FY 2020/21

Financial Report

Douglas GmbH

as at September 30, 2021

DOUGLAS

Content

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

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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 brick mortar stores;
- changes in the strength of our brands, the brands of our suppliers, products of our private label, the “Douglas Nocibé Collection”, or our reputation;
- our ability to identify suitable sites for our future brick & mortar stores and our ability to negotiate, terminate or extend store leases on acceptable terms;
- changes in the competitive environment;
- changes in law and regulations and compliance with laws;
- protection of our and our suppliers’ intellectual property rights, including trademarks and domain names;
- currency effects;
- our ability to attract and retain key management and personnel;
- misappropriation of funds and products in our stores, warehouses and logistics centers and of customer data;
- legal proceedings and tax risks;

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

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

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

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Risk Factors

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

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

Risks Relating to Our Market Environment and Business

The outbreak of the Coronavirus has had, and is likely to continue to have, a material impact on our business and results of operations and cash flows

On March 11, 2020, the World Health Organization declared the recent novel Coronavirus and the respiratory disease that it causes ("COVID-19") a global pandemic (the "COVID-19 pandemic") and governmental authorities around the world have implemented measures to reduce the spread of COVID-19. Key aspects of these measures included restrictions on travel and the closure of national borders, as well as the imposition of quarantines, stay-at-home orders, workplace closures, curfews, limitations on building occupancies and other social distancing measures. A significant feature of these measures was the order for non-essential shops to temporarily close. For example, the German government announced strict social distancing measures in March 2020, banning public gatherings of more than two people and ordering non-essential shops to shut. The lockdown was lifted in April 2020, though a second lockdown was imposed from December 2020 and lasted until May 2021. In France, a similar lockdown was imposed from March 2020 to May 2020 followed by a second lockdown from October 2020 to November 2020. In January 2021, the French government announced new measures in response to the COVID-19 pandemic, including a stricter curfew that was extended to the entire country. End of January 2021, France closed its borders to all non-European Union countries, except for haulers, which remained in place until June 2021. From March through early May 2021, a further lockdown took effect in France. Other countries across Europe where we operate including Italy and Spain imposed similar restrictions. In Poland, the government announced a new nationwide lockdown that lasted from March through May 2021, and in the Netherlands, a national lockdown and curfew were in place in April 2021.

These measures led to the temporary closure of the majority of our brick & mortar stores for periods throughout 2020 and a significant number of our stores in 2021, and as a result, significantly and negatively affected our business, results of operations and financial condition. For example, by the beginning of April 2020, nearly all of our brick & mortar stores were closed. We have been and expect to continue to be adversely affected by governmental efforts to contain the COVID-19 pandemic. Although the majority of our stores slowly re-opened after the end of April 2020 dependent on the countries where they are located, some stores remained closed or closed again during subsequent lockdowns or are operating with reduced workforces and shortened opening hours. As a result, our store traffic and sales have not reached pre-lockdown levels. The drop in customer footfall in many locations led to significantly lower brick & mortar sales, and in the periods following the lockdown, extended hygiene measures (such as requirements to provide disinfectants, wear masks and limits on the number of customers in our stores) had to be implemented in stores for the health and safety of our customers and employees, which also resulted in lower footfall. Despite the decrease in sales, fixed costs, particularly in the form of personnel and rental expenses, have not fallen to the same extent, resulting in significant cash consumption during periods of lockdown, including the current store closures, which extend beyond the period envisaged in our original planning assumptions for this financial year. Overall, the COVID-19 pandemic mainly contributed to a decline of our brick & mortar sales by 15.8 percent in financial year 2019/2020 compared to the financial year 2018/2019 and 20.4% percent in the financial year 2020/2021 compared to the financial year 2019/2020.

The full impact of the COVID-19 pandemic on our business, results of operations and financial condition is uncertain and will depend on future developments, which cannot be predicted. These future developments include, but are not limited to the duration, spread, severity and impact of the COVID-19 pandemic, the possibility and/or impact of additional waves of infections in the countries where we operate, the timing and ability of vaccinations and other treatments to combat the COVID-19 pandemic, the effects of the COVID-19 pandemic on our customers and suppliers, the duration of future declarations of emergency and any remedial actions and stimulus measures adopted by the governments of the countries where we operate and the European Union ("EU") and to what extent normal economic and operating conditions can resume. We are also unable to predict the extent, implementation and effectiveness of any government-funded benefit programs and stimulus packages on our employment levels, demand for our products or other aspects of our business

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

- the duration, scope and severity of the COVID-19 pandemic result in sustained deterioration in the economic environment in the regions in which we operate;

- as a result of the current and future COVID-19 outbreaks or other deterioration in public health in the regions in which we operate, governments approve new emergency measures which result in us having to reclose our physical stores, restrictions on deliveries of purchases from e-commerce platform or disruptions in our supply chains. For example, in November 2021, Austria has introduced a lockdown for people who have not been fully vaccinated. At December 19, 2021, the Netherlands have declared another hard lockdown with nearly all shops being closed until mid-January;

- continued requirements for social distancing and other policies implemented to slow the further spread of COVID-19 impacts the operation and appeal of our stores, as customers who dislike wearing face coverings or observing social distancing guidance may choose to shop online or not shop at all;

- any customers or employees contract COVID-19, which could result in a temporary closure of our stores or other facilities for cleaning, staff shortages or customers becoming reluctant to visit our stores;

- governments in the regions where we operate impose new travel restrictions, including temporary suspension of flight and other modes of travel;

- political, legal and regulatory actions and policies in response to the COVID-19 pandemic are adverse to our business, such as governmental actions or proposed actions limiting retail operations or delivery services, which may prevent us from opening our physical stores or online services or result in material increases in our costs in our effort to comply with such laws and regulations;

- supply chains were, or continued to be, disrupted because of current or future outbreaks of the COVID-19 pandemic, emergency response measures by governments in affected countries or in connection with a recovery of economies around the world;

- as a result of unemployment or reduced income or increased costs ensuing from the COVID-19 pandemic, consumers respond by decreasing their spending or changing their long-term behavior;

- consumers continue spending more time at home and not socializing or meeting others in person, which in turn negatively affects the demand for selective beauty and personal care products;

- we are unable to maintain staffing at the levels necessary to operate our business due to the continued spread or increased virulence of COVID-19 or related coronavirus strains or resultant health complications, causing employees to be unable or unwilling to work;
- adverse capital and credit market conditions increase our cost of capital or affect our ability to raise capital, and our cash generation is not sufficient to sustain our needs;
- tax rates are increased to fund the cost of various government initiatives initiated in connection with the COVID-19 pandemic; or
- we suffer cyber-security incidents or data breaches because of an increase in the number or severity of cyber-attacks, or increased vulnerability while a larger proportion of our employees work remotely.

While we have taken steps to address the impact of the COVID-19 pandemic, there are uncertainties associated with changes to our operational practices and whether they will be successful in mitigating the targeted risks of the COVID-19 pandemic, or cause other adverse effects to our business, financial condition and results of operations due to their unforeseen impact on our ability to operate our business in the future. If, among other factors, the adverse impacts stemming from the COVID-19 pandemic were to cause our results of operations or cash flows to continue to be worse than anticipated or otherwise adversely impact certain of our assets, such as our inventories, we could conclude in future periods that additional provisions or other liabilities are required, which could have significant adverse effects on our business, financial condition and results of operations. Any such future provisions or liabilities could be significant. We are also subject to the risks of other pandemics or outbreaks occurring in the future, which may present a similar risk as COVID-19. To the extent the COVID-19 pandemic or any other future outbreak adversely affects our business, financial condition and results of operations, it may also have the effect of heightening or exacerbating many of the other risks described in this "Risk Factors" section, including, but not limited to "*—We are exposed to changes in general economic and political conditions, in particular in our six core countries*", "*—Our sales, liquidity and inventory levels fluctuate significantly on a seasonal basis*", "*—We largely depend upon a limited number of third parties for the supply of products that we sell*", "*—We are subject to risks in connection with the quality and timely delivery of our own brand products and our relationship with the manufacturers of such products*", "*—We may be unable to successfully implement our store investment strategy or our investments into new geographical markets and/or product areas*", "*—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*", "*—Our strategy and reorganization measures may not achieve the expected results*", "*—Negotiating, terminating or extending store leases may be difficult or costly, which could negatively impact our competitive position, growth strategy and profitability*", "*—We may be unable to effectively manage our costs and inventories*", "*—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*", "*—We are exposed to the risk of rising labor costs, as well as work stoppages, strikes or other collective actions*", and "*—Our insurance coverage could prove inadequate*".

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

In the financial year 2020/2021, we saw a strong growth in e-commerce and a decline for Brick and Mortar compared to 2019/2020. These economic conditions include, among others, levels of employment, inflation or deflation, real disposable income, interest rates, taxation, currency exchange rates, the availability of consumer credit, levels of consumer debt, consumer confidence, consumer perception of economic conditions and related willingness or ability to spend, all of which are beyond our control.

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

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

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

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

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

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

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

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

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

The internet, including the dissemination of information via social media, is becoming increasingly important and is changing the role of brick & mortar retail. As a result, we continuously evaluate our offerings and the way we communicate with our customers. For example, we have observed that footfall in the brick & mortar retail business has been decreasing in recent years due to changes in shopping behavior. In particular, there has been a diversion of sales from brick & mortar stores due to continuous increases in the proportion of sales through e-commerce channels. E-commerce enables consumers to quickly compare different online suppliers and their prices and increases the risk that we may lose sales to other e-commerce retailers. If we fail to adapt our offerings and the way we communicate with our customers to meet such trends, then this could have a material adverse effect on our business, results of operations and financial position.

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

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

We source our products from a variety of different suppliers of selective products, for example, in Germany, less than 55% percent of purchasing volume related to products sourced from our top five suppliers in the financial year 2020/21.

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

The disruptions triggered by the COVID-19 pandemic in countries where our suppliers are located may result in a slow-down of their production or logistics activities. For example, we have and may again face supply shortages from suppliers who divert their production facilities to focus on products dealing with the COVID-19 pandemic such as fragrance suppliers who start producing disinfectant products. Similarly, we have and may again face supply shortages from suppliers who have central or large warehouses, which may be closed due to pandemic area restrictions or

COVID-19 cases among their operational teams. In addition, the flow of goods between countries may be impacted by the restrictions imposed on cross border trade. As a result of the COVID-19 pandemic as well as the ongoing recovery of economies worldwide, we have experienced increasing sea freight rates for products within our supply chain that are made in Asia. An outbreak of COVID-19 could also occur at any time among our employees or those of our logistics service providers, which could lead to the implementation of additional hygiene procedures, including complete lockdowns of our logistics facilities or warehouses. These disruptions, while difficult to predict given changing circumstances, may cause a disruption to our supply chain, which may have a material adverse effect on our business, results of operations and financial position. See also "—*The outbreak of the Coronavirus has had, and is likely to continue to have, a material impact on our business and results of operations and cash flows*."

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

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

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

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

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

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

For example, unusual adverse weather conditions, a significant interruption in the supply of products (whether attributable to suppliers, the supply chain or logistics or other product delivery problems), or a sharp decline in consumer traffic in our store network during peak seasons, could materially affect sales during the relevant financial year. In 2020, a second wave of lockdowns were implemented by governments in Germany, France and certain of our other core countries during the Christmas season as a result of the ongoing COVID-19 pandemic. As a result, our stores in Germany and the Netherlands were closed from mid-December, while partial lockdowns were in place in our other core countries, which contributed to a 3.5% percent decrease in total Group sales in the financial year 2020/2021 as compared to the financial year 2019/2020. In addition, as we could only guarantee delivery of e-commerce orders by Christmas if such orders were placed several days in advance of December 24, the decrease in brick & mortar store sales was only partially compensated by e-commerce sales.

Seasonal fluctuations also have a significant impact on our working capital, liquidity levels and inventory. We incur additional expenses in the preparation for the increased demand we typically expect leading up to, and around, the Christmas season and other peak selling periods and must carry a significant amount of inventory before such periods, which is also reflected in our liquidity (with a certain time lag due to the payment terms that we have agreed with our suppliers). This trend typically results in peak liquidity at the end of the calendar year, followed by significant outflows in the following months as payments for the Christmas period inventory and VAT on peak sales become due. Our cash position at December 31, 2020 also benefitted from deferred payments to tax authorities, landlords and other business partners.

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

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

We operate in the competitive European beauty and personal care market, and, within this market, we focus on the premium beauty market. We compete primarily with other specialist retailers with brick & mortar stores or e-commerce activities, including perfumery chains, independent perfumeries, perfume departments of selected (typically high-end) department stores, retailers selling products under their own labels, duty-free shops, pharmacies and para-pharmacies (which increasingly focus on skin care and natural cosmetics) as well as drugstores, hypermarkets, pure online retailers or online beauty selling platforms and certain of our suppliers which sell directly to consumers through their own brick & mortar stores or online shops (so-called “mono-brand stores”).

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

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

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

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

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

The basis of our business model could be restricted or eliminated

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

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

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

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

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

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

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

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

We are subject to risks in connection with the quality and timely delivery of our own brand products and our relationship with the manufacturers of these products

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

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

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

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

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

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

See section "*Business*"

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

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

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

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

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

Our omnichannel offerings have become increasingly important, as we also sell products via our e-commerce platform and our marketplace in addition to our brick & mortar sales, and our success is, among other factors, dependent on our ability to maintain attractive online shops, continue to expand our online and mobile presence, generate e-commerce traffic and convert this traffic into sales. For the financial year 2020/2021, e-commerce sales accounted for 38 percent of total sales, as compared to 61 percent for brick & mortar sales (referred to as store sales in the financial statements). The remainder is related to other sales (e.g., wholesale).

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

In addition, in October 2019 in Germany, we launched our beauty marketplace where we list products from third party suppliers and brands and set their prices on our online shop. Until now we launched our marketplace in 4 other countries. If a customer orders a product, we process the payment and then in turn order that product from the relevant third-party partner. Our partners then deliver the products directly to the end customer. While our partners are solely responsible for the sourcing and supply of products, the marketplace is fully integrated into our existing e-commerce framework. Although the information about the delivery from a partner is displayed on the product detail page and in the basket, customers may perceive that they are purchasing products directly from us. As a result, any issues related to product quality, timing of deliveries or similar matters could adversely affect our brand and reputation among our customers.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Part of our growth strategy includes investments in our existing stores as well as, from time to time, new store openings and expansion of our franchise program. However, we may not be able to implement our strategy successfully or at the envisaged pace if our investments into selected locations are unsuccessful or if we fail to identify and lease attractive store locations on acceptable terms, attract and hire skilled sales staff or implement the required infrastructure. We may also face difficulties in obtaining adequate financing to fund future investments or expansion or in estimating customer demand for brick & mortar sales correctly. In addition, the opening of additional franchised stores depends, in part, upon the availability of prospective franchisees who meet our criteria.

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

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

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

Our selected expansion into service offerings may not be successful due to its substantially different business model, financial parameters and margins. In addition, customers may not accept us as a legitimate point of service. For example, in the past, we installed hairdressing and beauty cabins across a number of stores, testing different store concepts in selected locations. However, many of them were closed, since they did not achieve the expected demand. In addition, due to the COVID-19 pandemic and the related measures taken by governmental authorities such as social distancing and lockdowns, we have been unable to fully test new service offerings at our stores.

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

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

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

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

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

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

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

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

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

See section "*Consolidated Financial Statements*".

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

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

If and to the extent the Disposed Businesses no longer perform (or are no longer able to perform) their obligations (in particular their payment obligations) or do not pay their rent punctually to the respective lessor, there is a risk that we will suffer a shortfall in income, or are held liable for the Disposed Businesses' obligations, which could have a material adverse effect on our business, results of operations and financial condition. As a result of the COVID-19 pandemic, some Disposed Businesses suspended and have continued to suspend certain rent payments, which has resulted in us having to make rental payments on their behalf to the respective lessor and could cause us to have to make such rental payments in the future.

Our strategy and reorganization measures may not achieve the expected results

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

In addition, we have carried out reorganization measures in the past few years and will continuously adapt our structures and processes to the current needs of our markets. In light of the shift in customer behavior towards online retailing, which has been accelerated by the COVID-19 pandemic, we have launched our Store Optimization Program (SOP). Our SOP targets closing approximately 500 brick & mortar stores by the end of September 2022 across our network but with a focus on Southern Europe, where our sales from brick & mortar stores were particularly affected by the COVID-19 pandemic and where there is currently high overlap in store locations due to our historical acquisitions. The associated costs have been reflected to a lesser degree in our financial statements for the financial year 2019/20, as our SOP was announced in January 2021. We may also carry out further reorganization measures from time to time.

Such measures, including the SOP, entail costs, may divert management's attention from our daily business and/or strategic business decisions, and may otherwise be disruptive to our business. In addition, the SOP anticipates a decrease in revenue in an attempt to optimize our portfolio. There can be no assurance that such reorganization measures may lead to the expected efficiency improvements or cost savings, or be completed within the planned timeframe, for example should we wrongly identify stores that should be closed as part of the SOP. Furthermore, our SOP assumes that a portion of sales from closed brick & mortar stores will be transferred to our other stores in the same catchment area or our e-commerce platform, and there can be no assurances that such transfer will materialize to the extent anticipated or at all, in particular if governments in the countries where we operate implement further lockdowns as a result of the COVID-19 pandemic. Additional lockdowns could also prolong periods of inventory recovery. Furthermore, any such reorganization process may have a disruptive effect on our work force, including through strike action such as experienced in France and Spain in the first quarter of 2021 or lead to adverse publicity as a result of store closures or otherwise. We may also face additional costs resulting from negotiations with trade unions, employee representatives or employees relating to severance payments or other compensations as well as landlord negotiations relating to brick & mortar stores that we intend to close.

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

We may be unable to manage our growing business activities effectively

Our business has grown significantly over the last decade and continues to selectively expand whether via acquisitions or otherwise. We had an average number of employees of 19,096 (salaried employees and excluding trainees) in the financial year 2020/2021. As of September 30, 2021, we operated in 26 European countries with over 2,078 brick & mortar stores (including 136 franchised stores) in 20 countries and online shops in 25 countries. On a net basis, our brick & mortar store network decreased by 294 stores (including franchise stores and stores that were acquired as part of the acquisitions of Limoni and La Gardenia in Italy as well as Bodybell and Perfumerias If in Spain and Andorra) between October 1, 2017 and September 30, 2021. Our online shops which we operate in 25 countries include several shops that were launched during the past few years and we plan to launch additional online shops in the near future. We cannot guarantee that opening or acquiring additional brick & mortar stores, the launch of new online shops or the further expansion of our e-commerce platform will not adversely affect our existing operations.

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

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

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

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

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

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

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

Sales from our brick & mortar stores accounted for about 61 percent of our sales for the financial year 2020/21. Our brick & mortar stores are typically located in prominent locations within shopping centers and town centers. Our sales at these stores are dependent, to a significant extent, on the volume of customer traffic in such retail destinations and the surrounding areas. This in turn benefits and is dependent on the ability of other retailers in those destinations to generate customer traffic in the proximity of such stores.

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

The ongoing COVID-19 pandemic and the government measures undertaken to reduce the spread of COVID-19, including the forced (full or part-time) closure of non-essential shops, curfews, social distancing and hygiene requirements, as well as precautionary measures taken by many individual consumers to minimize their contact with other individuals in public, have significantly affected footfall in shopping centers and retail destinations. See "—The outbreak of the Coronavirus has had, and is likely to continue to have, a material impact on our business and results of operations *and cash flows*." A decrease in footfall resulting from these or other factors constitutes a major challenge for the like-for-like growth of our store business.

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

We may be unable to effectively manage our costs and inventories

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition, since our business is labor intensive, maintaining good relationships with our employees, trade unions and other employee representatives is crucial for our operations. Works councils have been established at certain Group companies, and it cannot be excluded that employees will demand the establishment of further works councils. As certain of our employees are members of trade unions or enjoy similar rights due to applicable laws in the countries where we operate, we have in the past experienced and are subject to the risk of, strikes, in particular if employees are dissatisfied with salary levels or proposed salary increases, personnel or other business measures affecting our workforce or during busy trading periods such as Christmas. For example, our SOP targets the closure of approximately 500 brick & mortar stores across our store network and resulted in a local strike in France in February 2021, and a strike in Spain in March 2021. There can be no assurances that we will not face further strikes or work stoppages or other types of conflicts with trade unions, employee representatives or our employees in the future in connection with the SOP or otherwise.

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

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

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

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

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

As of September 30, 2021, we had intangible assets and right-of-use assets from leases totaling €3,079.1 million. The intangible assets mainly consisted of goodwill, the “Douglas” brand and the “Nocibé” brand. The right-of-use assets in an amount of €1.037,6 million reflect our leasehold interests accounted for under IFRS 16. We determine the value of the intangible assets in accordance with applicable accounting principles and distinguish between amortizable intangible assets and non-amortizable assets, such as goodwill.

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

In performing impairment tests of assets, such as goodwill and other intangible assets, including our main brands, management considers several assumptions and carries out analyses that are based on projections and judgments. Economic downturns, including deteriorating economic conditions in the industries and regional markets in which we operate and resulting e.g. from the COVID-19 pandemic, as well as legal, regulatory, competitive, contractual and other factors may affect these assumptions and therefore the value of our assets. In addition, impairments on property, plant and equipment and right of use assets from real estate-leases are recorded from time to time triggered by ongoing negative contribution margins of certain stores and intended store closures. Recognition of an impairment charge would reduce our reported assets and earnings. In the financial year 2020/2021, we recorded goodwill impairments of €0.0 million relating to former acquisitions. 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 brick & mortar stores and online shops including cash, invoicing, credit and debit cards, PayPal, advance payment, online bank transfer pursuant to the electronic payment standard, direct debit, checks, and in Germany and Austria with the Douglas Beauty Card Premium and gift cards. Payments in transit using certain of these payment methods, as well as cash in registers, are taken into account when calculating net leverage ratios pursuant to the Indentures and other of our financing arrangements.

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

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

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

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

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

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

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

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

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

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

In the last three financial years, we generated our sales and purchased merchandise predominately in Euro and to a limited extent also in a number of non-Euro currencies, such as the Polish zloty, the Romanian leu, the Czech koruna, the Hungarian forint, the Croatian kuna, the Bulgarian lev, and the Swiss franc. Our sales in countries where the Euro is the legal tender represented 90 percent of our total sales in the financial year 2020/2021. Due to the expansion of our regional footprint, our SOP and adjustments resulting from of COVID-19-related catch-up effects, we expect the share of our sales and costs in non-Euro currencies to increase. Exchange rate fluctuations also affect the translated value of balance sheet and income statement positions of our non-Euro Group companies, which are denominated in the relevant national currency, predominantly in Polish zloty, since these positions must be converted into Euro in connection with the preparation of our consolidated financial statements. As a result, exchange losses may arise due to this conversion. As we have not entered into currency hedging contracts, exchange rate fluctuations may have a material adverse effect on our financial position.

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

Our insurance coverage could prove inadequate

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

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

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

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

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

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

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

Legal, Regulatory and Tax Risks

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

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

In addition, the sale, distribution and marketing of certain products that we sell, in particular, cosmetic products, are highly regulated. For example, with respect to certain of our own brand products, certain of our subsidiaries act as responsible persons for purposes of the European Cosmetic Products Regulation and may be subject to liability under this regulation. Furthermore, and irrespective of obligations under the European Cosmetic Products Regulation, as a distributor and as we import and market certain products under our brand we are subject to regulations regarding environmental law, food law (including food related regulations and nutritional requirements), medical device law, 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, data protection, financial services and the technological developments increase the risk of non-compliance with legal demands, which could harm our reputation and could have a material adverse effect on our business, financial position and results of operations.

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

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

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

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

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

Significant modifications in laws or regulations, as well as changes in the interpretation and enforcement practices of authorities concerning existing laws and regulations, in countries in which we operate may consequently lead to us incurring higher costs or having to change our business practices. Also, compliance will become more complex and involve higher costs and the increasing risk of noncompliance may give rise to civil liability, administrative orders (including injunctive relief), fines or even criminal charges. For example, the EU General Data Protection Regulation (the "GDPR") on data privacy introduced substantial changes to the EU and local data protection regimes, involving replacement in Member States of major parts of the previous national data protection laws by a directly applicable EU regulation. Since the GDPR came into effect on May 25, 2018, it has imposed a substantially higher compliance burden on our business. In addition, the regulation entails higher maximum level of fines than was historically the case for potential compliance failures. Given our increasing focus on the online segment of our business, we will have to adapt to any change in the legal environment with regards to data protection, which could lead to significant implementation costs. There are also several initiatives pending aimed at establishing a single, uniform digital European market such as an e-privacy regulation or the proposed Digital Services Act and Digital Markets Act. We may also be indirectly affected by European Union court rulings. For example, the European Court of Justice (Fashion ID, C-40/17 and Planet 49, C-673/17) in 2018 and 2019 specified the treatment of internet tracking technologies and issued another judgment (Schrems II, C-311/18) in 2020 relating to European data protection laws, stating that the transfer of personal data into the United States cannot be based on the EU/US Privacy Shield framework. This ruling has an impact also on data transfers to any other third country within the meaning of the GDPR that does not provide a level of data protection equivalent to the EU. On 4 June 2021, the EU Commission issued modernized standard contractual clauses (SCC) under the GDPR for data transfers from controllers or processors in the EU/EEA (or otherwise subject to the GDPR) to controllers or processors established outside the EU/EEA (and not subject to the GDPR). These modernized SCCs will replace the SCCs that were adopted under the previous Data Protection Directive 95/46 and must be observed by Douglas within the contractual negotiations with partners outside EU/EEA or with partners with subcontractors outside EU/EEA. With these new requirements the transfer of personal data to service providers outside the EU/EEA requires a complex procedure which may lead to increased efforts in doing business with such companies. A failure to comply with these new requirements could lead to substantial fines.

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

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

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

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

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

Furthermore, the use of selective distribution contracts, *i.e.,* contracts that require formal approval of the supplier for the product to be listed and which limit the sale of certain products almost exclusively to “selected” distributors, is critical to our current business model. Selective distribution currently benefits from a specific legal framework provided by Art. 101 (1) Treaty on the Functioning of the European Union (“TFEU”) and specific national laws which prohibit agreements that have an anticompetitive object or restrictive effects on competition, unless such agreements fall under so-called block exemptions (Regulation No. 330/2010 (EC) or individual exemptions pursuant to Art. 101 (3) TFEU). Such exemption requires, among other things, that the market share of both the supplier and the authorized distributor does not exceed 30% and respective agreements do not contain so-called “hard core” restrictions of competition. In the context of selective distribution systems, resale price maintenance, restrictions of active or passive sales to end consumers as well as restrictions of cross-supplies between authorized distributors constitute such “hard core” restrictions.

The above exemption under Regulation (EU) No 330/2010 is scheduled to expire in May 2022. The European Commission has issued a draft of the revised version of the regulation in July 2021. We expect the European Commission to publish the final version at the beginning of 2022. Since the final text of the new regulation is not published yet the consequences for Douglas are not yet fully foreseeable. Considering the current draft, the new regulation may give suppliers a greater leeway in terms of establishing stricter specifications for selling online (e.g. with regard to platform bans). Further, suppliers may differentiate between online and offline channels when setting the purchase prices for their products. Also, the information exchange between Douglas and suppliers with competing direct business will be subject to stricter rules.

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

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

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

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

We may become involved in litigation, administrative and arbitration proceedings, such as labor-related litigation, intellectual property litigation or litigation or arbitration proceedings with our customers, suppliers or franchisees as part of our ordinary business activities. 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 manufacturers, we may be exposed to such claims and, in the event that the supplier is financially unable to compensate for the damage or should our insurance not cover the claims asserted against us adequately or at all, we may have to bear the costs related to the product liability, which could have a material adverse effect on our business, financial position and results of operations.

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

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

Douglas GmbH is party to legal proceedings pending in the Dortmund District Court (“*Landgericht*”) where several former minority shareholders are requesting an adjustment of the compensation in connection with the squeeze-out of the minority shareholders of Douglas Holding AG (merged into Douglas GmbH) which became effective in July 2013. To cover risks associated with these proceedings we have recognized a provision amounting to 13.2 million euro. If we are unsuccessful in defending any current or future claims, also in the connection with other legal disputes, not described above, we may incur liabilities in excess of the reserved amounts in the future. This could have a material adverse effect on our business, financial position and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of September 30, 2021, we operated in 26 European countries with 2,078 stores (including 136 franchised stores) in 20 countries and online shops in 25 countries. We had an average number of employees of 19,096 (salaried employees and excluding trainees) in the financial year 2020/2021. Although we mainly operated within the European Union or similar European countries, some countries may have less stable political, legal and regulatory governments, as well as inconsistent enforcement of laws and regulations. Moreover, we have limited influence over the day-to-day operations of our franchised stores (primarily in France), as well as our suppliers. This inherently creates a risk that applicable legislation and regulations may be breached. Such behavior could lead to further legal proceedings against us, fines, sanctions, additional tax liability, court orders affecting future conduct, forfeiture of profits, rescission of existing contracts, exclusion from certain businesses, loss of trade licenses or other restrictions, which, in turn, might limit our ability to pursue strategic projects and transactions that may be important for the business and which could have a material adverse effect on our business, financial position and results of operations.

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

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

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

Financial Risk

Financial uncertainties continue to represent a going concern risk for the Douglas Group. In particular, there are significant uncertainties that COVID-19-related restrictions, such as store closures and access restrictions, will continue to burden the Group's liquidity and that the planned increase in earnings power in the Group's successfully initiated transformation process will not be substantially achieved. Due to the existing uncertainty, the Group may not be able to realize its assets and settle its liabilities in the normal course of business.

The effects of COVID-19 may also have a significant impact on the Douglas Group's business in financial year 2021/22. In their liquidity planning, the legal representatives are only assuming limited access restrictions to our stores in individual countries, such as access only for vaccinated and convalescent people or a reduction in opening times. Based on these assumptions, the legal representatives anticipate an additional reduction in financing reserves in the mid-double-digit million range for the Douglas Group in financial year 2021/22. Positive cash flow is expected for the Douglas Group in financial year 2022/23, which will then continue and increase in the future, driven by the restructuring or portfolio optimization largely completed by then.

According to the Group's current liquidity planning, the financial resources available are currently sufficient to meet all of the Group's payment obligations in the forecast period up to mid-December 2022 on time. However, there are only limited liquidity reserves, especially in the coming summer and beyond the reporting date of September 30, 2022, in order to maintain solvency at all times even in the event of further missed plans or a longer period of store closures or access restrictions. The loss of solvency is a threat to the continued existence of the Douglas Group and thus also for Douglas GmbH.

In the transformation process, the Douglas Group successfully initiated the further development of the strategy to #ForwardBeauty.DigitalFirst and has continued to do so to date. Online shops, marketplace and stores are integrated on a digitally networked, data-based beauty platform.

The adjustment of the store network was therefore a necessary step. The future viability of each store was examined on the basis of comprehensive individual analyses including economies of scope, which also take account of the important Christmas business. As a result, over 300 stores of the originally approximately 2,250 stores were closed in the financial year 2020/21. Another 200 closings are expected.

It has been confirmed that a relevant portion of sales can be transferred to nearest stores as well as the Douglas online store. As a result of the realignment of the store network, the Douglas Group is expecting an additional EBITDA contribution in the high double-digit million range per year from the coming financial year onwards for the further implementation of the future strategy.

Douglas Group closed the first two months of financial year 2021/22 with positive cash flows and liquidity of around €300 million across the Group. The revolving credit facility is additionally available. The refinancing was successfully completed at the end of March 2021 with a term until early 2026. Nevertheless, regaining the profitability achieved before the Covid-19 pandemic and implementing #ForwardBeauty.DigitalFirst is an important building block to ensure a renewed refinancing at maturity. A drawdown of the revolving credit facility in the triple-digit million range could trigger a covenant test. In addition to other obligations, the Douglas Group must observe a certain ratio between Adjusted EBITDA and debt (financial covenants) in this test. In the event of a breach of obligations from the financing agreements, the lenders are entitled, among other things, to terminate the loans early.

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

General Information

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

Even if the financial information shown in the following tables is based on our Audited Consolidated Financial Statements ***all stated figures in this section are before the impact of IFRS 16****. Following our current internal management approach and to provide decision-useful, comparable financial information, all current financial figures (from October 1, 2019) included in this section "Management's Discussion and Analysis of Financial Condition and Results of Operations" are stated before the impact of IFRS 16 lease effects. For any IFRS 16 effects and disclosures we refer to the section "Consolidated Financial Statements" of this report.*

Our Audited Consolidated Financial Statements are presented in the F-pages (F1 to F91). The financial information represented in the following tables and text is partly based on these audited financial statements and partly based on unaudited financial information. 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.

Selected Factors Affecting Results of Operations and Financial Position

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

The Douglas-Group

The Douglas GmbH ("Douglas", "Douglas-Group", the "Company", the "Group") is a German limited liability company (Gesellschaft mit beschränkter Haftung) with its registered office at Luise-Rainer-Straße 7-11, 40235 Düsseldorf/Germany.

Douglas is a leading European specialist retailer of selective beauty and personal care products who generates the vast majority of its sales in the selective beauty distribution channel, i.e. it requires the formal approval by a supplier to distribute a selective product, as opposed to the mass market channel. As of September 30, 2021 the Douglas-Group operated in 26 countries with an average of 19,096 employees, 1.942 own stores, 136 franchise stores and various online shops.

Reorganization of the holding structure

By notarized merger agreement dated July 26, 2021, Kirk Beauty One GmbH and subsequently (formerly) Douglas GmbH were merged into Kirk Beauty Two GmbH, both with economic effect as of October 1, 2020. Subsequently, Kirk Beauty Two GmbH was renamed Douglas GmbH. Until the merger, Douglas GmbH (formerly Kirk Beauty Two GmbH) was the parent company of Kirk Beauty One GmbH, which in turn was the parent company of (former) Douglas GmbH. Thus, the figures for the financial year 2020/21 are presented at the level of Douglas GmbH and the figures for the previous year at the level of the former Kirk Beauty One GmbH.

Development of the European Selective Beauty Market

(see section "*Business*")

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

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

Trends towards Omni-channel Distribution and E-Commerce

(see section "*Business*")

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

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

Our online shops have been an important source of profitable growth in the past few years and our results of operations have been positively influenced by the on-going trend towards e-commerce and omni-channel distribution. In the financial year 2020/21 our e-commerce sales amounted to €1,198.9 million, corresponding to 38.4 percent of total net sales.

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

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

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

(see section "*Business*")

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

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

Our capital expenditures totaled €82.3 million in the financial year 2020/21, quite below our previous fiscal year's level of investments accounting for €105.4 million. The majority of our capital expenditures relates to the further development of the IT-environment, indispensable for a successful development of our e-commerce business as well as to investments, design and re-design of existing stores and new flagship stores and besides to the refurbishment and maintenance.

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

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

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

Marketing and Customer Retention

(See section *"Business")*

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

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

An important loyalty program is the Douglas Card / Nocibé Card with about 48 million card holders in our countries which offers certain benefits to the individual card holder, such as special events, vouchers, special rebates or other specific mail offers. We capitalize on this high number of beauty card holders by strengthening personalized 1:1 marketing approach in order to increase frequency and intensify customer lifetime value. Couponing is another tool used to promote customer loyalty and to activate customers by receiving a benefit coupon for a future purchase. We know that loyalty card holders are particularly attractive customers. Our German Douglas Card customers spend more per customer and purchase than our German non-loyalty card customers (measured by sales).

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

Seasonality, Working Capital and Inventory Management

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

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

We experience major seasonal fluctuations in our sales with a significant portion of our sales typically being driven by key consumer events. Our most important trading period is typically the eight-week period leading up to Christmas (including Singles' Day and Black Friday) and the New Year on December 31 (being part of the first quarter of our financial year). Our first quarter typically (without extraordinary effects like COVID-19) represents 1/3 of our total sales (while the remaining sales are relatively equally split between the last three quarters) and more than 1/3 of our Adjusted EBITDA over the financial year. Other sales periods that are important to us are those around Easter, Valentine's Day, and Mother's Day, and Epiphany (in some countries).

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

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

Net Working Capital development as of September 30, 2021

	09/30/2021	09/30/2020
	EUR m	EUR m
Inventories	653.3	734.3
Trade accounts receivable	43.4	37.5
Trade accounts payable	-484.5	-503.5
Other	-28.0	-24.4
Net Working Capital	184.2	244.0

Our Net Working Capital decreased by €59.7 million totaling €184.2 million as of September 30, 2021.

It should be particularly highlighted that despite all the constraints resulting from the COVID-19 pandemic, we have managed our inventory very successfully through both channels (e-commerce and stores) and various categories of our beauty products and even achieved a decrease in our inventory.

The decrease of the Net Working Capital is mainly related to the decrease of inventories accounting for €80.9 million. Besides trade accounts payables decreased by €19.0 million, trade accounts receivable increased by €5.9 million, and "Other" decreased by €3.6 million mainly related to less supplier bonus receivables.

Acquisitions

We had a track record of successfully executing acquisitions, including large-scale acquisitions, as well as a number of smaller value-accretive acquisitions of individual perfumeries. We did not make any acquisitions in the fiscal year 2020/21 or in the previous year.

Segments

The segment reporting of the Group, prepared in conformity with IFRS 8, reflects our 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 (reportable segments) Germany, France, South-Western Europe and Eastern Europe. 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 most important segmental key performance indicators are "Net Sales", "Adjusted EBITDA" and "Adjusted EBITDA Margins".

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

The adjustments are basically divided into the following categories: "Purchase price allocations (PPA)," "Restructuring costs and severance payments," "Consulting fees" and "Other adjustments“. Adjustments made to inventory impairment losses were also reported separately due to their materiality.

In view of the abnormal situation and uniqueness of the COVID 19 pandemic, certain related expenses and income have also, in the opinion of management, to be adjusted and have been disclosed separately in the category "COVID-19-effects". These COVID-19 adjustments comprise in particular staff- and rent-related idle costs in connection with our closed stores as well as other additional costs caused by the coronavirus pandemic such as costs in relation with our health and safety measures for our customers and employees.

Those valuation effects on trade accounts receivable that are considered as depreciations beyond the normal level of write-downs in the ordinary course of business are adjusted on EBITDA.

Furthermore, Net Income is adjusted for impairment losses, 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 our “Segment Reporting” relates to additions made to intangible assets and property, plant and equipment.

Results of Operations[1]

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

		01.10.2020-30.09.2021 EUR m	01.10.2019-30.09.2020 EUR m
1.	Sales (net)	3,119.6	3,232.7
2.	Cost of raw materials, consumables and supplies and merchandise	-1,796.1	-1,797.9
3.	**Gross Profit**	**1,323.5**	**1,434.8**
4.	Other operating income	239.8	251.2
5.	Personnel expenses	-587.9	-580.9
6.	Other operating expenses	-956.0	-929.1
7.	Result from impairments on financial assets	-0.2	0.1
8.	**EBITDA**	**19.3**	**176.1**
	Sum of adjustments	*203.1*	*98.8*
	Adjusted EBITDA	***222.4***	***274.9***
9.	Amortization/depreciation/impairment	-125.0	-433.5
10.	**EBIT**	**-105.7**	**-257.4**
11.	Financial income	10.8	50.1
12.	Financial expenses	-204.1	-221.7
13.	Financial result	-193.2	-171.6
14.	**EBT**	**-299.0**	**-429.0**
15.	Income taxes	-43.0	-49.6
16.	**Profit (+) or Loss (-) of the period (Net Income)**	**-342.0**	**-478.6**

[1] All figures in this chapter are before the impact of IFRS 16

Comparison of the Financial Years 2020/21 and 2019/20

Sales

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

	10/01/2020 - 09/30/2021	10/01/2019 - 09/30/2020
	EUR m	EUR m
Sales (net)	3,119.6	3,232.7
Segments		
Germany		
Sales (net)	*1,149.4*	*1,270.4*
Intersegment sales	59.5	52.5
Sales	1,208.9	1,322.9
France		
Sales (net)	699.2	688.0
Intersegment sales	0.0	0.8
Sales	699.3	688.8
South-Western Europe		
Sales (net)	910.5	929.8
Intersegment sales	0.0	0.0
Sales	910.5	929.8
Eastern Europe		
Sales (net)	360.5	344.5
Intersegment sales	0.0	0.0
Sales	360.5	344.5

Against the background of the coronavirus pandemic, our **consolidated Group-sales** decreased by €113.1 million or 3.5 percent in the financial year 2020/21 compared to 2019/20.

The trend from store to online business was further pushed by the COVID-19 pandemic and our efforts focusing on the E-Commerce channel, which was reflected in a tremendously strong increase in our online sale amounting to 45.9 percent, partially mitigated the decrease in our brick- and mortar-business. Online sales accounted for 38.4 percent of total sales (prior year: 25.4 percent). **Overall like-for-like sales** decreased by 0.2 percent.

Sales on segment level

On a segment level, sales (net) of our segment Germany decreased by €121.0 million or 9.5 percent. In spite of the high e-commerce share in this segment the very long lockdown period led to this reduction.

Despite the lock down and other COVID-19 related restrictions, our sales (net) of our segment **France** increased slightly by €11.2 million or 1.6 percent. Sales (net) of our region **South-Western Europe** decreased by €19.3 million or 2.1 percent.

Our sales (net) of our segment **Eastern Europe** increased by €16.0 million or 4.6 percent still reflecting a growth region.

Cost of Raw Materials, Consumables and Supplies and Merchandise

In the financial year 2020/21, our cost of raw materials, consumables and supplies and merchandise decreased by €1.8 million or 0.1 percent.

Gross Profit

Our gross profit margin decreased from 44.4 percent to 42.4 percent.

Adjusted for various inventory valuation effects related especially to store closings in South-Western Europe and COVID-19, totaling €26.1 million, the adjusted gross profit margin accounted for 43.3 percent in the financial year 2020/21 vs. 44.6 percent in the prior year, which is against the background of Store Optimization Program and COVID-19 a decrease of only 130 bps.

Other Operating Income

In the financial year 2020/21, other operating income decreased by €11.4 million or 4.5 percent. This decrease is mainly attributable to services rendered to third parties, amounting to €20.9 million.

Personnel Expenses

In the financial year 2020/21, personnel expenses increased by €7.0 million or 1.2 percent. As a percentage of total sales the personnel expenses accounted for 18.8 percent compared to 18.0 percent in the prior year 2019/20. The increase was mainly related to one-off costs in connection with our store closures.

The financial year 2020/21 was especially impacted by our store optimization program and COVID-19-effects. Adjustments on personnel expenses totaled €93.5 million and the adjusted personnel cost ratio in the current financial year accounted for 15.8 percent, compared to 16.9 percent in the previous year.

Other Operating Expenses

In the financial year 2020/21, other operating expenses increased by €36.9 million to €677.9 million, especially due to higher goods handling costs. As a percentage of total sales the other operating expenses increased to 21.7 percent of total sales compared to 19.8 percent in the financial year 2019/20.

Adjusted for essentially COVID-19 effects and Store Optimization Program as well as consulting services, adjusted other operating expenses as a percentage of total sales decreased to 17.7 percent of total sales compared to 17.5 percent of total sales in the previous year.

EBITDA and Adjusted EBITDA

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

	10/01/2020-09/30/2021 EUR m	10/01/2019-09/30/2020 EUR m
EBITDA	**19.3**	**176.1**
Purchase Price Allocations (PPA)	4.1	5.9
Restructuring costs and severance payments	0.3	13.3
Consulting fees	8.0	19.5
Other adjustments	6.9	1.0
Write-down of inventories	8.2	-2.5
COVID-19-effects	97.2	61.6
Store Optimization Program (SOP)	78.3	0.0
Sum of adjustments	**203.1**	**98.8**
Adjusted EBITDA	**222.4**	**274.9**

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

		10/01/2020 - 09/30/2021	10/01/2019 - 09/30/2020
Douglas-Group			
EBITDA	EUR m	19.3	176.1
EBITDA-margin	%	0.6	5.4
Adjustments	EUR m	203.1	98.8
Adjusted EBITDA	EUR m	222.4	274.9
Adjusted EBITDA-margin	%	7.1	8.5
Segments			
Germany			
EBITDA	EUR m	-95.1	19.9
EBITDA-margin	%	-8.3	1.6
Adjustments	EUR m	115.8	43.3
Adjusted EBITDA	EUR m	20.8	63.2
Adjusted EBITDA-margin	%	1.8	5.0
France			
EBITDA	EUR m	77.1	96.4
EBITDA-margin	%	11.0	14.0
Adjustments	EUR m	32.1	10.7
Adjusted EBITDA	EUR m	109.2	107.1
Adjusted EBITDA-margin	%	15.6	15.6
South-Western Europe			
EBITDA	EUR m	-5.8	16.5
EBITDA-margin	%	-0.6	1.8
Adjustments	EUR m	46.9	41.8
Adjusted EBITDA	EUR m	41.1	58.3
Adjusted EBITDA-margin	%	4.5	6.3
Eastern Europe			
EBITDA	EUR m	44.4	42.3
EBITDA-margin	%	12.3	12.3
Adjustments	EUR m	8.2	3.0
Adjusted EBITDA	EUR m	52.6	45.3
Adjusted EBITDA-margin	%	14.6	13.2

Adjusted EBITDA decreased by €52.5 million, or 19.1 percent, to €222.4 million during the financial year ended September 30, 2021. As a percentage of sales (net), Adjusted EBITDA-margin decreased by 1.4 percentage points to 7.1 percent. Total adjustments increased by €104.3 million to €203.1 million during the financial year 2020/21 compared to €98.8 million during the financial year ended September 30, 2020, mainly resulting from COVID-19-related adjustments accounting for €97.2 million and our Store Optimization Program (SOP) accounting for €78.3 million. Please note that credit-card fees have not been adjusted either in the financial year 2020/21 or in the financial year 2019/20.

The reduced Adjusted EBITDA was mainly attributable to the COVID-19 pandemic with much longer lock-downs and related restrictions, resulting in a sales-drop in combination with existing fixed costs, especially store-related and other overhead and besides a lower gross profit margin for defending our market leadership in a highly competitive market environment in some countries.

EBITDA and Adjusted EBITDA on segment level

Adjusted EBITDA in Germany decreased by €42.4 million to €20.8 million during the financial year 2020/21 from €63.2 million during the financial year ended September 30, 2020. Adjustments to EBITDA totaled €115.8 million (prior year: €43.3 million) and primarily resulted from COVID-19 as well as from our Store Optimization Program and further inventory write-down and consulting fees, related to various central projects.

Struggling with the COVID-19 pandemic, the main reasons for the decline of adjusted EBITDA in Germany were lower sales and a lower gross profit margin to defend our market leadership in a highly competitive market environment, in combination with existing fixed costs. Besides central costs are located in Germany.

Adjusted EBITDA in France increased by €2.1 million to €109.2 million in the financial year 2020/21 showing an excellent cost and promotion management. The adjustments on EBITDA mainly related to SOP and COVID-19.

Adjusted EBITDA in South-Western Europe, which was very severely hit by the COVID-19 pandemic, decreased by €17.2 million to €41.1 million in the financial year 2020/21. Adjustments on EBITDA amounted to €46.9 million (prior year: €41.8 million) and are related in particular to our Store Optimization Program and COVID-19.

Despite the coronavirus pandemic, Adjusted EBITDA of the Eastern Europe segment increased by €7.3 million to €52.6 million during the financial year ended September 30, 2021, still revealing Eastern Europe as a growth region going forward. The adjustments on EBITDA principally related to COVID-19.

EBIT

In the financial year 2020/21, the EBIT of our Group increased by €151.7 million, amounting to minus €105.7 million. The increase was predominantly related to impairment losses on goodwill in the financial year 2019/20 and no further impairments in the financial year 2020/21. This was partially compensated by lower EBITDA against the background of the COVID-19 pandemic and additional costs for our Store Optimization Program.

Financial Result

In financial year 2020/21, the financial result decreased by €21.6 million, accounting for minus €193.2 million as of September 30, 2021. The decrease was mainly related to lower financial income and higher financial expenses due to the new financing. The financial expenses in the financial year 2019/20 were affected by IFRS 9-valuation effects of our loan receivables from the shareholder Kirk Beauty Two GmbH, amounting to €91.8 million.

Profit (Loss) of the Period

Net profit of the financial year 2020/21 increased by €136.6 million to minus €342.0 million.

The main reason for this development were the impairment losses on goodwill made in the previous year 2019/20 in the amount of €279.7 million, which were not offset by any corresponding impairment losses in the financial year 2020/21. This was partially compensated by a mainly COVID-19-related drop of EBITDA by €156.8 million. In addition the financial year 2019/20 was affected by IFRS 9 valuation effects of our loan receivables from the shareholder Kirk Beauty Two GmbH amounting to €91.8 million.

Liquidity and Capital Resources

Overview

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

Currently our primary sources of liquidity will be cash flow from operations as well as our cash and liquidity reserves amounting to €240.4 million as of September 30, 2021.

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

The ability of our subsidiaries to pay dividends and make other payments to us may be restricted by, among other reasons, legal prohibitions on such payments or otherwise distributing funds to us, including the purpose of servicing debt.

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

Consolidated Statements of Cash Flows for the Financial Years 2020/21 and 2019/20

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

			10/01/2030-09/30/2021	10/01/2019-09/30/2020
			EUR m	EUR m
1.	**=**	**EBITDA (=reported EBITDA)**	**19.3**	**176.1**
2.	+/-	Increase/decrease in provisions	21.2	4.1
3.	+/-	Other non-cash expense/income	3.0	-5.8
4.	+/-	Loss/profit on the disposal of non-current assets	-0.1	0.1
5.	+/-	Changes in net working capital without liabilities from investments in non-current assets	64.7	46.3
6.	+/-	Changes in other assets/liabilities not classifiable to investing or financing activities	5.4	45.5
7.	-/+	Paid/reimbursed taxes	-37.7	-21.1
8.	**=**	**Net cash flow from operating activities**	**75.7**	**245.0**
9.	+	Proceeds from the disposal of non-current assets	10.5	2.3
10.	-	Investments in non-current assets	-92.3	-107.8
11.	**=**	**Net cash flow from investing activities**	**-81.8**	**-105.5**
12.		**Free cash flow (total of 8. and 11.)**	**-6.1**	**139.6**
13.	+	Receipts from equity contributions	220.0	0.0
14.	-	Payments for the repayment of financial liabilities	-1,873.0	-31.9
15.	+	Proceeds from borrowings	1,727.4	181.6
16.	-	Interest paid	-84.2	-113.6
17.	+	Interest received	0.3	0.2
19.	**=**	**Net cash flow from financing activities**	**-9.6**	**36.4**
20.		**Net change in cash and cash equivalents (total of 8., 11. and 19.)**	**-15.7**	**176.0**
21.	+/-	Net change in cash and cash equivalents due to currency translation	-0.2	-0.7
22.	+	Cash and cash equivalents at the beginning of the reporting period	256.3	81.0
23.	**=**	**Cash and cash equivalents at the end of the reporting period**	**240.4**	**256.3**

Comparison of the Financial Years 2020/21 and 2019/20

Net Cash Flow from Operating Activities

In the financial year 2020/21 our net cash flow from operating activities decreased by €169.3 million or 69.1 percent.

The decrease was predominantly attributed to changes in our EBITDA of €156.8 million compared to €176.1 million in the prior year and changes in other assets and liabilities not classifiable to investing or financing activities of plus €5.4 million compared to plus €45.5 million in the prior year, primarily due to lower VAT- and rent-liabilities in connection with shifted payments. This was partly compensated by higher changes in net working capital without liabilities from investments in non-current assets of €64.7 million compared to €46.3 million in the financial year 2019/20 and an increase of provisions of €21.2 million, mainly related to our Store Optimization program. Furthermore tax payments amounted to €37.7 million compared to €21.1 million in the prior year.

Net Cash Flow from Investing Activities

In the financial year 2020/21 our net cash outflow for investing activities amounted to €81.8 million, as compared to €105.5 million in the prior financial year 2019/20. Furthermore, investments in non-current assets like store furniture and equipment led to cash outflows in the financial year 2020/21 amounting to €92.3 million in comparison to €107.8 million in the prior financial year 2019/20.

Net Cash Flow from Financing Activities

In the financial year 2020/21 our net cash inflow from financing activities accounted for minus €9.4 million and decreased by €46.0 million compared the prior financial year, mainly due to our refinancing in March and April 2021.

Consolidated Financial Liabilities as of September 30, 2021 and as of September 30, 2020

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

	09/30/2021				09/30/2020			
		Remaining items				Remaining items		
	Total EUR m	< 1 year EUR m	1 to 5 years EUR m	> 5years EUR m	Total EUR m	< 1 year EUR m	1 to 5 years EUR m	> 5years EUR m
Senior Secured Notes (PY: Senior Secured Notes und Senior Notes)	1,328.6	*37.4*	*-2.5*	*1,293.7*	637.5	*10.0*	*627.5*	*0.0*
Liabilities related to Senior PIK Notes	497.0	*0.0*	*0.0*	*497.0*	-	-	-	-
Liabilities to bank	589.5	*10.8*	*578.6*	*0.0*	1,838.0	*167.6*	*1,670.5*	*0.0*
Lease liabilities	31,9	*31,9*	*0.0*	*0.0*	47,5	*47,5*	*0.0*	*0.0*
Liability against shareholder	589.5	*0.0*	*0.0*	*589.5*	0.0	*0.0*	*0.0*	*0.0*
Financial liabilities from options held by non-controlling interests	4.0	*0.0*	*4.1*	*0.0*	3.7	*0.0*	*3.7*	*0.0*
Liabilities from contingent considerations	13.5	*0.2*	*13.3*	*0.0*	13.5	*0.2*	*13.3*	*0.0*
Purchase price liability arising from derivative financial instruments	0.0	*0.0*	*0.0*	*0.0*	2.0	*2.0*	*0.1*	*0.0*
Miscellaneous financial liabilities	3.5	2.3	1.1	0.1	3.6	2.5	1.0	0.0
Total financial liabilities	3,057.4	82.7	594.5	2,380.2	2,545.8	229.8	2,316.0	0.0

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

Contingent liabilities

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

Quantitative and qualitative disclosure of market risks

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

Selected critical accounting policies

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

Kirk Beauty SUN GmbH, Düsseldorf

Statement or Profit or Loss of Kirk Beauty SUN GmbH for the financial year 2020/21 and 2019/20:

		10/01/2020-03/31/2021 EUR m	10/01/2019-03/31/2020 EUR m
1.	Other operating income	-	-
2.	Other operating expenses	0.0	-
3.	**EBITDA**	**0.0**	-
4.	**EBIT**	**0.0**	-
5.	Financial income	21.0	-
6.	Financial expenses	-20.4	-
7.	Financial result	0.6	-
8.	**EBT**	**0.5**	-
9.	Income taxes	-1.0	-
10.	**Profit (+) or Loss (-) of the period (Net Income)**	**-0.4**	**-**

Statement of Financial Position of Kirk Beauty SUN GmbH as of September 30, 2021

Assets		09/30/2021 €	09/30/2020 €
A.	Non-Current assets		
	Financial Assets	496.0	
B.	Current assets		
	Cash and cash equivalents	0.0	-
Total		496.0	-

Equity and Liabilities

		09/30/2021 EUR m	09/30/2020 EUR m
A.	Equity		
I.	Capital stock*	0.0	-
II.	Other reserves	-0.4	-
		-0.4	-
B.	Non-current liabilities		
	Financial liabilities	475.0	-
C.	Current liabilities		
I.	Current provisions	0.0	-
II.	Tax liabilities	1.0	-
III.	Financial liabilities	20.4	-
		21.4	-
Total		496.0	-

Business

Overview

Douglas is a leading premium beauty platform in Europe, with total net sales of €3,119.6 million, EBITDA of €19.3 million and Adjusted EBITDA of €222.4 million in the financial year 2020/21.

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

As of September 30, 2021, we operated in 26 European countries with 2,078 stores (including 136 franchised stores) and various online shops.

We believe we operate the leading online beauty platform in our core markets in Europe, with highly integrated brick & mortar stores and E-Commerce customer interfaces which provide our customers with a comprehensive omnichannel, one-stop shopping experience. In October 2019, we launched our Marketplace in Germany, where we partner with third party retailers and brands to further expand our product assortment without having to build up inventories. As of September 30, 2021, our Marketplace featured 161 partners and offered around 120,000 SKUs (in Germany including Parfumdreams and Niche Beauty). Our E-Commerce sales amounted to €1,198,9 million in the financial year 2020/21, corresponding to around 38.4 percent of our total sales.

Our Douglas beauty card / Nocibé card has been a continued success. As of September 30, 2021, we had about 48 million holders in our core countries.

In the financial year 2020/21, we had on average 19.096 employees (headcount, number of employees including temporary personnel, excluding trainees).

We held leading market positions in the premium beauty market (top 1-2) in all of our 6 core markets Germany, France, Spain, Italy, The Netherlands and Poland except for Spain where we hold the number 3 position.

Embedded in our mission to encourage people to live their own kind of beauty, our overall goal is to expand our position as first point of contact on all beauty lifestyle needs and desires. We open all eyes to the beauty of uniqueness, bring it to life and make life itself more beautiful! For a world where everyone feels seen, heard and valued.

Business model

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

With more than 160,000 different SKUs as of September 30, 2021 (in Germany, including additional SKUs from Parfumdreams, Niche Beauty and our Marketplace), we offer one of the industry’s largest beauty and personal care product assortments available across a wide range of price points in both our brick & mortar and online stores. This assortment is complemented by a range of beauty-related nutritional supplements, accessories such as jewellery, home decorations and selected service offerings.

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

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.

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

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

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

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

Within the E-Commerce channel, an important goal is to further optimize our E-Commerce-platform to improve customer attraction, with a “mobile first” approach, improving conversion and retention rates, our E-Commerce website offers and marketplace capabilities. Our CRM activities allow us much more individualized targeting of customers, with 1:1 marketing, leading to better conversion and higher average baskets. Last but not least, we have started monetizing our CRM data with third party via Data Sales and offer Retail Media Sales services to our suppliers.

Strategy

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

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

We have a comprehensive marketing strategy in place, including the use of media, promotions and pricing strategies to attract new customers and improve customer loyalty. A large portion of our marketing costs is financed by the brand manufacturers that supply their selective products to us and benefit from our ability to advertise across classic channels, such as press (e.g., advertisements in women's magazines), TV, radio and similar methods.

Social media channels such as Facebook, Instagram, Pinterest and YouTube, product-related thematic beauty stories, influencer tutorials and tutorials on different beauty topics at our website and in the app as well as live shopping events are playing an increasingly important role compared to more traditional channels to support traffic to our stores and attract new customers, both for our store and our E-Commerce business. Furthermore, our omni-channel communication strategy includes in-store communication and joint advertising with suppliers.

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

Digitalization of our strategy #FORDWARDBEAUTY

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

Brand positioning

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

Store experience

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

Assortment

Our broad assortment, which amounted to more than 160,000 different SKUs as of September 30, 2021 (in Germany, including additional SKUs from Parfumdreams, Niche Beauty and our marketplace), differentiates us from our competitors and will continue to build our relationships with suppliers with the aim of being their partner of choice for their top brands. We will also continue to add partners to our marketplace in order to strengthen our online platform as a one-stop-shop for beauty for our customers. We also intend to selectively enter new product categories that we believe are suitable for our business model such as the health and wellbeing segment.

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

Supply chain transformation

We are in the process of centralizing and streamlining our supply chain by integrating our physical and digital supply chain. We are moving towards a One Warehouse, All Channels ("OWAC") approach to physical supply chain where each of our logistic facilities will service our physical stores and E-Commerce platform as well as handle partner fulfilment for our marketplace by carrying up to 150,000 SKUs per site. We intend to anchor our logistics operations with five distribution centres across Europe. These five sites are supposed to replace our fragmented logistics network of over 20 facilities. We currently expect that all five facilities will be owned, staffed and managed by third party logistics partners and thus will require no material capital expenditures.

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

Data hub

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

Curation/CRM

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

Store Optimization Programme

With the platform strategy, Douglas is actively shaping the long-term changes in consumer behaviour, in particular the massive shift to digital retail and the compensation for the associated decline in store business. The corona pandemic has accelerated this change again.

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

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

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

It has been confirmed that a relevant portion of sales can be transferred to nearest stores as well as the Douglas online store. In addition, we are in the process of optimizing staffing levels at our stores to improve efficiency and react to the reduction in store traffic as well as COVID-19-inflicted changes in customer behaviour. As a result of the realignment of the branch network, the Douglas Group expects an additional EBITDA contribution in the high double-digit million range from the coming financial year onwards, for the further implementation of the future strategy.

Competitive strengths

We believe we operate the leading online beauty platform in our core markets in Europe, with highly integrated brick & mortar stores and E-Commerce customer interfaces which provide our customers with a comprehensive omnichannel, one-stop shopping experience. In doing so, we aim to provide a more holistic journey for our customers. In October 2019, we launched our beauty marketplace in Germany, where we partner with third party retailers and brands to further expand our product assortment without having to build up inventories. We believe that we distinguish ourselves with a customer-centric sales approach, by offering our customers high quality advice and services which is a clear differentiator vis-à-vis pure-play online competitors, who can’t offer a comparable shopping experience.

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

Number one beauty destination in Europe

With total sales of €3,119.6 million in the financial year 2020/21, we believe we operate the leading online beauty platform in our core markets in Europe, with highly integrated brick & mortar stores and E-Commerce customer interfaces which provide our customers with a comprehensive omnichannel, one-stop shopping experience.

We believe that we distinguish ourselves with a customer-centric sales approach, by offering our customers high quality advice and services. As a result, we have an extensive customer loyalty card program. We believe that several factors make us a “must-have” distribution platform for the major suppliers of beauty products, such as our customer base, reputation, broad, well-invested store network in prime locations, and E-Commerce capabilities. As of September 30, 2021, we operated in 26 European countries with 2,078 stores (including 136 franchised stores) and various online shops.

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

With our anchor brand “Douglas”, we can build upon a strong brand heritage since the founding of the company by John Sharp Douglas under the same name in 1821 with excellent prompted and unprompted brand awareness in all of our core markets in which we operate our business using the “Douglas” brand. In France and Monaco, our business is run under the strong national brand “Nocibé”.

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

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

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

Leading online beauty platform in Europe

We believe we operate the leading online beauty platform in our core markets in Europe, with highly integrated brick & mortar stores and E-Commerce customer interfaces which provide our customers with a comprehensive omnichannel, one-stop shopping experience. In October 2019, we launched our beauty marketplace in Germany, where we partner with third party retailers and brands to further expand our product assortment without having to build up inventories. As of September 30, 2021, our marketplace featured 161 partners and offered around 120,000 SKUs (in Germany including Parfumdreams and Niche Beauty).

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

In Germany in the financial year 2020/21, the share of sales (excluding Parfumdreams and Niche Beauty, including VAT) attributable to mobile revenue increased by 4.2 percentage points to 68.4% of our total E-Commerce sales in Germany, including an increase in the share of sales attributable to our Douglas App, which increased by 5.6 percentage points to 29.3% of our total E-Commerce sales in Germany. Over the same period in Germany (excluding Parfumdreams and Niche Beauty), our conversion rate, defined as the proportion of site visitors who complete the purchasing process, among our Douglas Beauty Card holders remained stable at 3.6% and the average E-Commerce basket size of Douglas Beauty Card holders in Germany (excluding Parfumdreams and Niche Beauty, including VAT and before sales deductions, which are in this specific case liabilities deducted from sales arising when customers use points from their Douglas Beauty Cards earned through purchases to get products discounts or vouchers on future purchases) increased by 3.9% to €70 as compared to the previous year.

Unique brand with leading awareness across Europe

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

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

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

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

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

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

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

Brand ambassadors

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

Operations

Assortment - Product offering

Product categories

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

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

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

- Fragrances

  Fragrances have been our largest product category in the financial year 2020/21, with a slightly increasing contribution of approximately 49% of sales in Germany (including our marketplace, excluding Swiss E-Commerce, Parfumdreams and Niche Beauty). Our sales are typically driven by female fragrance products. While eau de cologne, eau de toilette and eau de parfum 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 an additional small portion of the sales from 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 fragrances from established beauty brands, premium and luxury fragrances, including fragrances by Chanel, Dior, YvesSaintLaurent, Tom Ford, Givenchy, and Guerlain, as well as fragrances of so-called famous faces, lifestyle and sports fragrances, niche, trendy and designer fragrances. Furthermore, our product portfolio includes so-called "masstige" (i.e., affordable products intended for the mass market, but which through packaging and other characteristics are perceived as being prestige products) and, to a lesser degree, mass fragrance products.

- Skin & body care

  We offer a full range of skin & body care products, including day creams, night creams, serums, masks, tonics, firming and slimming products and auxiliary products such as cleansers, as well as sun protection. In the financial year 2020/21, skin & body care products accounted for approximately 25% of our total sales in Germany (including our marketplace, excluding Swiss E-Commerce, Parfumdreams and Niche Beauty). The vast majority of our sales in this category are generated by women's skin & body care products in general and women's face care products in particular. Men's skin & body care products have gained importance and we expect this trend to continue due to the more pronounced awareness of men regarding their personal appearance. A further trend relates to increasing product differentiation, such as natural cosmetics or hybrid, multi-benefit skin care products (e.g., products combining the benefits of skin care and make-up into one).

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

- Colour cosmetics

Our colour 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. Colour cosmetics generated about 20% of our total sales in Germany (including our marketplace, excluding Swiss E-Commerce, Parfumdreams and Niche Beauty) in the financial year 2020/21. Our most significant colour cosmetics sub-category in terms of sales is complexion, followed by eye cosmetics, lips and the rapidly growing nails category.

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

- Hair cosmetics

We offer a select range of hair cosmetics products for regular use, such as shampoos, conditioners, treatments, hair tonics, products for nurturing the scalp, styling products and tools, brushes and combs as well as coloration. Hair cosmetics generated about 2% of our total sales in Germany (including our marketplace, excluding Swiss E-Commerce, Parfumdreams and Niche Beauty) in the financial year 2020/21.

- Beauty food

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

- Other products

We offer a select range of complementary products under our own brands, third-party brands or as unbranded articles, to extend our core product portfolio. Sales of such other products represented approximately 3% of our total sales in Germany (including our marketplace, excluding Swiss E-Commerce, Parfumdreams and Niche Beauty) in the financial year 2020/21.

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

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

Product types

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

- Selective products

Selective products are fragrances, skin & body care and colour cosmetics products from third-party, mostly premium brands sold only by selective retailer partners, which are our most important product type and a key traffic builder for us. As part of our selective product offering, we market a full range of fragrances, skin & body care and colour cosmetics products with a wide array of major national and international brands. The distribution of selective products is limited to selected retailers which have to meet specific qualitative and quantitative criteria. For more information, see “—Operations: Suppliers”.

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

- Exclusive products

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

In Germany and France alone, in the financial year 2020/21, our exclusive offering included more than 90 brands that range across all our product categories. In Germany, we exclusively offered products from more than 50 different brands. In addition, Nocibé’s exclusive offering in France comprised products from more than 40 brands.

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

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

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

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

Our “Douglas Brand” products, which focus on colour cosmetics, body care, skin care and accessories, are positioned in the premium price segment. We believe our own brand products also help increase store traffic, and are more “trend-oriented” targeting, in particular, new and younger customers, thereby rejuvenating and broadening our target customer base and image. Furthermore, our own brand products that are not branded Douglas or Nocibé, such as “One.two.free!” or “Dr. Susanne von Schmiedeberg”/ Dermacosmetics, enable us to move our own brand products into higher price segments with higher price points, which in turn drives higher margins. In the financial year 2020/21, our own brand products accounted for 6.2% of our total sales.

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

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

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

Beauty services

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

Suppliers

We source our selective products from virtually all major national and international brands of beauty products, with which we have established close and long-standing relationships, reflecting the interdependence of selective beauty suppliers and retailers like us. In Germany for example, our top five suppliers of selective products accounted for less than 55% of our total purchasing volume in the financial year 2020/21. None of our suppliers amounted to more than 25% of our total purchasing volume in the financial year 2020/21.

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

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

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

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

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

Logistics

We operate a logistics network across all of our major markets with over 20 operating logistic sites for the financial year 2020/21. The network comprises cross-docking centres, warehouses and E-Commerce fulfilment centres mostly operated by third parties.

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

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

As part of our #FORWARDBEAUTY.DigitalFirst strategy, we will transform our current logistics network towards an OWAC ("one warehouse all channels") approach. Each of the OWAC sites will fulfil orders for stores and online customers from a common stock level per SKU as well as handle partner fulfilment for our marketplace partners. Each OWAC site will carry up to 150,000 SKUs including marketplace SKUs. We intend to anchor our logistics operations with five OWAC sites across Europe. We currently expect all OWAC sites to be owned, staffed, managed and operated by several third-party service providers. In December 2020, the construction of the first OWAC site started in Hamm, Germany which is expected to serve Germany, Austria, Switzerland and the Netherlands. We expect to ship out the products of the first orders from Hamm in 2022.

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

Information technology

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

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

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

Employees

As of September 30, 2021, we employed 19,096 employees (headcount, including temporary employees, excluding trainees and apprentices). We also use temporary workers to meet the demands of the business during peak trading periods, in particular during the pre-Christmas and Christmas season. We employ part-time employees at the holding level and the store level, whereby the share of part-time employees at the store level is significantly higher.

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

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

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

Real estate and leases

The vast majority of our sites, including nearly all our stores, are rented. Only a very small number of the sites are owned by Group companies. In addition, certain sites are operated through service contracts.

Our stores (directly operated stores as well as franchised stores) are, with only very few exceptions, operated on leased premises, and are governed by the respective legal regimes relating to commercial leases in the different jurisdictions. Subject to the market practices of each jurisdiction, the duration of our lease agreements is generally defined by a fixed term, during which the lease may generally not be terminated by either party, in combination with either an extension option for us as lessee or a tacit renewal upon expiry of the fixed term. In addition to the fixed lease payments (most commonly on a monthly basis), many of our lease agreements contain sales-related additional variable lease payments, meaning that a portion of the lease payments is tied to the level of net or gross revenue, as the case may be, generated in the store concerned, subject to a minimum lease payment. The commercial leases that we sign with our landlords typically provide for an adjustment of the rent as a function of changes in certain indices. We regularly review our lease agreements and renegotiate their terms when possible.

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

Legal and Regulatory Issues

Intellectual Property

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

Material Legal Disputes and Administrative Proceedings

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

Insurance

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

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

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

Foreign Trade and Customs Law

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

Within the European internal market, the principle of free movement of goods applies. With respect to import and export of goods from or to countries that are not member states of the EU, we must comply with national and European foreign trade and customs regulations. At EU level, the relevant regulatory framework is set out in Regulation (EU) No 952/2013 of the European Parliament and of the Council ("UCC"). The UCC entered into force on May 1, 2016, but some transitional agreements still apply, most notably because not all of the electronic systems to deal with formalities are in place yet. The Commission has recently proposed that the transitional period be extended to 2025 for a small number of customs formalities managed by electronic systems that may not be fully completed until 2025. The UCC shall, among other, simplify customs rules and procedures and facilitate more efficient customs transactions in line with modern-day needs, completing the shift by customs authorities to a paperless and fully electronic environment.

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

Consumer Protection Law

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

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

- the Council Directive 93/13/EEC of April 5, 1993, amended by Directive 2011/83/EU of the European Parliament and the Council of October 25, 2011 on unfair terms in consumer contracts;
- the Directive 1999/44/EC of the European Parliament and of the Council of May 25, 1999, amended by Directive 2011/83 EU of the European Parliament and the Council of October 25, 2011 on certain aspects of the sale of consumer goods and associated guarantees;
- the Directive 2000/31/EC of the European Parliament and of the Council of June 8, 2000 on certain legal aspects of information society services, in particular electronic commerce, in the internal market (Directive on electronic commerce);
- the Directive 2002/58/EC of the European Parliament and of the Council of July 12, 2002, last amended by Directive 2009/136/EC of the European Parliament and of the Council of November 25, 2009, concerning the processing of personal data and the protection of privacy in the electronic communications sector (Directive on Privacy and Electronic Communications);
- the Directive 2005/29/EC of the European Parliament and of the Council of May 11, 2005 concerning unfair business-to-consumer commercial practices in the internal market (Unfair Commercial Practices Directive), which prohibits, among others, certain particularly aggressive or misleading commercial practices or advertising;
- the Directive 2006/114/EC of the European Parliament and of the Council of December 12, 2006 concerning misleading and comparative advertising;
- the Directive 2011/83/EU of the European Parliament and of the Council of October 25, 2011 on consumer rights (“Directive on Consumer Rights”);
- the Directive 2013/11/EU of the European Parliament and the Council of May 21, 2013 on alternative dispute resolution for consumer disputes and amending Regulation (EC) No 2006/2004 and Directive 2009/22/EC (Directive on consumer ADR); and
- the Directive 2019/2161/EU of the European Parliament and the Council of November 27, 2019 as regards to the better enforcement and modernization of Union consumer protection rules (to be transposed into national law prior to November 28, 2021)

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

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

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

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

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

Data Protection Law

As retailers generally process customer personal data for several purposes, including for the performance of the contract and marketing purposes, compliance with data protection laws must be ensured. The collection, processing and use of personal data is extensively regulated by both European and national legislation. At EU level, data protection law is primarily governed by Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation). Where this Regulation provides for specifications or restrictions of its rules by Member State law, EU Member States may, as far as necessary for coherence and for making the national provisions comprehensible to the persons to whom they apply, incorporate elements of this Regulation into their national law. The objectives and principles of Directive 95/46/EC remain sound, but it has not prevented fragmentation in the implementation of data protection across the Union, legal uncertainty or a widespread public perception that there are significant risks to the protection of natural persons, in particular with regard to online activity. In order to ensure a consistent level of protection for natural persons throughout the Union and to prevent divergences hampering the free movement of personal data within the internal market, a Regulation was necessary to provide legal certainty and transparency for economic operators, including micro, small and medium-sized enterprises, and to provide natural persons in all EU Member States with the same level of legally enforceable rights and obligations and responsibilities for controllers and processors, to ensure consistent monitoring of the processing of personal data, and equivalent sanctions in all EU Member States as well as effective cooperation between the supervisory authorities of different EU Member States. This Regulation is without prejudice to the application of Directive 2002/58/EC and 2009/136/EC. A new e-privacy regulation which will replace the previous e-privacy directive

(Directive 2002/58/EC) and the so-called cookie directive (Directive 2009/136/EC) is still a pending legislative procedure on EU level and it is unclear at which point in time such regulation will enter into force. However, due to the recent judgment of the European Court of Justice (Planet 49, C-673/17) rules for the treatment of internet tracking technologies have been specified by the court.

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

In July 2020 with the Schrems II judgment (Case C-311/18), the Court of Justice of the European Union (CJEU) declared the European Commission's Privacy Shield Decision invalid on account of invasive US surveillance programs, thereby making transfers of personal data on the basis of the Privacy Shield Decision illegal. Furthermore, the Court stipulated stricter requirements for the transfer of personal data based on standard contract clauses (SCCs). Data controllers or processors that intend to transfer data based on SCCs must ensure that the data subject is granted a level of protection essentially equivalent to that guaranteed by the General Data Protection Regulation (GDPR) and the EU Charter of Fundamental Rights (CFR) – if necessary with additional measures to compensate for lacunae in protection of third country legal systems. Failing that, operators must suspend the transfer of personal data outside the EU.

This decision also has an impact on data transfer to other countries outside the EU / EEA because as a result of this decision on 4 June 2021, the EU Commission issued modernized standard contractual clauses (SCC) under the GDPR for data transfers from controllers or processors in the EU/EEA (or otherwise subject to the GDPR) to controllers or processors established outside the EU/EEA (and not subject to the GDPR). These modernized SCCs will replace the SCCs that were adopted under the previous Data Protection Directive 95/46 and must be observed by Douglas.

Regulations on Shop Closing Time and Working 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.

Regulations on Minimum Wage

Even though employer and employee are generally free to agree on employment conditions by mutual agreement in their employment contract, certain minimum working conditions must be observed. For example, in all 27 member states of the European Union minimum wages may apply either under statutory laws or collective bargaining arrangements with rather widely varying levels of the minimum wage from country to country. Since there is, currently, no harmonized legislation of the European Union, the further details of the minimum wage regime vary from country to country. While there is, however, a proposal from the European Commission for a EU-wide statutory minimum wage framework, the respective legislative procedures are still in an early stage

EU Payment Services Directive

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

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

Regulation on Selective Distribution Systems

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

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

Cosmetics Regulation

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

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

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

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

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

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

Food Law

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

Among other regulations, Regulation (EC) No 178/2002 of the European Parliament and of the Council of January 28, 2002, as last amended by Regulation (EU) 2019/1381 of the European Parliament and of the Council of 20 June 2019, provides the general principles and requirements of food law, establishing the European Food Safety Authority and stipulates procedures and requirements in matters of food safety and the measures to be taken in order to avoid threats to food safety, such as by withdrawing and/or recalling unsafe products from the market. As a major part of food safety, food business operators have to ensure the compliance with food hygiene regulations, such as Regulation (EC) No 852/2004 of the European Parliament and of the Council of April 29, 2004 on the hygiene of foodstuffs, as last amended by Commission Regulation (EC) No 2021/382 of 3 March 2021, which requires food business operators to maintain a hazard analysis and critical control point concept.

Directive 2002/46/EC of the European Parliament and of the Council of June 10, 2002 on the approximation of the laws of the Member States relating to food supplements, as last amended by

Commission Regulation (EU) 2017/1203 of July 5, 2017, provides harmonized rules on food supplements. For this purpose, it lays down, for example, a harmonized list of vitamins and minerals that may be added for nutritional purposes in food supplements. According to the Directive, Member States may, for monitoring purposes, request notification to their competent authority of the placing on the market in their territory of a food supplement product.

Furthermore, according to Regulation (EU) No 1169/2011 of the European Parliament and of the Council of October 25, 2011, as last amended by Regulation (EU) 2015/2283 of the European Parliament and of the Council of November 25, 2015, on the provision of food information to consumers the food business operator responsible for the food information i.e. the operator established in the EU under whose (business) name the food is marketed, otherwise, the importer into the Union market must ensure that all mandatory information on food is provided and that any other information is clear and not misleading. Regulation (EC) No 1924/2006 of the European Parliament and of the Council of December 20, 2006 on nutrition and health claims made on foods, as last amended by Commission Regulation (EU) No 1047/2012 of 8 November 2012, further provides that nutrition and health claims made in commercial communications, whether in the labelling, presentation or advertising of foods to be delivered as such to the final consumer, shall only be used if they are authorized and included in respected lists of authorized claims.

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

Medical Device Law

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

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

Regulations Regarding Product Safety and Product Liability

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

The European Commission is currently revising the Directive to adapt to present challenges and to better ensure that all kinds of products are safe, online or in a traditional brick and mortar shop, and that all consumers are protected. The European Commission plans to present their proposal by end of 2021. The revision, among other things, will focus on the safety of products linked to new technologies as well as on the challenges posed by the growth of online sales, ensuring a better enforcement of the rules and more efficient and even market surveillance and improving the recall of dangerous products in the hands of consumers

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

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

Environmental laws

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

In addition, the Directive 2012/19/EU of the European Parliament and of the Council of July 4, 2012 on waste electrical and electronic equipment, last amended by Directive (EU) 2018/849 of May 30, 2018 (the “WEEE-Directive”), may be applicable. The WEEE-Directive imposes responsibility for the disposal of waste electrical and electronic equipment on the producers or distributors of such equipment. In this context, the WEEE-Directive provides, inter alia, for an obligation of all producers of electrical and electronic equipment or their authorized representatives to register with the national registers of producers in all EU countries where they sell electrical and electronic equipment.

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

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

German law about supply chains

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

French Law about payment terms

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

Management

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

Management of Douglas GmbH

Overview

The holding company Douglas GmbH is managed by Chief Executive Officer Tina Müller, by Chief Financial Officer Mark Langer and by Chief Digital Officer Vanessa Stützle.

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

Name	Year of birth	Position
Tina Müller	1968	Chief Executive Officer, CEO
Mark Langer	1968	Chief Financial Officer, CFO (since May 2021)
Vanessa Stützle	1978	Chief Digital Officer, CDO

The following section summarizes the biographies of our Executive Board members:

Tina Müller

- CEO of Douglas GmbH since November 2017;
- Previously, she was Chief Marketing Officer and a member of the Board at Adam Opel AG/Opel Group GmbH for four years;
- Prior to Opel, Tina Müller had been with Henkel as Chief Marketing Officer and Corporate Senior Vice President in leading international marketing and sales positions for 17 years;
- She studied business administration and economics in Germany and France (Diplom-Kauffrau / Maîtrise Science Économique).

Mark Langer

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

Vanessa Stützle

- Chief Digital Officer of Douglas GmbH since May 2020;
- EVP Ecommerce & CRM at Douglas GmbH from January 2018 - April 2020;
- As Chief Digital Officer of the s.Oliver Group she has previously been responsible for the e-commerce business and loyalty programs of all the Group’s brands;

- Due to further positions at ESPRIT and SBK Consulting Team GmbH, Vanessa Stützle looks back on a total of 16 years of experience in the field of digitalization in retail;
- Vanessa Stützle studied business administration at the University of Cologne, Germany.

Management Practices

We are committed to fulfilling corporate governance requirements. We maintain internal guidelines (e.g., purchasing directives) and a code of conduct which is to be countersigned and adhered to by our management. In addition, an internal audit department regularly carries out examinations on different topics.

Principal Shareholders, Certain Relationships and Related Party Transactions

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

Description of Certain Financing Arrangements

Senior Secured Credit Facilities Agreement

Overview and Structure

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

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

The Senior Secured Facilities Agreement provides for the following:

- a €600 million senior secured term loan facility ("Facility B"); and
- a €170 million senior secured multi-currency revolving credit facility (the "Revolving Credit Facility" and, together with Facility B, the "Senior Secured Facilities").

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

Interest and fees

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

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

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

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

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

Certain Covenants

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

- create security;
- make investments (including granting loans and guarantees);
- incur indebtedness or enter into certain derivatives contracts;
- make fundamental changes (including by way of merger or consolidation);
- make dispositions;
- make restricted payments (including dividends and other distributions);
- change the nature of the business of the Group;
- enter into transactions with affiliates other than on arm's length terms;
- prepay, redeem, purchase or defeat certain junior indebtedness; and

- designate subsidiaries as restricted or unrestricted subsidiaries.

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

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

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

Senior Secured Notes

Overview and Structure

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

Interest

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

Certain Covenants

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

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

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

Senior PIK Notes

Overview and Structure

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

Interest

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

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

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

Certain Covenants

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

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

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

Certain Definitions

Definitions that might be used in this Financial Report:

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

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

DOUGLAS

Consolidated Financial Statements as of September 30, 2021

Douglas GmbH,

Düsseldorf

(Formerly Kirk Beauty Two GmbH,

Hagen)

Consolidated Statement of Profit or Loss

of Douglas GmbH for the period from October 1, 2020 to September 30, 2021

		Notes No.	10/01/2020-09/30/2021 EUR m	10/01/2019-09/30/2020[2] EUR m
1.	Sales (net)	5	3,119.6	3,232.7
2.	Cost of raw materials, consumables and supplies and merchandise		-1,796.1	-1,797.9
3.	**Gross Profit**		**1,323.5**	**1,434.8**
4.	Other operating income	6	238.4	241.0
5.	Personnel expenses	7	-587.9	-580.9
6.	Other operating expenses	8	-677.9	-641.0
7.	Result from impairments on financial assets		-0.2	0.1
8.	**EBITDA**		**295.9**	**454.0**
9.	Amortization/depreciation/impairment	11-14	-402.6	-724.1
10.	**EBIT**		**-106.7**	**-270.1**
11.	Financial income	9	11.1	50.3
12.	Financial expenses	9	-245.8	-249.6
13.	Financial result	9	-234.7	-199.3
14.	**EBT**		**-341.5**	**-469.4**
15.	Income taxes	10	-43.0	-49.5
16.	**Profit (+) or Loss (-) of the period (Net Income)**		**-384.5**	**-518.9**
	Attributable to owners of the parent		*-384.5*	*-518.9*
	Attributable to non-controlling interests		*0.0*	*0.0*

[2] Prior year restated due to changes in accounting policies; for details, please refer to Note 2, Accounting Standards, in section "Overview of standards and interpretations applied for the first time”.

Consolidated Reconciliation from Profit or Loss to Total Comprehensive Income

of Douglas GmbH for the period from October 1, 2020 to September 30, 2021

	Notes No.	10/01/2020-09/30/2021 EUR m	10/01/2019-09/30/2020[3] EUR m
Profit (+) or Loss (-) of the period (Net Income)		-384.5	-518.9
Items that were reclassified or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences arising from translating the financial statements of a foreign operation		-4.4	-2.4
Items that are not reclassified to profit or loss			
Actuarial gains or losses from pension and similar obligations	23	-0.4	0.7
Other comprehensive income after tax		**-4.8**	**-1.7**
Total comprehensive income		**-389.3**	**-520.6**
Attributable to owners of the parent		*-389.3*	*-520.6*
Attributable to non-controlling interests		*0.0*	*0.0*

[3] Prior year restated due to changes in accounting policies; for details, please refer to Note 2, Accounting Standards, in section "Overview of standards and interpretations applied for the first time".

Consolidated Statement of Financial Position

of Douglas GmbH as of September 30, 2021

Assets		Notes No.	09/30/2021 EUR m	09/30/2020[4] EUR m	10/01/2019[5] EUR m
A.	**Non-current assets**				
I.	Intangible assets	11	2,041.5	2,045.1	2,347.6
II.	Property, plant and equipment	12	220.3	278.0	292.8
III.	Right-of-use assets from leases	13	1,037.6	1,230.9	0.0
IV.	Financial assets	18	35.7	851.8	569.8
V.	Deferred tax assets	15	26.3	61.3	86.0
			3,361.5	4,467.0	3,296.2
B.	**Current assets**				
I.	Inventories	16	653.3	734.3	742.7
II.	Trade accounts receivable	17	43.4	37.5	45.7
III.	Tax receivables		33.6	23.2	30.6
IV.	Financial assets	18	158.8	164.8	155.4
V.	Other assets	19	41.0	34.8	30.1
VI.	Cash and cash equivalents	20	240.4	256.3	81.0
			1,170.6	1,250.9	1,085.5
C.	**Assets held for sale**	21	8.4	0.0	0.0
Total			**4,540.5**	**5,717.9**	**4,381.8**

[4] Prior year restated due to changes in accounting policies; for details, please refer to Note 2, Accounting Standards, in section "Overview of standards and interpretations applied for the first time".
[5] These Consolidated Financial Statements represent the first IFRS consolidated financial statements of Douglas GmbH (formerly Kirk Beauty Two GmbH) within the meaning of IFRS 1. Information on this can be found in Note 1, Accounting Standards, section "Reorganization of the holding structure - First-time preparation of Consolidated Financial Statements at the level of Douglas GmbH".

Equity and Liabilities

		Notes No.	09/30/2021 EUR m	09/30/2020[6] EUR m	10/01/2019[7] EUR m
A.	Equity	22			
I.	Capital stock*		0.0	0.0	0.0
II.	Additional paid-in capital		668.8	1,125.1	1,125.1
III.	Other reserves		-1,652.3	-459.8	-265.9
			-983.5	665.4	859.2
	Equity before non-controlling interests		*-983.5*	*665.4*	*859.2*
	Non-controlling interests		*0.0*	*0.0*	*0.0*
B.	Non-current liabilities				
I.	Pension provisions	23	36.0	36.2	38.3
II.	Other non-current provisions	24	52.4	58.1	53.8
III.	Financial liabilities	26	3,837.2	3,371.5	2,313.5
IV.	Other liabilities	27	16.4	14.6	8.9
V.	Deferred tax liabilities	15	273.5	194.2	197.4
			4,215.4	3,674.5	2,611.8
C.	Current liabilities[8]				
I.	Current provisions	24	112.6	87.7	79.0
II.	Trade accounts payable	25	484.5	503.5	487.0
III.	Tax liabilities		100.1	68.7	60.9
IV.	Financial liabilities	26	341.4	458.6	37.5
V.	Other liabilities	27	268.5	259.6	246.5
			1,307.1	1,378.0	910.8
D.	Liabilities related to assets held for sale	21	1.5	0.0	0.0
Total			4,540.5	5,717.9	4,381.8

*) The subscribed capital amounted to €44,350.00 (prior year: €25,000.00) at the reporting date, divided into 25,000 Class A shares and 19,350 Class B shares, each with a nominal value of €1.00.

[6] Prior year restated due to changes in accounting policies; for details, please refer to Note 2, Accounting Standards, in section "Overview of standards and interpretations applied for the first time”.

[7] These Consolidated Financial Statements represent the first IFRS consolidated financial statements of Douglas GmbH (formerly Kirk Beauty Two GmbH) within the meaning of IFRS 1. Information on this can be found in Note 1, Accounting Standards, section "Reorganization of the holding structure".

[8] The classification of individual items was changed from provisions to liabilities in the reporting year; the prior year was adjusted accordingly

Statement of Changes in Group Equity

of Douglas GmbH for the period from October 1, 2020 to September 30, 2021

				Reserves				
	Notes No.	Capital stock* EUR m	Additional paid-in capital EUR m	Retained earnings EUR m	Reserves for pension provisions EUR m	Differences from currency translation EUR m	Equity before non-controlling interests EUR m	Non-controlling interests EUR m
10/01/2020		0.0	1,125.1	-452.3	-2.2	-5.3	665.3	0.0
Changes in the scope of consolidation[9]	22		-676.3	-1,026.2	0.0	0.0	-1,702.5	0.0
Restated balance as of 10/01/2020		**0.0**	**448.8**	**-1,478.5**	**-2.2**	**-5.3**	**-1,037.2**	**0.0**
Currency transaltion						-4.4	-4.4	0.0
IAS 19 valuation effect					-0.4		-0.4	0.0
Other comprehensive income after tax		**0.0**	**0.0**	**0.0**	**-0.4**	**-4.4**	**-4.8**	**0.0**
Profit (+) or Loss (-) of the period (Net Income)				-384.5	0.0	0.0	-384.5	0.0
Total comprehensive income		**0.0**	**0.0**	**-384.5**	**-0.4**	**-4.4**	**-389.3**	**0.0**
Capital increase			220.0				220.0	0.0
Benefit granted from the valuation of shareholder loans	33			214.8	0.0	0.0	214.8	0.0
Share-based payment	22			8.1	0.0	0.0	8.1	0.0
Transactions with shareholders		**0.0**	**220.0**	**222.9**	**0.0**	**0.0**	**442.9**	**0.0**
09/30/2021		**0.0**	**668.8**	**-1,640.0**	**-2.6**	**-9.8**	**-983.5**	**0.0**

* The subscribed capital amounted to €44,350.00 (prior year: €25,000.00) at the reporting date, divided into 25,000 Class A shares and 19,350 Class B shares, each with a nominal value of €1.00.

[9] Information on the effects on equity resulting from the reorganization of the holding structure can be found in Note 22, Equity".

of Douglas GmbH for the period from October 1, 2019 to September 30, 2020

	Notes No.	Capital stock EUR m	Additional paid-in capital EUR m	Reserves Retained earnings EUR m	Reserves Reserves for pension provisions EUR m	Reserves Differences from currency translation EUR m	Equity before non-controlling interests EUR m	Non-controlling interests EUR m
10/01/2019		0.0	1,125.1	-260.2	-2.9	-2.9	859.1	0.0
Error correction in current accounts		0.0	0.0	9.4	0.0	0.0	9.4	0.0
Restatements due to initial application of IFRS 16				-2.3			-2.3	0.0
Restatements due to initial application of changes in accounting policies related to IAS 19				1.4			1.4	0.0
Restatements due to initial application of changes in accounting policies related to IAS 2				-1.4			-1.4	0.0
Restated balance 10/01/2019		0.0	1,125.1	-253.2	-2.9	-2.9	866.2	0.0
Currency translation						-2.4	-2.4	0.0
Effects from valuation of IAS 19					0.7		0.7	0.0
Other comprehensive income after tax		0.0	0.0	0.0	0.7	-2.4	-1.7	0.0
Profit (+) or Loss (-) of the period (Net Income)				-518.9			-518.9	0.0
Total comprehensive income		0.0	0.0	-518.9	0.7	-2.4	-520.6	0.0
Loss transfer by Kirk Beauty Two GmbH				319.6			319.6	0.0
Share-based payment	22			0.2			0.2	0.0
Transactions with shareholders		0.0	0.0	319.8	0.0	0.0	319.8	0.0
09/30/2020		0.0	1,125.1	-452.3	-2.2	-5.3	665.3	0.0

Consolidated Statement of Cash Flows

of Douglas GmbH for the period from October 1, 2020 to September 30, 2021

			Notes No.	10/01/2020-09/30/2021 EUR m	10/01/2019-09/30/2020 [10] EUR m
1.		Profit (+) or Loss (-) of the period (Net Income)		-384.5	-518.9
2.	+	Income taxes	10	43.0	49.5
3.	+	Financial result	9	234.7	199.3
4.	+	Amortization/depreciation/impairment	11 - 14	402.6	724.1
5.	**=**	**EBITDA**		**295.9**	**454.0**
6.	+/-	Increase/decrease in provisions	23, 24	21.2	4.1
7.	+/-	Other non-cash expense/income		3.1	-5.8
8.	+/-	Loss/profit on the disposal of non-current assets		-0.1	0.1
9.	+/-	Changes in net working capital without liabilities from investments in non-current assets		64.7	46.3
10.	+/-	Changes in other assets/liabilities not classifiable to investing or financing activities		23.2	16.2
11.	-/+	Paid/reimbursed taxes		-37.7	-21.1
12.	**=**	**Net cash flow from operating activities**		**370.2**	**493.6**
13.	+	Proceeds from the disposal of non-current assets		10.5	2.3
14.	-	Payments for investments in non-current assets		-92.3	-107.8
15.	**=**	**Net cash flow from investing activities**		**-81.8**	**-105.5**
16.		**Free cash flow (total of 12. and 15.)**		**288.4**	**388.2**
17.	+	Receipts from equity contributions		220.0	0.0
18.	-	Repayment of loans and borrowings		-1,873.0	-31.9
19.	-	Payment of lease liabilities		-252.8	-226.5
20.	+	Proceeds from loans and borrowings		1,780.5	181.6
21.	-	Transaction costs related to loans and borrowings		-53.1	0.0
22.	-	Interest paid		-125.9	-135.7
23.	+	Interest received		0.3	0.2
24.	**=**	**Net cash flow from financing activities**		**-304.1**	**-212.2**
25.		**Net change in cash and cash equivalents (total of 12., 15. and 24.)**		**-15.7**	**176.0**
26.	+/-	Net change in cash and cash equivalents due to currency translation		-0.2	-0.7
27.	+	Cash and cash equivalents at the beginning of the reporting period		256.3	81.0
28.	**=**	**Cash and cash equivalents at the end of the reporting period**		**240.4**	**256.3**

The Consolidated Statement of Cash Flows is explained in Note 29, Consolidated Statement of Cash Flows.

[10] Prior year restated due to changes in accounting policies; for details, please refer to Note 2, Accounting Standards, in section "Overview of standards and interpretations applied for the first time”.

Notes to the Consolidated Financial Statements

of Douglas GmbH for the period from October 1, 2020 to

September 30, 2021

Segment Reporting

of Douglas GmbH for the period from October 1, 2020 to September 30, 2021

		Germany		France		South-Western Europe	
		10/01/2020-09/30/2021	10/01/2019-09/30/2020	10/01/2020-09/30/2021	10/01/2019-09/30/2020	10/01/2020-09/30/2021	10/01/2019-09/30/2020
Sales (net)	EUR m	1,149.4	1,270.4	699.2	688.0	910.5	929.8
Intersegment sales (net)	EUR m	59.5	52.5	0.0	0.8	0.0	0.0
Sales (net)	EUR m	1,208.9	1,322.9	699.3	688.8	910.5	929.8
EBITDA	**EUR m**	**-8.0**	**108.8**	**126.9**	**141.6**	**100.2**	**128.8**
EBITDA-margin	**%**	**-0.7**	**8.6**	**18.1**	**20.6**	**11.0**	**13.9**
Lease expenses and income according to former IAS 17 which are to be capitalized following IFRS 16	EUR m	-87.1	-88.9	-49.8	-45.2	-106.0	-112.3
Key performance indicator to be adjusted	**EUR m**	**-95.1**	**19.9**	**77.1**	**96.4**	**-5.8**	**16.5**
Sum of adjustments	EUR m	115.8	43.3	32.1	10.7	46.9	41.8
Adjusted EBITDA	**EUR m**	**20.8**	**63.2**	**109.2**	**107.1**	**41.1**	**58.3**
Adjusted EBITDA-margin	**%**	**1.8**	**5.0**	**15.6**	**15.6**	**4.5**	**6.3**
Inventories	EUR m	238.8	248.8	108.0	123.2	219.0	275.3
Capital expenditure	EUR m	50.9	55.3	10.5	15.8	11.0	20.9

		Eastern Europe		Consolidation		Douglas-Group	
		10/01/2020-09/30/2021	10/01/2019-09/30/2020	10/01/2020-09/30/2021	10/01/2019-09/30/2020	10/01/2020-09/30/2021[11]	10/01/2019-09/30/2020[12]
Sales (net)	EUR m	360.5	344.5	0.0	0.0	3,119.6	3,232.7
Intersegment sales (net)	EUR m	0.0	0.0	-59.5	-53.2	0.0	0.0
Sales (net)	EUR m	360.5	344.5	-59.5	-53.2	3,119.6	3,232.7
EBITDA	**EUR m**	**78.1**	**73.9**	**-1.3**	**1.0**	**295.9**	**454.0**
EBITDA-margin	%	21.7	21.4			9.5	14.0
Lease expenses and income according to former IAS 17 which are to be capitalized following IFRS 16	EUR m	-33.7	-31.6	0.0	0.0	-276.6	-278.0
Key performance indicator to be adjusted	**EUR m**	**44.4**	**42.3**	**-1.3**	**1.0**	**19.3**	**176.1**
Sum of adjustments	EUR m	8.2	3.0	0.0	0.0	203.1	98.8
Adjusted EBITDA	**EUR m**	**52.6**	**45.3**	**-1.3**	**1.0**	**222.4**	**274.9**
Adjusted EBITDA-margin	**%**	**14.6**	**13.2**			**7.1**	**8.5**
Inventories	EUR m	93.6	91.8	-6.0	-4.7	653.3	734.3
Capital expenditure	EUR m	9.9	13.4	0.0	0.0	82.3	105.4

[11] The definition of adjustments was changed in financial year 2020/21; credit card fees are no longer adjusted. The prior year has been adjusted accordingly. Further explanations on segment reporting can be found in Note 30, Segment Reporting.

[12] Prior year restated due to changes in accounting policies; for details please refer to Note 2, Accounting Standards, in section "Overview of standards and interpretations applied for the first time”.

Accounting Principles, Fundamentals and Methodologies of the Consolidated Financial Statements

1 | General Principles

The Douglas GmbH registered in Düsseldorf, formerly Kirk Beauty Two GmbH, Hagen, (Group Parent Company) is a limited liability company and has its registered office at Luise-Rainer-Str. 7-11 in 40235 Düsseldorf, Germany and is registered with the Commercial Register B of the Local Court of Düsseldorf under number 94247.

The Consolidated Financial Statements of Douglas GmbH and its subsidiaries (Douglas Group, Group) as of September 30, 2021 (reporting date) comprise the reporting period beginning October 1, 2020 until September 30, 2021 (financial year, reporting period).

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

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

The date of signing by the Management Board of Douglas GmbH, December 17, 2021, is also the date of approval of the Consolidated Financial Statements by the Management Board for publication and forwarding to the Supervisory Board.

Reorganization of the holding structure - First-time preparation of Consolidated Financial Statements at the level of Douglas GmbH

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

Until the merger, Douglas GmbH (formerly Kirk Beauty Two GmbH) was the parent company of Kirk Beauty One GmbH, which in turn was the parent company of (former) Douglas GmbH. By notarized merger agreement dated July 26, 2021, Kirk Beauty One GmbH and subsequently (formerly) Douglas GmbH were merged into Kirk Beauty Two GmbH, both with economic effect as of October 1, 2020. Subsequently, Kirk Beauty Two GmbH was renamed Douglas GmbH. Until the merger, Kirk Beauty Two GmbH did not have any economic activities of its own, but was structured as a pure holding company of the Douglas Group with no sales revenues and no employees. All major business relationships were within the Group. With the entry of the merger in the commercial register of the acquiring legal entity Kirk Beauty Two GmbH, the merger became effective and the transferring legal entity ceased to exist. For Kirk Beauty One GmbH, this was July 29, 2021, and for Douglas GmbH, this was August 12, 2021.

Kirk Beauty One GmbH has prepared consolidated (interim) financial statements for the last time as of June 30, 2021. All companies involved in the chain merger - the (former) Douglas GmbH, Kirk Beauty One GmbH and Kirk Beauty Two GmbH - will continue to be controlled by the common ultimate parent company, Kirk Beauty S.a r.l., after the merger.

A continuation of the consolidated financial statements of Kirk Beauty One GmbH after the merger is permitted, if these financial statements reflect the business operations of the merged company or group. For the preparation of the Consolidated Financial Statements of Douglas GmbH (formerly Kirk Beauty Two GmbH) as of September 30, 2021, the prior year of the Consolidated Financial Statements of Kirk Beauty One GmbH ending September 30, 2020 can be used, including the historical classification of equity.

For the reporting year ending September 30, 2021, the prior year carrying amounts of Kirk Beauty One GmbH will be retained. Adjustments sre necessary to present the share capital and other equity sub-items of Douglas GmbH and will be made against Group equity reserves as a current business transaction in financial year 2020/21. The IFRS Consolidated Financial Statements as of September 30, 2021 therefore fall within the scope of IFRS 1.

In this respect, there are also no effects from the conversion of previous accounting standards to IFRS. Required disclosures to the Consolidated Statement of Financial Position as of October 1, 2019 (or September 30, 2019) have already been made in the consolidated financial statements of Kirk Beauty One GmbH as of September 30, 2019. Therefore, the Group does not provide further explanations on the opening balances as of October 1, 2019 in these Notes.

Refinancing

On March 26, 2021, Douglas GmbH and its subsidiaries reached agreement with their refinancing partners on a comprehensive refinancing package in the amount of €2.55 billion, replacing the existing financing of €2.58 billion. The closing of the refinancing took place on April 8, 2021, with the existing debt financing being repaid in full.

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

Kirk Beauty SUN GmbH, issuer of the Senior PIK Notes and sister company of Douglas GmbH, not included in these Consolidated Financial Statements, has passed on the proceeds from the issue of the Senior PIK Notes to Douglas GmbH under a loan agreement with similar terms and conditions. Companies of the Douglas Group (guarantors) are liable for the Senior PIK Notes on an unsecured and subordinated basis.

Furthermore, the Group was provided with additional liquidity of €220.0 million through a capital increase at Douglas GmbH (formerly Kirk Beauty Two GmbH) in April 2021.

2 | Accounting Standards

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

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

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

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

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

Assumption of going concern as the basis for accounting

Financial risks

Financial uncertainties continue to represent a going concern risk for the Douglas Group. In particular, there are significant uncertainties that COVID-19-related restrictions, such as store closures and access restrictions, will continue to burden the Group's liquidity and that the planned increase in earnings power in the Group's successfully initiated transformation process will not be substantially achieved. Due to the existing uncertainty, the Group may not be able to realize its assets and settle its liabilities in the normal course of business.

The effects of COVID-19 may also have a significant impact on the Douglas Group's business in financial year 2021/22. In their liquidity planning, the legal representatives are only assuming limited access restrictions to our stores in individual countries, such as access only for vaccinated and convalescent people or a reduction in opening times. Based on these assumptions, the legal representatives anticipate an additional reduction in financing reserves in the mid-double-digit million range for the Douglas Group in financial year 2021/22. Positive cash flow is expected for the Douglas Group in financial year 2022/23, which will then continue and increase in the future, driven by the restructuring or portfolio optimization largely completed by then.

According to the Group's current liquidity planning, the financial resources available are currently sufficient to meet all of the Group's payment obligations in the forecast period up to mid-December 2022 on time. However, there are only limited liquidity reserves, especially in the coming summer and beyond the reporting date of September 30, 2022, in order to maintain solvency at all times even in the event of further missed plans or a longer period of store closures or access restrictions. The loss of solvency is a threat to the continued existence of the Douglas Group and thus also for Douglas GmbH.

In the transformation process, the Douglas Group successfully initiated the further development of the strategy to #ForwardBeauty.DigitalFirst and has continued to do so to date. Online shops, marketplace and stores are integrated on a digitally networked, data-based beauty platform.

The adjustment of the store network was therefore a necessary step. The future viability of each store was examined on the basis of comprehensive individual analyses including economies of scope, which also take account of the important Christmas business. As a result, over 300 stores of the originally approximately 2,250 stores were closed in the financial year 2020/21. Another 200 closings are expected.

It has been confirmed that a relevant portion of sales can be transferred to nearest stores as well as the Douglas online store. As a result of the realignment of the store network, the Douglas Group is expecting an additional EBITDA contribution in the high double-digit million range per year from the coming financial year onwards for the further implementation of the future strategy.

Douglas Group closed the first two months of financial year 2021/22 with positive cash flows and liquidity of around €300 million across the Group. The revolving credit facility is additionally available. The refinancing was successfully completed at the end of March 2021 with a term until early 2026. Nevertheless, regaining the profitability achieved before the Covid-19 pandemic and implementing #ForwardBeauty.DigitalFirst is an important building block to ensure a renewed refinancing at maturity. A drawdown of the revolving credit facility in the triple-digit million range could trigger a covenant test. In addition to other obligations, the Douglas Group must observe a certain ratio between Adjusted EBITDA and debt (financial covenants) in this test. In the event of a breach of obligations from the financing agreements, the lenders are entitled, among other things, to terminate the loans early.

New or changed standards and interpretations

Overview of standards and interpretations applied for the first time

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

	New Standards/Interpretations applied for the first time		Date of first-time adoption in the EU	Endorsed by European Commission	Impact on Douglas-Group
IFRS 9, IAS 39, IFRS 7	Financial Instruments, Financial Instruments: Recognition and Measurement, Financial Instruments: Disclosures	Amendment: Interest Rate Benchmark Reform	01/01/2020	01/15/2020	No impact
IAS 1, IAS 8	Presentation of Financial Statements, Accounting Policies, Changes in Accounting Estimates and Errors	Amendment: Definition of material	01/01/2020	11/29/2019	No impact
IFRS 3	Business Combinations	Amendment: Definition of a Business	01/01/2020	04/21/2020	No impact
Conceptual Framework		Amendment: revised Definitions of an Asset and a Liability as well as new Guidance on Measurement and Derecognition, Presentation and Disclosure	01/01/2020	11/29/2019	No impact

Change in accounting policies

IAS 2 Inventories - selling costs to be considered in determining net realizable value

The June 2021 an agenda decision of the IFRS Interpretations Committee (IFRS IC) commented on the question of which costs an entity should consider when determining the net realizable value of inventories as "estimated necessary costs to sell".

The IFRS IC concluded that, in assessing necessary selling costs under IFRS 2.6, an entity cannot focus solely on incremental selling costs incurred in a sale, and thus may exclude those selling costs that are not incremental costs of a particular further sales transaction but are necessary costs of the sale.

IAS 19 Employee Benefits -Allocation of benefits for a defined benefit plan to periods of service of the employee

The IFRS IC's April 2021 agenda decision commented on the question of which periods of service an entity should allocate benefits to for a particular defined benefit plan.

By way of illustration, various constellations were discussed using a specific defined benefit plan as an example. According to this defined benefit plan, the existence of the employee's pension entitlement requires in particular that the employee is still employed by the company when he reaches retirement age. In addition to the annual salary, the amount of the benefit entitlement depends in particular on the number of uninterrupted years of service until the employee reaches retirement age. Furthermore, the maximum number of benefit-relevant periods of service is limited (maximum benefit period).

The IFRS IC clarified that an entity shall allocate the benefit periods to service periods on an annual basis. While the end of the performance period is defined by the attainment of retirement age, the beginning of the performance period is determined on the basis of retirement age, using the maximum performance period (cap) and the number of uninterrupted periods of service rendered by the employee. No benefits are attributable to periods of service outside the benefit period - before the start and after the end of the benefit period.

The retrospective application of the amended accounting policies – IAS 2 Inventories and IAS 19 Employee Benefits - in accordance with IAS 8 resulted in the following changes to various items in the financial statements as of the date of initial application, October 1, 2019, and in the prior year 2019/20:

Restatement of the Consolidated Statement of Financial Position of Douglas GmbH as of October 1, 2019

Assets		As reported EUR m	10/01/2019 Restatements EUR m	Restated EUR m
A.	Non-current assets			
V.	Deferred tax assets	85.6	0.5	86.0
		3,295.8	0.5	3,296.2
B.	Current assets			
I.	Inventories	744.4	-1.7	742.7
		1,087.3	-1.7	1,085.5
Total		**4,383.0**	**-1.3**	**4,381.8**

Equity and liabilities

		As reported EUR m	10/01/2019 Restatements EUR m	Restated EUR m
A.	Equity			
III.	Other reserves	-266.0	0.1	-265.9
		859.1	0.1	859.2
	Equity before non-controlling interests	*859.2*	*0.0*	*859.2*
B.	Non-current liabilities			
I.	Pension provisions	40.1	-1.8	38.3
V.	Deferred tax liabilities	196.9	0.5	197.4
		2,613.2	-1.4	2,611.8
Total		**4,383.0**	**-1.3**	**4,381.8**

Restatement of the Consolidated Statement of Profit or Loss of Douglas GmbH for the prior year 2019/20

		10/01/2019-09/30/2020		
		As reported EUR m	Restatements EUR m	Restated EUR m
2.	Cost of raw materials, consumables and supplies and merchandise	-1,795.3	-2.6	-1,797.9
3.	**Goss Profit**	**1,437.4**	**-2.6**	**1,434.8**
5.	Personnel expenses	-581.0	0.1	-580.9
8.	**EBITDA**	**456.5**	**-2.5**	**454.0**
10.	**EBIT**	**-267.6**	**-2.5**	**-270.1**
14.	**EBT**	**-466.9**	**-2.5**	**-469.4**
15.	Income taxes	-50.2	0.6	-49.5
16.	**Profit (+) or Loss (-) of the period (Net Income)**	**-517.0**	**-1.9**	**-518.9**
	Attributable to owners of the parent	*-517.0*	*-1.9*	*-518.9*

Restatement of the Consolidated Reconciliation from Profit or Loss to Total Comprehensive Income for the prior year 2019/20

	10/01/2019-09/30/2020		
	As reported EUR m	Restatements EUR m	Restated EUR m
Profit (+) or Loss (-) of the period (Net Income)	-517,0	-1,9	-518,9
Items that were reclassified or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences arising from translating the financial statements of a foreign operation	-2,4	0,0	-2,4
Items that are not reclassified to profit or loss:			
Actuarial gains or losses from pension and similar obligations	0,9	-0,2	0,7
Other comprehensive income after tax	-1,5	-0,2	-1,7
Total comprehensive income	-518,6	-2,1	-520,6
Attributable to owners of the parent	*-518,6*	*-2,1*	*-520,6*

Restatement of the Consolidated Statement of Financial Position of Douglas GmbH as of September 30, 2020

Assets

		09/30/2020 As reported EUR m	09/30/2020 Restatements EUR m	09/30/2020 Restated EUR m
A.	Non-current assets			
V.	Deferred tax assets	60.2	1.1	61.3
		4,465.9	1.1	4,467.0
B.	Current assets			
I.	Inventories	738.6	-4.3	734.3
		1,255.2	-4.3	1,250.9
Total		5,721.1	-3.2	5,717.9

Equity and liabilities

		09/30/2020 As reported EUR m	09/30/2020 Restatements EUR m	09/30/2020 Restated EUR m
A.	Equity			
III.	Other reserves	-457.8	-2.0	-459.8
		667.3	-2.0	665.4
	Equity before non-controlling interests	*667.3*	*-2.0*	*665.4*
B.	Non-current liabilities			
I.	Pension provisions	37.9	-1.7	36.2
V.	Deferred tax liabilities	193.7	0.5	194.2
		3,675.8	-1.2	3,674.5
Total		**5,721.1**	**-3.2**	**5,717.9**

Restatement of the Consolidated Statement of Cash Flows of Douglas GmbH for the prior year 2019/20

			10/01/2019-09/30/2020 As reported EUR m	Restatements EUR m	Restated EUR m
1.		Profit (+) or Loss (-) of the period (Net Income)	-517.0	-1.9	-518.9
2.	+	Income taxes	50.2	-0.6	49.5
	=	**EBIT**	**-267.6**	**-2.5**	**-270.1**
5.	=	**EBITDA**	**456.5**	**-2.5**	**454.0**
6.	+/-	Increase/decrease in provisions	5.8	-1.7	4.1
7.	+/-	Other non-cash expense/income	-5.7	-0.1	-5.8
9.	+/-	Changes in net working capital without liabilities from investments in non-current assets	41.9	4.3	46.3
12.	=	**Net cash flow from operating activities**	**493.6**	**0.0**	**493.6**

Restatement of the Segment Reporting of Douglas GmbH for the prior year 2019/20

		Germany 10/01/2019-09/30/2020 As reported	Restate-ments	Restated	France 10/01/2019-09/30/2020 As reported	Restate-ments	Restated	South-Western Europe 10/01/2019-09/30/2020 As reported	Restate-ments	Restated
EBITDA	EUR m	**109.3**	**-0.5**	**108.8**	**141.6**	**0.0**	**141.6**	**130.2**	**-1.4**	**128.8**
EBITDA-margin	%	8.6	0.0	8.6	20.6	0.0	20.6	14.0	-0.2	13.9
Key performance indicator to be adjusted	EUR m	**20.4**	**-0.5**	**19.9**	**96.4**	**0.0**	**96.4**	**17.9**	**-1.4**	**16.5**
Adjusted EBITDA	EUR m	**63.7**	**-0.5**	**63.2**	**107.1**	**0.0**	**107.1**	**59.7**	**-1.4**	**58.3**
Adjusted EBITDA-margin	%	5.0	0.0	5.0	15.6	0.0	15.6	6.4	-0.2	6.3
Inventories	EUR m	250.3	-1.6	248.8	123.3	-0.2	123.2	276.8	-1.5	275.3

		Eastern Europe 10/01/2019-09/30/2020 As reported	Restate-ments	Restated	Consolidation 10/01/2019-09/30/2020 As reported	Restate-ments	Restated	Douglas-Group 10/01/2019-09/30/2020 As reported[13]	Restate-ments	Restated
EBITDA	EUR m	**74.4**	**-0.6**	**73.9**	**1.0**	**0.0**	**1.0**	**456.5**	**-2.5**	**454.0**
EBITDA-margin	%	21.6	-0.2	21.4		0.0		14.1	-0.1	14.0
Key performance indicator to be adjusted	EUR m	**42.9**	**-0.6**	**42.3**	**1.0**	**0.0**	**1.0**	**178.6**	**-2.5**	**176.1**
Adjusted EBITDA	EUR m	**45.9**	**-0.6**	**45.3**	**1.0**	**0.0**	**1.0**	**277.4**	**-2.5**	**274.9**
Adjusted EBITDA-margin	%	13.3	-0.2	13.2		0.0		8.6	-0.1	8.5
Inventories	EUR m	92.9	-1.1	91.8	-4.7	0.0	-4.7	738.6	-4.3	734.3

[13] The definition of adjustments was changed in financial year 2020/21; credit card fees are no longer adjusted. The prior year has been adjusted accordingly. Further explanations on segment reporting can be found in Note 30, Segment Reporting.

Overview of accounting standards and interpretations not applied yet

The following overview provides a summary of newly implemented or revised IASB accounting standards and interpretations that were not yet applied by the Group in financial year 2020/21, as they were either not yet compulsory or not yet approved by the European Commission.

New standards/interpretations not yet applicable			Date of first-time adoption in the EU	Endorsed by European Commission	Probable impact on Douglas-Group
IAS 12	Income taxes	Amendment: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01/01/2023	Not yet	No impact
IFRS 16	Leases	Amendment: Covid-19-Related Rent Concessions beyond June 30, 2021	04/01/2021	08/30/2021	No impact
IAS 8	Accounting policies, Changes in Accounting Estimates and Errors	Amendment: Definition of Accounting Estimates	01/01/2023	Not yet	No impact
IAS 1	Presentation of Financial Statements	Amendment: Disclosure of Accounting policies	01/01/2023	Not yet	No impact
IFRS 4, IFRS 9, IFRS 7, IAS 39, IFRS 16	Insurance Contracts, Financial Instruments, Financial Instruments: Disclosures, Financial Instruments: Recognition and Measurement, Leases	Amendment: Interest Rate Benchmark Reform - Phase 2	01/01/2021	01/13/2021	No impact
IAS 1	Presentation of Financial Statements	Amendment: Classification of Liabilities as current or non-current - Deferral of Effective Date	01/01/2023	Not yet	No impact
IFRS 4	Insurance Contracts	Amendment: Extension of the temporary Exemption from applying IFRS 9	01/01/2021	12/15/2020	No impact
IFRS 16	Leases	Amendment: Covid-19-related Rent Concessions	06/01/2020	10/09/2020	No impact
IFRS 3	Business Combinations	Amendment: Reference to the Conceptual Framework	01/01/2022	06/28/2021	No impact
IAS 16	Property, plant and equipment	Amendment: Proceeds before intended Use	01/01/2022	06/28/2021	No impact
IAS 37	Provisions, Contingent Liabilities and Contingent Assets	Amendment: Onerous Contracts - Cost of Fulfilling a Contract	01/01/2022	06/28/2021	No impact
Improvement Project 2018-2020	Annual Improvements to IFRSs 2018-2020 Cycle	Improvement of existing Standards	01/01/2022	06/28/2021	No impact
IFRS 17	Insurance Contracts		01/01/2023	Not yet	No 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	Deferred	Not yet	No material impact

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

3 | Consolidation Principles

Group of consolidated companies

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

	Germany	Other countries	Total
10/01/2020	**23**	**33**	**56**
companies consolidated for the first time	1	0	1
deconsolidated companies	0	0	0
merged companies	4	0	4
09/30/2021	**20**	**33**	**53**

Two companies in which the Group does not hold a majority stake, but on which the Group does have a significant influence, were not recognized using the at-equity method. These companies solely provide intercompany services for the Douglas-Group and are of minor importance to the net assets, financial position and results of operations of the Group due to their extremely low business volumes. In addition, some of these companies have different reporting dates and do not prepare interim financial statements. Because of this, no financial information regarding these companies is available as of the reporting date and the fair values cannot be reliably determined. The carrying amount of these investments recognized under financial assets amounts to €38 thousand in total.

The list of shareholdings is shown under Note 39, Shareholdings of the Douglas-Group pursuant to §313 HGB

Consolidation methods

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

Receivables from and corresponding payables to consolidated companies are eliminated against each other. Interim profits from delivery of goods and rendering of 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 delivery of goods and rendering of services are offset against corresponding expenses. Every contingent consideration obligation is valued at the time of acquisition at fair value. If the contingent consideration is classified as equity, it is not remeasured and a settlement is accounted for in equity. Otherwise, other contingent consideration is measured at fair value on each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

Currency translation

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

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

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

		Average exchange rate 10/01/2020-09/30/2021 €	Closing rate 09/30/2021 €	Average exchange rate 10/01/2019-09/30/2020 €	Closing rate 09/30/2020 €
Bulgarian Lev	BGN	0.51130	0.51130	0.51130	0.51130
Swiss Franc	CHF	0.91976	0.92336	0.93035	0.92558
Czech Koruna	CZK	0.03851	0.03922	0.03819	0.03672
Croatian Kuna	HRK	0.13263	0.13353	0.13318	0.13234
Hungarian Forint	HUF	0.00280	0.00278	0.00291	0.00274
Polish Zloty	PLN	0.22046	0.21646	0.22787	0.21996
Romanian Lei	RON	0.20401	0.20212	0.20782	0.20523

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

4 | Accounting and Valuation Principles

Revenue recognition

Douglas primarily generates sales from the retail of fragrances, cosmetics and care products with end consumers as customers. Most of the sales result from store and e-commerce business.

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

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

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

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

Sold gift vouchers are accounted for as a contractual liability under other liabilities, taking into account the probability of redemption. Sales are recognized upon redemption by the customer or upon final expiry.

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

Income taxes

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

Current taxes

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

Deferred taxes

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

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

Intangible assets

Goodwill arising from capital consolidation is capitalized in accordance with the provisions of IFRS 3 and subjected to an annual impairment test and whenever there are indications of impairment. Scheduled amortization is not performed.

For the purposes of impairment testing, goodwill is allocated to the group of cash-generating units (CGU) that is expected to profit from synergies arising from the acquisition. 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 the operating segment and hence the respective stand-alone country in which Douglas operates.

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

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

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

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

Intangible assets with indefinite useful lives are not amortized. These assets are reviewed for impairment at least once a year and if there are indications of impairment. If the recoverable amount is below the carrying amount, the asset is written down to its fair value. Intangible assets with an indefinite useful life are the trademarks Douglas and Nocibé and leasehold rights in France.

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

Reviews must be carried out in subsequent years to see if indications of impairment exist to suggest that an impairment made in the prior years no longer exists or has been reduced. If this is the case, the impairment is reversed up to the recoverable amount, but to a maximum of the amortized carrying amount.

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

Class of non-current assets	**Years**
Software	3-5
Leasehold rights that do not have indefinite useful lives	2-15
Customer bases	5-10

The useful life applied to brands with definite useful lives is 15 years.

Property, plant and equipment

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

An impairment test is conducted for the corresponding asset if indications of impairment exist. Tangible assets are derecognized when 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 carrying amount.

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

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

Leases

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

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

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

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

Right-of-use assets arising from leases are presented separately in the Consolidated Statement of Financial Position and broken down by class of asset in Note 13, Right of Use Assets.

Lease liabilities are reported under non-current or current financial liabilities and explained in more detail under Note 26, Financial liabilities, and Note 34, Leases.

Financial Instruments

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

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

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

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

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

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

Financial assets are derecognized from the balance sheet either when the contractual rights in respect of the cash flows expire or when the significant risks and rewards are transferred.

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

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

Fair Value

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

The Douglas-Group only measures embedded options and options held by non-controlling interests at fair value. [14] The fair value measurement falls under the second hierarchy level (level 2), as the valuation is based on observable market interest rates.

Douglas-Group measures liabilities from contingent purchase price payments at fair value. [15] The input factors on which the valuation is based are assigned to level 2 or level 3 of the valuation hierarchy.

Amortized cost

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

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

Subsequent measurement and gains and losses

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

[14] Cf. Note 28, Fair Value of Financial Instruments
[15] Cf. Note 28, Fair Value of Financial Instruments

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

Impairment of financial assets

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

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

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

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

12-months credit losses are the portion of expected credit losses resulting from default events that are possible within twelve months of the reporting date (or a shorter period if the expected maturity is less than twelve months).

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

Derivative financial instruments

The contractual terms of the Senior Secured Notes and Senior PIK Notes include repurchase rights of the issuers. In addition to these embedded options, derivative financial instruments are used in the Group exclusively as hedging instruments to reduce cash flow fluctuations. Derivative financial instruments are neither held nor issued for speculative purposes.

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

Gains and losses from fair value measurement, to the extent that they relate to designated derivative financial instruments qualifying as hedged items, 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 to hedge against cash flow risks are measured at fair value and recognized in profit or loss. 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 Consolidated Statement of Profit or Loss.

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 for cash flow hedges.

No business transactions to be recognized under the rules for hedge accounting existed either as of the financial statement date or as of the prior-year financial statement date.

Trade accounts receivable and other receivables

Trade accounts receivable are recognized at the transaction price and other receivables are recognized at fair value at the time of revenue recognition. For subsequent measurement, please refer to the preceding explanations in the section "Financial assets" and Note 17, Trade accounts receivable.

Cash and cash equivalents

Cash and cash equivalents, which include money accounts and short-term money deposits with banks, are measured at amortized cost, based on the business model „hold“ and the fulfilment of the cash flow criterion, and have residual terms of a maximum of three months at the point of acquisition.

Inventories

Merchandise is recognized at the lower of cost and net realizable value. Acquisition costs are identified either by using the average cost method or, in some minor countries, by 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, most of which constitute acquired trading merchandise, are not qualifying assets as defined by IAS 23. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to sell the inventory. In addition to the incremental costs incurred in a particular further sales transaction, costs that are unavoidable for the sale must also be included in the estimated necessary selling expenses.

Doulas uses its judgment in determining what costs to sell are necessary, taking into account the specific facts and circumstances, including the nature of the inventories. Ageing as well as fashion and other risks were considered, to the extent needed, as part of measurement at the net realizable value. 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 considering all recognizable risks, or—for a large population of risks—the amount computed according to the expected value method. Non-current provisions are recognized at their present value as of the reporting date. The maturity of long-term human resources commitments is based on the date the employee leaves the company or on the timing of forecasted cash outflows. The maturity of long-term real estate commitments is based on the term of the lease contract or the estimated date of an early termination of the lease contract. Provisions for restoration obligations are recognized if contractual agreements and experience show that there is a probability of at least 50 percent that claims will be made against Douglas-Group from this obligation. Provisions for restructuring measures are recognized if a constructive obligation to restructure was formalized as of the reporting date. This is the case if a detailed restructuring plan has been formally adopted and its key elements communicated vis-à-vis those affected or if the implementation of the plan has already begun. Restructuring provisions only comprise obligatory restructuring expenses.

Provisions for pensions are accounted for in line with the requirements of IAS 19. Actuarial calculations of provisions for defined benefit plans use the projected unit credit method. As part of this measurement, the pensions and entitlements known on the reporting date are taken into account as well as the increases in salaries and pensions to be expected in future. For funded pension plans, the same interest rate chosen to determine interest expenses resulting from the measurement of obligations is also to be used to calculate interest income from plan assets. If changes to these calculation assumptions result in differences between the identified pension obligations and the pension obligations determined as of the financial statement date, actuarial gains or losses arise. These actuarial gains and losses and other valuation changes are recognized directly in other comprehensive income and within reserves in equity.

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

Financial liabilities

With the exception of contingent purchase price obligations resulting from business combinations, financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Transaction costs attributable to the acquisition are included in the recognition of financial liabilities. If there is a difference between the amount paid and the amount to be paid upon final maturity, this difference is amortized over the term according to the effective interest rate method. Financial liabilities are derecognized when the obligation is extinguished or expired (e. g. limitation of time). A financial liability is also derecognized if there has been a material change in the contractual terms of an existing financial liability or part thereof. All trade accounts payable have a maturity of less than one year and are non-interest bearing. Douglas-Group recognizes liabilities at amortized costs comprising liabilities to banks, liabilities from Senior Notes and trade accounts payable. The election to initially recognize financial liabilities at fair value through profit or loss was not applied by the Doulas-Group.

Contract liabilities in the meaning of IFRS 15

Contract liabilities are recognized when the customer has already paid the consideration and Douglas has yet to fulfill its performance obligation to transfer goods or services to the customer.

At Douglas, contract liabilities are mainly deferred revenues from customer loyalty programs and the sale of gift vouchers.

Customer loyalty programs grant the customer options to purchase goods or services at a discount in the future. At the time of revenue recognition, a portion of the transaction price is allocated to the resulting option.

Both for the gift vouchers sold and for the discount option purchased by the customer, sales are recognized as a contractual liability under other liabilities.

Government grants

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

Use of judgements

Douglas makes discretionary decisions when determining the term of leases, taking into account renewal and / or termination options. The assessment of whether these options are exercised with sufficient certainty affects the term and consequently also the measurement of the lease liability and the right of use of a lease. The classification of lessor-related leases as operating or finance leases is also subject to discretionary decisions.[16]

Also the aggregation of business segments into reporting segments, and therefore the decision as to which countries are aggregated into reporting segments, is discretionary.[17] Furthermore, the prognosis as to whether there are any material uncertainties regarding the going concern is subject to judgment.

Additionally the decision to continue the Group accounting of Kirk Beauty One GmbH after the merger based on the principles for transactions under common control is subject to discretion.

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

[16] Cf. Note 13, Right of Use Assets
[17] Cf. Note 30, Segment Reporting

assessing the impairment of goodwill[18] and measuring instruments which are issued as part of share-based payment programs[19].

Actual values may vary in individual cases from the assumptions and estimates made. Changes are recognized in income as soon as more detailed information is known. In particular, the assessment of the recoverability of goodwill and the estimation of the realizability of future tax relief were significantly affected by the COVID-19 pandemic.

[18] Cf. Note 11, Intangible Assets
[19] Cf. Note 22, Equity, section “Share-based payment“

Results of the financial year - Notes on the Consolidated Statement of Profit or Loss

5 | Sales

	10/01/2020-09/30/2021 EUR m	10/01/2019-09/30/2020 EUR m
Net sales brick & mortar	1,899.1	2,392.4
Net sales e-commerce	1,198.9	821.5
Net sales other	21.6	18.8
Total	**3,119.6**	**3,232.7**

"Net sales other" mainly include wholesale sales and remuneration for marketing-related services.

For the presentation of sales by region, see the Note 30, Segment reporting.

6 | Other operating Income

	10/01/2020-09/30/2021 EUR m	10/01/2019-09/30/2020 EUR m
Income services rendered to third parties	148.4	169.3
Income from leasing and sub-leasing	10.1	4.8
Income from disposal of assets	0.9	0.0
Income from customer cards	12.6	13.1
Income from reversal of provisions	31.9	10.3
Income from commissions	0.9	1.5
Income from the derecognition of liabilities	2.6	2.7
Income from insurance claims	2.5	1.8
Other income	28.5	37.6
Total	238.4	241.0

7 | Personnel Expenses

	10/01/2020-09/30/2021 EUR m	10/01/2019-09/30/2020 EUR m
Wages and salaries	490.5	472.2
Social security, pensions and other benefits costs	97.4	108.7
thereof for pensions	*3.0*	*3.0*
Total	587.9	580.9

The average number of employees during the financial year was as follows:

	10/01/2020 - 09/30/2021	10/01/2019 - 09/30/2020
Salaried employees	19,096	21,016
Apprentices	391	501
Total	**19,487**	**21,517**

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

	10/01/2020 - 09/30/2021	10/01/2019 - 09/30/2020
Germany	5,787	6,197
France	3,715	4,012
South-Western Europe	6,852	7,907
Eastern Europe	2,743	2,899
Douglas Group	19,096	21,016

8 | Other operating Expenses

	10/01/2020-09/30/2021 EUR m	10/01/2019-09/30/2020 EUR m
Marketing and advertising costs	202.9	197.8
Goods handling costs	163.7	129.6
Other services	114.8	116.3
Rent and utilities	62.9	59.6
IT costs	34.8	29.2
Repair costs	10.8	10.4
Fees and contributions	14.5	12.8
Travel and vehicle expenses	3.5	5.5
Equipment and consumables	8.5	12.6
Office costs and postage	9.5	9.2
Credit card fees	15.9	14.3
Other expenses	36.1	44.0
Total	677.9	641.0

9 | Financial Result

	10/01/2020-09/30/2021 EUR m	10/01/2019-09/30/2020 EUR m
Interest from loans and receivables	0.2	48.3
Income from other investments	0.0	0.2
Interest from compounding lease receivables	0.2	0.3
Income from discounting other provisions	0.0	0.1
Income from foreign exchange differences	4.2	1.5
Valuation of embedded options at Fair Value	6.4	0.0
Total financial income	**11.1**	**50.3**
Expense for financial liabilities at amortized cost	-195.1	-119.8
Interest expense from compounding lease liabilities	-41.7	-24.8
Interest expense from compounding other provisions	-0.1	-0.1
Interest expense from compounding pension provisions	-0.4	-0.3
Expense from non-controlling options	-1.2	-1.3
Expense from foreign exchange differences	-7.4	-6.8
Expense for financial assets / liabilities at Fair Value	0.0	-4.8
Result from impairments on financial assets	0.0	-91.8
Total financial expense	**-245.8**	**-249.6**
Financial result	**-234.7**	**-199.3**

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

For information on liabilities to non-controlling shareholders, please refer to Note 26, Financial liabilities.

Net result by valuation category

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

	Fair Value valuation EUR m	Currency translation EUR m	Impairment EUR m	Income from other investments EUR m	Interest income EUR m	Interest expense EUR m	Total EUR m
Measured at amortized cost					0.2		**0.2**
Other financial liabilities	-0.3					-195.9	**-196.2**
At Fair Value through profit or loss	6.4			0.0		-0.1	**6.4**
Net profit by valuation category	6.1	0.0	0.0	0.0	0.2	-196.0	**-189.7**
Assets and liabilities from leases					0.2	-41.7	**-41.5**
Assets and liabilities that are not defined as financial instruments		-3.2			0.0	-0.4	**-3.5**
Financial result	**6.1**	**-3.2**	**0.0**	**0.0**	**0.4**	**-238.1**	**-234.7**

The following table shows the net result by valuation category for the period ended September 30, 2020.

	Fair Value valuation EUR m	Currency translation EUR m	Impairment EUR m	Income from other investments EUR m	Interest income EUR m	Interest expense EUR m	Total EUR m
Measured at amortized cost			-93.4		48.3		**-45.1**
Other financial liabilities	-0.3					-120.4	**-120.7**
At Fair Value through profit or loss	-0.1		-3.2	0.2		-0.3	**-3.4**
Net profit by valuation category	-0.4	0.0	-96.6	0.2	48.3	-120.7	**-169.2**
Lease assets and liabilities					0.3	-24.8	**-24.5**
Assets and liabilities that are not defined as financial instruments		-5.3			0.1	-0.4	**-5.6**
Financial result	**-0.4**	**-5.3**	**-96.6**	**0.2**	**48.7**	**-145.9**	**-199.3**

Impairment losses on trade accounts receivable falling into the category "measured at amortized cost" - €2.3 million in the reporting year - continue to be reported under other operating expenses, unless they are impairment losses determined using the expected credit loss model under IFRS 9. These are reported separately in the Statement of Profit or Loss.

The market valuation of financial instruments classified to the category “at fair value through profit or loss” resulted in financial income of €6.4 million in the financial year (prior year: financial expenses of €0.1 million).

10 | Income Taxes

	10/01/2020- 09/30/2021 EUR m	10/01/2019- 09/30/2020 EUR m
Current tax result	31.3	32.6
thereof domestic (Germany)	*4.3*	*4.0*
thereof foreign entities	*27.0*	*28.6*
Deferred taxes	11.8	16.9
thereof from temporary differences	*11.8*	*26.1*
thereof from loss carryforwards	*0.0*	*-9.2*
Total	**43.0**	**49.5**

The actual tax result includes tax expenses for prior years amounting to €11.8 million (prior year: €7.9 million). These mainly result from findings of ongoing tax audits in Germany and France, like in the prior year.

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

	10/01/2020- 09/30/2021 EUR m	10/01/2019- 09/30/2020 EUR m
Earnings before tax (EBT)	-341.5	-469.4
Expected tax rate	32.0%	32.0%
Expected tax expense (prior year: expected tax income)	**-109.3**	**-150.2**
Tax rate effects from domestic and cross border tax jurisdictions	-4.4	-6.0
Trade tax modifications (additions / reductions)	10.7	6.1
Non-period income tax expense/income	11.8	7.9
Non-deductible tax operating expenses	33.4	7.7
Unrecognized deferred tax assets due to operating losses	96.3	24.2
Differences mainly resulting from non-consideration of impairments on goodwill	0.0	89.5
Changes in permanent differences	5.2	29.4
Impairment of deferred tax assets	0.0	40.5
Other	-0.7	0.4
Current tax expense	**43.0**	**49.5**

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

Assets, Equity and Liabilities - Notes to the Consolidated Statement of Financial Position

11 | Intangible Assets

The following table shows the development of intangible assets for financial year 2020/21.

	Goodwill EUR m	Leasehold interests and similar rights and assets EUR m	Advance payments for intangible assets EUR m	Internally generated intangible assets EUR m	Internally generated intangible assets under construction EUR m	Total EUR m
Acquisition costs						
10/01/2020	1,912.0	1,145.9	4.8	27.1	0.0	3,089.8
Currency translation adjustments	-5.4					-5.4
Additions		16.5	1.0	16.1	9.3	42.9
Disposals		-7.1				-7.1
Reclassifications in accordance with IFRS 5		-2.0				-2.0
Reclassifications		5.7	-3.4		0.2	2.5
09/30/2021	**1,906.6**	**1,159.0**	**2.4**	**43.2**	**9.5**	**3,120.7**
Accumulated amortization						
10/01/2020	678.0	357.8	0.0	8.9	0.0	1,044.7
Currency translation adjustments						0.0
Amortization		19.1		18.2		37.3
Impairment		5.0				5.0
Disposals		-5.8				-5.8
Reclassifications in accordance with IFRS 5		-2.0				-2.0
09/30/2021	**678.0**	**374.1**	**0.0**	**27.1**	**0.0**	**1,079.2**
Net amounts						
09/30/2021	**1,228.6**	**784.9**	**2.4**	**16.1**	**9.5**	**2,041.5**

The currency effects on goodwill are attributable to the goodwill-bearing unit Poland in the amount of €4.3 million.

Leasehold interests and similar rights and assets include assets with an indefinite useful life in the amount of €733.6 million (prior year: €729.4 million).

The following table shows the development of intangible assets for financial year 2019/20.

	Goodwill EUR m	Leasehold interests and similar rights and assets EUR m	Advance payments for intangible assets EUR m	Internally generated intangible assets EUR m	Internally generated intangible assets under construction EUR m	Total EUR m
Acquisition costs						
10/01/2019	1,912.0	1,136.8	3.8	0.0	0.0	3,052.6
Currency translation adjustments		-0.1				-0.1
Additions		16.5	3.5	17.4		37.4
Disposals		-4.1				-4.1
Reclassifications		-3.2	-2.5	9.7		4.0
09/30/2020	1,912.0	1,145.9	4.8	27.1	0.0	3,089.8
Accumulated amortization						
10/01/2019	398.3	306.7	0.0	0.0	0.0	705.0
Currency translation adjustments		-0.1				-0.1
Amortization		46.0		7.2		53.2
Impairment	279.7	9.3				289.0
Disposals		-2.4				-2.4
Reclassifications		-1.7		1.7		0.0
09/30/2020	678.0	357.8	0.0	8.9	0.0	1,044.7
Net amounts						
09/30/2020	1,234.0	788.1	4.8	18.2	0.0	2,045.1

12 | Property, Plant and Equipment

The following table shows the development of property, plant and equipment for financial year 2020/21.

	Land and buildings EUR m	Other equipment, operating and office equipment EUR m	Advance payments on assets under construction EUR m	Total EUR m
Acquisition costs				
10/01/2020	502.3	681.1	21.3	1,204.7
Currency translation adjustments	-0.2	-0.2		-0.4
Additions	8.1	23.0	8.3	39.4
Disposals	-31.5	-37.8	-2.4	-71.7
Reclassifications in accordance with IFRS 5	-7.4	-7.6		-15.0
Reclassifications	5.0	7.6	-15.1	-2.5
09/30/2021	**476.3**	**666.1**	**12.1**	**1,154.5**
Accumulated amortization				
10/01/2020	377.7	548.1	0.9	926.7
Currency translation adjustments	-0.2	-0.2		-0.4
Depreciation	24.2	43.2	0.2	67.6
Impairment	4.6	10.5		15.1
Reclassifications in accordance with IFRS 5	-29.5	-31.0	-0.2	-60.7
Disposals	-6.3	-7.8		-14.1
Reclassifications	0.2	0.7	-0.9	0.0
09/30/2021	**370.7**	**563.5**	**0.0**	**934.2**
Net amounts				
09/30/2021	**105.6**	**102.6**	**12.1**	**220.3**

Purchase commitments for approved capital expenditure in property, plant and equipment or intangible assets totaled €23.5 million as of the reporting date (prior year: €23.8 million).

The following table shows the development of property, plant and equipment for financial year 2019/20.

	Land and buildings EUR m	Other equipment, operating and office equipment EUR m	Advance payments on assets under construction EUR m	Total EUR m
Acquisition costs				
10/01/2019	497.1	656.9	20.2	1,174.2
Currency translation adjustments	-1.6	-2.5	-0.1	-4.2
Additions	13.3	37.0	17.6	67.9
Disposals	-10.7	-17.7	-0.8	-29.2
Reclassifications	4.2	7.4	-15.6	-4.0
09/30/2020	502.3	681.1	21.3	1,204.7
Accumulated amortization				
10/01/2019	372.0	509.4	0.0	881.4
Error correction in current accounts	-13.8			-13.8
Currency translation adjustments	-1.0	-1.8		-2.8
Depreciation	24.7	46.3		71.0
Impairment	6.4	12.1	1.1	19.6
Write-up			-0.2	-0.2
Disposals	-10.6	-17.9		-28.5
Reclassifications				0.0
09/30/2020	377.7	548.1	0.9	926.7
Net amounts				
09/30/2020	124.6	133.0	20.4	278.0

13 | Right of Use Assets

The following table shows the development of rights of use under leases for financial year 2020/21.

	Right of use asset property EUR m	Right of use asset cars EUR m	Right of use asset other EUR m	Right of use asset advance payments EUR m	Total EUR m
Acquisition costs					
10/01/2020	1,517.1	3.9	0.0	0.0	**1,521.0**
Currency translation adjustments	-0.3	0.1			**-0.2**
Additions	165.6	1.2	0.1		**166.9**
Disposals	-111.5	-0.1			**-111.6**
Reclassification of assets held for sale	-7.6				**-7.6**
09/30/2021	**1,563.3**	**5.1**	**0.1**	**0.0**	**1,568.5**
Accumulated amortization					
10/01/2020	288.6	1.5	0.0	0.0	**290.1**
Currency translation adjustments	-0.2				**-0.2**
Depreciation	259.5	1.5			**261.0**
Impairment	16.6				**16.6**
Write-up	-1.8				**-1.8**
Disposals	-28.2				**-28.2**
Reclassification of assets held for sale	-6.6				**-6.6**
09/30/2021	**527.9**	**3.0**	**0.0**	**0.0**	**530.9**
Net amounts					
09/30/2021	**1,035.4**	**2.1**	**0.1**	**0.0**	**1,037.6**

The following table shows the development of rights of use under leases for financial year 2019/20.

	Right of use asset property EUR m	Right of use asset cars EUR m	Right of use asset other EUR m	Right of use asset advance payments EUR m	Total EUR m
Acquisition costs					
10/01/2019	1,422.4	3.1	0.0	0.0	1,425.5
Currency translation adjustments	-5.6				-5.6
Additions	144.8	0.8			145.6
Disposals	-44.5				-44.5
09/30/2020	1,517.1	3.9	0.0	0.0	1,521.0
Accumulated amortization					
10/01/2019	0.0	0.0	0.0	0.0	0.0
Currency translation adjustments	-1.0				-1.0
Depreciation	279.8	1.5			281.3
Impairment	10.0				10.0
Disposals	-0.2				-0.2
09/30/2020	288.6	1.5	0.0	0.0	290.1
Net amounts					
09/30/2020	1,228.5	2.4	0.0	0.0	1,230.9

For information on leases, please refer to Note 34, Leases.

14 | Impairment of Assets according to IAS 36

In accordance with IAS 36 (Impairment of Assets), certain assets are tested for impairment annually or on an ad hoc basis. This involves comparing the carrying amount of the cash-generating unit (or groups of cash-generating units) with the recoverable amount of the cash-generating unit (or groups of cash-generating units).

Goodwill and intangible assets with indefinite useful lives

Annual impairment tests are carried out for goodwill and intangible assets with indefinite useful lives, in this case the "Douglas" and "Nocibé" brands and the location advantages in France associated with rental agreements. This is performed at the level of a group of cash-generating units. Specifically, this is generally the organizational unit per country. In the impairment test, the sum of the carrying amounts of the group of cash-generating units is compared with the recoverable amount.

Goodwill

The recoverable amount of goodwill in the Douglas-Group is defined as the value in use and is determined on the basis of discounted future cash flows derived from internal planning calculations.

Key planning assumptions include sales growth, expectations of adjusted EBITDA and estimates of the perpetual growth rate and the cost of capital.

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

	09/30/2021		09/30/2020	
	Reportable Segment EUR m	Operating Segment EUR m	Reportable Segment EUR m	Operating Segment EUR m
Germany	**446.3**	446.3	**446.3**	446.3
France	**436.8**	436.8	**436.8**	436.8
South-Western Europe	**255.5**		**255.5**	
The Netherlands		200.2		200.2
Austria		44.4		44.4
Other countries South-Western Europe		10.9		10.9
Eastern Europe	**90.0**		**95.4**	
Poland		58.2		62.5
Other countries Eastern Europe		31.8		32.9
	1,228.7	**1,228.7**	**1,234.1**	**1,234.1**

The planning calculations used to determine the value in use relate to detailed planning periods of three years, which corresponds to the planning system of the companies, followed by the perpetual annuity. The premises are based on management assessments as well as past experience and general economic data. The underlying planning for the financial year 2021/22 was presented by management to the Supervisory Board and approved by it.

In the detailed planning phase, we assume the following business-segment-related developments in sales and adjusted EBITDA:

Operating segment	**Sales (net)**	**Adjusted EBITDA**	**Detailed planning period (years)**
Germany	strong increase	strong increase	3
France	strong increase	significant increase	3
The Netherlands	strong increase	strong increase	3
Austria	strong increase	strong increase	3
Poland	strong increase	strong increase	3

In all countries described here, we expect a slight increase in market shares. In principle, we assume that our market penetration on the one hand and the implementation of efficiency enhancement measures on the other will enable us to largely compensate for future cost increases.

All other operating segments not mentioned here are of minor importance in terms of the amount of goodwill attributable to them.

The calculation of the perpetual annuity is based on a risk-adjusted growth rate of 1.0 percent.

The following capitalization rates were used for discounting.

	09/30/2021		09/30/2020	
	after tax %	before tax %	after tax %	before tax %
Germany	7.5%	10.7%	6.1%	8.8%
France	7.8%	10.3%	6.4%	8.9%
South-Western Europe				
The Netherlands	7.5%	10.0%	6.2%	8.2%
Austria	7.7%	10.3%	6.8%	9.1%
Other countries South-Western Europe	8.1%	10.2% - 10.8%	6.9% - 8.1%	9.1% - 10.6%
Eastern Europe				
Poland	8.8%	10.8%	8.2%	10.1%
Other countries Eastern Europe	8% - 10.1%	9.3% - 12%	7.2% - 9.7%	8.5% - 10.8%

The impairment test of goodwill did not result in any impairment losses in the reporting period 2020/21 (previous year: €279.7 million).

Location advantages associated with leasehold interests

In segment France, location advantages associated with leasehold interests that were acquired by the previous tenant are capitalized in the amount of €26.5 million (prior year: €22.3 million). The useful life is independent of the respective terms of the lease agreements and is therefore indefinite. The value to be used for impairment testing (recoverable amount) is determined as the higher of fair value less costs of sale and value in use. A capitalization rate of 9.4 percent before taxes was used for discounting.

Brands

The Company assumes that the useful lives of the "Douglas" and "Nocibé" brands are indefinite due to ongoing brand maintenance measures. Unchanged from prior year, €534.4 million relates to the "Douglas" brand and €172.7 million to the "Nocibé" brand.

While the “Nocibé” brand is assigned exclusively to segment France, the “Douglas” brand was assigned to the corresponding business segments for the purposes of impairment testing on goodwill:

	09/30/2021 Operating segment EUR m	09/30/2020 Operating segment EUR m
Germany	235.2	247.8
The Netherlands	58.6	50.1
Austria	18.1	18.7
Italy	83.2	77.9
Spain	45.4	49.1
Rest of South-Western Europe	10.1	10.7
Poland	43.0	41.8
Rest of Eastern Europe	40.8	38.3
	534.4	534.4

For the brands, the recoverable amount is the fair value (Level 3), which is determined using a recognized valuation technique (license price analogy). The key assumptions used to determine the fair value of the brands are the change in sales revenue, the license rate and the cost of capital. A sales-related license rate was derived from the earnings contributions generated by the brand and a typical licensor share and applied to the brand-relevant sales, taking into account a meltdown rate over a total period of 30 years.

The cash flows determined in this way were discounted with a cost of capital rate of 6.5 percent for the “Douglas” brand and 6.8 percent for the “Nocibe” brand.

Stores

The triggering event for subjecting stores to an impairment test is, in particular, negative store contribution margins due to a decline in customer frequency, also caused by Corona, and planned store closures.

The recoverable amount is calculated as the value in use on the basis of future cash flows, which are based on internal planning calculations. The planning assumptions include sales growth, gross profit expectations/EBITDA expectations, estimates of replacement investments in the store network, the personnel expenses ratio and other cost ratios relating to the individual stores. The planning calculations relate to the remaining term of the respective rental agreements calculated up to their probable end, including any extension options. The planning period is between one and fifteen years. The calculation is based on interest rates of between 6.1 percent and 11.2 percent (prior year: 5.5 percent and 9.0 percent) before taxes.

Impairment tests at store level as a cash-generating unit resulted in impairment losses totaling €15.1 million (prior year: €19.6 million) and were attributable to the reporting segments presented below:

	10/01/2020 09/30/2021 Reportable Segment EUR m	10/01/2019 09/30/2020 Reportable Segment EUR m
Germany	6.9	10.2
France	0.7	3.2
South-Western Europe	6.3	5.0
Eastern Europe	1.2	1.2
	15.1	**19.6**

15 | Deferred Taxes

Deferred taxes are calculated on the differences between the IFRS carrying amount and the tax base and can be broken down to the individual financial statement items as follows.

	09/30/2021		**09/30/2020**	
	Deferred tax asset EUR m	**Deferred tax liability EUR m**	**Deferred tax asset EUR m**	**Deferred tax liability EUR m**
Intangible assets	14.7	188.3	3.1	187.7
Property, plant and equipment	2.2	14.8	13.8	5.7
Inventories	17.0	1.9	20.5	0.0
Financial assets	0.7	10.1	1.6	3.5
Other assets	4.7	1.6	0.6	0.0
Provisions	38.5	5.3	20.8	1.3
Financial liabilities	1.7	88.0	6.5	0.9
Other financial liabilities	3.5	10.3	9.4	0.1
Tax loss carryforward	10.3		10.1	0.0
Impairment of deferred tax assets	-20.2		-20.1	0.0
Carrying amount of deferred tax before offset	73.1	320.3	66.3	199.2
Offsetting	-46.8	-46.8	-5.0	-5.0
Carrying amount of deferred tax	**26.3**	**273.5**	**61.3**	**194.2**

The temporary differences taken as a basis for the calculation of deferred taxes mainly result from fair value measurements as well as the revaluation of financial assets and liabilities in accordance with IFRS 9. Deferred tax expenses in the amount of €0.4 million (prior year: €0.3 million) for pension provisions were directly recognized in other comprehensive income. The deferred tax liabilities on IFRS 9 valuation of financial liabilities amounting to €101.1 million (prior year: €0.0 million) were also recognized directly in equity.

In the amount of €0.3 million (prior year: €10.1 million), deferred tax claims on temporary differences and loss carryforwards that can be deducted in future periods are recognized for companies that show tax losses in the current period or in the prior period higher than the effects on earnings from the reversal of existing taxable temporary differences. The recognition of deferred tax claims is subject to sufficient substantial indications for their realization in future periods as a result of future structural measures and existing planning calculations.

In addition, as of the balance sheet date, September 30, 2021, there were further tax loss carryforwards amounting to €936.0 million (prior year: €267.4 million), for which no deferred tax assets were recognized or they were written-off (€10.0 million as of September 30, 2021).

Of these, €5.6 million (prior year: €4.5 million) will expire within the next 5 to 7 years; the remaining loss carryforwards can principally be carried forward indefinitely. Tax loss carryforwards in the amount of € 0.0 million (prior year: €0.1 million), for which no deferred tax claims were recognized, were used in the reporting period.

In accordance with IAS 12, deferred tax liabilities are recognized on the difference between the equity share of a subsidiary included in the Consolidated Statement of Financial Position and the carrying amount of the investment in the subsidiary recognized in the parent company's tax balance sheet (outside basis differences), if realization is expected. As of the reporting date, outside basis differences amounted to €10.3 million (prior year: €19.2 million), for which no deferred taxes were recognized.

16 | Inventories

	09/30/2021 EUR m	09/30/2020 EUR m
Finished goods and merchandise	647.9	728.7
Raw materials, consumables and supplies	5.4	5.3
Advances to suppliers for merchandise	0.0	0.2
Total	**653.3**	**734.3**

Write-downs to the net realizable value resulted in impairment losses of €31.4 million in financial year 2020/21 (prior year: €24.9 million).

Inventories are regularly subject to the customary retention of title.

17 | Trade Accounts receivable

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

Values determined using the expected credit loss model in accordance with IFRS 9 are presented separately in the Consolidated Statement of Profit or Loss. Trade accounts receivable are due immediately, do not bear interest and are therefore not exposed to any interest rate risk. The carrying amounts of the receivables are basically equivalent to their fair values. The maximum default risk as of the reporting date corresponds to the carrying amount.

Assessment of expected credit losses

In order to estimate the expected credit losses on trade accounts receivable, an allowance matrix is used.

The default risk is mainly influenced by individual characteristics of customers and the geographical location. In order to calculate expected credit losses, trade accounts receivable with comparable credit risk characteristics are classified into different portfolios based on geographical location and customer characteristics. Historical patterns of payment behavior and the ageing structure of receivables are analyzed individually for each portfolio and used as a starting point for determining the loss rate. Together with the amount at risk of default, the expected credit loss is determined for each portfolio and maturity band. The calculated loss rate per portfolio is adjusted downstream if significant changes in the macroeconomic situation are expected.

The following table provides information on the estimated credit risk and expected credit losses for trade accounts receivable as of September 30, 2021.

	Weighted average loss rate %	Gross carrying amount EUR m	Loss allowance EUR m	Credit-impaired
Current (not past due)	0.6	8.0	0.0	No
1–30 days past due	0.9	13.0	0.1	No
31–60 days past due	6.3	2.2	0.1	No
61–90 days past due	52.2	0.4	0.2	No
More than 90 days past due	85.0	0.2	0.2	Yes
Total		**23.8**	**0.7**	
Accounts receivable without subject to risk	-	19.6	0.0	
Trade accounts receivable as of September 30, 2021		**43.4**	**0.7**	

The following table provides information on the estimated credit risk and expected credit losses for trade accounts receivable as of September 30, 2020.

	Weighted average loss rate %	Gross carrying amount EUR m	Loss allowance EUR m	Credit-impaired
Current (not past due)	0.7	5.5	0.0	No
1–30 days past due	1.2	8.9	0.1	No
31–60 days past due	8.0	1.5	0.1	No
61–90 days past due	52.7	0.3	0.2	No
More than 90 days past due	85.0	0.1	0.1	Yes
Total		**16.3**	**0.5**	
Accounts receivable without subject to risk	-	21.2	0.0	
Trade accounts receivable as of September 30, 2020		**37.5**	**0.5**	

Douglas GmbH does not demand securities for claims arising from deliveries and services. The Group does not have any trade receivables, for which no impairment is recognized due to the existence of collateral.

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

As a result of default risks, valuation allowances amounting to €11.7 million (prior year: €19.2 million) exist at the reporting date.

The development of allowances related to trade receivables and contract assets is shown in the following table:

	2020/2021 EUR m	2019/2020 EUR m
As of October 1	19.2	19.2
Additions	2.3	1.5
Reversal	-0.1	-0.7
Utilization	-9.7	-0.8
As of September 30	**11.7**	**19.2**

18 | Financial Assets

Financial assets include long-term receivables, bonus/advertising cost subsidies, equity participations, lease receivables and other financial receivables. Except for equity participations, financial assets are classified and measured on the basis of the business model and the cash flow criterion; they are managed within the business model “hold” and the cash flow criterion is considered fulfilled. Consequently, they are measured at amortized cost.

Equity participations represent financial investments in unlisted equity instruments. There was no intention to sell said equity participations as of the reporting date. Depending on how the equity instruments are managed, they are measured at fair value through profit or loss.

Financial assets overview

	09/30/2021			09/30/2020		
	Total	With a remaining term of		Total	With a remaining term of	
		Up to 1 year	More than 1 year		Up to 1 year	More than 1 year
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
Receivables against shareholders	0.0	*0.0*	*0.0*	831.4	*0.1*	*831.3*
Bonuses/advertising subsidies	117.5	*117.5*		122.5	*122.5*	-
Embedded options	22.5		*22.5*	-	-	-
Equity participations	2.1	-	-	2.1	-	-
Lease receivables	43.1	*32.5*	*10.6*	54.2	*36.4*	*17.7*
Other financial assets	9.3	*8.8*	*0.5*	6.4	*5.8*	*0.6*
Total	194.5	*158.8*	*33.6*	1,016.6	*164.8*	*849.6*

As part of the reorganization of the holding structure, Kirk Beauty One GmbH was merged with its direct shareholder, Kirk Beauty Two GmbH. As a result, the receivables from shareholders have been extinguished.

Receivables from supplier bonuses and advertising subsidies are due in the short term and do not bear interest.

The contractual terms of the new Senior Secured Notes as well as the new Senior PIK Notes - which were passed on to Douglas GmbH via a loan from Kirk Beauty SUN GmbH - grant the issuer the right to repurchase the loan at any time.

The issuer's repurchase rights included are exotic, path-dependent options that must be measured as a single instrument for financial mathematical purposes. In accordance with IFRS 9, the derivative is also to be regarded as a single entity for accounting purposes. In order to accurately measure the repurchase options, an interest rate structure model is used that simulates the interest rate development over the entire term or until the respective exercise of the options.

The advantageousness of exercising the repurchase rights depends on the interest rate conditions that the issuer would receive at the time of exercise for taking up alternative financing. The refinancing interest rate is the market interest rate at which the issuer could obtain financing, taking into account a risk premium specific to the issuer. This is offset by the implicit loan interest rate, which is made up of the contracted interest rate. Accordingly, an exercise of the repurchase rights is economic if the refinancing interest rate for alternative financing at the exercise date is below the implicitly contracted loan interest rate. Consequently, the fair value of the embedded derivative is also largely dependent on these two factors and their expected fluctuations.

In order to determine the advantageousness of an exercise, interest rates and default intensities are each simulated by a one-factor model according to Hull and White (1990). Input parameters of the valuation model are the interest rate and credit spread volatilities as well as the interest rate structure and CDS rates at the respective valuation date. The credit spread volatility is taken into account on the basis of the historical volatility of the CDS spreads of the B- or CCC rating class. The interest rate volatilities are derived from swaption volatilities quoted on the market.

The embedded options were capitalized as non-current financial assets in the amount of €16.0 million at the time of refinancing. At the reporting date, the subsequent measurement resulted in a valuation gain of €6.4 million, which is recognized in the financial result.

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

Development of write downs on other financial assets

The following table contains an analysis of other financial assets

	09/30/2021 EUR m	09/30/2020 EUR m
Financial assets		
Not due	*189.9*	*1,001.1*
Past due < 30 days	*0.8*	*9.8*
Past due > 30 days	*3.8*	*5.7*
Total	**194.5**	**1,016.6**

No cash receipts relating to receivables fully written-off in prior periods were recognized in the financial year 2020/21. The maximum default risk corresponds to the carrying value as of the reporting date.

The impairment of financial assets is presented below, broken down by the levels of the expected credit loss model.

Level 1 - Probability of default for the next twelve months

	2020/2021 EUR m	2019/2020 EUR m
As of October 1	4.9	1.8
Additions	0.3	3.2
Reversal	-0.5	-
Utilization	-1.8	-0.1
As of September 30	2.9	4.9

The addition in the previous year was adjusted by € 2.0 million due to better information, with no effect on the consolidated statement of income or the consolidated statement of financial position.

Level 2 - Probability of default for the entire term

	2020/2021 EUR m	2019/2020 EUR m
As of October 1	155.1	63.3
Changes in consolidation group	-155.1	-
Additions	0.0	91.8
As of September 30	0.0	155.1

19 | Other Assets

Other assets mainly include prepaid expenses and deferred prepayments in connection with a future value in use.

20 | Cash and Cash Equivalents

The largest item of cash and cash equivalents is bank balances (original term up to 3 months). It also includes checks and cash in hand. Cash and cash equivalents represent highly liquid financial investments that can be converted into cash at any time and are only subject to insignificant fluctuations in value. The Consolidated Statement of Cash Flows provides a detailed analysis of the movement in cash and cash equivalents. The maximum default risk corresponds to the carrying value as of the reporting date.

Douglas GmbH allocates cash and cash equivalents to the business model “hold”. Based on the business model and the fulfilment of the cash flow criterion, cash and cash equivalents are measured at amortized cost. All carrying amounts correspond to the fair values.

Cash and cash equivalents measured at amortized cost are subject to the general approach of the expected credit loss model. Douglas GmbH only makes investments in counterparties with at least investment grade rating (BBB-), a low credit risk is assumed for these financial instruments. Douglas GmbH uses credit default swap spreads and rating information to determine the expected credit losses for cash and cash equivalents. The calculated amount of expected credit losses is insignificant.

As of the reporting date, bank balances in the amount of €175.0 million (prior year: €221.9 million) had been pledged as collateral for bank loans and Senior Notes. Under the terms of agreement, all rights and powers in respect of the accounts may be fully exercised so that the pledged bank balances continue to form part of cash and cash equivalents.

Cash and cash equivalents of €10.5 million (prior year: €2.3 million) were subject to restraints on disposal.

Security can only be enforced by the lenders if the majority of them instruct the agent to make the debt due and payable with immediate effect. This requires a prior breach of the terms of the contract, which has not been resolved before the expiration of a specified grace period.

21 | Assets held for Sale and related Liabilities

Against the background of the optimization of our store network (Store Optimization Program), 42 stores were identified in reporting segment France and 19 stores in operating segment Italy, being part of reporting segment South-Western Europe, the sale of which was already completed in the 1st quarter for segment France and is expected in the first half of the coming financial year 2021/2022 for segment South-Western Europe.

Accordingly, the corresponding assets of these stores held for sale amounting to €8.4 million were reported separately in the Consolidated Statement of Financial Position as "Assets held for sale" and associated liabilities of €1.5 million as "Liabilities related to assets held for sale" as of the reporting date.

Stores held for sale	Number	France 42	Italy 19	Total 61
Non-current assets	EUR m	1.5	1.1	2.7
Inventories	EUR m	4.9	0.8	5.7
Assets held for sale	**EUR m**	6.4	2.0	8.4
Personnel liabilities	EUR m	0.0	0.4	0.4
Lease liabilities	EUR m	0.8	0.3	1.1
Liabilities related to assets held for sale	**EUR m**	0.8	0.7	1.5

22 | Equity

The reorganization of the holding structure resulted in the equity effects shown in the following table:

	Capital stock EUR m	Additional paid-in capital EUR m	Reserves EUR m	Equity before non-controlling interests EUR m
Contributions from Kirk Beauty Two GmbH				
Current assets			0.5	0.5
Shareholder loans			-861.3	-861.3
Provisions			-0.3	-0.3
Intercompany liabilities			-986.5	-986.5
Tax liabilities			-10.0	-10.0
Consolidation				
Consolidation of receivables from former Kirk Beauty Two GmbH			-831.4	-831.4
Consolidation of liabilities against former Kirk Beauty Two GmbH			986.5	986.5
Creation of additional paid-in capital of Douglas GmbH		-676.3	676.3	0.0
Changes in the scope of consolidation	0.0	-676.3	-1,026.2	-1,702.5

Capital stock

Capital stock amounted to €44,350.00 (prior year: €25,000.00) on the reporting date, divided into 25,000 Class A shares and 19,350 Class B shares, each with a nominal value of €1.00. Capital stock was entirely paid in.

By resolution of April 6, 2021, capital stock of Douglas GmbH was increased by €19,350.00 to €44,350.00 by issuing 19,350 new shares at €1.00 each. Furthermore, it was resolved to pay a premium of €219,980,650.00 into the capital reserve. The premium was paid in cash.

A preferred dividend of 2 percent p.a. is payable on Class B shares and share premium. If a dividend payment cannot be made, the preferred dividend is accumulated in the following year. In addition to the accumulation, a further 2 percent increase on the accumulated amount has been agreed. Class A shares are not entitled to dividends until the preferred shareholders have been served. Dividends cannot be distributed in total as long as interest-bearing third-party liabilities exist with the Company, or the Company is the guarantor for such liabilities.

The accumulated preferred dividend amounts to €1.9 million.

Additional paid-in capital

Additional paid-in capital includes capital contributions of Douglas GmbH shareholders in excess of subscribed capital. In the reporting year, a premium of €219,980,650.00 was paid into the capital reserve in cash.

Reserves

	09/30/2021 EUR m	09/30/2020 EUR m
Retained earnings	-1,640.0	-452.3
Reserve for the recognition of actuarial gains/losses from pension provisions	-4.1	-3.3
Deferred taxes recognized directly in equity	1.5	1.1
Reserve for currency translation differences	-9.8	-5.3
Total	**-1,652.3**	**-459.8**

Share-based payment

Management participation program II

On December 30, 2020, a new share-based compensation program was established by means of a second management investment company, Kirk Beauty 2 Beteiligungs GmbH & Co. KG, a direct shareholder of Douglas GmbH. Key management personnel, other senior executives and other individuals were granted shares in this company, enabling them to hold an indirect interest in the Douglas-Group and thus participate in the expected increase in value. The participation granted comprises shares in the share capital of Douglas GmbH amounting to 5.6 percent and in a shareholder loan granted by Kirk Beauty International S.A. to Douglas GmbH bearing interest at 2.0 percent.

Given that Douglas-Group companies are not obliged to settle share-based payments themselves, this constitutes a share-based payment with settlement through equity instruments in accordance with IFRS 2.43B (b).

Members may only sell acquired shares to Kirk Beauty International S.A. If a member leaves the program, Kirk Beauty International S.A. is entitled to buy back his shares (call option).

If they sell their shares prematurely or leave the Douglas-Group as “good leavers,” members shall receive a payment for a contractually defined share of the portfolio, which is vested until the date of departure, equating to the higher of the current market value of the shares or the purchase price less any received reimbursements. For the non-vested share, “good leavers” receive the lower of the current market value or the purchase price less any received reimbursements. Five years after the accession date, “good leavers” receive 100 percent of the market value of their portfolio upon termination. “Bad leavers” receive the lower of current market value and purchase price.

If a defined exit event occurs (which may include an initial public offering or a similar transaction, in which all or substantially all of the Group's assets are sold, so that the current investors retain less than 50 percent of the shares), the proceeds from the sale, after the deduction of costs, will be used to service the above-mentioned instruments, including accrued interest. Investors are required to cooperate in an exit event and participate pro rata in the proceeds of the sale in accordance with the portfolio they hold.

In order to determine IFRS 2 personnel expense for the period, the purchase prices to be paid by plan participants were compared to the fair values of the share classes at the respective accession date (grant date). If plan participants have purchased instruments at a price below fair value, the grant date fair value is determined as the difference between purchase price and fair value at the accession date. Fair values of the instruments were determined by means of discounted cash flow assessments of the Douglas-Group, based on business plans valid on the grant dates, taking into account the seasonal development of working capital and the change in net debt. The cost of capital parameters were derived on a quarterly basis and include the risk-free interest calculated using the Svensson methodology, the relevant market risk premium, the average unlevered beta and debt-equity ratio derived from the applicable peer group and a country- specific weighted tax rate. In addition, a weighted country-specific risk premium according to Damodaran and a credit spread between a ten-year German government bond and a bond determined using a synthetic rating of the Douglas-Group were taken into account.

The resulting enterprise value has been allocated to the different classes of instruments according to the Black-Scholes method. Black-Scholes models were calculated using the same assumptions regarding risk-free interest rate, volatility and expected maturity of the program, which was set at 17 months beginning December 30, 2020. It was also assumed that no plan participants will leave the program within the remaining term and that no dividends will be paid or repurchase programs will be executed. The calculation of purchase prices takes into account a discount for the lack of marketability ("DLOM"). DLOM was determined using the Finnerty approach.

The parameters used in calculation are as follows.

Parameters	2020/2021
risk-free interest rate	-0.2%
market risk premium	7.5%
unlevered beta	0.9
volatility	32.2%
WACC after tax	7.3%
DLOM	8.7%

The fair values of the benefits granted to employees on initial issue of the instruments were as follows: Shares in capital stock €18.6 million and shares in the shareholder loan €0.0 million.

The purchase price of the shares issued to the plan participants existing at the reporting date amounts to a total of €0.0 million for the shares in capital stock and €0.5 million for the shares in the shareholder loan.

The total value of the benefits arising from the shares granted to employees at the end of the financial year amounts to €18.6 million. Due to the classification as an equity-settled share-based payment program, the fair value of the respective benefit from the share grant, determined at the grant date, is recognized as personnel expense over the vesting period; the offsetting entry is made in retained earnings. Personnel expenses of €8.1 million were recognized for this share-based payment in the financial year.

Management participation program I

The first management participation program, which exists since March 2016 in a management participation company as shareholder of Kirk Beauty International S.A., was closed to new plan participants with the introduction of the second management participation program. No new plan participants were admitted in financial year 2020/21.

The program grants members the opportunity to indirectly acquire shares in Kirk Beauty International S.A. in a particular structure. The participants’ investment allows them to indirectly participate in the returns and value developments of a defined portfolio consisting of ordinary shares, preferred shares and preferred equity certificates (PECs). Preferred shares and

PECs have defined returns on capital employed. PECs take precedence over preferred shares, which in turn take precedence over ordinary shares, when it comes to servicing.

Members may only sell acquired shares to Kirk Beauty Investments S.A. If a member leaves the program, Kirk Beauty Investments S.A. is entitled to buy back his shares (call option).

Given that Douglas-Group companies are not obliged to settle share-based payments themselves, this constitutes a share-based payment with settlement through equity instruments in accordance with IFRS 2.43B (b).

The instruments issued to employees developed as follows.

Financial year 2020/21:

The instruments issued to employees did not change in financial year 2020/21 compared with September 30, 2020 and amounted to:

	Ordinary shares	Preferred shares	PECs
09/30/2021	652,852	1,013,792	160,719,965

Financial year 2019/20:

	Ordinary shares	Preferred shares	PECs
10/01/2019	690,352	1,072,025	169,796,695
Instruments returned	-37,500	-58,233	-9,076,730
09/30/2020	652,852	1,013,792	160,719,965

Due to the classification as equity settled share-based payment program, the grant date fair value of benefits granted in the form of instruments is recorded as personnel expense over the vesting period; the offsetting entry is made in other reserves in equity. Personnel expense of €0.0 million (prio year: €0.2 million) was recognized for this share-based payment in the financial year, as the vesting period for all existing plan participants was completed before the beginning of the reporting year. The program therefore has no impact on the Consolidated Statement of Financial Position or Consolidated Statement of Profit or Loss for financial year 2020/21.

23 | Pension Provisions

Pension provisions are recognized for funded and non-funded employer-financed commitments arising from pension entitlements and ongoing payments to employees and former employees as well as their surviving dependents. They are also recognized for purely employee-funded commitments from deferred compensation. The pension entitlements usually relate to payments for contractually agreed retirement pensions as a monthly amount. These commitments are accounted for in accordance with the requirements of IAS 19. Accordingly, actuarial gains/losses are recognized directly and in full via a separate equity component.

Valuations are based on actuarial reports using the following parameters.

	Germany **%**	**France** **%**	**The Netherlands** **%**	**Switzerland** **%**
09/30/2021				
Interest rate	0.80	0.85	0.70	0.04
Pension benefit increase rate	1.50	0.00	2.00	0.00

	Germany **%**	**France** **%**	**The Netherlands** **%**	**Switzerland** **%**
09/30/2020				
Interest rate	1.00	0.65	0.80	0.14
Pension benefit increase rate	1.50	0.00	2.00	0.00

Dr. Heubeck's 2018 "Mortality Tables" or comparable country-specific mortality tables were used as a basis for the biometric parameters.

The following table shows a reconciliation of the defined benefit obligation (DBO) to the defined benefit liability (DBL).

		09/30/2021			**09/30/2020**	
	Unfunded obligation **EUR m**	**Funded obligation** **EUR m**	**Total** **EUR m**	**Unfunded obligation** **EUR m**	**Funded obligation** **EUR m**	**Summe** **EUR m**
DBO	32.5	20.4	52.9	32.5	20.8	53.3
Fair value of plan assets	-	-16.9	-16.9	-	-17.1	-17.1
Liability	**32.5**	**3.5**	**36.0**	**32.5**	**3.7**	**36.2**

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

	2020/2021 Unfunded obligation EUR m	2020/2021 Funded obligation EUR m	2020/2021 Total EUR m	2019/2020 Unfunded obligation EUR m	2019/2020 Funded obligation EUR m	2019/2020 Total EUR m
DBO at the beginning of the period	32.5	20.8	53.3	36.3	21.9	58.2
Restatement due to initial application of changes in accounting policies related to IAS 19	-	-	-	-1.8	-	-1.8
Restated DBO at the beginning of the period	**32.5**	**20.8**	**53.3**	**34.5**	**21.9**	**56.4**
Included in Profit or Loss						
Service cost	0.4	0.5	0.9	0.4	0.4	0.8
Interest expense	0.3	0.1	0.4	0.2	0.1	0.3
Past service cost	-	-0.1	-0.1	-	-	0.0
Curtailments	-0.2	-	-0.2	-0.2	-	-0.2
	0.5	**0.5**	**1.0**	**0.4**	**0.5**	**0.9**
Included in OCI						
Actuarial gains or losses resulting from adjustment of demographic assumptions	0.0	-0.2	-0.2	0.0	-0.2	-0.2
Actuarial gains or losses resulting from adjustment of financial assumptions	0.8	0.4	1.2	-1.4	-0.3	-1.7
Actuarial gains or losses resulting from experience adjustment	0.2	-0.2	0.0	0.5	0.2	0.7
	1.0	**0.0**	**1.0**	**-0.9**	**-0.3**	**-1.2**
Other						
Contributions paid by the employee	-	0.2	0.2	-	0.2	0.2
Benefits paid	-1.5	-1.1	-2.6	-1.5	-1.5	-3.0
Currency translation adjustments	-	0.0	0.0	-	0.0	0.0
DBO at the end of the period	**32.5**	**20.4**	**52.9**	**32.5**	**20.8**	**53.3**

No further disclosures are made regarding losses from curtailment due to the minor significance of this item.

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

	2020/2021 EUR m	2019/2020 EUR m
Plan assets at the beginning of the period	17.1	18.1
Included in Profit or Loss		
Expected return on plan assets	0.1	0.0
Included in OCI		
Return on plan assets excluding interest income	0.3	-0.1
Other		
Contributions paid by the employee	0.2	0.2
Contributions paid by the employer	0.2	0.3
Benefits paid	-1.0	-1.4
Currency translation adjustments	0.0	0.0
Plan assets at the end of the period	**16.9**	**17.1**

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

	2020/2021 EUR m	2019/2020 EUR m
Insurance contracts	11.5	11.5
Equity instruments	1.8	1.8
Debt instruments	1.1	1.2
Property	1.2	1.2
Alternative assets (private equity, hedge funds, infrastructure)	0.4	0.4
Cash and cash equivalents	0.1	0.1
Other	0.8	0.9
Plan assets at the end of the period	**16.9**	**17.1**

Pension payments in the amount of €2.4 million and contributions to plan assets in the amount of €0.4 million are expected for the period ended September 30, 2022. An increase of 0.7 percentage points in the discount rate would reduce the present value of the defined benefit obligations by €4.8 million. A decrease of 0.7 percentage points in the discount rate would increase the benefit obligations by €5.7 million. An increase or a decrease of 0.5 percentage points in the expected pension trend with all other parameters remaining unchanged would increase the present value of the defined benefit obligations by €2.8 million or decrease the present value of the defined benefit obligations by €1.6 million, respectively. The weighted average duration of all obligations is 14.5 years as of the reporting date.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, currency risk, interest rate risk and market (investment) risk.

An amount of €23.6 million (prior year: €26.4 million) was paid for defined contribution plans in the period ended September 30, 2021.

24 | Provisions

Statement of changes in provisions - 10/01/2020 - 09/30/2021[20]

	Human resources commitments EUR m	Real estate commitments EUR m	Other provisions EUR m	Total EUR m
10/01/2020	**55.6**	**25.5**	**64.7**	**145.8**
Utilization	-29.3	-8.2	-15.8	-53.3
Reversal	-9.0	-4.3	-11.2	-24.5
Additions	56.2	22.2	17.3	95.7
Reclassification to current provisions	-0.8	0.0	1.7	0.9
Changes in consolidation group	0.0	0.0	0.3	0.3
Interest	0.1	0.0	0.0	0.1
09/30/2021	**72.8**	**35.2**	**57.0**	**165.0**
-- thereof non-current	*15.9*	*31.2*	*5.3*	***52.4***
-- thereof current	*56.9*	*4.0*	*51.7*	***112.6***

Non-current provisions:

Non-current human resources commitments primarily concern compensation for length of service as well as anniversary provisions.

Real estate commitments predominantly concern provisions for restoration obligations. As a result of the pandemic, the entire store portfolio was subjected to an in-depth review of its economic viability in the year under report, and a store optimization program was carried out. As a result, the obligations to downsize were reassessed on the basis of the better knowledge gained from this. In addition, the recent increase in price growth rates was taken into account to a greater extent in the forecast of the dismantling obligations to be met at the end of the respective contracts.

Other provisions mainly concern legal costs.

Discount rates for non-current provisions are between 0 percent and 1 percent depending on the term and country.

Current povisions:

Provisions for human resources commitments were primarily recognized for settlements.

Real estate commitments mainly concern incidental rental costs.

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

[20] The classification of individual items was changed from provisions to liabilities in the reporting year; the prior year was adjusted accordingly.

Current provisions are expected to be utilized in the period ending September 30, 2022 and with cash outflows equaling the amounts recognized.

25 | Trade Accounts payable

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

26 | Financial Liabilities

	09/30/2021				09/30/2020			
		Remaining items				Remaining items		
	Total EUR m	< 1 year EUR m	1 to 5 years EUR m	> 5years EUR m	Total EUR m	< 1 year EUR m	1 to 5 years EUR m	> 5years EUR m
Senior Secured Notes (prior year: Senior Secured Notes and Senior Notes)	1,328.6	37.4	-2.5	1,293.7	637.5	10.0	627.5	0.0
Liabilities related to Senior PIK Notes	497.0	0.0	0.0	497.0	-	-	-	-
Liabilities to bank	589.5	10.8	578.6	0.0	1,838.0	167.6	1,670.5	0.0
Lease liabilities	1,153.2	290.7	652.4	210.1	1,331.8	276.3	1,052.7	2.7
Liabilities to shareholders	589.5	0.0	0.0	589.5	0.0	0.0	0.0	0.0
Financial liabilities from options held by non-controlling interests	4.0	0.0	4.1	0.0	3.7	0.0	3.7	0.0
Liabilities from contingent considerations	13.5	0.2	13.3	0.0	13.5	0.2	13.3	0.0
Purchase price liability arising from derivative financial instruments	0.0	0.0	0.0	0.0	2.0	2.0	0.1	0.0
Miscellaneous financial liabilities	3.5	2.3	1.1	0.1	3.6	2.5	1.0	0.0
Total financial liabilities	4,178.6	341.4	1,246.9	2,590.3	3,830.1	458.6	3,368.7	2.7

Refinancing related liabilities

The transaction costs of €53.1 million attributable to the Group's refinancing in April 2021 were included in the initial recognition of the new (passed-on) bonds and liabilities to banks. Furthermore, they were included in the determination of the effective interest rate relevant for the future development of the carrying amounts of these liabilities.

Liabilities to non-controlling interests

Regarding the non-controlling shareholders of one subsidiary in Bulgaria, an obligation exists to acquire their shares as soon as they are tendered by the non-controlling shareholders. Additionally, one German partnership has cancellation rights with the consequence that in the event of termination, compensation at fair value would be payable to the non-controlling shareholders. This results in a commitment of €4.2 million (prior year: €3.9 million) as of the reporting date.

The fair value of the minimum purchase price liability for the acquisition of the remaining non-controlling interests in Parfümerie AKZENTE GmbH in the amount of €8.0 million (prior year: €7.9 million) is presented as a liability to non-controlling shareholders as well.

The contingent purchase price liability associated with the acquisition of the remaining 49 percent interest in Niche-Beauty.COM GmbH was recognized at its fair value of €5.3 million (prior year: €5.3 million) as a liability to minority shareholders as of the financial statement date.

The remaining 49 percent of the shares were acquired with economic effect from January 1, 2022 and subject to the condition precedent of payment of the second purchase price installment. The purchase price of the 49 percent stake is also determined by the achievement of certain economic performance indicators. The lower limit is €3.5 million, the upper limit €6.0 million. The expected value was determined on the basis of an equal distribution of the performance indicators within a range around the target achievement level. The expected value was discounted using an interest rate of 1.5 percent. The sensitivity of the fair value lies between the lower limit of €3.5 million and the upper limit of €6.0 million.

27 | Other Liabilities[21]

	09/30/2021				09/30/2020			
		Remaining items				**Remaining items**		
	Total EUR m	< 1 year EUR m	1 to 5 years EUR m	> 5years EUR m	Total EUR m	< 1 year EUR m	1 to 5 years EUR m	> 5years EUR m
Contract Liabilities: Coupons not yet redeemed	**145.5**	*145.5*	*0.0*	*0.0*	**146.8**	*146.8*	*0.0*	*0.0*
Contract liabilities: Customer loyalty programs	**44.6**	*44.6*	*0.0*	*0.0*	**40.7**	*40.7*	*0.0*	*0.0*
Total liabilities in kind	190.0	190.0	0.0	0.0	187.5	187.5	0.0	0.0
Personnel liabilities	**51.8**	*51.8*	*0.0*	*0.0*	**53.8**	*53.8*	*0.0*	*0.0*
Supplier bonus accruals	**4.4**	*4.4*	*0.0*	*0.0*	**4.5**	*4.5*	*0.0*	*0.0*
Accrued rental payments	**1.4**	*1.4*	*0.0*	*0.0*	**1.0**	*1.0*	*0.0*	*0.0*
Other	**37.2**	***20.9***	***16.2***	***0.2***	**27.3**	***12.7***	***13.8***	***0.7***
Total miscellaneous other liabilities	94.8	78.4	16.2	0.2	86.6	72.1	13.8	0.7
Total other liabilities	284.9	268.5	16.2	0.2	274.2	259.6	13.8	0.7

Contract liabilities relate to deferred revenues from the sale of vouchers and from customer loyalty programs.

[21] The classification of individual items was changed from provisions to liabilities in the reporting year; the prior year was adjusted accordingly.

The item "Other" mainly includes deferred payments of which Douglas Card commissions in particular amount to €5.1 million (prior year: €5.3 million).

28 | Fair Value of financial Instruments

The following tables represent the carrying amounts and fair values of financial instruments as of the reporting date. The items are classified according to IFRS 9 and are also categorized into a three-stage fair value hierarchy, which structures the data used for the fair value calculation according to its market relevance.

Financial instruments categorized in accordance with IFRS 9 - 09/30/2021[22]

	Net book value EUR m	Category	(Amortized) cost EUR m	Fair value through profit or loss EUR m	Fair Value through OCI EUR m	Total Fair Value EUR m	Level
Assets							
Trade accounts receivable	43.4	AC					
Cash and cash equivalents	240.4	AC					
Financial assets	194.5						
-- thereof embedded derivatives	*22.5*	*FVtPL*		*22.5*		*22.5*	*2*
-- thereof Equity participations	*2.1*	*FVtPL*		*2.1*		*2.1*	*2*
Total financial assets	**194.5**						
Equity and Liabilities							
Trade accounts payable	484.5	AC					
Financial liabilities	3,025.4						
-- thereof Senior Secured Notes	*1,328.6*	*AC*	*1,328.6*			*1,326.3*	*1*
-- thereof Liabilities related to Senior PIK Notes	*497.0*	*AC*	*497.0*			*485.1**	*2*
-- thereof Liabilities to banks	*589.5*	*AC*	*589.5*			*589.5*	*2*
-- thereof Liabilities to shareholders	*589.5*	*AC*	*589.5*				
-- thereof Liabilities from non-controlling options	*4.0*	*AC*	*4.0*			*4.0*	*2*
-- thereof Liabilities from contingent considerations	*13.5*	*AC*	*13.5*			*13.4*	*3*
Total financial liabilities according to IFRS 9	**3,025.4**						
Lease liabilities according to IFRS 16	1,153.2						
Total financial liabilities	**4,178.6**						

*Senior Pik Notes: Indication of the price.

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

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

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

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

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

Due to contractual changes in the terms and conditions of loans payable to shareholders in financial year 2020/21, the loans were fully derecognized and remeasured at fair value and the carrying amount was adjusted to the changed term. These transactions with shareholders were recognized directly in equity in the amount of €315.9 million under other reserves.[23] As of the reporting date, the Group expects the carrying amount to approximate fair value.

For information on liabilities from non-controlling shareholder options and contingent purchase price payments, please refer to Note 26, Financial liabilities, in the section "Liabilities to non-controlling interests."

Fair values of other financial instruments are determined on the basis of the present values of contractually agreed payments, taking into account country-specific yield curves.

[23] Cf. Note 33, Related Parties, in section "Shareholder".

Financial instruments categorized in accordance with IFRS 9- 09/30/2020

	Net book value EUR m	Category	(Amortized) cost EUR m	Fair value through profit or loss EUR m	Fair Value through OCI EUR m	Total Fair Value EUR m	Level
Assets							
Trade accounts receivable	37.5	AC	37.5				2
Cash and cash equivalents	256.3	AC	256.3				
Financial assets							
-- thereof Receivables against shareholders	*831.4*	*AC*	*831.4*				*2*
-- thereof Equity participations	*2.1*	*FVtPL*		*2.1*		*2.1*	*2*
-- thereof Miscellaneous financial assets	*183.1*	*AC*	*183.1*			*183.1*	*2*
Total financial assets	1,016.6						
Equity and Liabilities							
Trade accounts payable	503.5	AC	503.5				2
Financial liabilities							
-- thereof Purchase price liability arising from derivative financial instruments	*2.0*	*AC*	*2.0*			*2.0*	*2*
-- thereof Liabilities to bank	*1,838.0*	*AC*	*1,838.0*			*1,838.0*	*2*
-- thereof Liabilities from Senior Secured Notes	*301.0*	*AC*	*301.0*			*274.8*	*1*
-- thereof Liabilities from Senior Notes	*336.5*	*AC*	*336.5*			*224.8*	*1*
-- thereof Liabilities from minority options	*3.7*	*AC*	*3.7*			*3.7*	*2*
-- thereof Liabilities from contingent considerations	*13.4*	*AC*		*13.4*		*13.4*	*3*
-- thereof Miscellaneous financial liabilities	*3.6*	*AC*	*3.6*			*3.6*	*2*
Total financial liabilities according to IFRS 9	2,498.3						
Lease liabilities according to IFRS 16	1,331.8						
Total financial liabilities in total	3,830.1						

Further Disclosures

29 | Consolidated Statement of Cash Flows

The Consolidated Statement of Cash Flows shows how the Group's cash and cash equivalents have changed in the course of the financial year as a result of cash inflows and outflows. The Consolidated Statement of Cash Flows distinguishes between changes in cash and cash equivalents resulting from operating activities, investing activities and financing activities.

Cash and cash equivalents amounted to €240.4 million (prior year: €256.3 million) as of September 30, 2021 and consisted exclusively of cash and cash equivalents as reported in the Consolidated Statement of Financial Position.

Cash inflow from operating activities totaled €370.2 million (prior year: €493.6> million) in the financial year 2020/21.

Changes in working capital (without liabilities from investments in non-current assets) of €64.7 million (prior year: €46.3 million) and changes in other assets and liabilities not classifiable to investing or financing activities in the amount of €23.2 million (prior year: €16.2 million) show the change in the corresponding positions, adjusted for amounts attributable to investing or financing activities.

Working capital of the Douglas-Group comprises inventories, trade accounts receivable, trade accounts payable (including liabilities from investments in non-current assets), receivables from advertising cost subsidies, sales promotion and supplier bonuses as well as liabilities from coupons not yet redeemed.

The cash outflow from financing activities amounted to €304.1 million (prior year: €212.2 million). The increase in cash outflow compared to the prior year is mainly attributable to refinancing.

The following tables show a reconciliation of cash flows from financing liabilities to the changes in financial liabilities reported in the Consolidated Statement of Financial Position for the reporting year and the prior year 2019/20:

	Liabilities to banks EUR m	Senior Secured Notes and Senior Notes EUR m	Senior PIK Notes IC Loan EUR m	Liabilities to shareholders EUR m	Purchase price liability for derivative financial instruments EUR m	Lease liabilities EUR m	Financial liabilities from options held by non-controlling shareholders EUR m	Liabilities from contingent considerations EUR m	Other financial liabilities EUR m	Total financial liabilities EUR m
Net carrying amount as of October 1, 2020	1,838.0	637.6	0.0	0.0	2.0	1,331.7	3.7	13.5	3.6	3,830.1
Change in the scope of consolidation				545.5						**545.5**
Interest expense	56.4	71.2	20.9	44.0		41.7	0.8			**235.0**
Currency translation differences						-0.3				**-0.3**
Additions to lease liability						166.9				**166.9**
Modification of lease liabilities						-91.1				**-91.1**
Reclassifications of lease liabilities related to assets held for sale						-1.1				**-1.1**
Separation of embedded options		6.9	9.1							**16.0**
Other changes							0.3		1.5	**1.8**
Changes without impact on cash flow from financing activities	56.4	78.1	30.0	589.5	0.0	116.1	1.1	0.0	1.5	872.6
Repayment of loans and borrowings	-1,235.9	-635.0			-2.0				-0.1	**-1,873.0**
Payment of lease liabilities						-252.8				**-252.8**
Proceeds from loans and borrowings	0.4	1,305.0	475.0						0.1	**1,780.5**
Transaction costs related to loans and borrowings	-23.1	-22.0	-8.0							**-53.1**
Interest paid	-46.3	-35.1				-41.7	-0.8		-2.0	**-125.9**
Interest received									0.3	**0.3**
Changes impacting cash flow from financing activities	**-1,304.9**	**612.9**	**467.0**	**0.0**	**-2.0**	**-294.5**	**-0.8**	**0.0**	**-1.7**	**-524.0**
Net carrying amount as of September 30, 2021	**589.5**	**1,328.6**	**497.0**	**589.5**	**0.0**	**1,153.2**	**4.0**	**13.5**	**3.4**	**4,178.6**

	Liabilities to banks	Senior Secured Notes and Senior	Senior PIK Notes IC Loan	Liabilities to shareholders	Purchase price liability for derivative	Lease liabilities	Financial liabilities from options held by	Liabilities from contingent considera	Other financial liabilities	Total financial liabilities

		Notes			financial instruments		non-controlling shareholders	tions		
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
Net carrying amount as of October 1, 2019	1,670.2	634.4			4.1	4.3	3.7	27.9	6.4	2,351.0
Restatements due to initial application of IFRS 16						1,461.1				**1,461.1**
Restated net carrying amount as of October 1, 2019	1,670.2	634.4	0.0	0.0	4.1	1,465.4	3.7	27.9	6.4	3,812.1
Interest expense	63.5	51.3				24.8	0.7	0.6		**140.9**
Currency translation differences						-4.6				**-4.6**
Additions to lease liability						145.6				**145.6**
Modification of lease liabilities						-51.0				**-51.0**
Other changes									-0.8	**-0.8**
Changes without impact on cash flow from financing activities	63.5	51.3	0.0	0.0	0.0	114.8	0.7	0.6	-0.8	230.1
Repayment of loans and borrowings	-14.1				-2.1		-0.7	-15.0		**-31.9**
Payment of lease liabilities						-226.5				**-226.5**
Proceeds from loans and borrowings	181.6									**181.6**
Interest paid	-63.2	-48.1				-22.1			-2.2	**-135.6**
Interest received									0.2	**0.2**
Changes impacting cash flow from financing activities	104.3	-48.1	0.0	0.0	-2.1	-248.6	-0.7	-15.0	-2.0	-212.2
Net carrying amount as of September 30, 2020	**1,838.0**	**637.6**	**0.0**	**0.0**	**2.0**	**1,331.7**	**3.7**	**13.5**	**3.6**	**3,830.1**

30 | Segment Reporting

Fundamentals

As the leading specialty retailer in Europe, the Douglas-Group operates 2,078 perfumeries (including 136 franchise branches) and a variety of online web shops in 26 European countries, in which primarily perfumery, cosmetic and skincare products and food supplements are sold to end customers. Business is conducted on the basis of an omnichannel approach that interlinks the store and online business in a way that ensures that customers are optimally served via both channels.

Sales by channel

	Germany		France		South-Western Europe	
	10/01/2020-09/30/2021	**10/01/2019-09/30/2020**	**10/01/2020-09/30/2021**	**10/01/2019-09/30/2020**	**10/01/2020-09/30/2021**	**10/01/2019-09/30/2020**
Net sales brick & mortar	468.5	758.2	508.5	582.9	655.0	764.0
Net sales e-commerce	672.4	507.3	182.3	96.9	250.0	159.2
Net sales other	8.5	4.9	8.5	8.2	5.5	6.6
Total	**1,149.4**	**1,270.4**	**699.2**	**688.0**	**910.5**	**929.8**

	Eastern Europe		Consolidation		Douglas Group	
	10/01/2020-09/30/2021	10/01/2019-09/30/2020	10/01/2020-09/30/2021	10/01/2019-09/30/2020	10/01/2020-09/30/2021	10/01/2019-09/30/2020
Net sales brick & mortar	267.1	287.3	0.0	0.0	1,899.1	2,392.4
Net sales e-commerce	94.2	58.2	0.0	0.0	1,198.9	821.5
Net sales other	-0.9	-0.9	0.0	0.0	21.6	18.8
Total	**360.5**	**344.5**	**0.0**	**0.0**	**3,119.6**	**3,232.7**

Chief Operating Decision Maker, reportable and operating segments

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

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

Below the chief operating decision-maker, the segment managers are responsible for the operating business and in turn report to the chief operating decision-maker.

Based on the internal organizational and reporting structure, the segment managers are deployed at country level, which means that steering and monitoring by the chief operating decision-maker also takes place on country level.

The operating segments Germany and France are shown separately in the segment report (reportable segments), as they differ considerably from the other countries (market position and market strategy, particularly with the market presence under the Nocibé brand in France).

The current and expected gross profit margins and EBITDA margins, market position, economic circumstances, customer base, sales organization, supplier structure and regulatory environment in the South-Western European countries Italy, Spain, the Netherlands, Austria, Portugal, Switzerland, Monaco and Andorra on the one hand and the Eastern European countries Poland, Hungary, the Czech Republic, Latvia, Lithuania, Romania, Bulgaria, Croatia, Slovakia and Estonia on the other hand are mostly homogeneous, with the exception of the Netherlands. For this reason, the individual operating segments were combined under the reportable segments South-Western Europe and Eastern Europe. Parfumdreams and Niche Beauty were allocated to the reportable segment Germany since Parfumdreams and Niche Beauty are steered and controlled from Germany and generate the majority of their revenues in Germany as well.

In financial year 2020/21, the Netherlands contributed net sales of €254.6 million (prior year: €232.5 million), EBITDA of € 36.8million (prior year: €46.0 million), a key performance indicator to be adjusted of €19.9 million (prior year: €27.5 million) and adjustments of €7.6 million (prior year: €5.8 million) to the corresponding figures in the reporting segment South-Western-Europe.

In the Netherlands, adjusted EBITDA amounted to 66.9 percent (prior year: 57.1 percent) and inventories to 15.8 percent (prior year: 11.6 percent) of the corresponding figure for the reporting segment South-Western Europe. Investments in property, plant and equipment and intangible assets in the Netherlands amounted to €1.1 million in the reporting year (prior year: €2.0 million).

As of the reporting date, the Douglas-Group's reportable segments were Germany, France, South-Western Europe and Eastern Europe.

Segment performance indicator

The segment performance indicator is Adjusted EBITDA.

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

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

Adjusted EBITDA is defined as follows:

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

Adjustments

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

In financial year 2020/21, the definition of adjustments has changed in comparison to the prior year to the effect that credit card fees previously reclassified to financial expense are no longer adjusted and therefore also impact adjusted EBITDA. For better comparative purposes, the prior year has been adjusted accordingly.

Remaining unchanged from prior year, given the abnormal situation and uniqueness of the COVID-19 pandemic, certain related expenses and income have also, in the opinion of management, to be adjusted and are disclosed separately in the category "COVID-19-effects". Furthermore, adjustments for expenses incurred under the Store Optimiziation Program (SOP) are disclosed separately due to their materiality.

The reconciliation of reported EBITDA to adjusted EBITDA is presented below, followed by an explanation of the main business transactions.

Reconciliation of reported EBITDA to adjusted EBITDA

	10/01/2020-09/30/2021 EUR m	10/01/2019-09/30/2020 EUR m
EBITDA	295.9	454.0
Lease expenses and income according to former IAS 17 which are to be capitalized following IFRS 16	-276.6	-278.0
Key performance indicator to be adjusted	19.3	176.1
Purchase Price Allocations (PPA)	4.1	5.9
Restructuring costs and severance payments	0.3	13.3
Consulting fees	8.0	19.5
Other adjustments	6.9	1.0
Write-down of inventories	8.2	-2.5
COVID-19-effects	97.2	61.6
Store Optimization Program (SOP)	78.3	0.0
Sum of adjustments	**203.1**	**98.8**
Adjusted EBITDA	**222.4**	**274.9**

The respective categories are primarily attributable to the following matters:

- Purchase Price Allocation (PPA):
  EBITDA effects in profit or loss concerning the amortization of hidden reserves disclosed in connection with business combinations
- Restructuring costs and severance payments:
  Expenses in connection with the sale or termination of a business unit, the closure or sale of a group of stores, significant changes in the structure of management or fundamental reorganizations. Within this context, expenses in the form of severance payments and salary continuation payments without replacement of the position, furthermore in the case of management positions at national or Group level irrespective of the replacement of the position, are to be mentioned in particular.
- Consulting fees:
  In relation to strategic projects, acquisitions and financing
- Other adjustments
  Other matters that do not recur on a regular basis, are exceptional or are not suitable for internal management. These include in particular: Restructuring expenses that are not personnel-related, write-downs of receivables, impairment losses on inventories if not reported separately due to materiality, income from the reversal of previously adjusted provisions.
  Mainly costs from Management Participation Program II amounting to €8.1 million and offsetting effects, in particular from the reversal of provisions.
- COVID-19-effects:
  Include, in particular, personnel and rent-related vacancy costs in connection with our closed stores and other additional costs caused by the coronavirus pandemic.
  These mainly resulted from the closure of our stores, mainly in the form of lease-related vacancy costs of €58.9 million and personnel-related vacancy costs of €35.6 million.
  Furthermore, expenses mainly related to the protection of our customers and employees, such as the purchase of disinfectants and masks, as well as additional cleaning costs

amounting to €2.6 million. This was offset by the subsequent receipt of rent reductions and personnel-related support totaling €1.3 million.

- Store Optimazition Program (SOP):

  Expenses in connection with the optimization of our store network mainly relate to personnel, consulting, merchandise and rent.

Shown below are the adjustments of the COVID-19 and SOP categories by reporting segment:

		Germany	France	South-Western Europe	Eatern Europa	Douglas-Group
COVID-19	EUR m	65.1	12.0	13.3	6.8	97.2
SOP	EUR m	34.5	13.8	29.0	1.1	78.3

Other explanations on segment reporting

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

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

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

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

Non-current assets

	09/30/2021 EUR m	09/30/2020 EUR m
Germany	1,489.3	1,570.7
France	826.7	862.6
Rest of Europe	983.4	1,120.6
Total	**3,299.5**	**3,553.9**

The non-current assets presented for all segments comprise intangible assets, property, plant and equipment and rights-of-use assets from leases located in Germany and abroad. Non-current financial assets and deferred tax assets were excluded. Segment liabilities are not regularly reported to the chief operating decision maker.

31 | Management of financial Risks

The financial management of Douglas GmbH is responsible for the Group's financing and supports decision-makers of German and foreign Group companies in respect of all financial issues.

The financial risks relevant to the Group, such as liquidity risks, the risk of interest rate changes, default risks and risks from cash flow fluctuations, are adequately controlled and monitored by the financial management of Douglas GmbH.

Liquidity risk

With regard to liquidity risks, reference is made to the explanations provided under Note 2 in section Assumption of going concern as the basis for accounting.

The Group generally has access to various sources for the funding of business operations, investments and potential acquisitions. This includes existing cash and cash equivalents, net cash flow from operating activities and bank credits as well as Senior Secured Notes.

All German subsidiaries and the significant subsidiaries based abroad are linked to a cash management system (cash pooling). By combining financing volumes, short-term liquidity surpluses of individual Group companies can be used to finance the cash requirements of other Group companies. This leads to a reduction of the debt financing volume and an optimization of cash investments, thus having a positive impact on the Group’s net interest result.

In order to monitor liquidity risk, comprehensive liquidity planning has been set up within the Douglas-Group using a harmonized Group-wide procedure. This direct liquidity and cash flow planning includes weekly, rolling bottom-up planning over at least 13 weeks.

The Douglas-Group successfully refinanced itself on April 8, 2021. In addition to the shareholder loans, the main financing agreements shown in the following table existed as of the reporting date:

Substantial financing agreements and conditions (excluding shareholder loans)

	Financing arrangements EUR m	Interest %	Maturity Date
Senior Secured Notes	1,305.0	6.00%	April 8, 2026
Senior PIK Notes	475.0	8.25% / 9.00%	October 1, 2026
Senior Secured Term Loan Facility (Facility B)	600.0	5.50%	April 8, 2026
Senior Secured Multi-Currency Revolving Credit Facility (RCF)	170.0	4.75%	January 8, 2026
Total	2,550.0		

The RCF was not utilized in terms of liquidity as of the reporting date.[24]

The issuer of the Senior PIK Notes is Kirk Beauty SUN GmbH, a sister company of Douglas GmbH not included in these Consolidated Financial Statements, which passed on the Senior PIK Notes to Douglas GmbH.

Collateral was provided for the Senior Secured Notes and the Senior Secured Term Loan Facility. The following assets were pledged as collateral: bank balances, shares in certain group companies and intra-group accounts receivable.

In the event of borrower default, the lenders have the opportunity to initiate a contractually defined process, which aims to bring about the immediate due payment of the liability and the utilization of the pledged collateral.

Douglas GmbH and its subsidiaries have to meet certain other obligations and key financial covenants, if 40.0 percent of the nominal value of €170.0 million of the Senior Secured Multi-Currency Revolving Credit Facility is drawn (equaling €68.0 million). The utilization of the RCF by ancillary facilities and collateral such as rent guarantees are not relevant for the calculation of and compliance with the financial covenants. In the past financial year and as of September 30, 2021, compliance with these financial covenants under the loan agreement was not of relevance.

Besides these financial covenants, the Group also has to meet certain qualitative covenants. If the obligations are not met, the lenders are entitled to cancel the loan agreements with immediate effect and call upon all pledged collateral.

The individual financing components of the Group in the form of the issued bonds including the on-lent PIK bond and the syndicated loan, as well as the Revolving Credit Facility that had not been drawn in terms of liquidity as of the reporting date, are closely interwoven. Due to these risk interdependencies, there is an increased concentration of risk.

[24] As of the reporting date, the RCF was utilized by way of collateral in the form of lease guarantees in the amount of €11.9 million.

Financing liabilities (excluding shareholder loans)

	09/30/2021		09/30/2020	
	Nominal amount EUR m	Carrying amount EUR m	Nominal amount EUR m	Carrying amount EUR m
Senior Secured Notes	1,305.0	1,328.6	300.0	301.0
Senior Notes	-	-	335.0	336.5
Liabilities related to Senior PIK Notes	475.0	497.0	-	-
Senior Secured Term Loan Facility (Facility B)	600.0	592.4	1,670.0	1,670.0
Senior Secured Multi-Currency Revolving Credit Facility (RCF)	0.0	-4.8	165.5	166.1
Other borrowings	2.0	2.0	2.0	2.0
Total	**2,382.0**	**2,415.1**	**2,472.4**	**2,475.6**

Carrying amounts include accrued interests.

Individual companies also have access to bilateral credit lines, of which €0.3 million (prior year: €0.0 million) had been utilized as of the reporting date.

In addition, government loans totaling €1.6 million (prior year: €2.0 million) were drawn down from national aid programs.

Maturity analysis of contractual obligations:

	Carrying amount EUR m	Payments due within the next 30 days EUR m		Payments due within 30 to 90 days EUR m		Payments due within 90 to 360 days EUR m		Payments due over a period of 1 to 5 years EUR m		Payments due after more than 5 years EUR m	
	09/30/2021	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest
Liabilities to banks	589.5		0.6		17.0		18.6	600.0	134.0		
Senior Secured Notes	1,328.6		40.7				39.2	1,305.0	319.3		
Liabilities related to Senior PIK Notes	497.0									475.0	281.9
Liabilities to shareholders	589.5									861.3	133.5
Trade accounts payable	484.5	215.6		237.0		32.0					
Financial liabilities from options held by non-controlling interests	4.0							4.0			
Liabilities from contingent considerations	13.5							13.5			
Other financial instruments	3.5	2.4						1.1			

	Carrying amount EUR m	Payments due within the next 30 days EUR m		Payments due within 30 to 90 days EUR m		Payments due within 90 to 360 days EUR m		Payments due over a period of 1 to 5 years EUR m		Payments due after more than 5 years EUR m	
	09/30/2020	Redemp-tion	Interest	Redemp-tion	Interest	Redemp-tion	Interest	Redemp-tion	Interest	Redemp-tion	Interest
Liabilities to bank	1,838.0		0.6		16.1	1.5	52.6	1,836.0	68.9		
Notes including liabilities from Senior PIK Notes	637.5						48.1	635.0	68.1		
Trade accounts payable	503.5	232.4		236.6		34.4					
Financial liabilities from options held by non-controlling interests	3.7							3.7			
Liabilities from contingent considerations	13.4							13.4			
Purchase price liability arising from derivative financial instruments	2.0			0.5		1.5					
Other financial instruments	3.6	2.5						1.1			

All financial liabilities existing as of the reporting date and for which payments were already contractually agreed are included in the table. Payments for future liabilities which did not exist as of the reporting date are not included. Floating interest rate payments were determined on the basis of the interest rates known as of the reporting date. Financial liabilities cancellable at all times are always classified to the earliest time slot. Amounts denominated in foreign currencies are translated to euros using the closing rate.

Interest rate risk

The interest rate risk is the result of fluctuations in interest rates on the capital markets. The Senior Facilities Agreement is based on the EURIBOR and therefore subject to the risk of changes in interest rates. In addition, the Senior Facilities Agreement with a nominal value €600.0 million contains an interest rate floor effective at 0.0 percent.

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

A relative increase in the interest rate by 100 base points would affect interest expenses in the amount of roughly €3.1 million. A relative decrease in the interest rate by 100 basis points would have no effect on the interest expense of the year, due to the current interest rate level in connection with the existing interest floor.

Currency risk

Operating units of the Douglas Group largely conduct their activities in the respective functional currency.

Financial income from foreign currency translation amounted to €4.2 million and the corresponding expenses to €7.4 million in the reporting year. Reference is made to Note 9, Financial result.

The currency risk of the Group is considered to be low, as 89 percent of the Group’s sales (prior year: 90 percent) were effected in euros in the financial year 2020/21 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 do not impact currency risk.

A sensitivity analysis was conducted in line with the requirements of IFRS 7. This analysis includes the effects from foreign currency positions measured at the closing date rate pursuant to IAS 21 through profit or loss.

The effects recognized in profit or loss from foreign currency exchange rate fluctuations on financial instruments denominated in foreign currency but not designated as hedged items as part of foreign currency hedging transactions have been included in the sensitivity analysis. This means that Douglas Group would be exposed to risks of €0.3 million in the event of an improvement or deterioration in the value of the Euro exchange rate of 5 percent.

Default risk

Default risk is the risk of financial losses if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The default risk generally arises from all financial assets in the portfolio, such as trade accounts receivable, other receivables, cash investments with bank partners and derivatives with a positive market value. The maximum default risk of the financial assets correspond to the carrying amounts.

Due to the extinction of the receivable from former shareholder Kirk Beauty Two GmbH in the course of the reorganization of the holding structure, the overall default risk has decreased significantly.

Arising from the increased focus on the e-commerce channel, the entities of the Douglas-Group are faced with a receivables default risk, which is a system-inherent risk in mail-order retail. For this reason, the companies operate a debtor management system including dunning procedures.

A default risk may arise from the default of a banking partner, in particular as a result of insolvency in the context of financial investments or positive market values from derivatives. The Douglas-Group counters this risk by concluding transactions concerning both financial investments and financial instruments exclusively with first-class banks. At the same time, the volume is distributed among several counterparties in order to avoid concentration risks. Due to the difficult global economic situation, larger financial investments are avoided as far as possible or only concluded with first-class German banks.

Capital management

The subject of capital management is equity under IFRS. The goal of the Douglas-Group's capital management is to assure that the Group can continue to meet its financial obligations and that the covenants from the syndicated loans are met. A further goal of capital management is to increase the enterprise value on a long-term basis. A secondary aim of the capital management strategy is to ensure that all Group companies have appropriate equity according to local needs, such that external capital requirements were always met in the past financial year. This is to be achieved through the constant improvement of cash flow and EBITDA.

	09/30/2021 EUR m	09/30/2020 EUR m
Equity	-983.5	665.4
Debt	5,524.0	5,052.5
Liabilities to bank	589.5	1,838.0
Notes including liabilities from Senior PIK Notes	1,825.6	637.5
Cash and cash equivalents	240.4	256.3
Net debt	**2,174.6**	**2,219.3**

Net debt is defined as the sum of liabilities to banks and (passed-on) Notes liabilities, offset by cash and cash equivalents.

32 | Other financial Obligations and contingent Liabilities

All information on this has already been disclosed in the previous chapters.

For information on purchase commitments for investments in property, plant and equipment or intangible assets, see Note 12, Property, plant and equipment.

33 | Related Parties

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

	10/01/2020-09/30/2021 EUR m	10/01/2019-09/30/2020 EUR m
Deliveries and services provided		
Shareholders	0.0	48.1
Members of management in key positions	0.0	0.0
Other related companies and related persons	*0.0*	*0.0*
Total	**0.0**	**48.1**
Deliveries and services received		
Shareholders	44.0	0.0
Members of management in key positions	0.0	0.0
Other related companies and related persons	27.6	6.5
Total	**71.6**	**6.5**

With the exception of shareholder loans bearing below-market interest, business relations with related parties are effected under the same conditions as with third parties (arm's length transaction). The interest rate on the shareholder loans was reduced from 9.24 percent to 2.00 percent in financial year 2020/21.

The interest rate of 2.00 percent applied to the contractual shareholder loan principle amounts totaling €861.3 million resulted in interest expense of €17.2 million in the reporting year. For accounting purposes, the loans are measured using the effective interest method, resulting in interest expense of €44.0 million for the past financial year 2020/21.

Shareholder

The shareholders of Douglas GmbH are Kirk Beauty International S.A., Luxembourg, with a share of 77.4 percent and Kirk Beauty 2 Beteiligungs GmbH & Co. KG, Düsseldorf, with a share of 22.6 percent. The ultimate parent company and at the same time ultimate controlling party is Kirk Beauty S.à r.l., Luxembourg.

Liabilities to shareholders bearing below-market interest amounted to €589.5 million at the reporting date (prior year: €0.0 million).

Receivables from shareholders amounted to €0.0 million as of the reporting date (prior year: €831.3 million). In the prior year, the receivables resulted from loss compensation claims against the former shareholder, Kirk Beauty Two GmbH, converted into shareholder loans, and cash pooling transactions. These receivables were extinguished as part of the reorganization of the holding structure.

Kirk Beauty SUN GmbH

Kirk Beauty SUN GmbH is a sister company of Douglas GmbH and therefore not included in the Consolidated Financial Statements of Douglas GmbH. It is the issuer of the Senior PIK Notes and has passed on the proceeds from the issue of the Senior PIK Notes to Douglas GmbH under a loan agreement with issue conditions plus a profit mark-up.

Key management personnel and total remuneration of the Board of Management

Key management personnel

Key management personnel includes the members of management and the Supervisory Board of Douglas GmbH.

Expenses for short-term benefits to key management personnel amount to €13.4 million (prior year: €3.1 million), of which €0.2 million (prior year: €0.2 million) is attributable to the Supervisory Board. Expenses for termination benefits of key management personnel amounted to €0.2 million (prior year: €0.0 million). In accordance with IFRS 2, expenses from share-based payments to key management personnel amounted to €4.0 million (prior year: €0.0 million).

Total remuneration of management

Total remuneration for the management of the Douglas-Group amounted to €13.2 million for the financial year 2020/21 (prior year: €2.9 million); the number of managing directors in the reporting year was between 4 and 5, compared with between 2 and 4 in the prior year. Total remuneration includes the share-based payment at fair value upon grant of €4.0 million (prior year: €0.0 million). These are non-cash other reserves for long-term incentives. In addition to the contractually agreed variable compensation components, the Management Board was awarded a further performance-related compensation component of €4.9 million in the financial year, which was dependent on the successful refinancing, which was of existential relevance for the company The compensation was granted in full upon completion of refinancing in the financial year. The total remuneration of former members of the Board of Management and their surviving dependents amounted to €1.1 million (prior year: €1.0 million). Pension obligations (DBO) to former members of the Board of Management and their surviving dependents amounted to €20.6 million as of September 30, 2020 (prior year: €20.6 million).

34 | Leases

The Douglas-Group leases stores for the sale of its perfumery products (around 1,950 as of September 30, 2021). The term of the leasing agreements is typically between five and ten years. To ensure the greatest possible flexibility, the majority of the leases contain options, exercisable once or several times, to extend the leases by a certain number of years after this period (in many cases by a further five years). Due to the importance of stationary retailing for the Group and the start-up costs involved in developing locations, the Douglas -Group generally operates its retail stores on a long-term basis. Overall, there is a trend towards e-commerce business, and expiring real estate leases are not automatically replaced or extended by new real estate leases. Therefore, the Group estimates that the total of potential future lease payments, detached from the recognized option right exercises estimated as of the reporting date, will decline slightly, even taking into account the general market development of real estate rental prices.

The leases can generally be terminated unilaterally by the Douglas-Group, although in some cases a contractual penalty may apply in the event of premature termination by the lessee. In some cases, there are also bilateral termination options. The majority of the lease agreements provide for annual rent adjustments based on changes in local price indices.

In principle, there are only a few cases in which the Douglas Group acts as lessor. Essentially, the Group acts as lessor in such agreements in which a leased property is sublet to a third party (subleasing). The majority of these leases are classified as finance leases. Leases in which Douglas GmbH acts as lessor and the lease is classified as an operating lease are the absolute exception and of minor significance.

Contracts for leased business premises may give rise to restoration obligations for leasehold improvements, the discounted value of which is recognized as a provision. The discounted value of the obligation is capitalized as part of the acquisition cost of the right of use from leases and amortized over the expected useful life.

At the provision date or upon modification of a contract containing a lease component, the Group allocates the contractually agreed consideration on the basis of the relative individual prices. For real estate leases, this means that a separation of lease and non-lease components is made so that the payments related to the non-lease component are recognized in profit or loss.

The basis for determining the incremental borrowing rate is the risk-free interest rate, which is determined using the swap curves of the respective currencies of the corresponding lease payments. As country risks are already taken into account in these risk-free interest rates, no separate component is added for this. A credit premium is included to reflect the default risk of Douglas and the Group parent Douglas GmbH. An additional liquidity premium is not required beyond the credit premium. In the next step, a collateralization discount was deducted, which results from the fact that a lease agreement provides the lessor with a special form of collateralization by the leased asset. This collateralization results in a better credit rating for the lessee. The duration of the leases was used as the final component in the calculation of the incremental borrowing rate.

In the following, the interest rate matrix is presented in five-year intervals:

	Term			
	1 - 5 years	6 - 10 years	11 - 15 years	16 - 20 years
EUR	1.21% - 2.51%	2.85% - 3.83%	3.95% - 4.36%	4.40% - 4.61%
BGN	1.52% - 2.97%	3.33% - 4.36%	4.48% - 4.87%	4.92% - 5.11%
HRK	1.82% - 3.15%	3.53% - 4.60%	4.75% - 5.25%	5.32% - 5.57%
CZK	2.12% - 3.80%	2.12% - 5.35%	5.48% - 5.88%	5.92% - 6.09%
HUF	2.48% - 4.02%	4.40% - 5.57%	5.73% - 6.24%	6.32% - 6.59%
PLN	0.90% - 3.38%	3.76% - 4.96%	5.12% - 5.65%	5.72% - 5.99%
RON	3.21% - 4.49%	4.86% - 5.87%	5.96% - 6.33%	6.37% - 6.42%
CHF	1.02% - 2.34%	2.69% - 3.72%	3.85% - 4.30%	4.35% - 4.57%

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

	10/01/2020-09/30/2021 EUR m	10/01/2019-09/30/2020 EUR m
Expense related to variable lease payments not included in the measurement of lease liabilities	2.3	2.5
Income from subleasing right-of-use assets	0.2	0.3
Expense relating to short-term leases	0.0	0.0
Expenses relating to leases of low-value assets	0.6	0.8

Maturity analysis of undiscounted lease liabilities in financial year

	09/30/2021 EUR m	09/30/2020 EUR m
Less than one year	289.9	283.6
One to five years	784.2	877.4
More than five years	298.9	216.0
Total	**1,372.9**	**1,377.0**

Maturity analysis of undiscounted lease receivables in financial year

	09/30/2021 EUR m	09/30/2020 EUR m
Less than one year	6.0	6.2
One to two years	4.5	6.0
Two to three years	3.9	4.4
Three to four years	2.2	3.8
Four to five years	0.7	2.1
More than five years	0.7	1.4
Total amount of undiscounted lease receivables	18.0	23.9
Unrealized financial income	2.2	0.6
Net investment in the lease	15.8	23.3

Total cash outflows from leases amounted to €294.5 million in the financial year.

35 | Government Grants

In order to mitigate the economic disadvantages resulting from the COVID-19 pandemic, the Douglas-Group received monetary subsidies from the public sector, mainly in the form of subsidies for personnel expenses and social security contributions.

In financial year 2020/21, performance-based government grants of €22.2 million (prior year: €29.4 million) were awarded. In addition, national aid programs provided government loans totaling €1.6 million (prior year: €2.0 million).

36 | Options according to Sections 264 (3) and 264b German Commercial Code (HGB)

In application of Sections 264 (3) and 264b German Commercial Code (HGB), the following German subsidiaries have mainly refrained from preparing notes to the financial statements and a management report as well as from disclosing their annual financial statements.

Company	Registered Office
Parfümerie Douglas Deutschland GmbH	Düsseldorf
Parfümerie Douglas GmbH	Düsseldorf
DOUGLAS INFORMATIK & SERVICE GmbH	Hagen
Buch & Medien GmbH	Hagen
Parfümerie Douglas International GmbH	Hagen
Douglas GmbH & Co. Objekt Zeil KG	Pullach im Isartal
Douglas Cosmetics GmbH	Düsseldorf
Douglas Einkaufs- und Servicegesellschaft mbH & Co. KG	Zossen
Douglas Grundstücks- und Verwaltungsgesellschaft Zossen mbH	Zossen
Douglas Marken- und Lizenzen GmbH & Co. KG	Zossen
Parfümerie AKZENTE GmbH	Pfedelbach
Beauty Media Solutions GmbH	Düsseldorf
Parfümerie Douglas Megastore GmbH	Düsseldorf
Ultimate Skin Aesthetics GmbH	Düsseldorf

37 | Expenses for Auditor´s Fees according to Sections 314 (1) Nr. 9 German Commercial Code (HGB)

The fees for the auditor of the Consolidated Financial Statements, KPMG AG Wirtschaftsprüfungsgesellschaft, came to €4.8 million in total for the financial year 2020/21 and is attributable to the following services provided:

	10/01/2020-09/30/2021 EUR m	10/01/2019-09/30/2020 EUR m
Audit of financial statements	1.8	0.8
Other assurance and audit-related services	0.6	0.0
Tax consultation services	0.0	0.0
Other services	2.4	2.2
Total	**4.8**	**3.0**

38 | Corporate Bodies of Douglas GmbH

Management

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

Supervisory board

Name	Function
Dr. Henning Kreke	Chairmen
Dr. Daniel Pindur	Vice chairmen
Ulrike Grabe	Vice chairwoman of the employees
Orhan Akman	Employee representative
Dr. Alexander Dibelius	Shareholder representative
Ulrike Gaal	Employee representative
Dr. Michael Hinderer	Shareholder representative
Stefanie Hübner	Employee representative
Vesna Mandalenakes	Employee representative
Petra Ringer	Employee representative
Can Toygar	Shareholder representative
Søren Vestergaard-Poulsen	Shareholder representative

39 | Shareholdings of the Douglas-Group according to §313 HGB

Name and registered office	09/30/2021
Companies included in the Consolidated Financial Statements	Share in %
Douglas GmbH, Düsseldorf/Germany	
Parfümerie Douglas GmbH, Düsseldorf	100.0
Parfümerie Douglas Deutschland GmbH, Düsseldorf	100.0
Douglas Cosmetics GmbH, Düsseldorf/Germany	100.0
Parfümerie Douglas International GmbH, Düsseldorf	100.0
Parfümerie Douglas Ges.m.b.H., Vienna/Austria	100.0
Parfumerie Douglas Nederland B.V., Nijmegen/The Netherlands	100.0
Parfümerie Douglas AG, Baar/Switzerland	100.0
Parfumerie Douglas Inc., Westport/USA	100.0
Perfumeria Douglas Portugal Lda., Lisbon/Portugal	100.0
Douglas Ungarn Kft., Budapest/Hungary	100.0
Douglas Polska SP.z.o.o., Warsaw/Poland	100.0
Parfumerie Douglas Monaco S.A.M., Monaco/Monaco	100.0
Douglas Investment B.V., Nijmegen/The Netherlands	100.0
Parfumerie Douglas s.r.o., Prague/Czech Republic	100.0
Douglas Parfümeri Limited Sirketi, Istanbul/Turkey	100.0
UAB "Douglas LT", Vilnius/Lithuania	100.0
SIA "Douglas Latvia", Riga/Latvia	100.0
SIA "Douglas Baltic", Riga/Latvia	100.0
Parf. Douglas S.R.L., Bucharest/Romania	100.0
Parfumerie Douglas Bulgaria ood, Sofia/Bulgaria	76.0
DESG-Douglas Verwaltungs- und Beteiligungs GmbH, Zossen	100.0
Douglas Parfumerije d.o.o., Zagreb/Croatia	100.0
Douglas Einkaufs- und Service-Gesellschaft mbH & Co. KG, Zossen	100.0
Douglas Marken und Lizenzen Verwaltungsgesellschaft mbH, Zossen	100.0
Douglas Marken und Lizenzen GmbH & Co. KG, Zossen	100.0
Douglas Franchise B.V., Nijmegen/The Netherlands	100.0
Groupe Nocibé SAS, Villeneuve d'Ascq/France	100.0
Nocibé France SAS, Villeneuve d'Ascq/France	100.0
Nocibé France Distribution SAS, Villeneuve d'Ascq/France	100.0
Douglas Vastgoed B.V. I, Nijmegen/The Netherlands	100.0
Douglas Vastgoed B.V. II, Nijmegen/The Netherlands	100.0
Kirk Beauty Netherlands Holding B.V., Nijmegen/The Netherlands	100.0
Kirk Beauty Netherlands B.V., Nijmegen/The Netherlands	100.0
Groupe Douglas France SAS, Villeneuve d'Ascq/France	100.0
Parfümerie Douglas Slowenska s.r.o., Bratislava/Slovakia	100.0
Compania de Almacenaje, Distribucion y Servicios S.A., Madrid/Spain	100.0
Douglas Spain SA, Madrid/Spain (formerly Ibérica de Droguería y Perfumería S.A.U.)	100.0
Douglas Italia S.p.A., Milan/Italy (formerly Limoni S.p.A.)	100.0
Passera distribució S.L., Andorra	100.0

Douglas Italia Co. Investment S.r.l.	100.0
Ultimate Skin Aesthetics GmbH, Düsseldorf	100.0
Parfümerie AKZENTE GmbH, Pfedelbach	80.0
Ltd. Douglas Estonia, Tallinn/Estonia	100.0
Niche-Beauty.COM GmbH, Hamburg	51.0
Beauty Media Solutions GmbH, Düsseldorf	100.0
Parfümerie Douglas Megastore GmbH, Düsseldorf	100.0
DOUGLAS Informatik & Service GmbH, Hagen	100.0
Buch & Medien GmbH, Hagen	100.0
Douglas GmbH & Co. Objekt Zeil KG, Pullach im Isartal	88.0
DOUGLAS Grundbesitz GmbH, Hagen	100.0
Douglas Finance B.V., Nijmegen/The Netherlands	100.0
Douglas Grundstücks- und Verwaltungsgesellschaft Zossen mbH, Zossen	100.0
Associated companies valued at acquisition cost	
Hapag Lloyd Reisebüro Hagen Verwaltungs GmbH, Hannover	30.0
Hapag Lloyd Reisebüro Hagen GmbH & Co. KG, Hannover	30.0
GPD Cartera 2, S.L., Madrid/Spain	20.0

Due to their minor significance for the Group's net assets, financial position and results of operations and insufficient available financial information, the associated companies were measured at cost.

40 | Events after the Reporting Date

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

The coronavirus pandemic - impact on financial year 2021/22

The pandemic situation in Europe remains dynamic and the further course is characterized by a high degree of uncertainty. Persistently high incidences, COVID-19-related intensive care bed occupancy rates, and virus variants such as Omicron that have not yet been sufficiently researched are once again leading to restrictions and burdens in the stationary retail sector, even if the resulting sales losses in the store business can be partially offset by the strong e-commerce business. The pandemic is also not expected to be over in the first weeks of calendar year 2022 and could therefore also have a noticeable impact on the Douglas-Group's business in financial year 2021/22. Nevertheless, we do not expect any more drastic measures, such as complete store closures over a longer period of time in our most important countries, beyond the currently existing requirements and restrictions such as access restrictions to our stores.

Full acquisition of Parfümerie Akzente

In December 2021, the remaining non-controlling interests in Parfümerie AKZENTE GmbH, Pfedelbach, were acquired in full. Although the purchase price has not yet been finally agreed, the Group does not expect to pay more than the purchase price recognized as of September 30, 2021.

Sale of stores in France and Italy

The stores held for sale in reporting segments France and South-Western Europe were sold in October and November 2021, respectively.

Düsseldorf, December 17, 2021

Douglas GmbH Management

Tina Müller Mark Langer Vanessa Stützle

Independent Auditor’s Report

Note: The following “Independent Auditor’s Report” in accordance with par. 322 of German Commercial Code (HGB) relates to the Consolidated Financial Statements as described above, together with the Combined Management Report of Douglas GmbH for the financial year from October 1, 2020 to September 30, 2021. The Combined Management Report is not part of the information, which is issued as part of this online publication with the Auditor’s Report. The enclosed wording is a translation of the German original.

To Douglas GmbH [until July 26, 2021 Kirk Beauty Two GmbH], Düsseldorf [until June 10, 2021 Hagen]

Opinions

We have audited the Consolidated Financial Statements of Douglas GmbH, Düsseldorf, and its subsidiaries (the Group), which comprise the Consolidated Statement of Profit or Loss and the Consolidated Reconciliation from Profit or Loss to Total Comprehensive Income for the financial year from October 1, 2020 to September 30, 2021, the Consolidated Statement of Financial Position as at September 30, 2021, the Statement of Changes in Group Equity and the Consolidated Statement of Cash Flow for the financial year from October 1, 2020 to September 30, 2021 and notes to the Consolidated Financial Statements, including a summary of significant accounting policies. In addition, we have audited the Combined Management Report of Douglas GmbH, Düsseldorf for the financial year from October 1, 2020 to September 30, 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 30 September 2021, and of its financial performance for the financial year from October 1, 2020 to September 30, 2021, and
- the accompanying combined management report as a whole provides an appropriate view of the Group’s position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and the combined management report.

Basis for the Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 HGB and the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report” section of our auditor’s report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the combined management report.

Material Uncertainty about the Groups Ability to Continue as a Going Concern

We refer to the disclosures "Assumption of going concern as the basis of accounting" in section no. 2 "Accounting standards" of the Notes to the Consolidated Financial Statements as well as the disclosures in section "Financial risks" of the Combined Management Report, in which the legal representatives describe the following material uncertainty in connection with the going concern.

Financial uncertainties continue to represent a going concern risk for the Douglas Group. In particular, there are significant uncertainties that COVID-19-related restrictions, such as store closures and access restrictions, will continue to burden the Group's liquidity and that the planned increase in earnings power in the Group's successfully initiated transformation process will not be substantially achieved. Due to the existing uncertainty, the Group may not be able to realize its assets and settle its liabilities in the normal course of business.

The effects of COVID-19 may also have a significant impact on the Douglas Group's business in financial year 2021/22. In their liquidity planning, the legal representatives are only assuming limited access restrictions to our stores in individual countries, such as access only for vaccinated and convalescent people or a reduction in opening times. Based on these assumptions, the legal representatives anticipate an additional reduction in financing reserves in the mid-double-digit million range for the Douglas Group in financial year 2021/22. Positive cash flow is expected for the Douglas Group in financial year 2022/23, which will then continue and increase in the future, driven by the restructuring or portfolio optimization largely completed by then.

According to the Group's current liquidity planning, the financial resources available are currently sufficient to meet all of the Group's payment obligations in the forecast period up to mid-December 2022 on time. However, there are only limited liquidity reserves, especially in the coming summer and beyond the reporting date of September 30, 2022, in order to maintain solvency at all times even in the event of further missed plans or a longer period of store closures or access restrictions. The loss of solvency is a threat to the continued existence of the Douglas Group and thus also for Douglas GmbH.

In the transformation process, the Douglas Group successfully initiated the further development of the strategy to #ForwardBeauty.DigitalFirst and has continued to do so to date. Online shops, marketplace and stores are integrated on a digitally networked, data-based beauty platform.

The adjustment of the store network was therefore a necessary step. The future viability of each store was examined on the basis of comprehensive individual analyses including economies of scope, which also take account of the important Christmas business. As a result, over 300 stores of the originally approximately 2,250 stores were closed in the financial year 2020/21. Another 200 closings are expected.

It has been confirmed that a relevant portion of sales can be transferred to nearest stores as well as the Douglas online store. As a result of the realignment of the store network, the Douglas Group is expecting an additional EBITDA contribution in the high double-digit million range per year from the coming financial year onwards for the further implementation of the future strategy.

Douglas Group closed the first two months of financial year 2021/22 with positive cash flows and liquidity of around €300 million across the Group. The revolving credit facility is additionally available. The refinancing was successfully completed at the end of March 2021 with a term until early 2026. Nevertheless, regaining the profitability achieved before the Covid-19 pandemic and implementing #ForwardBeauty.DigitalFirst is an important building block to ensure a renewed refinancing at maturity. A drawdown of the revolving credit facility in the triple-digit million range could trigger a covenant test. In addition to other obligations, the Douglas Group must observe a certain ratio between Adjusted EBITDA and debt (financial covenants) in this test. In the event of a breach of obligations from the financing agreements, the lenders are entitled, among other things, to terminate the loans early.

As described in section no. 2 "Accounting standards" of the Notes to the Consolidated Financial Statements as well as the disclosures in section "Financial risks" of the Combined Management Report, these events or conditions indicate considerable uncertainty that may cast significant doubt on the company's ability to continue as a going concern and which represent a going concern risk within the meaning of Section 322 (2) sentence 3 HGB. Our opinions have not been modified with respect to this matter.

Other Information

Management and the Supervisory Board are responsible for the other information. The other information comprises the information in the financial report and in the report of the supervisory board.

The other information does not include the consolidated financial statements, the combined management report and our auditor’s report thereon.

Our opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

– is materially inconsistent with the consolidated financial statements, with the combined management report information audited for content or our knowledge obtained in the audit, or

– otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with the requirements of German commercial law and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with the German Generally Accepted Standards of Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

– Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.

– Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with German Legally Required Accounting Principles.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group’s position it provides.
- Perform audit procedures on the prospective information presented by management in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Cologne, 20 December 2021
KPMG AG
Wirtschaftsprüfungsgesellschaft

[Original German version signed by:]

Stollenwerk	Mundt
Wirtschaftsprüferin	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]