 million as compared to a net profit of €67.4 million in the financial year 2014/2015.

The main reason for the significant decrease are lower earnings from discontinued operations which went down from €143.2 million in the financial year 2014/2015 to €0.0 million in the financial year 2015/2016 as a result of the sale and transfer of the Books, Fashion and Jewelry Businesses. Tax income increased by €9.7 million, mainly as a consequence of a higher loss before taxes.

Adjusted net profit decreased by €18.5 million to €23.6 million in the financial year 2015/2016 (2014/2015 €42.1 million). This is predominately caused by higher financial expenses from the new long-term financing. Adjustments totaled €125.1 million in the financial year 2015/2016, of which €153.0 million corresponded to the adjustments made with respect to EBITDA as described above, and €6.5 million related to impairment losses described above under the section "EBIT". Furthermore, revaluation effects of inventories as well as on-trade receivables in the amount of €8.5 million were reflected as part of the depreciation. Adjustments in the financial result of €33.0 million were offset by the tax adjustments of -€58.9 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 and drawings under our Revolving Credit Facility. 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 the availability of borrowings under our Revolving Credit Facility (which will be subject to certain conditions precedent) will be sufficient to fund our operating, capital expenditures and debt service for at least the next twelve months.

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.

Statements of Cash Flows for the Financial Years 2015/2016 (Consolidated) and 2014/2015 (Aggregated)

The following table shows our aggregated and consolidated statements of cash flows for the periods indicated:

			Successor		Successor	Predecessor
			10/01/2015 - 09/30/2016 (in EUR m)	Aggregated (in EUR m)	04/10/2015 - 09/30/2015 (in EUR m)	10/01/2014 - 07/31/2015 (in EUR m)
1.		EBITDA	184.3	198.6	3.3	195.3
2.	+/-	Increase/decrease in provisions	12.8	25.1	17.0	8.1
3.	+/-	Other non-cash income/expense	-6.3	-5.3	0.1	-5.4
4.	+/-	Profit/loss on the disposal of non-current assets	-1.2	-3.5	-1.7	-1.8
5.	+/-	Changes in net working capital	119.1	112.3	64.1	48.2
6.	+/-	Changes in other assets/liabilities not classifiable to investing or financing activities	-0.1	-48.2	-32.6	-15.6
7.	-/+	Paid/reimbursed taxes	-29.6	-39.6	-7.4	-32.2
	+	Net cash flow from operating activities in discontinued operations	0.0	0.0	0.0	0.0
8.	**=**	**Net cash flow from operating activities**	**279.0**	**239.4**	**42.8**	**196.6**
9.	+	Proceeds from the disposal of non-current assets and the disposal of stores	11.7	9.9	3.7	6.2
10.	-	Investments in non-current assets	-93.5	-77.2	-18.7	-58.5
11.	-	Payments for the acquisition of consolidated companies and other business units	-1.2	-1,462.6	-1,433.5	-29.1
12.	-	Payments for investments in associated companies	-0.2	0.0	0.0	0.0
13.	-	Net cash flow from investing activities in discontinued operations	0.0	-64.7	0.0	-64.7
14.	**=**	**Net cash flow from investing activities**	**-83.2**	**-1,594.6**	**-1,448.5**	**-146.1**
15.		**Free cash flow (sum of 8 and 14)**	**195.8**	**-1,355.2**	**-1,405.7**	**50.5**
16.	+	Receipts from equity contributions	0.0	950.1	950.1	0.0
17.	-	Payments for the repayment of financial liabilities	-44.2	-1,287.6	-1,264.1	-23.5
18.	+	Proceeds from borrowings	162.2	1,837.2	1,823.1	14.1
19.	-	Payments for the granting of borrowings	-102.7	0.0	0.0	0.0
20.	-	Interest paid	-135.4	-85.7	-35.0	-50.7
21.	+	Interest received	0.2	0.4	0.0	0.4
22.	-	Payments for the acquisition of non-controlling interests	0.0	-3.3	0.0	-3.3
23.	**=**	**Net cash flow from financing activities**	**-119.9**	**1,411.1**	**1,474.1**	**-63.0**
24.	=	Net change in cash and cash equivalents (total of 8, 14 and 23)	75.9	55.9	68.4	-12.5
25.	+/-	Net change in cash and cash equivalents due to currency translation	-0.1	-	-0.3	0.1
26.	+	Cash and cash equivalents at the beginning of the fiscal year	68.1	-	0.0	283.5
27.	**=**	**Cash and cash equivalents at end of period**	**143.9**	**-**	**68.1**	**271.1**

Comparison of the Financial Years 2015/2016 (Consolidated) and 2014/2015 (Aggregated)

Net Cash Flow from Operating Activities

In the financial year 2015/2016 our net cash flow from operating activities increased by €39.6 million or 16.5 percent. The increase was principally attributed to a stable level of other assets and liabilities not classifiable to investing or financing activities, compared to an increase of €48.2 million in the comparative period, and a decrease in taxes paid by €10 million, compensating a decrease in EBITDA by €14.3 million. In the financial year 2015/2016, changes in net working capital amounted to €119.1 million as compared to €112.3 million in the comparative period. Both periods were affected by PPA effects. Hidden reserves were disclosed within inventories as part of first-time consolidation. The sale of a portion of these inventories in the normal course of business led to a decline in gross profit and a reduction in inventories in the financial year. Furthermore the lower level of taxes paid was mainly related to a high tax refund in France. For further details, please refer to "*Seasonality, Working Capital and Inventory Management*" in this section.

Net Cash Flow from Investing Activities

In the financial year 2015/2016 our net cash flow from investing activities amounted to -€83.2 million, as compared to -€1,594.6 million in the financial year 2014/2015. The substantial decrease in investment cash flow is mainly due to payments for the Douglas Acquisition in the amount of €1,433.5 million and additional investments in the amount of €29.1 million mainly related to the acquisitions of Himmer and Clin d'Oeil in the financial year 2014/2015. Early in the financial year 2015/2016, Douglas acquired the Königsparfümerie Wolfgang Dommaschk in Dresden, Germany in the amount of €0.6 million. In addition, a store in Deauville, France has been acquired as of January 28, 2016 in the amount of €0.6 million.

Proceeds from the disposal of non-current assets and the disposal of stores mainly arise from the divestiture of a commercial building in Hagen/Germany. In the previous year seven Clin d'Oeil perfumeries have been divested to comply with national and EU competition law, from which we received proceeds of €1.3 million.

Furthermore, investments in non-current assets like store furniture and equipment led to higher cash outflows in the financial year 2015/2016 amounting to €93.5 million in comparison to €77.2 million in the financial year 2014/2015. The higher cash outflow mainly related to the opening and acquisition of new stores and investments in the design and re-design of existing stores. €39.8 million of the total payments for investments related to Germany, €28.8 million related to France, €12.6 million to South-Western Europe and €12.3 million to Eastern Europe.

Net Cash Flow from Financing Activities

In the financial year 2015/2016 our net cash flow from financing activities decreased by €1,531.0 million due to cash inflows in the financial year 2014/2015 of €1,411.1 million. The cash inflow in the previous year was mainly resulting from the Douglas Acquisition in August 2015. At closing of the Douglas Acquisition, the existing facilities were repaid and the Company entered into the new Financing as described below under "—Financing—The Financing of the Transactions."

The proceeds from borrowings resulted mainly from a repricing and extension of the existing Senior Facility Agreement in August 2016. In this context the amount of the loans has been extended to €1,370.0 million and the interest margin has been reduced. The additional amount has been used for general corporate purposes (including funding of potential bolt-on acquisitions) and a distribution to shareholders of €100 million, as permitted under the terms of the existing Facility B.

The repayment of financial liabilities was primarily driven by a repayment of the Revolving Credit Facility in December 2015.

Cash outflows in connection with interest paid increased from €85.7 million in the financial year 2014/2015 to €135.4 million in the financial year 2015/2016. This was mainly due to interest payments for the new Senior Secured Notes and Senior Notes.

Consolidated Financial Liabilities as of September 30, 2016 and as of September 30, 2015

The following table provides a breakdown of the financial liabilities as of the balance sheet dates as of September 30, 2016 and as of September 30, 2015 according to their maturity as based on the Audited Consolidated Financial Statements:

	Successor				Successor			
	as of 09/30/2016				as of 09/30/2015			
		Remaining items				Remaining items		
	Total	**< 1 year (in EUR m)**	**1 to 5 years (in EUR m)**	**> 5years (in EUR m)**	Total	< 1 year (in EUR m)	1 to 5 years (in EUR m)	> 5years (in EUR m)
Liabilities to banks	1.281,8	0,6	0,0	1.281,2	1.152,7	32,9	0,7	1.119,1
Financial liabilities from the valuation of minority options	3,1	0,2	3,0	0,0	2,6	0,2	2,4	0,0
Derivative financial instruments	115,5	0,0	0,0	115,5	83,9	0,0	0,0	83,9
Senior and Senior Secured Notes	624,8	10,0	0,0	614,8	622,3	10,7	0,0	611,6
Other financial liabilities	3,3	2,9	0,0	0,3	0,8	0,8	0,0	0,0
Total	**2.028,5**	**13,7**	**3,0**	**2.011,8**	**1.862,3**	**44,6**	**3,1**	**1.814,6**

Off-balance sheet commitments and contingent liabilities

For information on off-balance sheet commitments and contingent liabilities please refer to the section "Consolidated Financial Statements", chapter "Intangible assets and property, plant and equipment", subchapter "Operating Lease".

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

We are the leading European specialist retailer of selective beauty and personal care products, with total sales of €2,708.6 million, EBITDA of €184.3 million and Adjusted EBITDA of €337.3 million in the financial year 2015/2016. The vast majority of our sales are generated within the selective beauty distribution channel, which requires the formal approval of a supplier to carry a selective product, as opposed to the mass market channel. As of September 30, 2016, we operate in 19 European countries with approximately 1,700 stores (including franchised stores) and have e-commerce operations in 16 countries. In four of our five core countries (i.e., in Germany, France, the Netherlands and Poland), we have a top 1 or top 2 in market position. In those five core countries, we generated approximately 88.0 percent of our total sales in the financial year 2015/2016.

With the vast number of articles in our German online shop, we offer one of the industry's largest beauty and personal care product assortments available in our stationary stores and online shops. This assortment is complemented by a range of beauty-related accessories, as well as, selected service offerings. Our extensive product offerings across a wide range of price points make us a preferred brand for beauty and personal care in Europe. We believe that we distinguish ourselves by a customer-centric sales approach offering our customers high quality advice and services and that this, together with our reputation and our broad, well-invested store network in prime locations, as well as e-commerce capabilities, make us a "must-have" distribution platform for the major suppliers of selective beauty products.

We believe we are a pioneer in omni-channel selective beauty retailing in Europe, with highly integrated stationary store and e-commerce (including online and mobile) customer interfaces which allow our customers to browse online and buy in-store, or "click-and-collect". We have continuously invested in our e-commerce business with online shops in 16 countries, as of September 30, 2016, being one of the leading selective beauty online retailers in Europe with a particularly strong position in Germany. Our e-commerce sales amounted to €324.2 million in the financial year 2015/2016, corresponding to 12.0 percent of our total sales. We consider our established German e-commerce platform to be a blueprint for our e-commerce activities in other countries, for example, through transposition of best practices.

As of September 30, 2016, we had 17,721 employees (number of employees including temporary personnel, excluding trainees).

Competitive Strengths

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

Leading position in the European Selective Beauty Market

With total sales of €2,708.6 million in the financial year 2015/2016, we see ourselves as the leading specialist retailer of selective beauty and personal care products in Europe. We believe that we prevail against competitors through our strong brand, unique store network with 1,683 stores (as of September 30, 2016, thereof 1,546 directly operated stores and 137 franchised stores) in prime locations in 19 countries, online shops in 16 countries and best-in-class customer service and unparalleled customer reach.

In Germany, we consider ourselves as the market leader in the selective beauty market in terms of sales with respect to both stationary and e-commerce business. With the strategic acquisition of the Nocibé Group in June 2014 we have become the leading selective beauty retailer in France with the largest store network in the local market. We also hold leading market positions in almost all of our other core markets, which include the Netherlands, Italy and Poland. In addition, we have strong positions in most of the other markets we operate in, especially in the growing Central and

Eastern European markets, pioneering the selective perfumery business model in an extensive manner.

By leveraging our purchasing power resulting from our increasing sales, we aim to constantly improve our purchasing terms and conditions in negotiation with international suppliers. Suppliers value our unique scale as a leading European player and our pan-European distribution power. As a result, we believe that we are the retailer of choice for the established brands and for many new brands wishing to explore their market potential at an early stage. We cooperate with all major suppliers of selective beauty products to introduce new beauty-related categories and innovative products and services to the European beauty market. Smaller competitors focusing on regional markets who are limited in their financial resources and marketing power are often less attractive for the supplier.

We continue to expand our geographical footprint through franchising, acquisitions and partnerships, and we have a proven track record of integrating new stores, including those acquired from third parties and formerly franchised stores, into the Douglas store network efficiently and quickly thanks to our flexible store format and brand approach. We generally rebrand acquired stores to the "Douglas" brand and concept only if this is expected to improve store performance.

With our anchor brand "Douglas", we can build upon a strong brand heritage since the opening of the first Douglas perfumery in 1910 in Hamburg with excellent prompted and unprompted brand awareness in all of our core markets in which we operate our business using the "Douglas" brand. In France and Monaco our business is run under the strong national brand "Nocibé".

Focus on Attractive Market Segment to Benefit from Strong Industry Economics

We focus on the selective beauty market, an attractive sub-segment of the broader beauty and personal care market which benefits from strong industry economics, based on the legal framework of the selective distribution channel provided by applicable EU legislation. Therefore, this market is more attractive for us than the larger mass retailing market for beauty and personal care products which is characterized by higher competition and lower profit margins. In the selective beauty market, manufacturers of premium brands limit the distribution of their products to selected qualified retailers in order to enhance the frequent premium reputation of their products and brands and control the distribution of their brands. In this regard, suppliers require, for example, adequate product and brand presentation in store, appropriate service levels through qualified and trained employees as well as breadth of product assortment, before approving distribution of their products by a specific retailer. Therefore, suppliers generally favor retailers with strong brand awareness, customer reach and large nationwide store networks. Thus, the economics of the selective distribution channel typically do not work for drugstores, supermarkets and similar retail formats that mostly focus on the mass market instead.

Attractive and Broad Product Assortment makes Douglas one of Europe's Favorite Retailers for Beauty and Personal Care Products

We are a leading specialist retailer for selective beauty products in Europe with an assortment of a vast number of different articles across a wide range of price points. We have a highly attractive and balanced product portfolio, including fragrances contributing more than a half, color cosmetics and skin care contributing approximately one fifth each and other products contributing only a small portion to our total consolidated sales in the financial year 2015/2016. Our broad product assortment and service offering make us a trusted destination for customers of premium beauty care products.

Our product offering includes many different major national and international brands. These brands are sourced from suppliers with whom we maintain strong, often long-term relationships.

We enhance our customer value through a customer-centric sales approach offering our customers high quality advice, service innovations and the introduction of new categories, to capture the latest trends in beauty as identified in our systematic trend scouting process.

We complement our broad assortment range of selective products with attractive exclusive products and products out of the "Douglas Nocibé Collection" (our private label products) which allow for differentiation vis-à-vis key competitors and act as an additional margin driver. Thus, we consider exclusive and particularly "Douglas Nocibé Collection" products to be key growth contributors, which, especially in the case of the "Douglas Nocibé Collection", have significantly higher gross margins than third party beauty products. As a consequence, in the last three years, we have put a strong focus on significantly expanding our exclusive and "Douglas Nocibé Collection" expertise.

We have started to leverage the "Douglas Nocibé Collection" capabilities developed by the Nocibé Group in France across other European countries in order to further complement the Douglas assortment of products, attract new customers, drive customer loyalty and further improve our margins.

Unique, Modern and Well-invested Store Network in Prime Locations makes Douglas a "Must-have" Distribution Platform for all Major Brand Suppliers

In our view, we operate a unique store network across Europe comprising 1,546 well-invested directly operated stores as of September 30, 2016. Our stores are in prime locations—mostly in prime high-street locations as well as in shopping malls—which, combined with our modern design and prestigious store appearance, make Douglas, in our view, a "must-have" distribution platform for all major brand suppliers.

In Germany, we have an extensive store portfolio in prime locations. We have continuously invested in our store network as demonstrated by relatively stable capital expenditures for store modernization and refurbishment, which accounted for the large part of our overall capital expenditures in each of the last three financial years.

In France, we have a nationwide store network approximately twice as many stores as the market leader, Sephora.

Our modular store concept allows flexibility to adapt store sizes, assortment breadth, store layout and visual merchandising and enables us to successfully operate with smaller and medium sized stores in smaller towns where we may have less competition from operators focusing on larger stores.

Strong Omni-channel Operations with E-commerce Leadership Positions across Key Markets in Europe

We see ourselves as a leading omni-channel retail trendsetter with high integration of our online and mobile interfaces with our bricks and mortar business. We provide a highly integrated offering across all channels and have implemented state-of-the-art cross-channel services and customer relationship management. We consider this as a competitive advantage, in particular vis-à-vis pharmacies, drugstores and smaller players that do not have the same omni-channel competency. We consider an attractive, easy to use omni-channel approach as particularly important in the beauty retail sector since customers increasingly purchase online to save time, money and effort, but at the same time most of them wish to see, feel, smell and test many beauty products in person. Also, store experience and friendly customer advice are parts of a shopping experience which we consider to be difficult to reproduce for a pure-play online retailer. Our omni-channel capabilities allow us to serve our customers across channels, and our size and seamless processes facilitate the necessary logistics and the realization of economies of scale. Furthermore, we believe

that our online shops distinguish themselves from large unspecialized retail platforms through broad assortment and product presentation which we believe corresponds better to the premium reputation of the suppliers' brands, as well as, through complementary service offerings.

We believe that our e-commerce growth reflects the consistent implementation of our omni-channel strategy which we have intensified and further improved over the last years. Moreover, as a result of our increased e-commerce sales in the past financial years and benefits from scalability with respect to the cost base, we achieved what we consider to be an attractive profitability. In addition, we believe that we are well-positioned to benefit from the expected dynamic growth in the online segment of the selective beauty market in Europe moving forward.

We offer a number of highly integrated cross-channel services along the relevant customer touch points, covering pre-sales information, stock availability, consultation, payment as well as delivery of products and returns. With in-store orders, click-and-collect, online stock information, online appointment scheduling before store visits or cross-channel couponing, we have implemented innovative new service features. We use all channels—stationary stores and e-commerce (including online and mobile solutions)—in a jointly incentivized and integrated manner to enhance customer experience and brand loyalty by offering our customers increased convenience and a personalized shopping experience.

Our omni-channel offering and cross-channel services are complemented through an, in our view, industry leading customer relationship management and loyalty program. Our Douglas loyalty card program counts more than 11 million cardholders across 15 countries in Europe. In addition, Nocibé has its own loyalty program with more than 8 million additional holders in France and Monaco.

Proven and Resilient Business Model with a Strong Financial Track Record, Superior Cash Generation and Focus on Expansion

We have shown a strong financial track record for the last financial years, in terms of sales growth, further margin expansion and cash generationand we implemented a wide range of strategic and operational initiatives to maintain high sales growth. Such initiatives included for our stationary business an improved assortment management process and the successful implementation of in-store activation measures, such as the introduction of a new visual design, the roll-out of new product displays, improvement of visual merchandizing and marketing concepts and the usage of professionalized space management. In addition, we continued implementing operational excellence initiatives, introduced new online service offerings and accelerated the pan-European roll-out of e-commerce operations for our fast growing e-commerce business. Supported by these measures, our sales growth rate has further improved in the financial year 2015/2016. Our like-for-like growth rate increased from 4.1 percent in the financial year 2014/2015 to 5.2 percent in the financial year 2015/2016. The increase in sales was driven by both an improvement of our stationary as well as our e-commerce business, with our e-commerce operations benefitting from strong market momentum and our competitive position in the European online selective beauty market. In the financial year 2015/2016, our like-for-like sales growth rate was positive across all of our four regional segments, with a particularly strong growth in Germany (4.6 percent), Eastern Europe (7.8 percent) and South-Western Europe (5.1 percent).

Furthermore, we have implemented a wide range of efficiency enhancing measures since being acquired by CVC. In February 2016 a new innovation and growth plan was announced. We plan to accelerate growth and expand our leading position in the highly competitive European retail market for beauty and cosmetics. The key lever is an investment program of more than €100 million, in addition to existing budget, focusing on fundamental growth drivers as the Douglas brand, the "Douglas Nocibé Collection" product range, enhancement of customer experience and omni-channel capabilities over the next three years. We will furthermore invest significantly into broadening our international footprint. To fund investments in growth, we plan to gain significant

resources by organizational improvements across the board. The existing corporate structure partially still reflects the old holding. Now, the organizational set-up will be adjusted to the needs of a pure omni-channel retailer for selective beauty products. Furthermore, overlapping functions between headquarters and country subsidiaries will be reduced to make the organization more agile and responsive to customer needs.

We believe that the first results of these measures, as well as, the growth and value-creation initiatives described above, were the main factors which led to the improvement of our Adjusted EBITDA and our Adjusted EBITDA margin. Our Adjusted EBITDA margin of the Douglas Perfumeries further increased as a result of the first effects from the above described strategy of cost control and efficiency enhancement as well as from a better fixed cost coverage of our fast growing online operations (which increased to 12 percent in the financial year 2015/2016).

Strategy

In order to achieve sustainable growth and further increase our profitability, we focus on clearly defined key strategic objectives, leveraging the various strategic and operational measures we implemented over the last two years. Our strategic goals can be summarized as follows:

Extend Leadership in Channel Excellence and Front-run the Omni-Channel Opportunity

We intend to continuously expand our leading position in omni-channel excellence and exploit the industry's omni-channel opportunity. This includes driving excellence in each channel as well as strengthening cross-channel capabilities and customer relationship management.

To this end, we aim to further enhance our store design and introduce a series of activating elements, such as highlight areas to promote innovations or seasonal promotions, to drive customer visit frequency and conversion rates, and leverage our new standardized store design to achieve a more homogeneous look and feel across our stores. Another focus lies on enhancing the service experience for our customers along all customer touch points as a key differentiating factor as compared to our competitors. To further improve our operational excellence, we plan to further strengthen best practice sharing across countries and channels.

Within the e-commerce channel, an important goal is to further optimize our e-commerce platform to improve customer attraction, and in particular conversion and retention rates, for example through the implementation of new features and selected new services. We believe our market-leading e-commerce activities in Germany can act as a highly successful blueprint for all other countries in order to build upon existing market positions.

Mobile traffic generation (e.g., geo location-based push campaigns and the mobile Douglas card app) and the development and roll-out of cross-channel services across our countries represent the focus of our strategy to further integrate our channels in the near future. This will also be supported by our customer relationship management strategy, mainly focusing on the further enhancement of our customer lifecycle management, e.g., through harmonization of customer data and customer journey tracking to allow more personalized shopping experiences and campaigns. The differentiation and extension of our leading loyalty card programs is also part of our customer relationship management strategy and represent important measures to further enhance our omni-channel offering.

Further Strengthen Market Leadership by Expanding Footprint in Existing and New Markets in Europe

It is our strategic goal to be the leading omni-channel retailer in the European perfumery and beauty market. To achieve this, we launched a comprehensive investment program of more than €100 million in addition to the existing budget, focusing on our key growth drivers – the "Douglas Nocibé Collection" products, customers' experience and omni-channel capabilities. We will further

strengthen the Douglas brand, expand the "Douglas Nocibé Collection" offering, and improve customer experience as well as our omni-channel capabilities.

Hence, all our customer-facing management functions based in Hagen and our online activities from Cologne were moved in October 2016 under one roof to the new Douglas' headquarters to Düsseldorf. All distribution channels are steered from one location, which will allow our stationary and online retail divisions to closely work together as a truly integrated team. This will pave the way for Douglas to become one of the most innovative omni-channel retailers in Europe.

As a location, Düsseldorf offers a wide range of benefits for Douglas. The city is the largest German beauty and fashion hub, featuring several fairs and other events important to our sector, and it is home to several of our suppliers. It also provides excellent infrastructure such as Germany's third largest airport, which is of great importance as our business becomes more global every day.

To fund investments in growth, we plan to gain significant resources by adjusting our company structure. Our existing corporate structure partially still reflects the old holding. Now that we have become a pure selective beauty retailer, we reduce overlapping functions between headquarters and country subsidiaries. This will help us make organizational processes more agile and responsive to customer needs. We will also align our organization to foster cross-functional teamwork, flatten hierarchies and thereby accelerate our decision-making processes.

In all markets we are in, Douglas clearly strives to become the industry's Number One or Number Two. In Turkey, however, we only have a small market share. Following a thorough evaluation, we do not expect a major improvement of our position in the foreseeable future. We have therefore decided to withdraw from the Turkish market. By the end of October 2016, all stores were handed over to the landlords and with all employees Douglas negotiated cancellation agreements.

Lead Sector Innovation and Exploit our "Douglas Nocibé Collection" Upside

As a European market leader in selective beauty retailing, another important part of our strategy is to lead the selective beauty retail sector in product and service innovations and to exploit the significant upside of a comprehensive private label product portfolio.

Therefore, we will further systematize our trend-scouting process with the goal to reliably identify the latest beauty and personal care related trends as well as the most attractive product innovations, and thereby focus on any remaining "white spots" in the assortment of our core categories color cosmetics and skin care. Additionally, we intend to grow our sales by introducing new and complimentary product sub-categories beyond the traditional fragrance, color cosmetics and skin care products (e.g., Trend Collections and Accessories). In the year 2015/2016 we have introduced in all markets our "Douglas Nocibé Collection" accessories.

Product Offering and Assortment

Product Categories

Our main product categories relate to fragrances, color cosmetics (i.e., make-up) and skin care. We also offer complementary product categories relating to, for example, "living" (home accessories, such as home textiles, dishware or decoration articles) and "accessories" (for example, scarves and fashion jewelry). We aim to address all price levels and all relevant customer types through our comprehensive portfolio with a particular focus on selective fragrance and beauty products.

Fragrances

Fragrances are our main product category accounted for more than half of our total sales in the financial year 2015/2016. Our sales are typically driven by female fragrance products. While eau de cologne, eau de toilettes and eau de perfume account for the vast majority of our sales from this product category, auxiliary products such as bath lines and shower gel or body care products (which, for example, may be included as part of a gift set in combination with a fragrance) represent a small portion of the sales of fragrances.

Our product portfolio comprises a comprehensive assortment of fragrances for women and men, as well as, unisex fragrances. The focus of our fragrance offering is on selective fragrances, including premium and luxury brands like Chanel, Dior, Hugo Boss, Giorgio Armani and Paco Rabanne, as well as, fragrances of so-called famous faces, lifestyle and sports fragrances, niche, funky and designer fragrances. Furthermore, our product portfolio includes so-called "masstige" brands (i.e., affordable products intended for the mass market, but which through packaging and other characteristics are perceived as being prestige products) and, to a lesser degree, mass fragrance products.

Color Cosmetics

Our color cosmetics portfolio comprises a comprehensive range of cosmetic products for lips, such as lip sticks and lip glosses, nail products, such as nail polish and nail care products, eyes cosmetics, such as mascaras, eye shadows and eyeliners, complexion cosmetics, such as liquid make-up, concealer and compact powder and make-up accessories, such as make-up brushes. Color cosmetics generated about one fifth of our total consolidated sales in 2015/2016.

We offer a full range of color cosmetics, with a focus on established beauty brands, premium and luxury color cosmetics (including Lancôme and YvesSaintLaurent), artist and specialist products (such as Artdeco, Bobbi Brown and MAC). In addition, we offer masstige and mass products and natural color cosmetic products. Our offering also includes numerous color cosmetic products from our "Douglas Nocibé Collection" brand.

Skin Care

We offer a full range of skin care products, including day creams, night creams, serums, masks, tonics, firming and slimming products and auxiliary products such as cleansers and sun protection. In the financial year 2015/2016, skin care products accounted for approximately one fifth of our total consolidated sales. The vast majority of our sales in this category are generated by women's skin care products in general and women's face care products in particular. Men's skin care products have gained importance and we expect this trend to continue due to the more pronounced awareness of men regarding their personal appearance. A further trend relates to increasing product differentiation, such as natural cosmetics or hybrid, multi-benefit skin care products (e.g. products combining the benefits of skin care and make-up into one).

Our portfolio includes products of the established beauty brands, premium and luxury skin care brands, for instance Biotherm, Clarins, Clinique, Estée Lauder, Kanebo, La Prairie and Shiseido, designer skin care and skin expert brands, brands specialized in wellness/natural products and some masstige and mass brands. In the skin care segment, we strive to increase the share of our "Douglas Nocibé Collection" products, such as Douglas Home Spa or Douglas Naturals, in our overall sales to attract younger and new customer groups.

Other Products

We offer a select range of complementary products under private labels "Douglas Nocibé Collection", third-party brands or as unbranded articles and such products extend our core product portfolio. Sales of such other products represented only a small portion of total aggregated sales in 2015/2016.

Besides typical auxiliary beauty and personal care products, such as make-up and hair accessories, bath and shower or hair care products, deodorants and gift sets, this category also includes professional beauty products, such as electrical skin cleaning brushes, home accessories, such as home textiles, dishware or decoration articles, personal accessories, for example, scarves and fashion or costume jewelry. In addition, we offer special seasonal and other themed products, such as Christmas or Easter decorations or products relating to particular events.

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

Product Types

We have extensive product type offerings comprising a mix of selective, exclusive and private label "Douglas Nocibé Collection" products with which we target different segments within the European beauty and personal care market.

Selective Products

Selective products are fragrances, color cosmetics and skin care products from third-party, mostly premium brands sold only by selective retailers and are our most important product type and a key traffic builder for us. As part of our selective product offering, we market a full range of fragrances, color cosmetics and skin care products with a wide array of major national and international brands. Our historical strength within our selective products offering has been, and we believe will continue to be, fragrances. The distribution of selective products is limited to selected retailers which have to meet specific qualitative and quantitative criteria. For more information, please refer to *"—Operations: Suppliers and Supply Chain Management, Logistics, and Information Technology—Suppliers and Supply Chain Management—Suppliers*".

Furthermore, we believe that the top brand suppliers consider us as an important strategic partner in the European selective beauty retail markets in which we operate, particularly in our key markets Germany and France. We also believe that our core strength lies in the fact that we offer a broad and comprehensive assortment of selective products of different brands through a dense network of stores as well as online shops.

Exclusive Products

We offer certain selective products exclusively or are granted exclusive rights to offer such products in certain countries. Exclusive products are an important source of differentiation vis-à-vis competitors and we believe that our "Douglas Nocibé Collection" is particularly strong in this

respect. Exclusive products typically have higher margins than other selective products while also contributing to increase customer loyalty.

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

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

"Douglas Nocibé Collection" Products

Our "Douglas Nocibé Collection" products, which focus on color cosmetics, skin care and accessories are positioned in the entry-level segment and generally priced below comparable selective products. Such pricing increases the affordability of the products that we sell as a whole and we believe this improves the "Douglas" and "Nocibé" brands' price/value perception among consumers. We believe "Douglas Nocibé Collection" products also help to increase store traffic, and are more "trend-oriented" targeting, in particular, new and younger customers, thereby rejuvenating and broadening our target customer base and image. Given higher gross margins related to our "Douglas Nocibé Collection" offering also improves our average margins.

While we do not manufacture or develop any products ourselves, we co-operate with manufacturers and suppliers of our "Douglas Nocibé Collection" products, who, in some cases manufacture the product exclusively for us. In this regard, we typically approach our "Douglas Nocibé Collection" suppliers with a concept based on the results of our trend scouting and also work with design agencies regarding, for example, packaging.

We source our "Douglas Nocibé Collection" products from a diversified portfolio of over 60 suppliers in Germany, France, Italy and Asia in order to facilitate price benchmarking and assist with negotiations. Generally, we engage the same suppliers as the large established beauty brands to ensure the required product quality. Before selecting a supplier for a new "Douglas Nocibé Collection" product, we compare the price and quality of product of at least two potential suppliers. Our sourcing is based on an order-by-order concept, in which we select our suppliers and enter into individual contracts for each "Douglas Nocibé Collection" product or product line. Such contracts are usually entered into for an indefinite period and may typically be terminated with six months' notice.

Our sourcing contracts set demanding standards and incorporate provisions that require the supplier to comply with applicable laws and carry out certain tests relating to product safety while other tests are carried out by our own product managers in co-operation with a third-party testing

facility. In addition, depending on the designated specification of the product, we may demand further tests be executed by the respective suppliers and/or third-party testing facilities, for example to measure how effective products are (e.g., the moisturizing qualities of a product) and regarding the product's response to transportation, and have processes in place to ensure appropriate product labeling. We have implemented a process to audit all new "Douglas Nocibé Collection" suppliers and existing suppliers every two years, as well as, in case of repeated non-conforming products or other difficulties, as required.

We also apply strict quality standards to our "Douglas Nocibé Collection" products and notwithstanding their lower average price, our "Douglas Nocibé Collection" products generally have significantly higher gross margins than selective or exclusive products because of lower sourcing costs making them highly attractive.

Beauty Services

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

Sales Channels, Omni-Channel Approach and Payment Methods

We operate both through an extensive network of approximately 1,700 stores across Europe, which includes primarily directly operated stores, but also franchised stores (refer to "*—Our Store Network*" below) and through our e-commerce activities with online shops in 16 countries as at September 30, 2016.

The following table provides an overview of the number of stores, the online shops, both as of September 30, 2016, and the year of our market entry in the markets in which we operate:

Country	Market entry	Number of stores [1]	Online shop
Germany	1910[2]	435	Yes
France	1986[3]	603	Yes
Italy	1989	123	Yes
Poland	2001	123	Yes
Netherlands	1980	111	Yes
Spain	1997	56	Yes
Austria	1973	45	Yes
Croatia	2008	26	Yes
Latvia	2007	26	Yes
Lithuania	2007	25	Yes
Portugal	1998	21	No[4]
Romania	2007	21	Yes
Hungary	2001	19	Yes
Bulgaria	2008	17	No
Czech Republic	2004	16	Yes
Switzerland	1991	10	Yes
Monaco	2002	4	Yes
Turkey[5]	2006	1	No
Norway	2014	1	Yes

[1] As of September 30, 2016; includes 120 franchise stores in France, 16 franchise stores in the Netherlands and 1 franchise store in Norway.
[2] Hussel AG (founded in 1949) acquired 'Parfümerie Douglas' (founded in 1910) in 1969.
[3] Nocibé was founded in 1984.
[4] Online shop in Portugal started in December 2016.
[5] Withdrawal from the Turkish market end of October 2016.

Our Store Network

We operate an extensive, modern and well-invested retail network comprising 1,546 directly operated stores and 137 franchised stores in 19 European countries, as of September 30, 2016. Approximately 60 percent of our stores were located in Germany (435 stores) and France incl. Monaco (487 stores, excluding 120 franchised stores), with a strong presence in Italy, Poland and the Netherlands. We target highly frequented locations for our stores such as city centers and shopping malls. In terms of geographical spread, we operate in a vast number of European cities, primarily in urban locations and have nationwide coverage in our key markets of Germany and France. In France, where we run our business through the “Nocibé” brand, all Douglas stores have already been re-branded to Nocibé. Nocibé is predominately present in the Northern and Eastern part of France with just a few stores in the Paris area compared to our competitors. Accordingly, there are a number of white spots leaving room for further expansion.

Store size (both Douglas-branded and Nocibé-branded stores) typically ranges between around 100 m^2 and around 250 m^2 with an average store size of approximately 220 m^2. However, we also operate some stores with a store size of less than 100 m^2 and well above 300 m^2, with our largest store having a selling area of approximately 3,000 m^2.

We also operate several franchised stores, primarily in France, but also in the Netherlands. We consider our franchise network as being complementary to our own stores. For example in France, the franchised stores complement our network of owned stores to ensure a nationwide footprint.

The typical duration of a franchise contract is five years and generally includes a renewal clause for our benefit. Our franchise contracts grant the franchisee the right to operate a store using the "Nocibé" store brand (in France) and the "Douglas" brand (in the other countries). The franchisees in France have their own purchasing processes with suppliers under the commercial conditions negotiated by the franchisor and—except for our "Douglas Nocibé Collection" and certain exclusive products—we do not sell any products to them. However, in other countries, we do supply our franchisees with selective products. In addition, we provide certain commercial and marketing assistance to our franchisees (such as coordinating store window displays during the Christmas or Mother's Day period). Most of our franchise contracts provide us with a preemption right to purchase the respective store. Whether we decide to purchase is mainly based on absolute sales and sales performance of the respective store, store location, the number of customers and duration of the franchise agreement in the past.

The total floor space of our 1,546 stationary stores (excl. franchise stores) at the end of the financial year 2015/2016 comprises 356.8 thousand square meters which is slightly above prior financial year's level of 1,550 stationary stores and 355.0 thousand square meters. In relation to our gross sales from stationary stores, we achieved average sales per square meter of €8.0 thousand (€7.8 thousand in the financial year 2014/2015).

Our E-Commerce Platform

E-commerce is an integral and fast growing part of our sales platform, and one of our strategic objectives going forward is to continue developing our e-commerce platform and further enhancing our omni-channel capabilities. We increased e-commerce sales from €261.0 million in the financial year 2014/2015 to €324.2 million (2015/2016), representing 10.0 percent and 12.0 percent of total sales, respectively. More than half of the increase compared to 2014/2015 resulted from the German Douglas e-commerce performance. We define e-commerce sales as the sum of all invoiced sales relating to products and services by customer orders via websites, internet websites designed to be accessed via mobile or "smart" telephones (so-called "m" sites) or tablets (so-called "t" sites), or "apps" (applications designed to optimize internet usage with respect to a specific task using a mobile or "smart" telephone).

As at September 30, 2016 we operate online shops in 16 different European countries, namely Germany, Switzerland, Austria, France, the Netherlands, Italy, Poland (the "centrally managed online shops"), Romania, Hungary, Lithuania, Latvia, Croatia, Monaco and, more recently, Norway (as part of a omni-channel franchise concept), the Czech Republic and Spain. In December 2016 our online shop in Portugal is brought to life as our 17th country.

Our e-commerce sales category mix (based on e-commerce sales pertaining to our centrally managed online shops) is similar to the stores mix, mainly consisting of fragrances, followed by skin care and color cosmetics (make-up). However, our online portfolio comprises more products than the assortment in a single bricks and mortar store offering, since our stationary stores are subject to space constraints.

The following table shows key operational e-commerce data for our centrally managed online shops for the periods indicated:

Key operational e-commerce data for our centrally managed online shops

		Financial year ended September 30,	
		2016	**2015**
E-commerce sales	(in Mio. €)	324.2	261.0
E-commerce sales	(in % of total sales)	12.0	10.0
Number of orders	(online; in million)	6.6	5.4
Sales growth (e-commerce)	(in %)	24.3	45.0
Site visits	(online; in million)	191.4	154.6
Average basket size per order	(online; in €)	48.8	48.4
Return rate	(online; in %)	4.4	4.4
Conversion rate	(in %)	3.5	3.5
Fulfillment costs	(in Mio. €)	37.9	31.9
Fulfillment costs	(in % of e-commerce sales)	11.7	12.2

The continued growth of the Douglas Perfumeries Business' e-commerce platform has been accompanied by an increase in related variable costs, particularly freight and packaging costs, which, on a relative basis, represent a larger portion in relation to our e-commerce cost base than in relation to our stationary stores. However, expressed as a percentage of e-commerce sales, these variable costs have constantly decreased.

Omni-Channel Approach

Our omni-channel approach is focused on a seamless concept with respect to the customer shopping experience across all available retail channels, including stationary stores, mobile internet devices, computers, and regarding marketing activities also encompassing television, radio, mailings, social media, etc. We address and track customers, their tastes and shopping patterns, through a variety of channels simultaneously, we use a omni-channel approach and offer cross-channel activities that include, for example, integrated databases of products, prices and promotions, and integrated interfaces linking mobile/online applications, the stationary stores and logistic processes, as well as, more efficient marketing tools to be able to address customers with offers that meet their demands, as determined by purchase patterns, social network affinities, website visits, loyalty programs, etc..

One major advantage for our omni-channel customers is the opportunity to get advice and other services or test products directly in the store, while ordering additional products from our full online product assortment which customers can access via online/mobile features in the store itself (or later from home) and can have them delivered to their home address or to the store, in some cases on the same day.

Payment Methods

We offer a number of customary payment methods tailored to meet our local customers' payment preferences. In our stores across Europe, customers can generally choose among payment in cash, using credit or debit card or gift cards. We further offer different mobile payment services in specific countries across Europe. We believe that offering a wide array of payment methods according to local preferences enhances customer satisfaction and improves our check-out conversion with respect to our e-commerce sales. As we take on credit risk associated with certain payment methods, we have implemented risk management systems to contribute to a reduction of the exposure to such risks, including fraud.

Brand Strategy, Marketing and Customer Relationship Management

Brand Strategy

Our brand strategy is centered on further increasing the appeal of our "Douglas" brand as a preferred platform for suppliers and the "partner in beauty" of our customers across Europe. We believe that we distinguish ourselves from competitors through our emotional, innovative and customer-centric approach. In France and Monaco, we use the strong "Nocibé" brand. Following the acquisition of Nocibé, we have rebranded our existing Douglas stores in these countries to "Nocibé". We currently concentrate our e-commerce activities under the "Douglas" brand (and Nocibé in France and Monaco).

Marketing

We have a comprehensive marketing strategy in place, including the use of media, promotions and pricing strategies to attract new customers and improve customer loyalty. In the financial year 2015/2016, our total marketing costs amounted to €147.4 million representing 5.4 percent of our sales. The largest portion of our marketing costs is financed by the brand manufacturers that supply their selective products to us in the form of so-called "market development funds", which significantly enhance our ability to advertise across classic channels, such as press (e.g., advertisements in women's magazines), TV, radio and similar methods. In addition, we use newer media channels, including social media channels such as Facebook, Instagram, Google+, Pinterest and YouTube and our own beauty blog beautystories (the German version of which is available under "http://blog.douglas.de") to support traffic to our stores and attract new customers, both for our stationary and our e-commerce business. Furthermore, our omni-channel communication strategy includes in-store communication and joint advertising with suppliers.

Customer Relationship Management

Managing and maintaining the relationship that we have with our customers is an important part of our business. In this regard, we view our customer service as an important part of our strategy, as it provides direct feedback from our customer base and helps to interpret customers' satisfaction with our products and service and customers' needs. A systematic customer lifecycle management with dedicated measures to first win new customers, secondly activate, retain and develop existing customers, and, if necessary, re-activate and win back former customers is at the heart of our customer relationship management strategy.

As an important tool in our customer lifecycle management, we have an extensive industry-leading customer loyalty card program in place. As of September 30, 2016 we have more than 11 million "Douglas" cardholders in 15 countries across Europe and more than 8 million "Nocibé" card holders in France and Monaco. The Nocibé Group operates different varieties of its loyalty card, one of which aims at younger customers and another of which aims at their highest spending customers. The average usage of our customer loyalty cards varies between countries. The usage of the customer loyalty card in Germany and France remained stable compared to the previous financial year, while the usage in France is significantly higher compared to Germany.

In addition to our existing Douglas card program we have decided to strengthen our position and invested significantly in the extension of our loyalty card portfolio with a newly released Douglas Beauty Card in October 2016. This card differs from the currently existing one as it is free of charge. Both cards, the prior existing and newly introduced one offer a unique and specific set of services and benefits to our customers. In fact, the existing card will be enriched by increased services and benefits. Thus, going forward we will offer these two different versions of our customer loyalty cards, a free of charge version and a card for which fees are raised. Customers who already possessed a card will obtain the newly designed Beauty card in exchange at a later stage. However, they can benefit from all new features already from beginning of the new

program. A set of existing cards has been exchanged instantly to match the new design whereas others will be exchanged after expiration. Especially with our new bonus program we are offering valuable promotions and intend to drive loyalty and card usage among customers. Card holders collect beauty points based on purchases and can redeem points either through a web portal or directly within stores.

In order to further expand the reach of our loyalty card program, we have introduced a mobile Douglas card in Germany which is connecting with the Douglas mobile application incorporates an in-store payment function via smartphone, as well as, additional features, such as couponing and purchase history functionality. Our customer relationship management in Germany (which we handle internally and also serves our customers in Switzerland) includes a free-of-charge telephone hotline, which also takes orders placed by customers via telephone, as well as, e-mail and postal correspondence with customers, postings and answers to postings in social media platforms and customer care in connection with our loyalty programs. In the other countries in which we are present, we also offer dedicated hotlines (in some cases free of charge), which mainly address queries about our loyalty program/bonus points, our online shops, questions about orders, customer complaints and similar. In many of these countries, we manage our customer service in-house, while in Italy, Austria, and Spain, we outsource these services. Moreover, we have a customer friendly return policy.

The “Douglas magazine”, which is primarily available to Douglas card holders (with variations among countries; e.g., in certain countries to active customers, and in other countries also to some extent to inactive or non-customers) is issued multiple times per year and is adapted to each country. Currently, we are offering the magazine in eight different countries.

Customers

Our business model focuses on consumers and we are therefore not exposed to any single concentration of customers. Additionally, given the short payment terms of our sales, we have a low level of receivables and bad debt expense.

Women have traditionally been, and continue to be, the gender with the largest spending for beauty and personal care products by a large margin. Furthermore, women tend to be the decision makers in terms of overall family health and beauty spending, in addition to buying products for themselves. Thus, we consider women as our most important customer group. However, men are increasingly dedicating more time to, and spending more money on, their personal appearance. As a result, men have also become an important target group of ours that we address through a dedicated space in our store layout, as well as, special product offerings such as the “Douglas Men” series.

Based on a customer survey conducted for Germany by Innofact AG in January 2016, customers that use both our retail store and e-commerce platform channels for their purchases spend, on average, more than twice as much per annum compared to customers that use primarily one such sales channel.

Our strong brand, broad and deep product offerings and focus on personalized and professional customer service have created a very satisfied, loyal customer base, regarding both our store-based as well as our e-commerce business. Based on a survey conducted by Innofact AG in January 2016 85 percent of the people surveyed report to be satisfied (32 percent) or highly satisfied (54 percent) with Douglas in Germany.

Operations: Suppliers and Supply Chain Management, Logistics and Information Technology

Suppliers and Supply Chain Management

Suppliers

We source our selective products from virtually all major national and international brands of beauty products, with which we have established close and long-standing relationships reflecting the inter-dependence of selective beauty suppliers and selective brand retailers like us. Taking Germany as an example, our top ten suppliers of selective products accounted for more than two thirds of our total purchasing volume in the financial year 2015/2016. Our top-50 suppliers accounted for approximately 90 percent of our total purchasing volume in Germany in the financial year 2015/2016.

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

- Firstly, we often enter into long-term selective distribution contracts (or authorized retail agreements) with suppliers of selective beauty products, under which we are, on a country-by-country basis, authorized by such suppliers to distribute products belonging to a particular brand both in our stores and online provided that certain quality standards and other criteria are met.
- Secondly, we enter into yearly international framework trading agreements (some agreed upon for 2 years), in particular with our top ten suppliers, which contain the basic commercial agreement between us and the relevant supplier, setting forth the general terms of sale, in particular regarding invoice conditions, bonus payment terms, promotional activities and marketing development allowances granted to us by the supplier, general logistic conditions, as well as, the conditions for returning goods.
- Lastly, annual local trading agreements transpose the basic commercial agreement contained in the international framework trading agreements for each country or specific countries (due to the relevance of the individual market situation in each country, e.g., the different market position of each brand within such market) and set forth the specific terms of sale, details of marketing efforts and bonuses/discounts, merchandising (e.g., additional payments for a prominent placement of a product in one or more stores) and other similar terms.

We aim to constantly improve our purchasing terms and to negotiate further specific price reductions (such as, higher year-end discounts) by leveraging our bargaining power resulting from our growing store network and increasing sales. Depending on the nature of the price reduction, the discount can be either a discount “on the invoice” by the supplier, a year-end bonus tied to certain sales targets or cash discounts for early payment. Some agreements also provide cost sharing provisions under which the respective supplier participates in certain costs (for example, personnel or installation costs). We also aim to increase marketing-related investments (which are industry-typical, so-called “market development funds”) from suppliers that support customer demand for their products, such as the co-financing of promotions (including specific incentives or “challenges” to our sales force, as well as, dedicated budgets for temporary promotional price reductions), co-advertising, in-store promotions, customer mailings and product placements in the Douglas magazine.

With several of our top suppliers we negotiated Europe-wide framework trading agreements in order to secure consistent margins, standardize terms and conditions streamline and allow for an efficient centralized contract management. We strive to expand this practice to other sourcing activities with smaller suppliers.

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

Supply Chain and Product Portfolio Management

We manage vast parts of our supply chain functions through an integrated information flow system (SAP LES), which covers all levels and channels (central warehouse solution for "Douglas Nocibé Collection" and exclusive brands, cross docking for our major selective brand suppliers and an e-commerce warehouse). Additionally, we successfully introduced a number of measures to improve our supply chain management. In particular, we implemented standardized processes for our product portfolio, product inventory, order and product liquidation planning and controlling.

We carefully manage our inventory with a strong focus on identifying the most relevant brands for our discerning customers and maintaining an attractive overall inventory "aging" profile. Thereby, we follow an approach strictly driven by our defined key performance indicators, tightly monitoring inventory turnover and out-of-stock products.

We have continuously increased our efforts relating to quality assurance and now operate a strict quality management system in particular focused on the processes relating to our "Douglas Nocibé Collection" products. This is complemented by quality assurance processes regarding selective and exclusive products offered by us.

Logistics

We operate a state-of-the-art logistics network across all of our major markets. Our "cross-docking" centers approach allows for high flexibility levels and quick adaptation to shifts in our supply chain (e.g., the flexibility to arrange for new contracts or to easily expand our store network).

For instance, we operate five "cross-docking" centers in Germany where the turnaround time for goods is very short since incoming goods are processed—first by store, and later by SKU and product category utilizing reusable packaging—and forwarded to our stores on a "just-in-time" basis. In February 2017 we will combine a "cross-docking" center and an e-commerce distribution center on site as practiced in Poland and we operate some cross-docking centers ourselves (e.g. Hungary). We also co-operate with logistic partners to run the cross-docking centers or e-commerce centers and ship our products to our stores and directly to our e-commerce customers whenever this represents a more cost-efficient alternative. The cross-docking approach contributes to limiting fixed costs, as it virtually eliminates the need for stock keeping and larger warehouses. Products are instead constantly restocked by our suppliers according to a sophisticated weekly schedule.

Information Technology

Our scalable and integrated IT platform is designed and organized both to support our daily business processes and the financial management of the Douglas Group and to provide our management with financial and other information.

Employees

In the financial year ended September 30, 2016, we employed 17,721 employees (including temporary employees, excluding trainees and apprentices). We also use temporary workers to meet the demands of the business during peak trading periods, in particular during the pre-Christmas and Christmas season. We employ part-time employees at the holding level and the store level, whereby the share of part-time employees at the store level is significantly higher.

The following table shows the number of our employees (headcount) as at September 30, broken down by segments:

	Financial year ended September 30,	
Headcount by regions	**2016**	**2015**
Germany	7,035	7,243
France	3,738	3,757
South-Western Europe	4,256	4,313
Eastern Europe	2,692	3,114
Total employees	**17,721**	**18,427**

Our sales staff compensation complies with the legal minimum wage, with an incentive system in place at the store level based on certain objectives. After a review of the prior target setting new objectives that are stringently in line with our strategy have been formulated in 2016. They include customer conversion rate, sales of our "Douglas Nocibé Collection" categories, applications for our loyalty card program and the extent of our omni-channel sales.

In some jurisdictions, we are subject to national or regional collective bargaining agreements. While none of our German entities are bound by collective bargaining agreements, a small number of employment agreements include a reference clause with respect to the collective bargaining agreements for the retail sector. Also, the employment conditions at our German entities are generally modeled after the respective regional collective bargaining agreements for the retail sector. In 2011, the Nocibé Group negotiated a collective agreement dealing with seniority leave and seniority bonus as well as working time (including overtime and compensatory leave) for its employees. However, employees associated with the former French business activities of Douglas perfumeries are not subject to this agreement. In certain other jurisdictions, for example Austria, the Netherlands and Italy, our employees are subject to collective bargaining agreements.

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

Real Estate and Leases

The vast majority of our sites including nearly all our stores are rented. Only a very small number of the sites are owned by Group. In addition, certain sites, such as two external warehouses in Leers, France, are operated through service contracts. We have no ownership or leasehold interest in such sites, but rather pay an annual service fee to use the warehouses.

As of October 2016, our headquarters are located in Düsseldorf/Germany. Several functions remain in the former location in Hagen/Germany among which are Logistics, IT, Customer Service and Accounting. The premise in Hagen and our ware house facilities in Zossen are the only major real estate objects owned by our Group. There are no encumbrances and no known environmental issues with respect to the freehold of our headquarters.

The following table provides an overview of our major real estate holdings and leases:

Site	Approximate Size	Ownership/Lease/Service Contract	End of Lease Contract, if applicable	Primary Use
Zossen, Germany	>35,000 m²	Owned	—	Central warehouse and administrative office
Hagen, Germany	>25,000 m²	Owned; partially sublet to third parties	—	Group headquarters
Ennigerloh, Germany	14,000 m²	Service contract	2018	e-commerce warehouse
Villeneuve d'Ascq, France	10,000 m²	Lease	2017	Internal warehouse and administrative office
Unna, Germany	8,000 m²	Lease	2019	Cross-docking center and administrative office
Calcinate, Italy[1]	4,000 m²	Service contract	2020	Cross-docking center and external warehouse for e-commerce activities
Hamburg, Germany	3,400 m²	Service contract	2017	Cross-docking center
Oldenzaal, the Netherlands	3,300 m²	Service contract	2018	Cross-docking center and external warehouse for e-commerce activities
"Geodis" site, Henim Beaument, France	3,200 m²	Service contract	2018	External warehouse
Blonie, Poland	3,050 m²	Service contract	2019	Cross-docking center and external warehouse for e-commerce activities
Aschaffenburg, Germany	2,800 m²	Service contract	2017	Cross-docking center
Gersthofen, Germany	2,030 m²	Service contract	2019	Cross-docking center
Düsseldorf, Germany	>2,000 m²	Lease	2027	Group headquarters
Somaglia, Italy	2,000 m²	Service contract	cancelled, end of contract Feb 17	Cross-docking center
Berlin, Germany	1,860 m²	Lease	2017	Cross-docking center
Viapost, Henim Beaument	1,500 m²	Service contract	2018	e-commerce warehouse
Linz (Lustenau), Austria	1,100 m²	Lease	2017	Warehouse and office space
Schwechat, Austria	700 m²	Service contract	2017	e-commerce warehouse

[1] Starting February 2017

Our stores (directly operated stores, as well as, franchised stores) are, with very few exceptions, operated on leased premises, and are governed by the respective legal regimes relating to commercial leases in the different jurisdictions. The duration of our lease agreements is generally defined by a fixed term (typically five or ten years). Within this period, the lease may generally not be terminated by either party, in combination with either an extension option for us as lessee or a tacit renewal upon expiry of the fixed term. In addition to the fixed lease payments (on a monthly basis or, in some cases, every three months), many of our lease agreements contain sales-related additional variable lease payments, meaning that a portion of the lease payments is tied to the

level of net or gross revenue, as the case may be, generated in the store concerned, subject to a minimum lease payment. The commercial leases that we sign with our landlords typically provide an adjustment of the rent as a function of changes in certain indices. In addition to rent, operating expenses and special payments such as center-contributions or marketing contributions may be payable. Before sub-letting a facility, we are generally required to request the lessor's consent, which may be in some cases dependent on an additional rent. We regularly review our lease agreements and renegotiate their terms when possible.

Intellectual Property

Our portfolio of registered intellectual property rights consists of trademarks and design rights. Moreover, we possess several domain names. Most of the trademarks and domain names are registered with the Company's subsidiary Parfümerie Douglas GmbH, Düsseldorf, Germany, although Douglas Cosmetics GmbH, Düsseldorf, Germany, also owns a substantial number of trademarks, and Douglas Marken- und Lizenzen GmbH & Co. KG, Zossen, Germany owns a European Community trademark "Douglas" protecting the Douglas writing, which is licensed by way of intragroup license agreements to other Group companies. We own a large portfolio of trademarks, including word trademarks and word/device trademarks used by companies of our Group, and some design rights, which we typically register as European word and/or word/design-trademarks and additionally as international word and word/designtrademarks with the World Intellectual Property Organization (WIPO, headquartered in Geneva, Switzerland). Concerning our French subsidiaries (hereafter "Nocibé Group"), all trademarks and domain names are registered by Nocibé France. Most of the Nocibé Group's trademarks and design rights are mainly registered in France with the Institut National de la Propriété Industrielle and are protected only in France, but also with the European Union Intellectual Property Office for EU trademarks, as well with the WIPO for international trademarks in order to cover goods and services in Monaco.

Material Legal Disputes and Administrative Proceedings

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

Following the squeeze-out which became effective in July 2013, pursuant to which the Company's wholly-owned subsidiary Beauty Holding Two GmbH acquired the remaining shareholding in Douglas Holding AG, 97 of the minority shareholders of Douglas Holding AG initiated appraisal proceedings (Spruchstellenverfahren) against Beauty Holding Two GmbH before the Regional Court (Landgericht) in Dortmund following registration of the squeeze-out in the commercial register (Handelsregister). At the time of the registration of the squeeze-out, 1,264,649 shares of Douglas Holding AG (approximately 3.21 percent of the total shares of Douglas Holding AG) were held by minority shareholders. The minority shareholders challenge the adequacy of the squeeze-out compensation stating a number of reasons. With court order dated January 20, 2014, the court consolidated all proceedings relating to this matter. Following several legal briefs, the court held an oral hearing in September 2015 and, by order dated October 29, 2015, the court announced that it will appoint a new expert to determine fair compensation unless the parties agree on a court settlement of €47.50 cash compensation per share. By legal brief filed on December 18, 2015,

Beauty Holding Two GmbH rejected the settlement suggested by court. To cover any risks associated with these proceedings, we have recorded a provision of €8.0 million.

Furthermore, a claim was brought on July 13, 2012 before the Commercial Court (Tribunal de commerce) of Paris by a competitor against Nocibé France and Nocibé France Distribution, in relation to alleged acts of unfair competition (parasitisme) committed by the Nocibé Group in commercializing since April 2012 products similar to those commercialized by the claimant since 2007. Damages claimed amount to €770,000. On December 20, 2013, the Commercial Court (Tribunal de commerce) of Paris dismissed the competitor's claim and fined it for abusive proceedings. The competitor appealed the decision in February 2014 and the Court of appeal of Paris dismissed the competitor's claim. On April 8th, 2016, the Court of appeal cancelled the fine for abusive proceedings but confirmed the procedure fee of 60,000€. The competitor settled this amount of the sentence Article 700 of the Code of Civil Procedure. This case therefore is closed.

Also, on December 11, 2014, a claim was brought before the Commercial Court (Tribunal de commerce) of Lille, France, by Passion Beauté, France (an association of independent perfumeries and beauty institutes) in relation to alleged acts of wrongful termination of the sourcing agreement entered into on July 18, 2012, among Passion Beauté, Douglas-Passion Beauté Achats S.A.S., Parfumerie DOUGLAS France S.A. and Douglas Expansion SA (see also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Selected Factors Affecting Results of Operations and Financial Position—Acquisitions and Joint Ventures"). Passion Beauté claims damages for alleged acts of wrongful termination and breach of contract of the sourcing agreement entered into on July 18, 2012 among Passion Beauté, Douglas-Passion Beauté Achats S.A.S., Parfumerie DOUGLAS France S.A. and Douglas Expansion S.A., which was terminated by us with effect as of January 21, 2015 in the context of the standardization of our supply agreements throughout Europe, observing the one year notice period provided for a termination without cause in the joint sourcing agreement. Passion Beauté alleged that the termination was wrongful because the sourcing joint venture was allegedly intended to be operational for a long-term period and claimed damages in the amount of €9.0 million for lost benefits of the joint venture as well as further damages of €920,500 in relation to the alleged non-compliance of DOUGLAS France S.A. and Douglas Expansion S.A. with an exclusive sourcing obligation contained in the joint sourcing agreement. As of September 30, 2015, an amount of €1.5 million has been reserved for this dispute. By judgment of 15 March 2016, the court dismissed all claims of COOPERATIVE PARFUMEURS PASSION BEAUTE. COOPERATIVE PARFUMEURS PASSION BEAUTE appealed the judgement on April 28, 2016. The appeal proceeding is pending.

Following the taking private of our Group in the financial year 2012/2013, several Austrian landlords claimed an increase of the rent to an adequate market level pursuant to Section 12a para. 3 Austrian Act on Tenancy Law (Mietrechtsgesetz) based on the indirect change of control in Douglas Austria. Douglas Austria objected to all of the requested rent increases and has paid the increased rent amounts on a conditional basis.

We have, based on an opinion from an Austrian European law expert, argued that the right of the lessor under the Austrian Act on Tenancy Law to increase the rent based on a change of control occurring at the level of a holding company in another European Union country violates the freedom of establishment (Niederlassungsfreiheit) and the freedom of movement of capital (Kapitalverkehrsfreiheit) under the European Union Treaty and requested that the case be presented to the European Court of Justice. On February 24, 2015, the Austrian Supreme Court held in one of the proceedings in Austria that the right of the lessor under the Austrian Act on Tenancy Law to increase the rent based on a change of control occurring at the level of a holding company in another European Union country does not violate European law and therefore decided not to present the case to the European Court of Justice. Therefore, the court decisions in Austria now will be made solely on the basis of the wording of Section 12a of the Austrian Act on Tenancy Law. Therefore, the outcome in all proceedings will be to a high degree dependent upon the

determination of the adequate market level of the rent for the stores concerned which will in turn largely depend on an expert opinion commissioned by the competent courts.

Out-of-court settlements were reached with four landlords (two of them only after court proceedings were initiated) and the court proceedings in the remaining four other cases which have been initiated to determine an adequate market level of the rent as of the time of the change of control are still pending.

One additional landlord has only recently claimed an adjustment of the rent, arguing that the notification of the change of control made by Douglas Austria in 2013 was not in compliance with the requirements of the Austrian Act on Tenancy Law. Douglas Austria has rejected such increase on the basis that the notification was duly made and that the landlord's right for rent increase is forfeited. An amount of €500,000 for a potential retroactive rent increase (as from January 1, 2013) has been reserved as of September 30, 2016.

Further potential claims for increased rent of Austrian landlords may arise due to the indirect change of control in Douglas Austria when the majority of the shares in the Group's ultimate holding company was taken over by CVC on August 13, 2015.

Insurance

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

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

Regulatory Environment

We are subject to the applicable laws and regulations of the respective jurisdictions in which we operate. Our regulatory environment is characterized by numerous national, supranational and international laws and regulations. These include, in particular, requirements with respect to product liability and consumer protection. EU regulations (EU-Verordnungen) apply directly in all member states of the European Union (the "EU Member States"). As a result, our business is subject to these rules in all EU Member States. In contrast, EU directives (EU-Richtlinien), while binding EU Member States as to the result to be achieved, need to be implemented into national law. Hence, regarding those standards contained in EU directives that are applicable to our business, national implementing rules can differ slightly from one EU Member State to another. To the extent governed by EU regulations or national laws that are based on EU directives, the regulatory environment in most other EU Member States and the member states of the EEA is similar to the regulatory framework in Germany. The regulatory requirements applicable to our

business activities are subject to change, as they are continuously adapted at the national, European and international level. If we fail to comply with any of these laws and regulations, we may be subject to civil liability, administrative orders, fines, or even criminal sanctions.

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

Foreign Trade and Customs Law

We source most of our products from Europe, but some of our suppliers are located in Asia.

Within the European internal market the principle of free movement of goods applies. With respect to import and export of goods from countries that are not members of the EU, we must comply with national and European foreign trade and customs regulations. At EU level our relevant regulatory framework is laid down in Council's Regulation (EEC) No 2913/92 of October 12, 1992 establishing the Community Customs Code ("CCC"). The CCC has been replaced by the Union Customs Code ("UCC") which was adopted on October 9, 2013 as Regulation (EU) No 952/2013 of the European Parliament and of the Council. This regulation entered into force on October 30, 2013 but the substantive provisions of the UCC apply as of May 1, 2016. The UCC shall, among other, simplify customs rules and procedures. However, there will be a transition phase until full implementation of the UCC in 2020 when all IT systems that support the UCC are completed.

Whereas imports and exports within the European Economic Area ("EEA") are in principle not liable to customs duty, the movement of goods beyond the frontiers of the EEA is subject to customs control between the customs union of the EU and EEA member states which are not EU Member States. The customs control charges, among other things, statutory import duties. Customs offices may from time to time initiate customs inspections to assess whether customs regulations have been infringed.

Consumer Protection Law

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

Throughout the EU, consumer protection is extensively regulated in particular on the basis of the following EU directives:

- the Council Directive 93/13/EEC of April 5, 1993 on unfair terms in consumer contracts;
- the Directive 1999/44/EC of the European Parliament and of the Council of May 25, 1999 on certain aspects of the sale of consumer goods and associated guarantees;
- the Directive 2000/31/EC of the European Parliament and of the Council of June 8, 2000 on certain legal aspects of information society services, in particular electronic commerce, in the internal market (Directive on electronic commerce);
- the Directive 2002/58/EC of the European Parliament and of the Council of July 12, 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on Privacy and Electronic Communications);
- the Directive 2005/29/EC of the European Parliament and of the Council of May 11, 2005 concerning unfair business-to-consumer commercial practices in the internal market (Unfair Commercial Practices Directive), which prohibits, among others, certain particularly aggressive or misleading commercial practices or advertising;
- the Directive 2011/83/EU of the European Parliament and of the Council of October 25, 2011 on consumer rights (the "Directive on Consumer Rights") which replaced the Directive 97/7/EC of the European Parliament and of the Council of May 20, 1997 on the protection of consumers in respect of distance contracts with effect as of June 13, 2014; and

- the Directive 2013/11/EU of the European Parliament and the Council of May 21, 2013 on alternative dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC (Directive on consumer ADR).

The aforementioned EU directives on consumer protection and the national laws which implement or complement these directives (such as, in Germany, the Act on the Implementation of the EU Consumer Rights Directive and on the Amendment of the Law on Housing (Gesetz zur Umsetzung der Verbraucherrechterichtlinie und zur Änderung des Gesetzes zur Regelung der Wohnungsvermittlung), which entered into force on June 13, 2014, and the French consumer code (code de la consommation) in France), impose extensive duties and responsibilities retailers such as Douglas.

Data Protection Law

As retailers generally process customer data for marketing purposes, compliance with data protection laws must be ensured. The collection, processing and use of personal data is extensively regulated by both European and national legislation. At EU level, data privacy law is primarily governed by Directive 95/46/EC of the European Parliament and of the Council of October 24, 1995, on the protection of individuals with regard to the processing of personal data and on the free movement of such data (the "Data Protection Directive") and—specifically with respect to electronic communication—by Directive 2002/58/EC of the European Parliament and of the Council of July 12, 2002, concerning the processing of personal data and the protection of privacy in the electronic communications sector (the "Directive on Privacy and Electronic Communications"). In Germany, general data privacy law is governed in particular by the German Federal Data Protection Act (the "Data Protection Act") (Bundesdatenschutzgesetz). In addition, various sector specific statutes set forth specific data privacy rules which apply to certain industries or businesses and prevail over the general rules of the Data Protection Act. Moreover, e-commerce providers have to comply with the specific requirements provided in the German Telemedia Act (the "Telemedia Act") (Telemediengesetz) which take into consideration the peculiarities of online communication and may deviate from the general rules of the Data Protection Act. For example, the Telemedia Act on the one hand provides for additional information obligations which go beyond the general requirements of the Data Protection Act. However, on the other hand, the Telemedia Act allows for electronic declarations of consent while the Data Protection Act, in principle, requires the written form. Compared to other European jurisdictions, the German data privacy law is known to be rather strict. For example, the Data Protection Act provides for a detailed regulatory system regarding contracts relating to commissioned data processing (Auftragsdatenverarbeitung) which has to be implemented in particular in the context of IT outsourcings. In France, we are subject to the French law dated January 6, 1978, for the collection of personal data of our customers.

On April 14, 2016, the EU Parliament adopted the General Data Protection Regulation (GDPR) and the regulation will be applicable in May 2018. The Regulation will have a considerable impact on all organizations of Douglas based in the European Union that process personal data.

The GDPR is expected to be published in the Official Journal of the European Union by June, and 20 days after publication the GDPR will enter into force.

Regulations on Shop Closing Time

Most European countries have regulations on shop closing times, which particularly apply to shop closing times on weekends and holidays. Regulations on shop closing times during night hours on working days were suspended by several European countries as respective regulations were not required anymore after the implementation of Directive 2003/88/EC concerning certain aspects of the organization of working time. In Germany, closing times are regulated by the federal states (Ladenschlussrecht). In Germany, there are strict regulations on shop closing times on weekends and holidays, with only occasional exceptions with respect to opening hours on certain Sundays. The city retail businesses occasionally make use of regularly prolonged shopping hours. In France, the legal working times as well as the obligation to rest on Sunday (which is subject to some exceptions) are mainly regulated by the French labor code (code du travail).

Regulation on the Selective Channel

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

Art. 101 (1) Treaty on the Functioning of the European Union ("TFEU") and Section 1 of the German Act against Restraints of Competitions (Gesetz gegen Wettbewerbsbeschränkungen—"GWB") prohibit agreements which have an anticompetitive object or restrictive effects on competition, unless such agreements fall under so-called block exemptions or individual exemptions pursuant to Art. 101 (3) TFEU and Section 2 GWB. Contractual clauses violating European or German competition law are void which may also affect the remainder of the respective agreements. Furthermore, in such case the competent cartel authorities may initiate proceedings against the contractual parties.

Cosmetics Regulation

On November 30, 2009, EU Regulation 1223/2009 of the European Parliament and of the Council (the "Cosmetic Products Regulation") was adopted, which replaced the older Cosmetics Directive 76/768/EEC of July 27, 1976. Most of the provisions of the Cosmetic Products Regulation became applicable as from July 11, 2013. The Cosmetic Products Regulation is the main regulatory framework for finished cosmetic products as defined therein when placed on the EU market. In addition to the Cosmetic Products Regulation, other EU and/or national legislation may apply for certain aspects of the regulation of cosmetic products. The Cosmetic Products Regulation provides an internationally recognized regime, which reinforces the safety of cosmetic products taking into consideration the latest technological developments, including the possible use of nanomaterial.

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

Regulations Regarding Product Safety and Product Liability

Producers and distributors who place products on the market in the European Union must ensure that the products are safe. Among other regulations, Directive 2001/95/EC of the European Parliament and of the Council of December 3, 2001, as last amended by EC Regulation 596/2009 of June 18, 2009, on general product safety (the "EU Directive on Product Safety"), according to which manufacturers must put on the market products that comply with the general safety requirement, applies (as implemented in the individual EU countries). In addition, producers must

provide consumers with the necessary information so that consumers are able to assess a product's inherent threat, particularly when this is not directly obvious. Furthermore, producers must adopt the necessary measures to avoid such threats, for example, by withdrawing unsafe products from the market, informing customers and recalling products that have already been supplied to customers. In this context, it is relevant to note that under the EU Directive on Product Safety - as well as pursuant to most other European and/or national legislation on product safety - any entity presenting itself as the manufacturer by affixing its name, trademark or other distinctive mark to a product qualifies as producer and must comply with the above mentioned obligations. As we sell products manufactured by third parties under our own brands, we qualify as a producer.

In addition, because we sell our "Douglas Nocibé Collection" products (manufactured by third parties) under our own brands and import certain products from outside the EU, we qualify as producer of certain cosmetic and other products and are thus subject to applicable legislation on product liability. For example, all Member States of the European Union were required to implement EU Directive 85/374/EEC of July 25, 1985, as amended by Directive 1999/34/EC of May 10, 1999, on the approximation of the laws, regulations and administrative provisions of the Member States concerning liability for defective products ("Product Liability Directive"), which applies to all movables marketed in the European Economic area (with very few exceptions). The Product Liability Directive establishes the principle of strict liability, i.e., liability without fault of the producer, in cases of damage caused by a defective product. It covers death, personal injuries and damages to an item of property other than the defective product itself caused by defective products intended for private use or consumption. In the case of damage to an item of property, the injured party has to pay for damages up to an amount of €500 himself. The Product Liability Directive does not stipulate any financial ceiling on the producer's liability, but allows the Member States to limit a producer's liability for damage from a death or personal injury and caused by identical items with the same defect to an amount of at least €70.0 million. For example, in Germany, the Product Liability Act stipulates a limit of €85.0 million. In addition, the Product Liability Directive does not prevent the legal systems of the Member States from granting additional or more extensive rights to injured parties based on grounds of contractual liability or on grounds of non-contractual liability.

Environmental laws may be applicable for the disposal of cosmetics and may contain provisions regulating the special treatment of cosmetic disposal. The same applies to the packaging of cosmetic and other products. For instance, the EU Directive 94/62/EC of the European Parliament and of the Council of December 20, 1994, amended by Directive 2013/2/EU of February 7, 2013, on packaging and packaging waste (as implemented in the individual EU countries) must be complied with:

French Law on the Modernization of the Economy

In France, we must comply with Article L. 441-6 of the French Commercial code (code de commerce), as amended by the Law on the modernization of the economy No. 2008-776 of August 4, 2008 ("LME") and by the Law for the growth, activity and equality of economic opportunity No.2015-990 of August 6, 2015 ("Macron"). This provision, as amended, contains two rules applying to payment terms. According to the first rule, if the parties do not agree on specific payment terms (e.g., through a specific provision included in the seller's general sales terms or the purchaser's general purchasing terms), this term is automatically 30 days after the receipt of the goods or of the provision of the services. According to the second rule, the parties may not agree on payment terms exceeding 60 days from the issuance of the invoice from the end of the month or 45 calendar days (i.e., 45 days starting from the end of the month during which the invoice is issued or alternatively the end of the month during which a delay of 45 days from the date of issuance of the invoice expires) from the issuance of the invoice provided that this period is expressly provided in the contract and that it is not grossly unfair to the creditor.

CICE

In December 2012, the CICE (Crédit d'impôt compétitivité et emploi) was adopted as part of an overall French government policy to improve the competitive position of companies in France.

Pursuant to the CICE, French companies will receive a tax credit of 4 percent of the gross salaries paid to certain employees for 2013 and 6 percent of the gross salaries of certain employees in 2014 and subsequent years. The amount of the CICE is calculated on the basis of gross salaries paid in the course of the calendar year, whose wages are below 2.5 times the French statutory minimum wage. Pursuant to the terms of the CICE scheme, an employee's gross salary is calculated on the basis of such employee's normal working hours plus such employee's overtime hours (but without taking into account the overtime rate payable in respect of such overtime). The amounts paid under profit sharing agreements are also not included in the employee's gross salary for the purpose of computing the CICE. The CICE has a positive impact on our French operations and on our EBITDA.

Pursuant to the French Third Amended Finance Law for 2012 (3ème loi de finances rectificative pour 2012) No. 2012-1510 dated December 29, 2012, adopting the CICE, an ad hoc committee comprising government and trade union representatives has been established to supervise the implementation of the CICE.

Management

The ultimate authority within Douglas 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. 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 Luxs 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 One GmbH

Management

As at year-end 2015/2016, the holding company Kirk Beauty One GmbH was managed by Isabelle Parize, Erika Tertilt and Claudia Reinery. Isabelle Parize and Claudia Reinery succeeded Dr. Henning Kreke and were appointed on January 27, 2016, after Dr. Henning Kreke resigned from his position with effect as of the end of January 26, 2016 and was appointed to the supervisory board of Douglas Holding AG. Douglas Holding AG and Douglas GmbH (former Kirk Beauty Zero GmbH) are the strategic and management holding companies, which were managed as at the financial year end 2015/2016 by the executive officers as set forth below. The business address for each of these executive officers for the financial year 2015/2016 was Kabeler Straße 4, 58099 Hagen in Germany. With the beginning of the financial year 2016/2017 this has been changed to Hans-Günther-Sohl-Str. 7-11, 40235 Düsseldorf in Germany.

Name	Age	Position
Dr. Henning Kreke	51	Chief Executive Officer (until January 26, 2016)
Isabelle Parize	59	Chief Executive Officer (from January 27, 2016)
Erika Tertilt	51	Chief Financial Officer
Claudia Reinery	50	Managing Director DACH

The following section summarises the biographies of the members of our management at September 30, 2016:

Isabelle Parize—Chief Executive Officer. Isabelle Parize (born 1957) began her career in marketing at Procter & Gamble (1980-1993). Following this, in 1994, she joined Schwarzkopf & Henkel in Henkel's cosmetics division as Managing Director for France, then as Corporate Vice President of the European, African and Middle Eastern regions, headquartered in Düsseldorf (1994-2001). In 2001, she joined French pay TV Canal+ group, where she developed CanalSatellite in her role as CEO. In 2005, based in the UK, she led the global perfume division of Quest International. From 2007 to 2011, she participated in the creation and development of the leading European online-gaming company (BetClic Everest group), first as Managing Director, and then as Vice CEO. In July 2011, Isabelle Parize joined the Nocibé group as CEO and was then appointed General Manager for Douglas Parfümerie GmbH in October 2014, maintaining her role as CEO of Nocibé. Isabelle Parize is an MBA graduate of the ESCP Europe. She is currently a board member of Air France- KLM.

Claudia Reinery – Managing Director DACH. Claudia Reinery (born 1966) joined the Douglas Group on May 13, 2013, where she first assumed responsibility as chairwoman of the management board for Germany and Switzerland before she became regional manager for Germany, Austria and Switzerland. Claudia Reinery started her career in 1991 as a trainee at Karstadt Warenhaus GmbH, a famous German department store group. Claudia Reinery built a strong career at Karstadt and acquired extensive experience in various management positions. After assuming responsibility as store manager from 1993 until 2000, she worked in various management positions in sales, marketing and purchasing, until she became member of the overall management sales in 2008. In 2009, Claudia Reinery became member of the executive board of Galeria Kaufhof GmbH, a large

German department store group with specialist retailer characteristics and stores in Germany as well as in Belgium, where she assumed responsibility as Chief Sales and Marketing Officer until 2013. Claudia Reinery received a degree in Business Administration from the University of Cologne.

At the end of the fiscal year 2015/2016, Erika Tertilt decided to leave Douglas Group. She left the Company end of December2016. On September 28, 2016, Michael Rauch was appointed as CFO and Managing Director of Douglas GmbH, effective as of January 1, 2017. Michael Rauch joins Douglas from Henkel where he served as Corporate Senior Vice President and Financial Director of the €9 billion Adhesive Technologies division and previously served for four years as Financial Director of the 4bn EUR Beauty Care division. Michael Rauch has 20 years of international management experience in Finance, having also worked in U.K., Sweden and China.

Management Employment Contracts

On September 30, 2016, Isabelle Parize had an employment contract with Douglas GmbH with an indefinite term. Erika Tertilt had an employment contract with Parfümerie Douglas GmbH with a fixed term until March 31, 2017. Claudia Reinery had an employment contract with Parfümerie Douglas GmbH which is valid until September 30, 2019. Isabelle Parize's and Claudia Reinery's employment contracts contain post contractual non-compete provisions. Michael Rauch had an employment agreement with Douglas GmbH starting January 1, 2017, with a fixed term of three years.

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.

Certain Relationships and Related Party Transactions

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

Principal Shareholders

For information on principal shareholders, 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

The Senior Notes Issuer and the Senior Secured Notes Issuer have entered into the Senior Secured Credit Facilities Agreement with, among others, Deutsche Bank AG, London Branch as agent, Deutsche Bank AG, London Branch as security agent, and Deutsche Bank AG, London Branch, UniCredit Bank AG, Goldman Sachs International, J.P. Morgan Limited, Bayerische Landesbank, Commerzbank Aktiengesellschaft, Crédit Industriel et Commercial and Landesbank Baden-Württemberg as mandated lead arrangers. The Senior Secured Credit Facilities Agreement has provided for the following:

- an originally €1,220.0 million senior secured term loan B facility; with amendment as of August 16, 2016 the amount has been extended to €1,370.0 million (the "Term Loan B Facility"); and
- a €200.0 million senior secured multi-currency revolving credit facility (the "Revolving Credit Facility" and, together with the Term Loan B Facility, the "Senior Secured Credit Facilities" (each a "Senior Secured Credit Facility")).

Interest and Fees

Loans under the Senior Secured Credit Facilities Agreement 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 1.0 percent for the Term Loan B Facility and 0.0 percent for the Revolving Credit Facility, and the following applicable margins:

- 5.00 percent per annum in respect of loans under the Term Loan B Facility; with the beginning of August 16, 2016 this rate has been reduced to 3.75 percent per annum and
- 3.75 percent 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 (being the ratio of consolidated senior secured net debt of the Group to consolidated EBITDA of the Group (each as defined in the Senior Secured Credit Facilities Agreement)).

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 restricted payments (including dividends and other distributions);

- change the nature of the business of the Group;
- enter into transactions with affiliates other than on arm's length terms;
- enter into burdensome agreements that would restrict the Group's ability to make dividends, to make or repay loans to obligors or grant security in favor of the Senior Secured Credit Facilities lenders;
- change the financial year of any member of the Group other than as reasonably acceptable to the agent or as set out in the tax structure memorandum relating to the Transaction;
- prepay, redeem, purchase or defeat certain junior indebtedness;
- issue equity interests; and
- designate subsidiaries as restricted or unrestricted subsidiaries.

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;
- sanctions, anti-corruption laws and anti-money laundering laws;
- compliance with environmental laws;
- holding companies;
- acquisition documents and equity documents;
- using commercially reasonable endeavours to convert Douglas Holdings AG into a limited liability company and enter into a domination and profit and loss pooling agreement;
- maintenance of domination and/or profit and loss pooling agreement between Douglas Holdings AG and its direct holding company for such time as Douglas Holdings AG is a German stock corporation; and
- maintenance of guarantor coverage requirement (being 80 percent of consolidated EBITDA) and requirement for Material Subsidiaries (accounting for 5 percent of consolidated EBITDA) to become guarantors on an annual basis (within a 90 day grace period).

Senior Secured Notes

Overview and Structure

The Senior Secured Notes:

- are general senior obligations of the Senior Secured Notes Issuer;
- are secured;
- rank pari passu in right of payment with any existing and future Indebtedness of the Senior Secured Notes Issuer that is not expressly subordinated in right of payment to the Senior Secured Notes, including Indebtedness Incurred under the Senior Secured Credit Facilities Agreement;
- rank senior in right of payment to any existing and future Indebtedness of the Senior Secured Notes Issuer that is expressly subordinated in right of payment to the Senior Secured Notes;
- are effectively subordinated to any existing or future Indebtedness of the Senior Secured Notes Issuer and its Subsidiaries that is secured by property and assets that do not secure the Senior Secured Notes, to the extent of the value of the property and assets securing such Indebtedness;
- are guaranteed by the Senior Notes Issuer and certain subsidiaries;
- are structurally subordinated to all indebtedness and obligations of the Senior Secured Notes Issuer's subsidiaries that are not guarantors;

- have an aggregate principle amount of €300.0 million; and
- mature on July 15, 2022.

The Senior Secured Notes are represented by one or more registered Senior Secured Notes in global registered form, but in certain circumstances may be represented by Definitive Registered Notes.

Interest

Interest on the Senior Secured Notes will accrue at the rate of 6.25 percent per annum. Interest on the Senior Secured Notes:

- is payable in cash semi-annually in arrears on January 15 and July 15;
- is payable to the Holder of record of such Senior Secured Notes on the immediately preceding January 1 and July 1; and
- is computed on the basis of a 360-day year comprised of twelve 30-day months.

The rights of Holders to receive the payments of interest on such Senior Secured Notes are subject to the applicable procedures of the common depositary and Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Optional Redemption

The Senior Secured Notes Issuer may redeem all or part of the Senior Secured Notes at any time on or after July 15, 2018 at the redemption prices expressed as percentages of the principal amount, plus accrued and unpaid interest.

At any time prior to July 15, 2018, the Senior Secured Notes Issuer may redeem all or part of the Senior Secured Notes at a redemption price equal to 100 percent of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus a “make-whole” premium.

At any time prior to July 15, 2018, the Senior Secured Notes Issuer may on one or more occasions redeem up to 40 percent of the aggregate principal amount of the Senior Secured Notes, using the net proceeds from certain equity offerings at a redemption price equal to 106.250 percent of the principal amount of the Senior Secured Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; provided that at least 60 percent of the original aggregate principal amount of the Senior Secured Notes remains outstanding after the redemption.

Certain Covenants

The Senior Secured Notes Indenture limits, among other things, the ability of the Senior Secured Notes Issuer and the Senior 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 Notes

Overview and Structure

The Senior Notes:

- are general senior obligations of the Senior Notes Issuer;
- are secured
- rank pari passu in right of payment with any existing and future Indebtedness of the Senior Notes Issuer that is not expressly subordinated in right of payment to the Senior Notes, including the Issuer's Guarantee of the Senior Secured Notes and the Issuer's Guarantee of the Senior Facilities Agreement;
- rank senior in right of payment to any future Indebtedness of the Senior Notes Issuer that is expressly subordinated in right of payment to the Senior Notes;
- are effectively subordinated to any existing or future Indebtedness of the Senior Notes Issuer and its Subsidiaries that is secured by property and assets that do not secure the Senior Notes or that is secured on a first-priority basis over property and assets that secure the Senior Notes on a second-priority basis (including the Senior Secured Notes and Indebtedness Incurred under the Senior Secured Credit Facilities Agreement), to the extent of the value of the property and assets securing such Indebtedness;
- are guaranteed by the Senior Secured Notes Issuer and certain subsidiaries;
- are structurally subordinated to all indebtedness and obligations of the Senior Notes Issuer's subsidiaries that are not guarantors;
- have an aggregate principle amount of €335.0 million; and
- mature on July 15, 2023.

The Senior Notes will be represented by one or more registered Senior Notes in global registered form, but in certain circumstances may be represented by Definitive Registered Notes.

Interest

Interest on the Senior Notes will accrue at the rate of 8.75 percent per annum. Interest on the Senior Notes is:

- payable in cash semi-annually in arrears on January 15 and July 15;
- payable to the Holder of record of such Senior Notes on the immediately preceding January 1 and July 1; and
- computed on the basis of a 360-day year comprised of twelve 30-day months.

The rights of Holders to receive the payments of interest on such Senior Notes are subject to the applicable procedures of the common depositary and Euroclear and Clearstream. If the due date for any payment in respect of any Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

Optional Redemption

The Senior Notes Issuer may redeem all or part of the Senior Notes at any time on or after July 15, 2018 at the redemption prices expressed as percentages of the principal amount, plus accrued and unpaid interest.

At any time prior to July 15, 2018, the Senior Notes Issuer may redeem all or part of the Senior Notes at a redemption price equal to 100 percent of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, plus a "make-whole" premium.

At any time prior to July 15, 2018, the Senior Notes Issuer may on one or more occasions redeem up to 40 percent of the aggregate principal amount of the Senior Notes, using the net proceeds from certain equity offerings at a redemption price equal to 108.750 percent of the principal amount of the Senior Notes, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; provided that at least 60 percent of the original aggregate principal amount of the Senior Notes remains outstanding after the redemption.

Certain Covenants

The Senior Notes Indenture limits, among other things, the ability of the Senior Secured Notes Issuer and the Senior 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.

Caps and Swaps

In August 2015 Douglas Holding AG entered into three interest rate cap agreements with a strike rate of 1,0 percent over an initial nominal volume of €276.5 million and with a term until September 30, 2021. This amount has been increased up to €712.0 million as of September 30, 2016. The existing and restructured interest swaps with a total amount of €567.0 million has been phased-out in financial year 2015/2016. Thus, related to the overall financing agreements (inclusive the secured and unsecured bonds) approximately 71 percent were fixed.

Certain Definitions

General Definitions:

- "Acquisition" or "CVC Acquisition" has the meaning ascribed to it in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Presentation of the Financial Information Used in this Financial Report";
- "Acquisition Agreement" refers to the sale and purchase agreement regarding the sale and purchase of the Douglas Group dated June 1, 2015, between Kirk Beauty Zero GmbH and AI Beauty & Cy S.C.A. and AI Beauty (Luxembourg) Finance S.à r.l., including all exhibits and schedules thereto;
- "Acquisition Documents" refers to the Acquisition Agreement and the Funds Guarantee;
- "AI Beauty" refers to AI Beauty & Cy S.C.A.;
- "CAGR" refers to Compound Annual Growth Rate;
- "CICE" refers to Credit d'impôt compétitivité et employ;
- "Clearstream" refers to Clearstream Banking, société anonyme;
- "Company" refers to Beauty Holding Zero GmbH and Kirk Beauty One GmbH;
- "Completion Date" refers to the date on which the proceeds from the offerings of the Senior Secured Notes and Senior Notes are released from the relevant escrow accounts following the consummation of the Acquisition;
- "CVC" refers to CVC Capital Partners Limited and its affiliates and direct or indirect subsidiaries;
- "Douglas," the "Douglas Group," the "Group," "our Group" and other similar terms refer to Kirk Beauty One GmbH and its subsidiaries;
- "Douglas Nocibé Collection" refers to our private label (own branded) product portfolio, the "Douglas" brand and the "Nocibé" brand;
- "EFSF" refers to European Financial Stability Facility;
- "Equity Contribution" has the meaning assigned to it under "Management's Discussion and Analysis of Financial Condition and Results of Operations —Financing";
- "Euroclear" refers to Euroclear Bank SA/NV;
- "European Union" or "EU" refers to the European economic and political union;
- "Existing Facilities" refers to the senior facilities agreement dated June 26, 2015, among Deutsche Bank AG, London Branch as senior facility agent and security agent and several financial institutions as lenders providing for term loan facilities in the amount of €1,370.0 million and a revolving credit facility in the amount of €200.0 million (the "Existing Senior Facilities Agreement");
- "FCA" refers to French Competition Authority;
- "Financing" has the meaning ascribed to it in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Financing";
- "Guarantors" collectively refers to the Senior Secured Note Guarantors and the Senior Note Guarantors, and references to "Guarantor" are to each of them;
- "IFRS" refers to International Financial Reporting Standards as adopted by the European Union (EU);
- "Indentures" refers to the Senior Secured Notes Indenture and the Senior Notes Indenture;
- "Member State" means a member state of the European Economic Area;
- "Non-Acquired Business" refers to the Confectionery Business, the Books Business, the Jewelry Business and the Fashion Business collectively;
- "Notes" refers to the Senior Secured Notes and the Senior Notes;
- "OECD" refers to Organisation for Economic Co-operation and Development;
- "Offering" or "Offerings" refers to the offering of the Senior Secured Notes or the Senior Notes pursuant to this financial report, as the context may require;
- "PPA" refers to Purchase Price Allocation;
- "Predecessor" refers to the periods prior to the Acquisition and the consolidated financial statements of Beauty Holding Zero for the periods from October 1, 2014 through July 31, 2015;
- "RBS RoeverBroennerSusat und Mazars" refers to Roever Broenner Susat Mazars GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, with registered seat in Hamburg, Germany;

- "Revolving Credit Facility" refers to a €200 million multi-currency revolving credit facility to be established under the Senior Secured Credit Facilities Agreement;
- "Security Agent" refers to Deutsche Bank AG, London Branch;
- "Senior Notes Indenture" refers to the indenture dated July 10, 2015 to the Issue Date governing the Senior Notes by and among, inter alias, the Senior Notes Issuer and the Senior Notes Trustee;
- "Senior Secured Credit 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 Credit Facilities Agreement from time to time;
- "Senior Secured Credit Facilities Agreement" refers to the senior secured credit facilities agreement to be entered into, on or prior to the Completion Date (including by way of an amendment and restatement of the Existing Senior Facilities Agreement) between, among others, the Senior Secured Notes Issuer and certain of its subsidiaries and Deutsche Bank AG, London Branch as agent and security agent, in each case, comprised of, as of the Completion Date, as amended from time to time, the Term Loan B Facility and the Revolving Credit Facility;
- "Senior Secured Notes Indenture" refers to the indenture dated July 10, 2015 to the Issue Date governing the Senior Secured Notes by and among, inter alias, the Senior Secured Notes Issuer and the Senior Secured Notes Trustee;
- "Senior Secured Notes Issuer" refers to Douglas GmbH (former Kirk Beauty Zero GmbH);
- "SKU" refers to Stock Keeping Unit;
- "Successor" refers to the period subsequent to the Acquisition and the consolidated financial statements of Kirk Beauty One for the periods from April 10, 2015 through September 30, 2015;
- "Target" refers to Beauty Holding Zero GmbH;
- "Term Loan B Facility" refers to a €1,370.0 million term loan B facility established under the Senior Secured Credit Facilities Agreement;
- "TopCo" refers to Kirk Beauty Two GmbH, the direct parent of the Senior Notes Issuer;
- "Transaction" refers to the CVC Acquisition and the Financing as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations – Financing";
- "VAT" refers to Value-added tax;
- "we," "us," "our" and other similar terms refer to Kirk Beauty One GmbH and its subsidiaries.

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

Consolidated Financial Statements

of Kirk Beauty One GmbH (Successor) for the period from October 1, 2015 through September 30, 2016 and for the period from April 10, 2015 through September 30, 2015 and Beauty Holding Zero GmbH (Predecessor) for the period from October 1, 2014 through July 31, 2015.

Consolidated Statement of Comprehensive Income (Loss)

of Kirk Beauty One GmbH (Successor) for the period from October 1, 2015 through September 30, 2016 and for the period from April 10, 2015 through September 30, 2015 and Beauty Holding Zero GmbH (Predecessor) for the period from October 1, 2014 through July 31, 2015.

Income Statement

		Successor 10/01/2015 - 09/30/2016 (in EUR m)	Successor 04/10/2015 - 09/30/2015 (in EUR m)	Predecessor 10/01/2014 - 07/31/2015 (in EUR m)
1.	**Sales**	**2,708.6**	**371.0**	**2,235.9**
2.	Cost of raw materials, consumables and supplies and merchandise	-1,477.4	-203.0	-1,183.8
3.	**Gross profit from retail business**	**1,231.2**	**168.0**	**1,052.1**
4.	Other operating income	209.4	49.3	179.2
5.	Personnel expenses	-545.7	-85.9	-447.7
6.	Other operating expenses	-710.6	-128.1	-588.3
7.	**EBITDA**	**184.3**	**3.3**	**195.3**
8.	Amortization/depreciation	-104.5	-21.1	-70.7
9.	**EBIT**	**79.8**	**-17.8**	**124.6**
10.	Financial income	4.3	0.9	4.6
11.	Financial expenses	-196.4	-104.9	-84.0
12.	Financial result	-192.1	-104.0	-79.4
13.	**Earnings (loss) before tax (EBT)**	**-112.3**	**-121.8**	**45.2**
14.	Income taxes	10.8	21.5	-20.4
15.	**Result from continued operations**	**-101.5**	**-100.3**	**24.8**
16.	Result from discontinued operations	0.0	0.0	143.2
17.	Profit attributable to non-controlling interests	*0.0*	*-0.2*	*-0.1*
18.	**Profit (loss) attributable to group shareholders**	**-101.5**	**-100.5**	**167.9**

Reconciliation of Income (Loss) to Comprehensive Income (Loss)

	Successor	Successor	Predecessor
	10/01/2015 - 09/30/2016 (in EUR m)	**04/10/2015 - 09/30/2015 (in EUR m)**	**10/01/2014 - 07/31/2015 (in EUR m)**
Result from operations	-101.5	-100.3	168.0
Components that are or may be reclassified subsequently to the income statement			
Foreign currency translation differences arising from translating the financial statements of a foreign operation	0.3	-1.7	1.3
Effective portion of changes in fair value of cash flow hedges	0.0	0.0	1.6
Components that will not be reclassified to the income statement			
Actuarial gains/losses from pension provisions	-4.1	-0.8	-3.6
Other comprehensive income (loss) for the period	-3.8	-2.5	-0.7
Total comprehensive income (loss)	-105.3	-102.8	167.3
Total comprehensive income (loss) attributable to group shareholders	-105.3	-103.0	167.2
Total comprehensive income (loss) attributable to non-controlling interests	0.0	0.2	0.1

Consolidated Balance Sheet

of Kirk Beauty One GmbH (Successor) as of September 30, 2016 and as of September 30, 2015.

		Successor 09/30/2016 (in EUR m)	Successor 09/30/2015 (in EUR m)
Assets			
A.	Non-current assets		
I.	Intangible assets	2,560.0	2,583.0
II.	Property, plant and equipment	263.7	265.0
III.	Tax receivables	0.0	2.5
IV.	Financial assets	4.1	11.1
V.	Shares in associated companies	0.1	0.0
VI.	Deferred tax assets	64.3	44.8
		2,892.2	2,906.4
B.	Current assets		
I.	Inventories	512.6	613.4
II.	Trade accounts receivable	34.5	33.4
III.	Tax receivables	42.0	42.8
IV.	Financial assets	484.1	91.8
V.	Other assets	19.9	20.7
VI.	Cash and cash equivalents	143.9	68.1
		1,237.0	870.2
C.	Assets held for sale	0.0	0.1
Total		**4,129.2**	**3,776.7**

		Successor 09/30/2016 (in EUR m)	Successor 09/30/2015 (in EUR m)
Equity and Liabilities			
A.	Equity		
I.	Capital stock	0.0	0.0
II.	Additional paid-in capital	1,125.1	1,125.1
III.	Reserves	56.7	-103.0
IV.	Non-controlling interests	0.0	0.1
		1,181.8	1,022.2
B.	Non-current liabilities		
I.	Pension provisions	44.6	38.9
II.	Other non-current provisions	30.1	23.7
III.	Financial liabilities	2,014.8	1,817.7
IV.	Other liabilities	0.6	0.7
V.	Deferred tax liabilities	221.2	257.7
		2,311.3	2,138.7
C.	Current liabilities		
I.	Current provisions	89.1	88.3
II.	Trade accounts payable	307.2	290.5
III.	Tax liabilities	59.2	37.4
IV.	Financial liabilities	13.7	44.6
V.	Other liabilities	166.9	155.0
		636.1	615.8
Total		**4,129.2**	**3,776.7**

Statement of Changes in Group Equity

of Kirk Beauty One GmbH (Successor) for the period from October 1, 2015 through September 30, 2016 and for the period from April 10, 2015 through September 30, 2015 and Beauty Holding Zero GmbH (Predecessor) for the period from October 1, 2014 through July 31, 2015.

	Successor							
				Reserves				
	Capital stock (in EUR m)	**Additional paid-in capital (in EUR m)**	**Other reserves (in EUR m)**	**Reserves for pension provisions (in EUR m)**	**Results from cash flow hedges (in EUR m)**	**Differences from currency translation (in EUR m)**	**Non-controlling interests (in EUR m)**	**Total (in EUR m)**
10/01/2015	0.0	1,125.1	-100.5	-0.8	0.0	-1.7	0.1	1,022.2
Currency translation						0.3		0.3
Other comprehensive income				-4.1	0.0	0.0		-4.1
Net result for the period			-101.5				0.0	-101.5
Total comprehensive income (loss)	0.0	0.0	-101.5	-4.1	0.0	0.3	0.0	-105.3
Loss transfer of Kirk Beauty One GmbH	0.0	0.0	265.3					265.3
Transactions with group shareholders	0.0	0.0	265.3	0.0	0.0	0.0	0.0	265.3
Acquisition of non-controlling interests			-0.3				-0.1	-0.4
09/30/2016	0.0	1,125.1	63.0	-4.9	0.0	-1.4	0.0	1,181.8

	Successor							
				Reserves				
	Capital stock (in EUR m)	**Additional paid-in capital (in EUR m)**	**Other reserves (in EUR m)**	**Reserves for pension provisions (in EUR m)**	**Results from cash flow hedges (in EUR m)**	**Differences from currency translation (in EUR m)**	**Non-controlling interests (in EUR m)**	**Total (in EUR m)**
04/10/2015	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency translation						-1.7		-1.7
Other comprehensive income				-0.8	0.0	0.0		-0.8
Net result for the period			-100.5				0.2	-100.3
Total comprehensive income (loss)	0.0	0.0	-100.5	-0.8	0.0	-1.7	0.2	-102.8
Capital increase	0.0	1,125.1						1,125.1
Transactions with group shareholders	0.0	1,125.1	0.0	0.0	0.0	0.0	0.0	1,125.1
Change in the scope of consolidation						0.0	-0.1	-0.1
09/30/2015	0.0	1,125.1	-100.5	-0.8	0.0	-1.7	0.1	1,022.2

	Predecessor							
				Reserves				
	Capital stock (in EUR m)	**Additional paid-in capital (in EUR m)**	**Other reserves (in EUR m)**	**Reserves for pension provisions (in EUR m)**	**Results from cash flow hedges (in EUR m)**	**Differences from currency translation (in EUR m)**	**Non-controlling interests (in EUR m)**	**Total (in EUR m)**
10/01/2014	0.0	639.7	-314.7	-2.2	-3.2	-3.6	0.3	316.3
Currency translation						1.3		1.3
Other comprehensive income				-3.6	1.6	0.0		-2.0
Net result for the period			167.9				0.1	168.0
Total comprehensive income (loss)	0.0	0.0	167.9	-3.6	1.6	1.3	0.1	167.3
Dividends paid			0.0				-0.3	-0.3
Transactions with group shareholders	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	-0.3
Acquisition of non-controlling interests			-2.5				-0.2	-2.6
07/31/2015	0.0	639.7	-149.3	-5.8	-1.6	-2.2	-0.1	480.7

Consolidated Cash Flow Statement

of Kirk Beauty One GmbH (Successor) for the period from October 1, 2015 through September 30, 2016 and for the period from April 10, 2015 through September 30, 2015 and Beauty Holding Zero GmbH (Predecessor) for the period from October 1, 2014 through July 31, 2015.

			Successor	Successor	Predecessor
			10/01/2015 - 09/30/2016 (in EUR m)	04/10/2015 - 09/30/2015 (in EUR m)	10/01/2014 - 07/31/2015 (in EUR m)
1.		EBITDA	184.3	3.3	195.3
2.	+/-	Increase/decrease in provisions	12.8	17.0	8.1
3.	-/+	Other non-cash income/expense	-6.3	0.1	-5.4
4.	-/+	Profit/loss on the disposal of non-current assets	-1.2	-1.7	-1.8
5.	+/-	Changes in net working capital	119.1	64.1	48.2
6.	+/-	Changes in other assets/liabilities not classifiable to investing or financing activities	-0.1	-32.6	-15.6
7.	-/+	Paid/reimbursed taxes	-29.6	-7.4	-32.2
8.	**=**	**Net cash flow from operating activities**	**279.0**	**42.8**	**196.6**
9.	+	Proceeds from the disposal of non-current assets and the disposal of stores	11.7	3.7	6.2
10.	-	Investments in non-current assets	-93.5	-18.7	-58.5
11.	-	Payments for the acquisition of consolidated companies and other business units	-1.2	-1,433.5	-29.1
12.	-	Payments for investments in associated companies	-0.2	0.0	0.0
13.	-	Net cash flow from investing activities in discontinued operations	0.0	0.0	-64.7
14.	**=**	**Net cash flow from investing activities**	**-83.2**	**-1,448.5**	**-146.1**
15.		**Free cash flow (sum of 8 and 14)**	**195.8**	**-1,405.7**	**50.5**
16.	+	Receipts from equity contributions	0.0	950.1	0.0
17.	-	Payments for the repayment of financial liabilities	-44.2	-1,264.1	-23.5
18.	+	Proceeds from borrowings	162.2	1,823.1	14.1
19.	-	Payments for the granting of borrowings	-102.7	0.0	0.0
20.	-	Interest paid	-135.4	-35.0	-50.7
21.	+	Interest received	0.2	0.0	0.4
22.	-	Payments for the acquisition of non-controlling interests	0.0	0.0	-3.3
23.	**=**	**Net cash flow from financing activities**	**-119.9**	**1,474.1**	**-63.0**
24.		**Net change in cash and cash equivalents (total of 8, 14 and 23)**	**75.9**	**68.4**	**-12.5**
25.	+/-	Net change in cash and cash equivalents due to currency translation	-0.1	-0.3	0.1
26.	+	Cash and cash equivalents at beginning of period	68.1	0.0	283.5
27.	**=**	**Cash and cash equivalents at end of period**	**143.9**	**68.1**	**271.1**

Segment Reporting

of Kirk Beauty One GmbH (Successor) for the period from October 1, 2015 through September 30, 2016 and for the period from April 10, 2015 through September 30, 2015 and Beauty Holding Zero GmbH (Predecessor) for the period from October 1, 2014 through July 31, 2015.

		Germany			France			South-Western Europe		
		Successor	Successor	Predecessor	Successor	Successor	Predecessor	Successor	Successor	Predecessor
		10/01/2015 - 09/30/2016	04/10/2015 - 09/30/2015	10/01/2014 - 07/31/2015	10/01/2015 - 09/30/2016	04/10/2015 - 09/30/2015	10/01/2014 - 07/31/2015	10/01/2015 - 09/30/2016	04/10/2015 - 09/30/2015	10/01/2014 - 07/31/2015
Sales (net)	EUR m	1,208.3	170.5	990.1	706.3	89.0	606.4	528.9	72.8	432.7
Intersegment sales	EUR m	29.6	2.7	16.8	0.1	0.0	7.9	0.0	0.0	0.0
Sales	EUR m	1,237.9	173.2	1,006.9	706.4	89.0	614.3	528.9	72.8	432.7
EBITDA	EUR m	91.0	-2.7	102.4	63.4	5.1	44.5	26.2	4.5	30.0
EBITDA margin	%	7.5	-1.6	10.3	9.0	5.7	7.3	5.0	6.2	6.9
Non-recurring effects/adjustments	EUR m	78.1	31.3	19.8	34.5	3.6	35.5	19.5	1.9	4.1
Adjusted EBITDA	EUR m	169.1	28.6	122.2	97.9	8.7	80.0	45.7	6.4	34.1
Adjusted EBITDA margin	%	14.0	16.8	12.3	13.9	9.8	13.2	8.6	8.8	7.9
Inventories	EUR m	198.3	245.4	193.4	129.7	154.4	134.9	115.7	132.7	119.9
Capital expenditure	EUR m	40.5	11.8	27.0	23.7	6.1	17.8	12.6	5.7	7.6
Number of stores (owned) as of September 30		435	438	-	487	489	-	350	347	-

		Eastern Europe			Consolidation			Kirk Beauty One GmbH		
		Successor	Successor	Predecessor	Successor	Successor	Predecessor	Successor	Successor	Predecessor
		10/01/2015 - 09/30/2016	04/10/2015 - 09/30/2015	10/01/2014 - 07/31/2015	10/01/2015 - 09/30/2016	04/10/2015 - 09/30/2015	10/01/2014 - 07/31/2015	10/01/2015 - 09/30/2016	04/10/2015 - 09/30/2015	10/01/2014 - 07/31/2015
Sales (net)	EUR m	265.1	38.6	206.7				2,708.6	371.0	2,235.9
Intersegment sales	EUR m	0.0	0.0	0.0	-29.7	-2.7	-24.7	0.0	0.0	0.0
Sales	EUR m	265.1	38.6	206.7	-29.7	-2.7	-24.7	2,708.6	371.0	2,235.9
EBITDA	EUR m	3.4	-3.4	19.0	0.3	-0.2	-0.6	184.3	3.3	195.3
EBITDA margin	%	1.3	-8.8	9.2				6.8	0.9	8.7
Non-recurring effects/adjustments	EUR m	20.8	3.4	1.3				153.0	40.3	60.7
Adjusted EBITDA	EUR m	24.2	0.0	20.3	0.4	-0.1	-0.6	337.3	43.6	256.0
Adjusted EBITDA margin	%	9.1	0.0	9.8				12.5	11.8	11.4
Inventories	EUR m	71.8	85.6	70.3	-2.9	-4.7	-2.3	512.6	613.4	516.2
Capital expenditure	EUR m	12.3	2.8	4.9				89.1	26.5	57.3
Number of stores (owned) as of September 30		274	276	-				1,546	1,550	-

Non-current assets

in EUR m	Successor as of 09/30/2016	Successor as of 09/30/2015
Germany	1,643.2	1,674.2
Other countries	1,184.7	1,184.9
Total	2,827.9	2,859.1

Reconciliation segment income

in EUR m	Successor 10/01/2015 - 09/30/2016	Successor 04/10/2015 - 09/30/2015	Predecessor 10/01/2014 - 07/31/2015
EBITDA	184.3	3.3	195.3
One-off items/adjustments	153.0	40.3	60.7
Adjusted EBITDA	337.3	43.6	256.0
Amortization/depreciation	-104.5	-21.1	-70.7
One-off items/adjustments	-2.0	4.3	0.2
Adjusted EBIT	230.8	26.8	185.5
Financial result	-192.1	-104.0	-79.4
One-off items/adjustments	33.0	75.4	-8.0
Adjusted EBT	71.7	-1.8	98.1
Taxes	10.8	21.5	-20.4
Taxes on one-off items/adjustments	-58.9	-38.4	-16.9
Adjusted net income continued operations	23.6	-18.7	60.8

Notes to the Consolidated Financial Statements

of Kirk Beauty One GmbH (Successor) for the period from October 1, 2015 through September 30, 2016 and for the period from April 10, 2015 through September 30, 2015 and Beauty Holding Zero GmbH (Predecessor) for the period from October 1, 2014 through July 31, 2015.

General principles

Kirk Beauty One GmbH, seated in Düsseldorf, Germany (thereafter Kirk Beauty One), the parent company of Douglas GmbH (formerly Kirk Beauty Zero GmbH) was incorporated April 10, 2015. Douglas GmbH represents the business of Beauty Holding Zero GmbH (thereafter Beauty Holding Zero) acquired by Douglas GmbH effective August 13, 2015. Kirk Beauty One and Douglas GmbH issued Senior Secured Notes and Senior Notes on the Irish Stock Exchange in July 2015.

Kirk Beauty One is referred to as Successor and Beauty Holding Zero is referred to as Predecessor. Both companies together are referred to as The Companies.

The Consolidated Financial Statements include the audited Consolidated Financial Statements of Kirk Beauty One for the period from October 1, 2015 through September 30, 2016 as well as for the abbreviated fiscal year 2015 for the period from April 10, 2015 through September 30, 2015. Kirk Beauty One as Successor acquired the business of Beauty Holding Zero in August 2015, thus two month of the figures of the Beauty Holding Zero Group are included in the abbreviated fiscal year 2014/15.

In order to give a better understanding of the economic development of the Group the Consolidated Financial Statements of Beauty Holding Zero as the Predecessor are incorporated in this set of financial statements. As Kirk Beauty One and Beauty Holding Zero predominantly use the same accounting and valuation principles based on the unchanged Group accounting guideline, we think that the presentation of both Consolidated Financial Statements (Successor and Predecessor) in one document increases transparency of information and helps the reader to better understand the economic development of the Group. However it should be noted that the Consolidated Financial Statements of the Successor are impacted by the purchase price allocation as of the technical acquisition date (August 1, 2015) and by the new financing transaction which has replaced the old financing of Beauty Holding Zero.

The Successor`s Consolidated Financial Statements include the Consolidated Balance Sheets of Kirk Beauty One and its subsidiaries as of September 30, 2016 and 2015 and the related Consolidated Statements of Comprehensive Income (Loss), Statements of Changes in Group Equity and Consolidated Cash Flow Statements for the periods from October 1, 2015 through September 30, 2016 and from April 10, 2015 through September 30, 2015. Operational figures for the Group are included for the period from August 1, 2015 through September 30, 2016.

The Predecessor`s Consolidated Financial Statements include the Consolidated Statement of Comprehensive Income (Loss), Statement of Changes in Group Equity and Consolidated Cash Flow Statement for the period from October 1, 2014 through July 31, 2015.

The Successor`s and Predecessor`s Consolidated Financial Statements have been prepared in conformity with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The accounting and valuation principles as well as the consolidation principles of Kirk Beauty One (Successor) are consistently applied to the Successor´s and Predecessor´s Consolidated Financial Statements for all periods presented, except for the following reclassifications:

- The Predecessor´s Consolidated Cash Flow Statement has been modified to include the changes in trade working capital, which is an important steering measure of the Kirk Beauty One Group.
- Accruals for outstanding invoices, which are disclosed within trade accounts payable in the Successor`s Consolidated Financial Statements, are presented within non-current provisions in the Predecessor`s Consolidated Financial Statements.
- Income from investments has been reclassified from EBITDA (Predecessor) to the financial result (Successor).

All figures in the Successor´s and Predecessor´s Consolidated Financial Statements are presented in millions of Euro (EUR m).

New IASB accounting standards

The Successor´s and Predecessor´s Consolidated Financial Statements have been prepared taking into account all published standards and interpretations which have been adopted as part of the European Union (EU) endorsement process and for which application is mandatory for the fiscal year 2015/16.

In the fiscal year 2015/16 Kirk Beauty One first applied the amendments to IAS 19, which had no impact on the amounts in the Consolidated Balance Sheet and Consolidated Statement of Comprehensive Income (Loss) and the disclosures in the Notes.

New regulations not yet applicable

New standards/ regulations not yet applicable			Published by IASB	Date of first-time adoption in the EU	Endorsed by European Commission	Probable impact on the Kirk Group
IAS 40	Investment Property	Amendments: Transfers of Investment Property	12/08/2016	01/01/2018	Not yet	No impact
IFRIC 22	Foreign Currency Transactions and Advance Consideration	Clarification: Transactions including advance consideration in a foreign currency	12/08/2016	01/01/2018	Not yet	No impact
Improvement Project 2014-2016	Annual Improvements to IFRSs 2014-2016 Cycle	Improvement of existing standards	12/08/2016	01/01/2018 / 01/01/2017	Not yet	No impact
IFRS 4	Insurance Contracts	Amendment: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	09/12/2016	01/01/2018	Not yet	No impact
IFRS 2	Share-based Payment	Amendment: Classification and measurement of share-based payment transactions	06/20/2016	01/01/2018	Not yet	No impact
IFRS 15	Revenue from Contracts with Customers	Clarifications	04/12/2016	01/01/2018	Not yet	No impact
IAS 7	Statement of Cash Flows	Disclosure initiative	01/29/2016	01/01/2017	Not yet	No impact
IAS 12	Income Taxes	Amendment: Recognition of deferred tax assets for unrealised losses	01/19/2016	01/01/2017	Not yet	No material impact
IFRS 16	Leases	Guidance on accounting for leases, replacing IAS 17	01/13/2016	01/01/2019	Not yet	Material impact on the presentation of financial statements
IFRS 15	Revenue from Contracts with Customers	Amendment: Effective date	09/11/2015	01/01/2018	Not yet	No material impact
IAS 1	Presentation of Financial Statements	Amendment: Disclosure initiative	12/18/2014	01/01/2016	12/18/2015	No material impact

IFRS 10, IFRS 12, IAS 28	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Investments in Associates and Joint Ventures	Amendment: Investment entities - applying the consolidation exception	12/18/2014	01/01/2016	09/22/2016	No material impact
Improvement Project 2012-2014	Annual Improvements to IFRSs 2012-2014 Cycle	Improvement of existing standards	09/25/2014	01/01/2016	12/15/2015	No material impact
IFRS 10, IAS 28	Consolidated Financial Statements and Investments in Associates and Joint Ventures	Amendment: Sale or contribution of assets between an investor and its associate or joint venture	09/11/2014	Deferred	Not yet	No material impact
IAS 27	Separate Financial Statements	Amendment: Equity method in separate financial statements	08/12/2014	01/01/2016	12/18/2015	No impact
IFRS 9	Financial Instruments: Presentation	Regulations for the accounting of financial instruments measured at amortized cost or fair value	07/24/2014	01/01/2018	11/22/2016	Change in the recognition of available-for-sale financial instruments, no material impact
IAS 16, IAS 41	Property, Plant and Equipment and Agriculture	Amendments: Bearer plants	06/30/2014	01/01/2016	11/23/2015	No impact
IFRS 15	Revenue from Contracts with Customers	Multistage concept for accounting for revenues from contracts with customers	05/28/2014	01/01/2018	09/22/2016	No material impact expected but further analysis required
IAS 16, IAS 38	Property, Plant and Equipment and Intangible Assets	Amendments: Clarification of acceptable methods of depreciation and amortization	05/12/2014	01/01/2016	12/02/2015	No impact
IFRS 11	Joint Arrangements	Amendment: Accounting for acquisitions of interests in joint operations	05/06/2014	01/01/2016	11/24/2015	No material impact
IFRS 14	Regulatory Deferral Accounts	Exemption option for first-time adopters	01/30/2014	01/01/2016	Not yet	No impact

The new standard IFRS 16 will replace the existing standard IAS 17 (Leases) as well as IFRIC 4 (Determining whether an Arrangement contains a Lease). The scope of IFRS 16 comprises all forms of rights of use of assets, including rights of use arising from rent and leasehold agreements, subleases and sale-and-leaseback transactions.

The most significant change of IFRS 16 as compared to IAS 17 concerns the accounting for leases by the lessee. According to the new standard, the classification into operating and finance leases will not be necessary any longer. The lessee has to recognize a lease liability and a corresponding right of use asset at the time when the right of use is transferred by the lessor.

The lessee has to account for the lease liability at the present value of future lease payments. In the Consolidated Financial Statements of Kirk Beauty One the capitalization of rights of use from store rental agreements will expectedly lead to a significant increase of intangible assets and financial liabilities. Subsequent measurement as specified by IFRS 16 will lead to a reduction of rent expenses and to an improvement of EBITDA. Amortization and interest expenses will likely increase. In the fiscal year 2016/17 a further analysis of future impacts from the adoption of IFRS 16 will be part of an ongoing project.

Consolidation principles

Group of consolidated companies

All of the German and foreign companies over which Kirk Beauty One as the Successor has direct or indirect control and all of the subsidiaries over which Beauty Holding Zero as the Predecessor had direct or indirect control are fully consolidated in the Consolidated Financial Statements. Subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group. Control is obtained, when Kirk Beauty One obtains power over an investee, when Kirk Beauty One is exposed to variable returns from its investments with the investee and when it is able to influence these returns by using its power. They are deconsolidated on the date on which control ceases.

Group of Consolidated Companies

	Germany	Other countries	Total
as of October 1, 2015	31	34	65
companies consolidated for the first time	*0*	*0*	*0*
deconsolidated companies	*0*	*1*	*1*
merged companies	*6*	*1*	*7*
as of September 30, 2016	**25**	**32**	**57**

The entity DPB achats, Villeneuve d'Ascq/France was liquidated and deconsolidated at December 31, 2015.

The company Parfümerie Douglas International Verwaltungs GmbH left the consolidation group as at October 1, 2015 by merger with Parfümerie Douglas International GmbH. The company Parfümerie Douglas Beteiligungs GmbH left the consolidation group as at October 1, 2015 by merger with Parfümerie Douglas GmbH. The companies Beauty Holding Zero GmbH, Beauty Holding One GmbH and Beauty Holding Two GmbH left the consolidation group as at October 1, 2015 by merger with Douglas GmbH. The company SA Douglas Expansion, Villeneuve d'Ascq/France, leaves the consolidation group by merger with Nocibé France

Distribution, Villeneuve d'Ascq/France, as at August 1, 2016. The mergers did not have any impact on the Consolidated Financial Statements of Kirk Beauty One.

In October 2015, 10.5 percent of the shares in Douglas Nordic AS/Norway were acquired. Due to the possibility of exerting significant influence, this is classified as an investment in associated companies. The fiscal year of Douglas Nordic AS ends on December 31. Equity valuation is based on interim financial statements. The net book value of shares is €0.2 million. The share of Douglas Nordic AS in consolidated total comprehensive income amounts to €-0.1 million.

Consolidation methods

Capital consolidation is conducted by offsetting acquisition costs against the Group's interest in the consolidated subsidiary's net assets at fair value on the acquisition date. Any resulting positive differences are capitalized as goodwill and tested annually for impairment. Any negative differences are recognized directly in profit or loss. Any identifiable net assets including hidden reserves and liabilities due to minority shareholders are carried as non-controlling interests.

Receivables from and corresponding payables to consolidated companies are eliminated against each other. Material interim profits from intercompany goods and services within the Group are eliminated in the Consolidated Financial Statements to the extent that these do not relate to sales realized with third parties. Sales and other income from intercompany deliveries of goods and services are offset against corresponding expenses.

Currency translation

The Consolidated Financial Statements of the subsidiaries are translated to the Group currency according to the functional currency concept. The functional currency of the subsidiaries is the respective national currency. The functional currency of the parent company is the Euro.

The assets and liabilities of foreign companies whose functional currency is equivalent to the local currency and who are based in countries that do not participate in the European Monetary Union are translated to Euros using the exchange rate on the balance sheet date. Income and expenses are converted at the average exchange rate for the period. The resulting currency translation differences are recognized directly in equity under the currency translation line item.

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

Exchange Rates

		Average exchange rate	Closing rate	Average exchange rate	Closing rate
		10/01/2015 - 09/30/2016 (in EUR)	09/30/2016 (in EUR)	10/01/2014 - 09/30/2015 (in EUR)	09/30/2015 (in EUR)
BGN	Bulgarian Lev	0.51350	0.51424	0.51196	0.51140
CHF	Swiss Franc	0.91813	0.92066	0.91086	0.91491
CZK	Czech Koruna	0.03698	0.03702	0.03649	0.03676
HRK	Croatian Kuna	0.13190	0.13315	0.13127	0.13088
HUF	Hungarian Forint	0.00320	0.00324	0.00324	0.00318
PLN	Polish Zloty	0.23252	0.23239	0.23998	0.23594
RON	Romanian Lei	0.22401	0.22482	0.22547	0.22647
TRL	Turkish Lira	0.30994	0.29723	0.34155	0.29176
USD	U.S. Dollar	0.90025	0.89202	0.87041	0.88944

Receivables and liabilities denominated in currencies other than the functional currency are translated to the functional currency by being recognized in the Consolidated Statement of Comprehensive Income (Loss).

Successor: Income resulting from exchange rate differences totaled €0.1 million (prior year €0.0 million). The corresponding expenses amounted to €1.3 million (prior year €0.0 million).

Predecessor: Income resulting from exchange rate differences amounted to €4.1 million. The corresponding expenses totaled €3.6 million.

Accounting and valuation principles

Intangible assets

Goodwill arising from capital consolidation, which represents the excess of acquisition cost over the fair value of identifiable net assets acquired, is recognized according to the requirements of IFRS 3 and tested for impairment annually or upon occurrence of a triggering event. For the purposes of the impairment test, goodwill is allocated to the groups of cash-generating units (CGU) that are expected to profit from synergies arising from the acquisition. Within The Companies, a cash-generating unit (CGU) is defined as an individual retail store or an online shop. The ceiling for goodwill allocation is generally determined by operating segments, which are Germany, France, South-Western Europe and Eastern Europe in case of both companies. If as part of this impairment test, the company ascertains that the recoverable amount of the CGU is less than its carrying amount, goodwill allocated to the groups of CGUs is written down and recognized in profit or loss. An impairment loss in respect of goodwill is not reversed in future periods.

Other intangible assets are carried at cost. Borrowing costs are not included when calculating acquisition costs, because there are no qualifying assets existent with The Companies. Intangible assets with definite useful lives are subject to straight line amortization over their useful life. If they have an indefinite useful life, these intangible assets are not subject to scheduled amortization. Indefinite useful life assets are reviewed for impairment at least once a year. If the recoverable amount of the asset is less than its carrying amount, it is written off to its recoverable amount based on its value in use. If the reasons for write-downs made in prior years no longer apply, the assets are written up. Intangible assets that are subject to scheduled amortization are only subject

to an impairment test if there are triggering events indicating an impairment. Intangible assets with an indefinite useful life are the trademarks “Douglas” and “Nocibé” and leasehold rights in France.

Property, plant and equipment

Items of property, plant and equipment are carried at cost less scheduled straight-line depreciation. Investment subsidies received reduce the cost of the asset for which the subsidy was granted. Borrowing costs are not included when calculating acquisition costs for property, plant and equipment, but are immediately expensed to the income statement, because there are no qualifying assets within The Companies. Based on experience, The Companies do not utilize restoration obligations. Thus these obligations are generally not recognized in the acquisition costs of the leasehold improvements. In the year of purchase, property, plant and equipment is depreciated on a pro rata temporis basis. An impairment test is conducted for the corresponding asset if indications of an impairment exist. Items of property, plant and equipment are derecognized when removed 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 realizable value and its carrying amount.

The estimated useful lives of intangible assets and property, plant and equipment are as follows:

Useful Lives

	Years
Software	3-5
Leasehold rights that do not have indefinite useful lives	5-15
Customer bases	5-10
Buildings	10-50
Store fittings, office and operating equipment	3-10

Leases

The economic ownership of a leased asset is classified to that contractual party which bears substantially all the risks and rewards incident to ownership of the leased asset. Material lease arrangements predominantly relate to the leasing of retail stores. Leases are recognized in the balance sheet according to the requirements of IAS 17. In order to ensure the greatest possible flexibility, the Group generally aims to enter rental agreements with a fixed rental period of no more than ten years and single or multiple exercisable options to extend the lease. In classifying lease agreements at the inception of the lease, consideration is given to the base lease term and the exercise of any renewal options on the basis of best practice, which means that these agreements regularly qualify as operating leases as the fixed lease term plus one renewal option does not exceed the significant part of the economic useful life of the rented premises.

If, in cases of exception, the economic ownership of leased assets can be allocated to The Companies, the leased assets are capitalized at the inception of the lease and are subject to scheduled straight-line depreciation in subsequent periods. At the commencement of the lease, the leased asset is recognized at the fair value of the asset or, if lower, the present value of the minimum lease payments. On the other hand, the financial obligations that result from future lease payments are recognized as a liability in the same amount. Depreciation is conducted over the estimated useful life or the shorter lease term. The liability is amortized proportionately over the lease term according to the effective interest rate method plus accrued interest. At September 30, 2016 and at September 30, 2015 The Companies accounted for finance leases only to an insignificant extent.

Financial assets

Financial assets, including investments (equity participations), contractual receivables and derivatives are accounted for according to IAS 39. The Group does not hold any financial instruments that would have to be classified as "held-for-trading" or "held-to-maturity". Investments (equity participations) are classified as "available-for-sale", trade accounts receivable and other contractual receivables are classified as "loans and receivables". Depending on their classification, the financial assets are either measured at fair value (financial assets from derivative financial instruments) or at amortized cost (investments, trade accounts receivable and other contractual financial receivables). Financial assets are initially measured at fair value, transaction costs—with the exception of financial instruments measured at fair value and recognized to profit or loss—are included in the acquisition costs.

Financial assets are derecognized either upon settlement or when substantially all opportunities and risks are transferred.

Financial assets denominated in a foreign currency are translated to the functional currency at the date of acquisition. An adjustment is then made to the respective closing rate on each balance sheet date and recognized in profit or loss. Interest income and expense are matched to the period in the financial result.

Trade accounts receivable and other receivables are capitalized at fair value at the time of revenue recognition. Recognizable risks are taken into account via write-downs based on the ageing structure of the receivables. A major portion of receivables that is overdue more than 60 days is transferred to a collection agency. Necessary write-downs are conducted by using bad debt accounts.

Cash and cash equivalents

Cash and cash equivalents are stated at amortized cost and include money accounts and short term money deposits with banks, with maturities of three months or less.

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 that have been enacted on the balance sheet date or which are expected to be enacted when the differences are reversed. Deferred tax assets are only recognized to the extent that there is taxable income expected on the date the difference is reversed against which the difference can be offset.

If the future tax advantage from loss carryforwards can be utilized with sufficient certainty in future periods, deferred tax assets are capitalized. Deferred tax assets and liabilities are netted to the extent that the tax claims and tax liabilities are for the same tax authority.

Inventories

Merchandise is recognized at the lower of cost and net realizable value. In some minor countries, acquisition costs are identified using the retail method based on the selling price using reasonable valuation allowance deductions. Interest on borrowings is not included in the acquisition costs as inventories are not qualifying assets. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to sell the inventory. Ageing as well as fashion and other risks were taken into account, to the extent needed, as part of measurement

at the net realizable value. Raw materials, consumables and supplies are recognized at their acquisition costs.

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 taking into account all recognizable risks, or—for a large population of risks—the amount computed according to the expected value method. Non-current provisions are carried on the balance sheet at their present value as of the balance sheet date. The maturity of long-term human resources commitments is based on the date of dismissal of the employee or forecasted cash outflows. The maturity of long-term real estate commitments is based on the duration of the lease contract or the estimated date of an early termination of the lease contract. Provisions for restructuring measures are recognized if a constructive obligation to restructure was formalized by means of the adoption of a detailed restructuring plan and its communication vis-à-vis those affected as of the closing date. Restructuring provisions comprise only obligatory restructuring expenses.

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 balance sheet 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 identified pension obligations and the pension obligations determined as of the balance sheet date, actuarial gains or losses will be incurred. These actuarial gains or losses as well as other actuarial valuation changes are recognized directly in equity under other comprehensive income.

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

Financial liabilities

Financial liabilities are initially recognized at fair value and subsequently measured at amortized costs. Transaction costs are included in the recognition of financial liabilities. If there is a difference between the amount paid and the amount to be paid upon final maturity, this difference is amortized over the term according to the effective interest rate method. Income and expense from non-derivative financial liabilities arise from interest income or expense or from currency translation adjustments. Financial liabilities are derecognized when the obligation is extinguished or expired (limitation of time). Within the Group financial liabilities recognized at amortized costs mainly comprise of liabilities to banks, liabilities from senior notes and trade accounts payable. All trade accounts payable have a maturity of less than one year and are non-interest bearing. The option to initially recognize financial liabilities at fair value through profit or loss was not applied by The Companies.

Derivative financial instruments and hedging relationships

Derivative financial instruments are in place to reduce cash flow fluctuations that result from interest rate risks. Derivative financial instruments are neither used nor issued for speculative purposes. Derivative financial instruments are recognized at fair value, which correspond to market

value, both upon initial and subsequent measurement in accordance with IAS 39 and can result in a positive or negative figure. Gains and losses from fair value measurement, to the extent that these are designated derivative financial instruments qualifying as hedged items to hedge against cash flow risks, are recognized directly in equity under a separate equity item in line with the rules for hedge accounting. Derivative financial instruments that do not qualify as hedged items are measured at fair value and recognized in the income statement. The amounts recorded under equity increase or reduce profit or loss as soon as the hedged cash flows from the underlying transaction are recognized in the income statement.

The fair value of derivative financial instruments corresponds to the amount either paid or received by the Group company upon termination of the financial instrument on the balance sheet date. The calculation of the fair value takes into account the interest rates and forward rates in effect as of the balance sheet date. The Companies implement derivative financial instruments as hedging instruments only as part of cash flow hedges. By way of such cash flow hedges, Beauty Holding Zero (Predecessor) hedged the exposure to future variability in cash flows attributable to interest rate risks. Kirk Beauty One (Successor) does not apply hedge accounting based on cash flow hedges. With regard to currency rate risks non-derivative financial liabilities as part of a net investment hedge are implemented to cover currency rate risks arising from net investments in non-Group foreign currencies. Accounting for net investment hedges generally follows the rules of cash flow hedges.

Fair value measurement

The input factors used to determine fair value are divided into three categories. Fair value measurements based on input factors of the first category relate to price quotations in active markets that can be determined for the valuation object—such as quoted prices. Fair value measurements based on factors whose value can be derived directly or indirectly from observable market data fall into the second category. The measurement of the third category is based on pricing models, which are based on inputs that cannot be observed in the market. The Companies only measure interest rate swaps and interest rate caps and floors at fair value. The fair value measurement of these instruments fall into the second category as the valuation of interest rate swaps, caps and floors is based on observable market interest rates.

Revenue recognition

Sales are recognized on delivery of goods or after the performance of a service is complete. Claims from customer loyalty programs are measured at fair value therefrom and offset directly against sales. Sales arising therefrom are first recognized upon redemption of the bonus points collected by customers. Deferred sales are reversed or utilized in line with the way customers redeem their gift vouchers and are also reported under sales. Interest income and interest expense are recognized in the financial result on an accrual basis.

Segment reporting

Segment reporting covers the four geographical segments whose financial key performance indicators are presented to the top management of the Group as the chief operating decision-maker. The financial key performance indicators are presented on a regular basis as part of the internal reporting and are used by management to make decisions and allocate resources. These four operating segments correspond to the regionally structured divisions of The Companies and at the same time represent the highest limit for the allocation of goodwill. Service and holding companies are allocated to the regional segments according to their place of registered business. The segments comply with the internal reporting and controlling structure.

The earnings of the segments are determined in compliance with the accounting and valuation methods applied to the Consolidated Financial Statements. Transfers between segments are

generally performed at the same prices that would apply if the transaction would have been executed with third parties (arm's length transactions).

Segment sales correspond to sales with non-Group third parties. Internal sales represent sales between the individual Douglas segments.

The segment performance indicator is Adjusted EBITDA. EBITDA is adjusted for one-off items and items which have an impact limited to a certain period of time determined by Kirk Beauty management. The adjustments mainly comprise effects from purchase price allocations, costs in connection with restructuring and efficiency programs as well as ongoing consulting costs in connection with financing agreements. Further adjustments concern ongoing, disputed lease contracts, revaluation effects of inventories and trade receivables and credit card fees. Revaluation effects of inventories as well as on trade receivables are considered as depreciations and therefore are adjusted. Credit card fees are considered as financial expenses and therefore are adjusted in EBITDA. Furthermore one-off effects related to the financing of the Group tax effects on the aforementioned effects are adjusted.

Inventories shown under segment reporting include purchased raw materials, consumables and supplies and advances to suppliers for inventories.

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

Segment assets generally comprise of non-current assets. Non-current tax items are not allocated to the segments.

Use of assumptions and estimates

Assumptions and estimates have been made in the preparation of the Consolidated Financial Statements that impact the disclosure and amount of the assets and liabilities, income and expenses carried in these statements. These assumptions and estimates were used, in particular, in the determination of useful lives, lease classification, valuation of restoration obligations, impairment test, recognition and measurement of provisions and uncertain tax positions and recognition of deferred tax assets. In addition, assumptions and estimates are of significance in determining the fair values and acquisition costs associated with business combinations. Actual values may vary in individual cases from the assumptions and estimates made.

Other operating income

	Successor 10/01/2015 - 09/30/2016 (in EUR m)	Successor 04/10/2015 - 09/30/2015 (in EUR m)	Predecessor 10/01/2014 - 07/31/2015 (in EUR m)
Income from costs passed on to third parties	135.0	32.2	109.2
Income from leasing and sub-leasing	19.8	3.6	18.2
Income from disposal of assets	1.6	2.8	10.2
Income from customer cards	12.2	1.8	9.4
Income from reversal of provisions	4.9	2.8	9.9
Income from commissions	3.2	0.4	2.2
Income from the derecognition of liabilities	2.5	0.0	2.4
Income from insurance claims	1.5	0.5	0.8
Other income	28.7	5.2	16.9
Total	209.4	49.3	179.2

Personnel expenses

	Successor 10/01/2015 - 09/30/2016 (in EUR m)	**Successor 04/10/2015 - 09/30/2015 (in EUR m)**	**Predecessor 10/01/2014 - 07/31/2015 (in EUR m)**
Wages and salaries	449.1	71.6	367.2
Social security, pensions and other benefits costs	96.6	14.3	80.5
thereof for pensions	*3.5*	*0.2*	*6.6*
Total	**545.7**	**85.9**	**447.7**

Other operating expenses

	Successor 10/01/2015 - 09/30/2016	Successor 04/10/2015 - 09/30/2015	Predecessor 10/01/2014 - 07/31/2015
	(in EUR m)	(in EUR m)	(in EUR m)
Rent and utilities	274.0	43.4	222.7
Other services	98.7	38.8	71.2
Goods handling costs	72.6	6.4	57.2
Marketing and advertising costs	45.0	5.3	32.4
Direct mailing and customer card	38.3	6.8	33.9
Advertising in other media	35.5	3.3	25.5
Advertisements and supplements	23.0	4.3	20.9
IT costs	19.3	2.6	14.8
Expenses from sub-leasing	13.1	3.3	12.7
Repair costs	10.1	2.5	7.3
Fees and contributions	8.7	0.8	7.4
Travel and vehicle expenses	8.9	1.7	8.2
Equipment and consumables	9.2	1.7	7.7
Office costs and postage	8.5	1.2	7.6
Credit card fees	8.8	1.2	7.7
Decoration costs	5.6	0.3	5.2
Other expenses	31.3	4.5	45.9
Total	**710.6**	**128.1**	**588.3**

Financial result

	Successor 10/01/2015 - 09/30/2016 (in EUR m)	Successor 04/10/2015 - 09/30/2015 (in EUR m)	Predecessor 10/01/2014 - 07/31/2015 (in EUR m)
Income from other investments	0.0	0.0	0.1
Interest income from loans and receivables	1.8	0.3	0.4
Income from non-controlling options	0.0	0.4	0.0
Income from discounting pension provisions	0.1	0.1	0.0
Income from discounting other provisions	0.0	0.1	0.0
Income from financial assets / liabilities at fair value	2.3	0.0	0.0
Income from foreign exchange differences	0.1	0.0	4.1
Total financial income	4.3	0.9	4.6
Interest expense from compounding other provisions	-0.3	-0.1	0.0
Interest expense from compounding pension provisions	-1.1	-0.4	-0.6
Expense from non-controlling options	-0.8	-0.4	-0.2
Expense from foreign exchange differences	-1.3	0.0	-3.6
Expense for financial liabilities at amortized cost	-150.8	-97.9	-79.6
Expense for financial assets / liabilities at fair value	-42.1	-6.1	0.0
Total financial expense	-196.4	-104.9	-84.0
Financial result	-192.1	-104.0	-79.4

The financing expense for the non-controlling options relate to the results of third-party shareholders – whose interests are reported as payables, as these either have an option right or are non-controlling interests in German partnerships – as well as the effect of revaluation as of the balance sheet date.

Net results by valuation category

The following table shows the net result for the period ended September 30, 2016 (Successor):

	Successor					
	Fair value valuation (in EUR m)	Currency translation (in EUR m)	Impairment (in EUR m)	Interest income (in EUR m)	Interest expense (in EUR m)	Total (in EUR m)
Loans and receivables			-0.2	1.7	-150.6	-149.1
At fair value through profit and loss	-40.4				-0.2	-40.6
Net profit by valuation category	-40.4	0.0	-0.2	1.7	-150.8	-189.7
Interest income/expenses of items that are not financial instruments		-1.2		0.1	-1.3	-2.4
Financial result	-40.4	-1.2	-0.2	1.8	-152.1	-192.1

The following table shows the net result for the period April 10, 2015 through September 30, 2015 (Successor):

	Successor					
	Fair value valuation (in EUR m)	Currency translation (in EUR m)	Impairment (in EUR m)	Interest income (in EUR m)	Interest expense (in EUR m)	Total (in EUR m)
Loans and receivables			-1.1	0.3	-97.9	-98.7
At fair value through profit and loss	-6.1			0.4	-0.4	-6.1
Net profit by valuation category	**-6.1**	**0.0**	**-1.1**	**0.7**	**-98.3**	**-104.8**
Income/expenses from financial instruments not included in the interest result			1.1			1.1
Interest income/expenses of items that are not financial instruments				0.2	-0.5	-0.3
Financial result	**-6.1**	**0.0**	**0.0**	**0.9**	**-98.8**	**-104.0**

The following table shows the net result for the period from October 1, 2014 through July 31, 2015 of Beauty Holding Zero (Predecessor):

	Predecessor					
	Fair value valuation (in EUR m)	Currency translation (in EUR m)	Impairment (in EUR m)	Interest income (in EUR m)	Interest expense (in EUR m)	Total (in EUR m)
Available-for-sale				0.1		0.1
Loans and receivables		0.5	-0.8	0.4	-79.6	-79.5
At fair value through profit and loss					-0.2	-0.2
Net profit by valuation category	**0.0**	**0.5**	**-0.8**	**0.5**	**-79.8**	**-79.6**
Income/expenses from financial instruments not included in the interest result			0.8			0.8
Interest income/expenses of items that are not financial instruments					-0.6	-0.6
Financial result	**0.0**	**0.5**	**0.0**	**0.5**	**-80.4**	**-79.4**

Valuation allowances on trade accounts receivable classified to the loans and receivables category are shown under other operating expenses. In the considered periods under review neither income nor expenses from financial instruments held for trading, held to maturity nor available for sale were incurred.

Income Taxes

	Successor 10/01/2015 - 09/30/2016 (in EUR m)	Successor 04/10/2015 - 09/30/2015 (in EUR m)	Predecessor 10/01/2014 - 07/31/2015 (in EUR m)
Income taxes	43.7	-6.0	38.4
thereof domestic (Germany)	*26.4*	*3.0*	*13.0*
thereof foreign entities	*17.3*	*-9.0*	*25.4*
Deferred taxes	-54.5	-15.5	-18.0
thereof from temporary differences	*-54.1*	*-16.4*	*-13.1*
thereof from loss carryforwards	*-0.4*	*0.9*	*-4.9*
Total	**-10.8**	**-21.5**	**20.4**

The statutory corporate income tax rate including solidarity surcharge in Germany remained unchanged at 15.825 percent. Trade tax rates are determined based on the rate of assessment of the municipalities in which the respective companies generate their revenue. For the Kirk Beauty One Group companies based in Germany, the applicable trade tax rates are between 7 percent and 16 percent, which results in a total tax rate of between 23 percent and 32 percent. Deferred taxes for the German Group companies, except for the Group companies operating in Zossen/Germany, were generally measured at 32.0 percent. For foreign companies, a country-specific average tax rate is generally applied. Deferred taxes are measured based on the respective specific corporate tax rates.

Successor: Deferred tax income in the amount of €1.6 million (prior year: deferred tax income in the amount of €0.3 million) was recognized in the reserve for pension provisions for the period October 1, 2015 to September 30, 2016. With regard to tax losses carried forward of certain loss making Group entities in a total amount of €63.0 million (prior year: 61.2 million) as of September 30, 2016 no deferred tax assets were recognized. Tax loss carryforwards of €1.0 million (prior year: €2.1 million), for which no deferred tax assets had been capitalized, were utilized in the period under review.

Predecessor: Deferred tax income in the amount of €1.3 million was recognized in the reserve for pension provisions for the period October 1, 2014 to July 31, 2015. Furthermore deferred tax expenses of €0.7 million for the period October 1, 2014 to July 31, 2015 for cash flow hedges were directly recognized in equity.

Tax Rate Reconciliation

	Successor 10/01/2015 - 09/30/2016	Successor 04/10/2015 - 09/30/2015	Predecessor 10/01/2014 - 07/31/2015
	(in EUR m)	(in EUR m)	(in EUR m)
Earnings before taxes	-112.3	-121.8	45.2
Expected weighted tax rate	23.2%	20.5%	20.5%
Expected tax expense	-26.1	-25.0	9.3
Non-period income tax income/expense	6.1	0.0	9.3
Non-tax-deductible expenses	6.5	8.9	3.1
Unrecognized deferred tax assets due to operating losses	2.5	0.2	1.0
Utilization of unrecognized tax assets due to operating losses	-0.8	0.0	-0.4
Impairment of deferred tax assets due to operating losses	0.0	-6.2	0.0
Other	1.0	0.6	-1.9
Effective tax expense	-10.8	-21.5	20.4

The non-tax-deductible expenses are mainly due to non-deductible interest in connection with the so-called interest barrier regulation in Germany.

Intangible assets and property, plant and equipment

Intangible assets - 10/01/2015 - 09/30/2016

	Successor			
	Leasehold interests and similar rights and assets (in EUR m)	**Goodwill (in EUR m)**	**Advance payments for intangible assets (in EUR m)**	**Total (in EUR m)**
Acquisition costs				
As of 10/01/2015	952.3	1,709.4	0.8	2,662.5
Increases/decreases resulting from business combinations	0.0	0.8	0.0	0.8
Additions	6.3	0.0	6.1	12.4
Disposals	-2.2	0.0	0.0	-2.2
Reclassifications	0.9	0.0	-0.7	0.2
As of 09/30/2016	**957.3**	**1,710.2**	**6.2**	**2,673.7**
Accumulated amortization				
As of 10/01/2015	79.5	0.0	0.0	79.5
Currency translation adjustments	0.1	0.0	0.0	0.1
Scheduled additions	35.5	0.0	0.0	35.5
Non-scheduled additions	0.9	0.0	0.0	0.9
Write-up	-0.1	0.0	0.0	-0.1
Disposals	-2.2	0.0	0.0	-2.2
As of 09/30/2016	**113.7**	**0.0**	**0.0**	**113.7**
Net				
As of 09/30/2016	**843.6**	**1,710.2**	**6.2**	**2,560.0**

Intangible assets - 04/10/2015 - 09/30/2015

	Successor			
	Leasehold interests and similar rights and assets (in EUR m)	**Goodwill (in EUR m)**	**Advance payments for intangible assets (in EUR m)**	**Total (in EUR m)**
Acquisition costs				
As of 04/10/2015	0.0	0.0	0.0	0.0
Currency translation adjustments	-0.2	0.0	0.0	-0.2
Increases/decreases resulting from business combinations	947.1	1,709.4	2.5	2,659.0
Additions	4.7	0.0	0.0	4.7
Disposals	-1.0	0.0	0.0	-1.0
Reclassifications	1.7	0.0	-1.7	0.0
As of 09/30/2015	**952.3**	**1,709.4**	**0.8**	**2,662.5**
Accumulated amortization				
As of 04/10/2015	0.0	0.0	0.0	0.0
Currency translation adjustments	-0.1	0.0	0.0	-0.1
Increases/decreases resulting from business combinations	68.3	2.9	0.0	71.2
Scheduled additions	6.1	0.0	0.0	6.1
Non-scheduled additions	2.5	0.0	0.0	2.5
Disposals	-0.2	0.0	0.0	-0.2
Reclassifications	2.9	-2.9	0.0	0.0
As of 09/30/2015	**79.5**	**0.0**	**0.0**	**79.5**
Net				
As of 09/30/2015	**872.8**	**1,709.4**	**0.8**	**2,583.0**

Intangible assets - 10/01/2014 - 07/31/2015

	Predecessor			
	Leasehold interests and similar rights and assets (in EUR m)	**Goodwill (in EUR m)**	**Advance payments for intangible assets (in EUR m)**	**Total (in EUR m)**
Acquisition costs				
As of 10/01/2014	816.5	525.8	1.8	1,344.1
Currency translation adjustments	0.2	0.0	0.0	0.2
Increases/decreases resulting from business combinations	0.0	20.1	0.0	20.1
Additions	4.2	0.4	1.9	6.5
Disposals	-2.3	-1.3	-0.9	-4.5
Reclassifications	0.3	0.0	-0.3	0.0
As of 07/31/2015	**818.9**	**545.0**	**2.5**	**1,366.4**
Accumulated amortization				
As of 10/01/2014	86.0	0.0	0.0	86.0
Currency translation adjustments	0.3	0.0	0.0	0.3
Scheduled additions	18.1	0.0	0.0	18.1
Non-scheduled additions	0.4	0.0	0.0	0.4
Disposals	-2.3	-0.1	0.0	-2.4
Reclassifications	-3.0	3.0	0.0	0.0
As of 07/31/2015	**99.5**	**2.9**	**0.0**	**102.4**
Net				
As of 07/31/2015	**719.4**	**542.1**	**2.5**	**1,264.0**

Successor and Predecessor: The following tables present a reconciliation of property, plant and equipment:

Property, plant and equipment - 10/01/2015 - 09/30/2016

	Successor			
	Land and buildings (in EUR m)	**Other equipment, operating and office equipment (in EUR m)**	**Payments on account and assets under construction (in EUR m)**	**Total (in EUR m)**
Acquisition costs				
As of 10/01/2015	525.8	557.3	7.9	1,091.0
Increases/decreases resulting from business combinations	0.1	0.1	0.0	0.2
Additions	21.2	38.4	17.1	76.7
Disposals	-31.3	-41.7	-0.8	-73.8
Reclassifications	-10.3	17.3	-7.2	-0.2
As of 09/30/2016	**505.5**	**571.4**	**17.0**	**1,093.9**
Accumulated amortization				
As of 10/01/2015	380.4	445.6	0.0	826.0
Currency translation adjustments	0.1	0.0	0.0	0.1
Scheduled additions	24.3	38.2	0.0	62.5
Non-scheduled additions	1.1	4.5	0.0	5.6
Disposals	-22.4	-41.6	0.0	-64.0
Reclassifications	-11.3	11.3	0.0	0.0
As of 09/30/2016	**372.2**	**458.0**	**0.0**	**830.2**
Net				
As of 09/30/2016	**133.3**	**113.4**	**17.0**	**263.7**

Property, plant and equipment - 04/10/2015 - 09/30/2015

	Successor			
	Land and buildings (in EUR m)	**Other equipment, operating and office equipment (in EUR m)**	**Payments on account and assets under construction (in EUR m)**	**Total (in EUR m)**
Acquisition costs				
As of 04/10/2015	0.0	0.0	0.0	0.0
Currency translation adjustments	-1.2	-1.6	0.0	-2.8
Increases/decreases resulting from business combinations	535.3	563.4	7.2	1,105.9
Additions	6.5	13.8	1.4	21.7
Disposals	-15.1	-18.3	-0.4	-33.8
Reclassifications	0.3	0.0	-0.3	0.0
As of 09/30/2015	**525.8**	**557.3**	**7.9**	**1,091.0**
Accumulated amortization				
As of 04/10/2015	0.0	0.0	0.0	0.0
Currency translation adjustments	-1.0	-1.4	0.0	-2.4
Increases/decreases resulting from business combinations	391.7	457.7	0.0	849.4
Scheduled additions	4.2	6.4	0.0	10.6
Non-scheduled additions	0.6	1.3	0.0	1.9
Write-up	-0.3	-0.2	0.0	-0.5
Disposals	-14.9	-18.1	0.0	-33.0
Reclassifications	0.1	-0.1	0.0	0.0
As of 09/30/2015	**380.4**	**445.6**	**0.0**	**826.0**
Net				
As of 09/30/2015	**145.4**	**111.7**	**7.9**	**265.0**

Property, plant and equipment - 10/01/2014 - 07/31/2015

	Predecessor			
	Land and buildings (in EUR m)	**Other equipment, operating and office equipment (in EUR m)**	**Payments on account and assets under construction (in EUR m)**	**Total (in EUR m)**
Acquisition costs				
As of 10/01/2014	518.5	542.2	3.2	1,063.9
Currency translation adjustments	2.3	1.8	0.0	4.1
Increases/decreases resulting from business combinations	1.4	0.4	0.0	1.8
Additions	14.3	29.6	6.9	50.8
Disposals	-7.8	-12.3	-0.2	-20.3
Reclassifications in accordance with IFRS 5	0.0	-0.4	0.0	-0.4
Reclassifications	0.6	2.1	-2.7	0.0
As of 07/31/2015	**529.3**	**563.4**	**7.2**	**1,099.9**
Accumulated amortization				
As of 10/01/2014	382.9	430.5	0.0	813.4
Currency translation adjustments	2.0	1.6	0.0	3.6
Scheduled additions	21.1	30.3	0.0	51.4
Non-scheduled additions	0.1	0.3	0.0	0.4
Disposals	-7.5	-11.7	0.0	-19.2
Reclassifications in accordance with IFRS 5	0.0	-0.3	0.0	-0.3
Reclassifications	-6.9	6.9	0.0	0.0
As of 07/31/2015	**391.7**	**457.6**	**0.0**	**849.3**
Net				
As of 07/31/2015	**137.6**	**105.8**	**7.2**	**250.6**

Successor: Scheduled depreciation/amortization amounted to €98.0 million (prior year: €16.7 million). Impairment tests for property, plant and equipment at store level, as CGUs, led to write-downs totaling €6.5 million (prior year: €4.4 million) in the fiscal year under review, thereof €2.7 million (prior year: €1.3 million) are allocated to the geographical segment Germany, €2.6 million (prior year: €2.4 million) to France, €1.1 million (prior year: €0.4 million) to Eastern Europe and €0.1 million (prior year: €0.3 million) to South-Western Europe. Ongoing negative contributions towards profits and the intended closure of stores triggered the performance of impairment tests on the CGUs.

Predecessor: Scheduled depreciation/amortization for the period October 1, 2014 to July 30, 2015 amounted to €69.5 million. Impairment tests for property, plant and equipment at store level, as CGUs, led to impairments totaling €0.8 million for the 10-months period October 2014 to July 2015, thereof €0.4 million are allocated to the geographical segment Germany and €0.4 million are allocated to France.

As part of impairment testing, the carrying amount of the CGU is compared to its recoverable amount. The recoverable amount is calculated as being the value in use of the future cash flows based on internal forecasts. Sensitivity planning assumptions include sales growth, gross profit forecasts, estimates of replacement investments in the store network and the ratio of personnel and other operating expenses to sales on the basis of individual stores. The forecasts are based on

the fixed term of the respective lease agreements. The forecast term is between one and ten years.

Successor: Calculations are based on interest rates of between 6.2 percent and 11.8 percent (prior year: between 8.8 percent and 11.5 percent) before taxes.

Predecessor: Calculations are based on interest rates of between 7.5 percent and 16.7 percent before taxes.

Successor: The carrying amounts of intangible assets with indefinite useful lives, including goodwill, amount to a total of €2,445.5 million. This amount includes €1,710.2 million in goodwill. A further €534.4 million is attributable to the Douglas brand and €172.7 million to the Nocibé brand. As the brands are powered by ongoing marketing measures, the Group does not consider them to be subject to scheduled amortization. For purpose of impairment testing the Douglas brand was allocated to the Segments Germany, South-West-Europe and Western Europe, the brand Nocibé was allocated to France. The annually conducted impairment tests are based on the relief from royalty method. Sensitivity planning assumptions include expected sales growth related to the brands, gross profit forecasts, development of costs, estimates of replacement investments in the store network and the ratio of EBITDA to sales. With regard to IFRS 13 the planning assumptions are partly level 2 input factors and partly level 3 input factors. The assumptions are based on both, management estimates and experiences from the past as well as external macroeconomic data.

In addition, location advantages associated with the leasehold interests that were purchased from the prior tenant are capitalized. In France useful life of these assets with a carrying amount of €28.2 million is independent of the term of the rental agreement.

Goodwill is subject to an impairment test annually. The carrying amount of the groups of CGUs is compared to the recoverable amount of the groups of CGUs. The recoverable amount is based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGUs. Sensitivity planning assumptions include sales growth, gross profit forecasts, development of costs, estimates of replacement investments in the store network and the ratio of EBITDA to sales. The forecasts are based on both, management estimates and experiences from the past as well as external macroeconomic data.

The goodwill mainly resulting from the acquisition of Beauty Holding Zero GmbH (Predecessor) in August 2015 is allocated to the four geographical segments to the extent that the specific segment benefits from synergies resulting from the acquisition. The goodwill is allocated to geographical segments as follows: Germany €900.0 million, France €434.3 million, South-Western Europe €272.5 million and Eastern Europe €103.4 million.

The forecasts are based on detailed forecast periods of four years, which corresponds to the companies' standardized forecasting system, and a subsequent constant perpetual annuity. Within a period of four years, revenue growth rates between 4.0 percent p.a. and 9.1 percent p.a. and EBTIDA-growth rates between 2.9 percentage points and 5.9 percentage points are applied. The increase in EBITDA is partly expected due to the restructuring measures which have been performed in the fiscal year 2015/16.

The calculations for the subsequent annuity are based on a risk-adjusted growth rate of 1.0 percent. For discounting purposes, interest rates of 8.7 percent and 11.4 percent before tax were applied, which correspond to interest rates of 6.7 percent and 9.4 percent after taxes.

Impairment testing of goodwill and intangible assets with indefinite useful life did not lead to any write-downs in the fiscal year under review.

In addition to the impairment tests, sensitivity analyses were performed. Regarding goodwill impairments would arise if, under the same sensitivity parameters, the following parameters would have been applied in the impairment tests with at least the following amounts.

Sensitivity analysis Goodwill

	Increase in WACC (in %-points)	Decrease in EBITDA (in %-points)
Germany	2.5	-28.0
France	2.2	-20.3
South Western Europe	3.6	-25.6
Eastern Europe	2.3	-13.6

In the opinion of management, it is currently unlikely that the above-mentioned parameters would change so much for the worse that impairments would have to be carried out on goodwill or intangible assets with indefinite useful lives.

Successor: No intangible assets and property, plant and equipment have been pledged as collateral for bank loans.

Finance leases

As of the balance sheet dates, there were no Group companies with material finance leases.

Operating leases

Contracts qualifying as operating leases within The Company mostly comprise store rental agreements. As a rule, these agreements are concluded for a basic rental period of ten years and contain lease extension options. Lease extension options were not taken into consideration for the classification of leases. The lease installments are based on both variable and fixed rental payments.

Successor: The minimum lease payments from operating lease agreements amounted to €213.8 million (prior year: €33.3 million). Contingent rent payments resulting from sales-based lease agreements amounted to €2.8 million (prior year: €2.1 million).

Predecessor: The minimum lease payments of operating lease agreements in the period from October 1, 2014 through July 31, 2015 amounted to €172.0 million.

	less than 1 year (in EUR m)		1 to 5 years (in EUR m)		More than 5 years (in EUR m)		Total (in EUR m)	
	Successor 09/30/2016	Successor 09/30/2015	Successor 09/30/2016	Successor 09/30/2015	Successor 09/30/2016	Successor 09/30/2015	Successor 09/30/2016	Successor 09/30/2015
Obligations from operating leases	190.5	189.8	373.9	370.0	65.9	72.0	630.3	631.8
Income from subleases	13.2	13.6	29.3	32.4	16.1	19.2	58.6	65.2

Deferred Taxes

Deferred taxes were calculated on the differences between the IFRS carrying amount and the tax base and can be broken down to the individual balance sheet items as follows:

	Successor 09/30/2016 Assets (in EUR m)	Successor 09/30/2016 Liabilities (in EUR m)	Successor 09/30/2015 Assets (in EUR m)	Successor 09/30/2015 Liabilities (in EUR m)
Intangible assets	1.4	209.7	1.6	221.9
Property, plant and equipment	4.6	5.2	3.3	6.2
Inventories	18.4	0.0	18.3	32.6
Financial assets	0.0	2.0	6.2	2.0
Other assets	0.0	2.3	0.0	0.0
Provisions	16.2	0.6	15.4	1.0
Financial liabilities	22.0	9.7	2.7	5.3
Other liabilities	9.1	0.1	7.9	0.0
Tax loss carryforward	1.0	0.0	0.7	0.0
Total	72.7	229.6	56.1	269.0
Offsetting	-8.4	-8.4	-11.3	-11.3
Carrying amount	64.3	221.2	44.8	257.7

The temporary differences recognized for deferred taxes mainly result from fair value measures within the purchase price allocation.

Deferred tax assets on loss carryforwards were recognized for entities, for which budgeted forecasts gave substantial indications of recoverability.

Inventories

	Successor 09/30/2016 (in EUR m)	Successor 09/30/2015 (in EUR m)
Finished goods and merchandise	506.4	607.6
Raw materials, consumables and supplies	5.4	4.5
Advances to suppliers for merchandise	0.8	1.3
Total	**512.6**	**613.4**

Successor: Impairments on the net realizable value amounted to €9.2million (prior year: €2.0 million).

Predecessor: Impairments on the net realizable value amounted to €9.8 million for the period October 1, 2014 through July 31, 2015.

Trade accounts receivable

Trade accounts receivable primarily include receivables from credit card organizations as well as from Douglas Card customers.

Successor: A total of €2.3 million (prior year: €0.3 million) was written off to account for default risks.

Predecessor: A total of €1.2 million was written off to account for default risks.

The write-downs on trade accounts receivable are shown under other operating expenses. Trade receivables are due immediately. The receivables do not bear interest and are therefore not exposed to any interest rate risk. The carrying amounts of the receivables are basically equivalent to their Fair Values. The maximum default risk corresponds to the carrying value as of the balance sheet date.

Other financial assets

	Successor		Successor	
	09/30/2016		09/30/2015	
	With a remaining term of		With a remaining term of	
	Up to 1 year (in EUR m)	**More than 1 year (in EUR m)**	Up to 1 year (in EUR m)	More than 1 year (in EUR m)
Receivables from shareholders	382.2		0.0	
Bonuses/advertising subsidies	80.0		75.6	
Equity participations		2.1		3.0
Other financial assets	21.9	2.0	16.2	8.1
Total	484.1	4.1	91.8	11.1

Equity participations are investments in equity instruments of unlisted companies and are carried at cost. Their fair values cannot be reliably measured because no market values for these instruments exist. Due to different balance sheet dates, no current financial information is available. Furthermore, it is not possible to state a range of estimated values.

Successor: Other financial assets include receivables from rental agreements in the amount of €19.9 million (prior year: €12.9 million).

All other financial assets are non-interest bearing financial instruments. The carrying amounts of other financial assets are basically equivalent to their fair values.

Successor: At September 30, 2016 financial assets in the amount of €1.1 million had been pledged to a syndicate of banks as collateral for bank loans and Senior Secured Notes.

The maximum default risk corresponds to the carrying value as of the balance sheet date.

In the following table the analysis of financial assets not impaired is presented:

Analysis of financial assets not impaired

	Successor 09/30/2016 (in EUR m)	Successor 09/30/2015 (in EUR m)
Trade accounts receivable		
Not due	*0.0*	*0.0*
Past due < 30 days	*34.5*	*31.4*
Past due > 30 days	*0.0*	*2.0*
Other receivables		
Not due	*368.4*	*100.1*
Past due < 30 days	*119.8*	*2.8*
Past due > 30 days	*0.0*	*0.0*

With respect to receivables that are neither impaired nor past due, there were no indications of uncollectibility from the debtor as of the balance sheet date. No cash receipts relating to receivables fully written-off in prior periods were recognized in the fiscal year under review. No receivables for which write-downs were not recognized previously were subject to direct write-downs.

Successor: In the following table the write-downs on capitalized financial instruments for the fiscal year 2015/16 and for the period April 10, 2015 through September 30, 2015 are presented:

Write-downs on loans and receivables

	Successor	Successor
	Loans and receivables	
	2015/2016 (in EUR m)	2014/2015 (in EUR m)
As of October 1 / April 10	3.5	0.0
Changes in consolidation group	*0.0*	*3.6*
Additions	*0.9*	*0.7*
Reversal	*-0.1*	*-0.6*
Utilization	*-0.2*	*0.0*
Currency translation adjustments	*0.0*	*-0.2*
As of September 30	4.1	3.5

No impairment losses were recognized on other financial assets in the fiscal year under review.

Other assets

Other assets primarily include deferred prepaid expenses.

Cash and cash equivalents

The majority of cash and cash equivalents is bank balances. It also includes checks and cash in hand. The Consolidated Cash Flow Statement provides a detailed analysis of the movement in cash and cash equivalents. The maximum default risk corresponds to the carrying value as of the balance sheet date.

Successor: As of September 30, 2016 bank deposits in the amount of €125.6 million had been pledged to a syndicate of banks as collateral for bank loans and Senior Secured Notes.

Assets held for sale

The assets held for sale item includes assets whose carrying amounts are realized through sale and not through continued use. These assets are recognized at the lower of carrying amount and fair value less selling costs.

Equity

Share capital

Successor: Issued capital stock amounts to €25,000.00 (prior year: €25,000.00) on the balance sheet date. Capital is entirely paid-in.

Share premium

Successor: Additional paid-in capital includes capital contributions of Kirk Beauty One shareholders in excess of subscribed capital.

Reserves

	Successor 09/30/2016 (in EUR m)	Successor 09/30/2015 (in EUR m)
Retained earnings	63.0	-101.1
Reserve for the recognition of actuarial gains/losses from pension provisions	-6.8	-1.1
Deferred taxes recognized directly in equity	1.9	0.3
Reserve for currency translation differences	-1.4	-1.1
Total	56.7	-103.0

Successor: Deferred taxes recognized directly in equity of €1.9 million (prior year: €0.3 million) refer to actuarial losses from pension provisions.

Loss transfer of Kirk Beauty One GmbH

Kirk Beauty Two GmbH (thereafter Kirk Beauty Two) is the sole parent company of Kirk Beauty One. With effect from October 1, 2015 a Profit and Loss Pooling Agreement was concluded between Kirk Beauty One GmbH and Kirk Beauty Two for the purpose of establishing a corporate and commercial tax group. The statutory financial statements of Kirk Beauty One for the period October 1, 2015 through September 30, 2016 show a loss before absorption of €265.3 million. This loss is fully transferred to Kirk Beauty Two and shown as a transaction with shareholders within the Statement of Changes in Group Equity.

Pension provisions

Pension provisions are calculated for commitments arising from pension entitlements and ongoing payments to employees and former employees and their surviving dependents. The pension entitlements usually relate to a payment for contractually agreed old-age pensions as a monthly amount. These commitments are accounted for in accordance with the requirements of IAS 19. Actuarial gains/losses are recognized directly and in full via a separate equity component. The following were the principal actuarial assumptions for the German pension plans at the reporting date:

Calculation parameters

	Successor 09/30/2016 (in %)	Successor 09/30/2015 (in %)
Interest rate	1.24 -1.75	2.0 -2.7
Pension benefit increase rate	2.5	2.5
Increase in customer price index	1.5	1.5

The interest rates for the foreign pension plans range between 0.5 percent and 1.15 percent (prior year: between 1.0 percent and 2.4 percent) with the discounting of commitments and the calculation of interest income on plan assets, as well as a pension benefit increase rate during the expectancy period of between 0.5 percent and 2.0 percent (prior year: between 0.5 percent and 2.0 percent) as well as a pension increase of 0.5 percent (prior year: 0.5 percent).

Dr. Heubeck's 2005 "Mortality Tables" or comparable country-specific mortality tables were used as a basis for the biometric parameters.

Pensions in The Companies are primarily based on defined benefit plans.

Perfumery Douglas Nederland B.V. also takes part in a multi-employer plan, which basically qualifies as a defined benefit plan. However, this arrangement is accounted for on a defined contribution basis due to the unavailability of sufficient information.

Successor: The recognized expense due to this multi-employer plan amounts to €1.8 million (prior year: €0.3 million). Payments of about the same amount are expected for the coming fiscal year. A total of €27.9 million (prior year: €0.8 million) was added for defined contribution plans of The Companies in the past fiscal year. Contributions in the amount of €27.1 million are expected for fiscal year 2016/17.

Predecessor: The recognized expense due to the Dutch multi-employer plan amounts to €1.4 million for the period April 10, 2015 through September 30, 2015. A total of €4.0 million was added for defined contribution plans in the period April 10, 2015 through September 30, 2015.

The following table presents a reconciliation of Defined Benefit Obligations (DBO) to Defined Benefit Liabilities (DBL):

Reconciliation of Defined Benefit Obligation to Defined Benefit Liabilities

	Successor		Successor	
	09/30/2016		09/30/2015	
	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)
DBO	36.5	24.2	33.4	20.2
Fair value of plan assets	0.0	-16.1	0.0	-14.7
Liability	**36.5**	**8.1**	**33.4**	**5.5**

The following table presents a reconciliation from the opening balances to the closing balances for the defined benefit obligation and its components:

DBO Reconciliation

	Successor		Successor		Predecessor	
	10/01/2015 - 09/30/2016		04/10/2015 - 09/30/2015		10/01/2014 - 07/31/2015	
	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)
DBO at the beginning of the period	33.4	20.2	0.0	0.0	29.8	16.7
Changes resulting from business combinations	0.0	0.0	32.9	19.6	0.0	0.0
Actuarial gains/losses resulting from adjustments of financial assumptions	3.5	3.7	0.6	0.9	2.9	2.0
Service cost	0.4	0.7	0.1	0.1	0.4	0.4
Interest cost	0.9	0.3	0.1	0.1	0.7	0.3
Past service cost	0.0	0.0	0.0	-0.5	0.5	0.0
Curtailments/settlements	-0.2	0.0	-0.1	0.0	0.0	0.0
Pension payments	-1.5	-0.8	-0.2	-0.1	-1.2	-0.4
Currency translation adjustments	0.0	0.1	0.0	0.1	0.0	0.6
DBO at the end of the period	**36.5**	**24.2**	**33.4**	**20.2**	**33.1**	**19.6**

The following table presents the pension expenses for the Successor and the Predecessor:

Period Pension Expense

	Successor		Successor		Predecessor	
	10/01/2015 - 09/30/2016		04/10/2015 - 09/30/2015		10/01/2014 - 07/31/2015	
	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)
Service cost	0.4	0.7	0.1	0.1	0.4	0.4
Interest cost	0.9	0.3	0.1	0.1	0.7	0.3
Expected return on plan assets	0.0	-0.2	0.0	-0.1	0.0	-0.3
Past service cost	0.0	0.0	0.0	-0.5	0.5	0.0
Gains/losses from curtailment	-0.2	0.0	-0.1	0.0	0.0	0.0
Period pension expenses	**1.1**	**0.8**	**0.1**	**-0.4**	**1.6**	**0.4**

The plan assets development of the Successor and the Predecessor are presented in the following table:

Development of Plan Assets

	Successor	Successor	Predecessor
	10/01/2015 - 09/30/2016 (in EUR m)	04/10/2015 - 09/30/2015 (in EUR m)	10/01/2014 - 07/31/2015 (in EUR m)
Plan assets at the beginning of the period	14.7	0.0	13.8
Change in scope of consolidation	0.0	14.5	0.0
Actuarial gains/losses resulting from adjusted financial assumptions	1.5	0.0	-0.1
Expected return on plan assets	0.2	0.1	0.3
Contributions	0.5	0.1	0.6
Payments	-0.8	-0.1	-0.4
Currency translation adjustments	0.0	0.1	0.4
Plan assets at the end of the period	**16.1**	**14.7**	**14.6**

Pension payments in the amount of €1.9 million are expected for the fiscal year 2016/17.

Plan assets are primarily composed of reinsurance policies. Contributions to plan assets in the amount of approximately €0.3 million are expected for the coming fiscal year.

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Successor: An increase of 0.7 percentage points in the discount rate would reduce the present value of the defined benefit obligations by €4.7 million (prior year: €4.5 million). A decrease of 0.7 percentage points in the discount rate would increase the benefit obligations by €5.6 million (prior year: €5.3 million). An increase or a decrease of 0.5 percentage points in the expected pension trend while other parameters remain unchanged would increase the present value of the defined benefit obligations by €3.0 million (prior year: €2.5 million) or decrease the present value of the defined benefit obligations by €2.5 million (prior year: €2.3 million), respectively.

Provisions

Statement of changes in non-current provisions - 10/01/2015 - 09/30/2016

	Successor			
	Human resources commitments (in EUR m)	**Real estate commitments (in EUR m)**	**Other provisions (in EUR m)**	**Total (in EUR m)**
Balance as at October 1, 2015	**12.5**	**1.5**	**9.7**	**23.7**
Utilization	-1.8	-0.9	-1.0	-3.7
Reversals	-0.1	-0.1	0.0	-0.2
Additions	2.3	5.0	0.8	8.1
Reclassification to current provisions	0.0	0.9	1.0	1.9
Interest	0.2	0.1	0.0	0.3
Balance as at September 30, 2016	**13.1**	**6.5**	**10.5**	**30.1**

Statement of changes in non-current provisions - 04/10/2015 - 09/30/2015

	Successor			
	Human resources commitments (in EUR m)	**Real estate commitments (in EUR m)**	**Other provisions (in EUR m)**	**Total (in EUR m)**
Balance at April 10, 2015	**0.0**	**0.0**	**0.0**	**0.0**
Utilization	-0.8	0.0	0.0	-0.8
Reversals	-0.9	0.0	-0.3	-1.2
Additions	0.2	0.6	0.5	1.3
Changes in consolidation group	13.9	0.9	9.5	24.3
Interest	0.1	0.0	0.0	0.1
Balance at September 30, 2015	**12.5**	**1.5**	**9.7**	**23.7**

Statement of changes in non-current provisions - 10/01/2014 - 07/31/2015

	Predecessor			
	Human resources commitments (in EUR m)	**Real estate commitments (in EUR m)**	**Other provisions (in EUR m)**	**Total (in EUR m)**
Balance as at October 1, 2014	**13.5**	**1.0**	**1.6**	**16.1**
Utilization	-1.5	0.0	0.0	-1.5
Reversals	0.0	0.0	-0.8	-0.8
Additions	1.9	0.2	0.6	2.7
Reclassification to current provisions	0.0	-0.3	0.0	-0.3
Balance as at July 31, 2015	**13.9**	**0.9**	**1.4**	**16.2**

Statement of changes in current provisions - 10/01/2015 - 09/30/2016

	Successor			
	Human resources commitments (in EUR m)	**Real estate commitments (in EUR m)**	**Other provisions (in EUR m)**	**Total (in EUR m)**
Balance as at October 1, 2015	**66.9**	**8.0**	**13.4**	**88.3**
Utilization	-50.2	-5.9	-3.7	-59.8
Reversals	-1.9	-0.7	-2.1	-4.7
Additions	56.8	4.4	6.1	67.3
Reclassification to current provisions	0.0	0.3	-2.2	-1.9
Currency translation adjustment	0.0	0.0	-0.1	-0.1
Balance as at September 30, 2016	**71.6**	**6.1**	**11.4**	**89.1**

Statement of changes in current provisions - 04/10/2015 - 09/30/2015

	Successor			
	Human resources commitments (in EUR m)	**Real estate commitments (in EUR m)**	**Other provisions (in EUR m)**	**Total (in EUR m)**
Balance as at April 10, 2015	**0.0**	**0.0**	**0.0**	**0.0**
Utilization	-8.1	-0.1	-0.5	-8.7
Reversals	-1.0	-0.4	-0.8	-2.2
Additions	23.5	3.8	0.8	28.1
Reclassification to current provisions	5.1	0.0	-5.1	0.0
Changes in consolidation group	47.5	4.7	19.1	71.3
Currency translation adjustment	-0.1	0.0	-0.1	-0.2
Balance as at September 30, 2015	**66.9**	**8.0**	**13.4**	**88.3**

Statement of changes in current provisions - 10/01/2014 - 07/31/2015

	Predecessor			
	Human resources commitments (in EUR m)	**Real estate commitments (in EUR m)**	**Other provisions (in EUR m)**	**Total (in EUR m)**
Balance as at October 1, 2014	**60.8**	**4.4**	**52.3**	**117.5**
Utilization	-46.5	-2.4	-41.9	-90.8
Reversals	-3.6	-0.1	-5.4	-9.1
Additions	36.6	2.6	38.5	77.7
Reclassification to current provisions	0.0	0.3	0.0	0.3
Changes in consolidation group	0.1	-0.1	0.0	0.0
Currency translation adjustment	0.1	0.0	0.1	0.2
Balance as at July 31, 2015	**47.5**	**4.7**	**43.6**	**95.8**

Financial liabilities

	Successor as of 09/30/2016				Successor as of 09/30/2015			
		Remaining items				Remaining items		
	Total	< 1 year (in EUR m)	1 to 5 years (in EUR m)	> 5years (in EUR m)	Total	< 1 year (in EUR m)	1 to 5 years (in EUR m)	> 5years (in EUR m)
Liabilities to banks	1,281.8	0.6	0.0	1,281.2	1,152.7	32.9	0.7	1,119.1
Financial liabilities from the valuation of minority options	3.1	0.2	3.0	0.0	2.6	0.2	2.4	0.0
Derivative financial instruments	115.5	0.0	0.0	115.5	83.9	0.0	0.0	83.9
Senior and Senior Secured Notes	624.8	10.0	0.0	614.8	622.3	10.7	0.0	611.6
Other financial liabilities	3.3	2.9	0.0	0.3	0.8	0.8	0.0	0.0
Total	**2,028.5**	**13.7**	**3.0**	**2,011.8**	**1,862.3**	**44.6**	**3.1**	**1,814.6**

Other Liabilities

Other liabilities include liabilities from gift vouchers not yet redeemed, liabilities from the customer loyalty program and deferred income.

Consolidated Cash Flow statement

The Consolidated Cash Flow Statement shows how the cash and cash equivalents balance of the Group changed during the reporting period from cash flows from operating, investing and financing activities.

Successor: Cash and cash equivalents amounted to €143.9 million as of September 30, 2016, and to €68.1 million as of September 30, 2015.

A cash inflow from operating activities was generated in the amount of €279.0 million (prior year: inflow of €42.8 million). The increase in provisions of €12.8 million (prior year: increase of €17.0 million) contains the total change in noncurrent and current provisions, corrected for transfers from business transactions, which are reported in the cash flow movement from investing activities. Changes in net working capital of €119.1 million (prior year: €64.1 million) and changes in other assets and liabilities not classifiable to investing or financing activities in the amount of €-0.1 million (prior year: €-32.6 million) represent the change in the corresponding positions that are classified to operating activities.
A cash outflow for investing activities amounted to €83.2 million (prior year: outflow of €1,448.5 million). Payments for the acquisition of consolidated companies and other business units in the prior period related to the acquisition of Beauty Holding Zero and are equivalent to the purchase price less €175.0 million non-cash contribution and less the acquired cash and cash equivalents.

A cash outflow from financing activities in the amount of €119.9 million (prior year: inflow of €1,474.1 million) mainly results from interest payments relating to Senior Facilities, Senior Secured and Senior Notes. Additionally a cash inflow from the increase of the Term Loan B Facility by

€150 million, less upfront fee payments, was offset to a large extent by a loan granted to shareholders of €100 million and repayments of other debt. In the prior period the cash inflow resulted from the acquisition of Beauty Holding Zero: equity contributions of €1,125.1 million less €175.0 million non-cash contribution, the repayment and raising of financial debt as well as interest paid and received.

Predecessor: Cash and cash equivalents amounted to €271.1 million as of July 31, 2015.

A cash inflow from operating activities was generated in the amount of €196.6 million. The increase in provisions of €8.1 million contains the total change in noncurrent and current provisions, corrected for transfers from business transactions, which are reported in the cash flow movement from investing activities. Changes in net working capital of €48.2 million and changes in other assets and liabilities not classifiable to investing or financing activities in the amount of €-15.6 million shows the change in the corresponding positions, that are classified to operating activities.

A cash outflow for investing activities amounted to €146.1 million. Of the total capital expenditure amount of €58.5 million in continued operations, €51.9 million concern investments in property, plant and equipment and €6.6 million concern investments in intangible assets. Payments for the acquisition of consolidated companies and other business units in the reporting period related to the acquisition of the French Clin D´Oeil, the German Himmer perfumeries and the Mooi perfumerie in Wassenaar, Netherlands.

A cash outflow for financing activities in the amount of €63.0 million comprises the raising and repayment of financial debt as well as interest paid and received. Payments for the repayment of borrowings mainly comprise the complete redemption of the Senior and Mezzanine Facilities, existing until before the acquisition, as well as the redemption of the Shareholder Loan granted by Advent International, which was acquired by Douglas GmbH along with the acquisition of shares in Beauty Holding Zero. Proceeds from borrowings include the utilization of the new acquisition-related Senior Facilities, Senior Secured and Senior Notes.

Fair value of financial instruments

Financial instruments categorized in accordance with IAS 39

	Successor				
	Net book value 09/30/2016 (in EUR m)	**amortized costs (in EUR m)**	**Fair value through profit and loss (in EUR m)**	**Fair value through OCI (in EUR m)**	**Fair value 09/30/2016 (in EUR m)**
Assets					
Receivables from shareholders	382.2	382.2			382.2
Trade receivables	34.5	34.5			34.5
Derivative financial instruments	1.1		1.1		1.1
Equity participations	2.1	2.1			
Other financial assets	102.8	102.8			102.8
Liabilities					
Derivative financial instruments	115.5	7.8	107.7		115.5
Trade accounts payable	307.2	307.2			307.2
Liabilities to banks	1,281.8	1,281.8			1,370.6
Liabilities from Senior Secured Notes	294.8	294.8			323.8
Liabilities from Senior Notes	330.0	330.0			361.0
Liabilities from minority options	3.1				3.1
Other financial liabilities	3.3	3.3			3.3

Financial instruments categorized in accordance with IAS 39

	Successor				
	Net book value 09/30/2015 (in EUR m)	**amortized costs (in EUR m)**	**Fair value through profit and loss (in EUR m)**	**Fair value through OCI (in EUR m)**	**Fair value 09/30/2015 (in EUR m)**
Assets					
Trade receivables	33.4	33.4			33.4
Derivative financial instruments	7.8		7.8		7.8
Equity participations	3.0	3.0			
Other financial assets	92.1	92.1			92.1
Liabilities					
Derivative financial instruments	83.9	9.3	74.6		83.9
Trade accounts payable	290.5	290.5			290.5
Liabilities to banks	1,152.7	1,152.7			1,257.5
Liabilities from Senior Secured Notes	293.5	293.5			310.9
Liabilities from Senior Notes	328.8	328.8			333.1
Liabilities from minority options	2.6				2.6
Other financial liabilities	0.8	0.8			0.8

Management of financial risks

The ”Central Finance Department” of The Companies is responsible for financing and supports decision-makers in respect of all financial issues of the Group.

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 ”Central Finance Department” of the Group.

Liquidity risk

The Group generally has access to various sources to finance operations, investments and potential acquisitions. This includes existing cash and cash equivalents, operating cash flow, bank credits and senior notes.

All of the German subsidiaries and most of 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 in borrowing and an optimizing of cash investments, thus having a positive impact on the Group’s net interest result.

Successor:

On August 13, 2015, Kirk Beauty Zero acquired the shares of Beauty Holding Zero following the approval of the antitrust authorities. Kirk Beauty One and Douglas GmbH entered into new financing agreements for a total of €2,055 million. These agreements comprised a €1,220 million Term Loan B Facility, a €200.0 million Revolving Credit Facility, €300.0 million Senior Secured Notes and €335.0 million Senior Notes. The interest rate for the Term Loan B Facility agreement was initially based on EURIBOR plus a margin of 5.0 percent. The Senior Secured Notes and the Senior Notes bear fixed interest rates of 6.25 percent and 8.75 percent respectively. The Term Loan Facility agreement contains a 1.0 percent EURIBOR floor as an embedded derivative. The loan amount was increased by €150 million to a total of €1,370 million and the margin was reduced from 5.0 percent to 3.75 percent in August 2016.

The Term Loan Facility has a maturity until August 2022, the Revolving Credit Facility until February 2022. The Senior Secured Notes mature in July 2022 and the Senior Notes mature in July 2023.

The Senior Secured Notes as well the Senior Facility Agreement are secured by collateral. Following assets are pledged as collateral: shares of certain subsidiaries, certain bank accounts and intercompany accounts as well as assets from cap agreements.

As of September 30, 2016 and September 30, 2015, the bank liabilities excluding current accounts and revolving credit facility comprised of the following tranches:

Financing liabilities (without current accounts and revolving credit facility)

	09/30/2016		09/30/2015	
	Nominal amount (in EUR m)	Carrying amount (in EUR m)	Nominal amount (in EUR m)	Carrying amount (in EUR m)
Senior Secured Notes	300.0	294.8	300.0	293.5
Senior Notes	335.0	330.0	335.0	328.8
Term Loan B Facility	1,370.0	1,281.2	1,220.0	1,126.1

The Group also has access to a revolving credit facility in the amount of €200.0 million, which has not been utilized as of balance sheet date (prior year: utilization of €23.5 million). Individual companies also have access to bilateral credit lines, which have not been utilized as of the balance sheet date (prior year: utilization of €3.0 million).

Kirk Beauty One and its subsidiaries have to meet certain obligations and key financial covenants, in the event that 40.0 percent of the revolving credit facility is drawn. Besides these financial covenants the Group also has to meet certain qualitative covenants. If the obligations are not met, the lenders are entitled to cancel the loan agreements with immediate effect and call upon all pledged collateral. All agreed covenants were adhered to as of September 30, 2016.

All financial liabilities existing as of the balance sheet date September 30, 2016 and for which payments were already contractually agreed are included in the table below. Payments for future liabilities, which did not exist as of the balance sheet date, are not included in the template. Floating interest rate payments are determined on the basis of the interest rates known as of September 30, 2016. 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.

Liquidity Risk

	Successor										
	Carrying amount (in EUR m)	Payments due within the next 30 days (in EUR m)		Payments due within 30 to 90 days (in EUR m)		Payments due within 90 to 360 days (in EUR m)		Payments due over a period of 1 to 5 years (in EUR m)		Payments due after more than 5 years (in EUR m)	
	09/30/2016	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest
Liabilities to banks	1,281.8		0.2		17.3		68.7		276.0	1,370.0	59.4
Senior and Senior Secured Notes	624.8						48.1		192.3	635.0	68.1
Trade accounts payable	307.2	151.7		151.6		3.9					
Financial liabilities from the valuation of options from minority interests	3.1	0.2						2.9			
Derivative financial instruments	115.5				0.4		1.5		6.2		
Other financial instruments	3.3	3.3									

						Successor					
	Carrying amount (in EUR m)	**Payments due within the next 30 days (in EUR m)**		**Payments due within 30 to 90 days (in EUR m)**		**Payments due within 90 to 360 days (in EUR m)**		**Payments due over a period of 1 to 5 years (in EUR m)**		**Payments due after more than 5 years (in EUR m)**	
	09/30/2015	**Redemption**	**Interest**	**Redemption**	**Interest**	**Redemption**	**Interest**	**Redemption**	**Interest**	**Redemption**	**Interest**
Liabilities to banks	1,152.7		0.1		26.0		83.7		307.5	1,220.0	143.1
Senior and Senior Secured Notes	622.3						48.7		192.3	635.0	116.2
Trade accounts payable	290.5	180.1		107.5		2.9					
Financial liabilities from the valuation of options from minority interests	2.6	0.2						2.4			
Derivative financial instruments	83.9				1.6		4.0		6.2		1.5
Other financial instruments	0.8	0.8									

Interest rate risk

The interest rate risk is the result of fluctuations in interest rates on the money and capital markets.

The loans attributable to the Group from the senior facility agreement generally bear variable interest based on the three-month EURIBOR. Further, the senior facility agreement in an amount of €1.370 million contains an embedded interest rate floor, which is effective at 1.0 percent EURIBOR. To reduce the risk of cash flow fluctuations due to changes in the interest rates of the variable loans, the Group entered into interest rate hedging agreements to hedge a material portion of the exposure.

Successor: Interest rate caps were in place to hedge against the risk of interest rate fluctuations over a total nominal volume of €712.0 million. The interest rate caps reduce the risk of an inclining EURIBOR to a maximum of 1.0 percent. The cash flows may affect interest income until August 31, 2021. The Term Loan agreement contains an interest rate floor at 1.0 percent EURIBOR. These cash flows will affect the interest result until August 13, 2022. The interest rate swaps with a nominal volume of €567.0 million had a term until March 30, 2016 or September 30, 2016 respectively. Thus the remaining cash flows from interest rate swaps affected interest income during the period from October 1, 2015 through March 30, 2016 or September 30, 2016 respectively.

	Successor as of 09/30/2016			Successor as of 09/30/2015		
	Reference amount (in EUR m)	**Fair values: Financial assets (in EUR m)**	**Fair values: Financial liabilities (in EUR m)**	Reference amount (in EUR m)	Fair values: Financial assets (in EUR m)	Fair values: Financial liabilities (in EUR m)
Interest rate swaps	0.0		0.0	567.0		2.3
of which not part of a hedge relationship	*0.0*		*0.0*	*567.0*		*2.3*
Interest rate caps	712.0	1.1		276.5	7.8	
of which not part of a hedge relationship	*712.0*	*1.1*		*276.5*	*7.8*	
Interest rate floor	1,370.0		107.7	1,220.0		72.3
of which not part of a hedge relationship	*1,370.0*		*107.7*	*1,220.0*		*72.3*

A sensitivity analysis was conducted to quantify the interest rate risks. Subject to this analysis are the Senior Facility Agreements, which bear interest rate risks based on the EURIBOR as far as they are not part of a hedging relationship.

Successor: As of September 30, 2016 a relative increase in interest rates by 100 basis points would lead to an increase of interest expense of nearly nil, because an interest rate floor has been concluded at an interest rate of 1.0 percent to pay fixed interest rates.

Currency risk

The operating units of The Company largely conduct their activities in the functional currency. Therefore currency risks within The Companies are low since approximately 90 percent of The Companies sales transactions were denominated in Euros in the fiscal year, and merchandise was purchased almost exclusively in Euros. Differences arising from the translation of foreign currencies to the parent's currency for the preparation of the Consolidated Financial Statements did not impact currency risk.

A sensitivity analysis was conducted for foreign currency risks. As part of this analysis, the effects from foreign currency positions, which are measured at the closing date rate pursuant to IAS 21, are included. The effects from foreign currency exchange rate fluctuations in financial instruments denominated in foreign currency but not designated as hedged items as part of foreign currency hedging transactions have been included in the sensitivity analysis.

Successor: In terms of the result of the income statement, the Kirk Beauty One Group would be exposed to a net risk of €0.1 million foreign currency translation expense, based on an improvement in value of the Euro exchange rate of 5.0 percent. A lower exchange rate of the Euro of 5.0 percent would have an opposite effect of €0.2 million. The exchange rate risks mainly relate to Turkish Lira and Polish Zloty.

Default risk

A default risk could exist if a banking partner defaults, in particular for the inability to make payments on monetary deposits. The Companies counter this risk in the financial statements by exclusively investing in monetary deposits and entering into financial instruments with first-rated banks. At the same time, the volume is also distributed amongst several contracting parties in order to avoid a concentration of risks. On account of the difficult global economic situation, larger monetary deposits are avoided or only opened with first-rated German banks.

Arising from the increased focus of the e-commerce channel on the Internet, the entities of The Company are faced with a receivables default risk, which is a system-inherent risk in mail ordering. For this reason, the companies operate an effective and constantly optimized debtor management system including consistent dunning procedures.

Capital management

The purpose of capital management is to maintain equity in conformity with IFRS. The goal of The Companies´ capital management is to assure that the Group can continue to meet its financial obligations and that the covenants from the Senior Facility Agreements and Senior Notes are met. A further goal of capital management is to sustain the business value on a long-term basis. The aim of the capital management strategy is to ensure that all Group companies have appropriate equity according to local needs, such that external capital requirements have always been met in the past fiscal year.

	Successor 09/30/2016 (in EUR m)	**Successor 09/30/2015 (in EUR m)**
Equity	1,181.8	1,022.2
Debt	2,947.4	2,754.5
Liabilities to banks	1,281.8	1,152.7
Senior and Senior Secured Notes	624.8	622.3
Cash and cash equivalents	143.9	68.1
Net debt	1,762.7	1,706.9

Liabilities to minority shareholders

With regard to one entity in Bulgaria an obligation exists to acquire the shares of minority shareholders of a subsidiary as soon as the shares are tendered. Additionally one German partnership has cancellation rights, with the consequence that in the event of termination a severance payment at fair value would be payable to the minority shareholders.

These liabilities are accounted for at fair value. The individual commitments were measured in accordance with the respective agreements.

Successor: This resulted in a commitment totaling €3.1 million (prior year €2.6 million) as of September 30, 2016.

Other explanatory notes

Other financial commitments

Successor: Purchase commitments for approved capital expenditure for property, plant and equipment totaled €20.9 million as of September 30, 2016 and €19.1 million as of September 30, 2015.

Average number of employees

The average number of active persons employed was:

	Successor 10/01/2015 - 09/30/2016	Successor 04/10/2015 - 09/30/2015
Salaried employees	18,677	18,528
Apprentices	707	789
Total	19,384	19,317

Related party transactions with companies and persons

The Companies had the following delivery and supply relationships with related parties:

	Successor 10/01/2015 - 09/30/2016 (in EUR m)	Successor 04/10/2015 - 09/30/2015 (in EUR m)	Predecessor 10/01/2014 - 07/31/2015 (in EUR m)
Payments received for deliveries and services provided			
Shareholders	1.3	0.0	0.1
Members of management in key positions	0.0	0.0	0.1
Other related companies and related persons	0.0	0.6	6.1
Total	**1.3**	**0.6**	**6.3**
Payments made for deliveries and services provided			
Shareholders	0.0	0.0	19.0
Members of management in key positions	5.1	0.6	6.5
Other related companies and related persons	0.0	0.0	0.0
Total	**5.1**	**0.6**	**25.5**

Kirk Beauty Two is the sole parent company of Kirk Beauty One. Business relationships with related persons are effected under the same conditions as with third parties (arm's length transaction).

With effect from October 1, 2015 a Profit and Loss Pooling Agreement was concluded between Kirk Beauty One and Kirk Beauty Two for the purpose of establishing a corporate and commercial tax group. The statutory financial statements of Kirk Beauty One show a net loss before absorption of €265.3 million for the period October 1, 2015 through September 30, 2016, mainly resulting from intra-group transactions. This loss was fully transferred to Kirk Beauty Two at September 30, 2016.

Successor: Receivables from related companies/parties amounted to €382.8 million as of the reporting date (prior year: €1.5 million), resulting from the transfer of losses according to the relevant profit-pooling contract in the amount of €265.3 million and cash transfers of €117.5 million in order to pay taxes and interest and to repay part of the shareholder loan which has been granted to Kirk Beauty Two. The receivables in the amount of €382.8 million shall be netted in the next years with future profits of Kirk Beauty One. Corresponding liabilities amounted to €0.0 million (prior year: €0.0 million).

Total remuneration for other key executives within the Group amounted to €4,999 thousand for the period ended September 30, 2016 and €1,222 thousand for the period May 1, 2015 through September 30, 2015. Pension provisions as of September 30, 2016 for these executives amount to €0 thousand (prior year: €3,711 thousand), while variable salary components in the amount of

€1,735 thousand have been set for this period (prior year: €752 thousand). Payments after termination of appointment amounted to €1,400 thousand (prior year: €922 thousand).

The total remuneration for former key employees and their survivors (pension payments) amounted to €1,124 thousand (prior year: €967 thousand). Pension provisions for former key employees amounted to €14,930 thousand at the balance sheet date (prior year: €13,595 thousand).

Predecessor: Total remuneration for other key executives within the Group amounted to €5,194 thousand for the period October 1, 2014 through July 31, 2015. Variable salary components amounted to €3,910 thousand for the period October 1, 2014 through July 31, 2015.

Expenses for auditor's fees

The fees of the auditors Roever Broenner Susat Mazars GmbH & Co. KG, for auditing the Consolidated Financial Statements for the past fiscal year are as follows:

Auditor fees

	Successor 10/01/2015 - 09/30/2016 (in EUR m)	**Successor 10/01/2014 - 09/30/2015 (in EUR m)**
Audit of financial statements	0.5	0.5
Other confirmation and valuation services	0.0	0.5
Tax advice	0.0	0.0
Other services	0.1	0.1
Total	**0.6**	**1.1**

Options according to Sections 264 (3) and 264 b HGB

In application of Sections 264 (3) and 264 b German Commercial Code [Handelsgesetzbuch—HGB], the following German subsidiaries have refrained from disclosing their annual financial statements:

Options according to Sections 264 (3) and 264 b HGB	
Douglas GmbH	Düsseldorf
Douglas Holding AG	Düsseldorf
Douglas Informatik & Services GmbH	Hagen
inter-moda GmbH	Hagen
Douglas Immobilien GmbH & Co. KG	Hagen
Douglas Grundstücksverwaltungs GmbH & Co. KG	Hagen
Douglas GmbH & Co. Objekt Zeil KG	Pullach im Isartal
Parfümerie Douglas GmbH	Düsseldorf
Parfümerie Douglas Deutschland GmbH	Düsseldorf
LTC Lifestyle Trading Company GmbH	Hagen
Douglas Cosmetics GmbH	Düsseldorf
Douglas Logistik GmbH	Hagen
Hela Kosmetik Handels Gmbh & Co. KG	Düsseldorf
Douglas Einkaufs- und Servicegesellschaft mbH & Co. KG	Zossen
Douglas Marken- und Lizenzen GmbH & Co. KG	Zossen

Shareholdings

The list of shareholdings provides an overview of the companies included in the Consolidated Financial Statements and of other participating interests held by The Company.

Shareholdings

Name and registered office	Share in %
Douglas GmbH, Düsseldorf	100
Douglas Holding AG, Düsseldorf	100
Parfümerie Douglas GmbH, Düsseldorf	100
Parfümerie Douglas Deutschland GmbH, Düsseldorf	100
Douglas Cosmetics GmbH, Düsseldorf	100
Parfümerie Douglas International GmbH, Hagen	100
Parfümerie Douglas Ges.m.b.H., Vienna/Austria	100
Parfumerie Douglas Nederland B.V., Nijmegen/The Netherlands	100
Profumerie Douglas S.P.A., Villafranca di Verona/Italy	100
Parfümerie Douglas AG, Baar/Switzerland	100
Parfumerie Douglas Inc., Westport/USA	100
Douglas Spain S.A., Madrid/Spain	100
Perfumeria Douglas Portugal Lda., Lisbon/Portugal	100
Douglas Ungarn Kft., Budapest/Hungary	100
Douglas Polska SP.z.o.o., Warsaw/Poland	100
Parfumerie Douglas Monaco S.A.M., Monaco/Monaco	100
Douglas Investment B.V., Nijmegen/The Netherlands	100
Parfumerie Douglas s.r.o., Prague/Czech Republic	100
Douglas Parfümeri Limited Sirketi, Istanbul/Turkey	100
Douglas Iberia Holding S.L., Madrid/Spain	100
LTC Lifestyle Trading Company GmbH, Hagen	100
Hela Beteiligungs GmbH, Düsseldorf	100
HELA Kosmetik Handels GmbH & Co. Parfümerie KG, Düsseldorf	100
UAB "Douglas LT", Vilnius/Lithuania	100
SIA "Douglas Latvia", Riga/Lativa	100
SIA "Douglas Baltic", Riga/Latvia	100
Parf. Douglas S.R.L., Bukarest/Romania	100
Parfumerie Douglas Bulgaria ood, Sofia/Bulgaria	76
DESG-Douglas Verwaltungs- und Beteiligungs GmbH, Zossen	100
Douglas Parfumerije d.o.o., Zagreb/Croatia	100
Douglas Einkaufs- und Servicegesellschaft mbH & Co. KG, Zossen	100
Douglas Logistik GmbH, Zossen	100
Douglas Marken und Lizenzen Verwaltungsgesellschaft mbH, Zossen	100
Douglas Marken und Lizenzen GmbH & Co. KG, Zossen	100
Douglas Franchise B.V., Nijmegen/The Netherlands	100
AI Perfume France S.A.S., Villeneuve d'Ascq/France	100
Groupe Nocibé SAS, Villeneuve d'Ascq/France	100
Groupe Nocibé France SAS, Villeneuve d'Ascq/France	100
Nocibeauté SAS , Villeneuve d'Ascq/France	100
Nocibé France SAS, Villeneuve d'Ascq/France	100
Nocibé France Distribution SAS, Villeneuve d'Ascq/France	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
Kirk Beauty Netherlands B.V., Nijmegen/The Netherlands	100
Groupe Douglas France SAS, Villeneuve d’Ascq/France	100
DOUGLAS Informatik & Service GmbH, Hagen	100

DOUGLAS Immobilien GmbH & Co. KG, Hagen	100
DOUGLAS Immobilien GmbH, Hagen	100
inter-moda GmbH, Hagen	100
Buch & Medien GmbH, Hagen	100
Douglas GmbH & Co. Objekt Zeil KG, Pullach im Isartal	88
DOUGLAS Grundbesitz GmbH, Hagen	100
Douglas Finance B.V., Nijmegen/The Netherlands	100
Douglas Grundstücks- und Verwaltungsgesellschaft mbH, Zossen	100
Douglas Grundstücks- und Verwaltungsgesellschaft mbH & Co. KG, Zossen	100
Hapag Lloyd Reisebüro Hagen Verwaltungs GmbH, Hannover	30
Hapag Lloyd Reisebüro Hagen GmbH & Co. KG, Hagen	30

Hagen/Germany, January 17, 2017

Kirk Beauty One GmbH, Hagen

Isabelle Parize

Michael Rauch

Claudia Reinery

INDEPENDENT AUDITOR'S REPORT

To the management of Kirk Beauty One GmbH, Düsseldorf/Germany:

We have audited the accompanying consolidated statement of financial position of Kirk Beauty One GmbH, Düsseldorf, and its subsidiaries (Successor) as of September 30, 2016, the related consolidated statement of comprehensive income, the Consolidated Cash Flow Statement, the Consolidated statement of changes in equity and the notes to the consolidated financial statements for the period from October 1, 2015 until September 30, 2016.

With regard to the prior year figures we have audited the consolidated statement of financial position of Kirk Beauty One GmbH, Düsseldorf, and its subsidiaries (Successor) as of September 30, 2015, the related consolidated statement of comprehensive income, the Consolidated Cash Flow Statement, the Consolidated statement of changes in equity and the notes to the consolidated financial statements for the period from April 10, 2015 until September 30, 2015.

Further we have audited the consolidated financial statements of Beauty Holding Zero GmbH, Düsseldorf, and its subsidiaries (Predecessor) including the consolidated statement of comprehensive income, the Consolidated Cash Flow Statement, the Statement of Changes in Group Equity and the corresponding notes to the consolidated financial statements for the period from October 1, 2014 until July 31, 2015.

Our engagement is based on the engagement contract concluded with Kirk Beauty One GmbH. Accordingly, our responsibility and liability for negligence is limited in accordance with the terms of the contract.

Management's Responsibility for the Consolidated Financial Statements

The preparation of the consolidated financial statements as described above in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB are the responsibility of the parent company's Management.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements of the Successor and Predecessor as described above based on our audit. We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group (Successor and Predecessor) and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the company's management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

Opinion

In our opinion, based on the findings of our audit, the consolidated financial statements of the Successor and the Predecessor as described above comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to Section 315a (1) HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group (Successor and Predecessor) in accordance with these requirements.

Emphasis of Matter

We draw attention to section 1 of the notes to the consolidated financial statements of Successor and Predecessor, which describes the basis of preparation and the purpose of the consolidated financial statements with regard to the Successor and the Predecessor. As a result, the consolidated financial statements may not be suitable for another purpose. Our opinion is not qualified in respect of this matter.

Hamburg/Germany, January 18, 2017

Roever Broenner Susat Mazars GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft

Steuerberatungsgesellschaft

Driesch

(German Public Auditor)

Schulz-Danso

(German Public Auditor)