Annual Report 2008/09

DOUGLAS HOLDING

Excellence in Retailing

THE DOUGLAS GROUP FACTS & FIGURES

Facts & Figures		IFRS 2008/09	IFRS 2007/08[1]	Change in %
Sales	EUR m	3,200.8	3,130.4	2.3
national	*EUR m*	*2,071.5*	*2,032.9*	*1.9*
international	*EUR m*	*1,129.3*	*1,097.5*	*2.9*
EBITDA	EUR m	255.0	276.9	-7.9
EBITDA margin	*%*	*8.0*	*8.8*	–
EBT before closing costs	EUR m	127.6	151.7	-15.9
EBT margin before closing costs	*%*	*4.0*	*4.8*	–
EBT	EUR m	103.9	149.3	-30.4
EBT margin	*%*	*3.2*	*4.8*	–
Net income	EUR m	62.8	97.1	-35.3
Share price (September 30)	EUR	31.25	32.24	-3.1
EBITDA per share	EUR	6.49	7.06	-8.1
Earnings per share	EUR	1.60	2.47	-35.2
Dividend per share	EUR	1.10	1.10	–
DVA	EUR m	20.5	34.1	-39.9
Free Cash Flow	EUR m	84.5	40.1	110.7
Capital expenditure	EUR m	112.3	155.5	-27.8
		09/30/09	09/30/08	
Non-current assets	EUR m	798.8	808.4	-1.2
Current assets	EUR m	889.8	935.4	-4.9
Equity	EUR m	710.9	697.0	2.0
Non-current liabilities	EUR m	129.7	148.1	-12.4
Current liabilities	EUR m	848.0	898.7	-5.6
Balance sheet total	EUR m	1,688.6	1,743.8	-3.2
Working capital	EUR m	455.0	459.8	-1.0
Net bank debt	EUR m	166.3	220.6	-24.6
Employees		24,190	24,521	–
Stores		2,005	1,966	–
Sales area	1,000 m²	591	574	–

[1] Restatement of prior year's figures due to change in accounting for customer loyalty programs according to IFRIC 13 (for explanations see pages 108/109).

An overview of the past several years is found on pages 158/159.

CONTENTS

THE DOUGLAS GROUP

The DOUGLAS Group stands for "Excellence in Retailing," a principle embraced by its subsidiaries and service divisions alike. The five corporate divisions, which number among the trendsetters and market leaders in their respective segments, form the public face of the DOUGLAS Group. The autonomously operated Service Companies and the DOUGLAS HOLDING Service Divisions perform central administrative functions and provide support to the Executive Board and subsidiary managements.

Divisions

Douglas	Thalia	Christ	AppelrathCüpper	Hussel	
1,853.5	819.7	292.4	131.0	101.0	Sales in EUR m
1,220	294	203	14	274	Stores
14,611	5,151	2,025	757	1,097	Employees

Service Companies

DOUGLAS Corporate Service GmbH (DCS)	DOUGLAS Informatik & Service GmbH (DIS)
DOUGLAS Immobilien GmbH & Co. KG	DOUGLAS Leasing GmbH
DOUGLAS Versicherungsvermittlung GmbH (DVV)	EKV Einkaufsverbund GMBH

Service Divisions

Controlling	Finance	Investor Relations
Communication	Group Development	Group Auditing
Mergers & Acquisitions	Human Resources	Legal Affairs
Risk Management	Taxes	

DOUGLAS HOLDING

Successful together (left to right): Melek Binbas, Martin Heppner, Kerstin Dobischok, Jasmin Nana Siaw and Julia Franken.

MISSION STATEMENT

Customer satisfaction is our paramount corporate objective. We create shopping environments in which our customers feel comfortable and at home. We advise and serve our customers with a passion – in our ambition to satisfy their every need. In this way, we make their lives happier and more rewarding: at each of our locations, in every country, every single day.

Outstanding service, first-class product ranges and a stimulating shopping experience are goals we strive for throughout our organization. Our employees rank among the very best in the retail segment. Dedication and a willingness to learn, helpfulness and enthusiasm, and mutual respect are the cornerstones of their – and our – success.

The DOUGLAS Group stands for "Excellence in Retailing" – offering outstanding service, first-class product ranges, a stimulating shopping ambiance and the industry's friendliest employees.

The DOUGLAS Group is a decentralized organization with a keen sense of tradition and its own heritage. Embracing these values has enabled us to become a leading European retailing company. Our five divisions – with their Douglas perfumeries, Christ jewelry stores, Thalia bookshops, AppelrathCüpper fashion stores, and Hussel confectioneries – number among the market leaders and trendsetters in their segments.

As a listed company, we have equal obligations to our shareholders, our workforce, our clientele, and our business partners. We foster a culture in which they all feel comfortable. In the future, the DOUGLAS Group will adhere to its philosophy of "Excellence in Retailing" and continue to generate profitable growth.

DOUGLAS HOLDING

Dr. Henning Kreke
President and CEO

Dear Shareholders and
Friends of the DOUGLAS Group,

Hagen, January 2010

The 2008/09 financial year was dominated by the global economic and financial crisis which also left its mark on the DOUGLAS Group. Nevertheless, consolidated sales rose by 2.3 percent to 3.2 billion EUR, slightly surpassing our projected increase of 2 percent. Unfortunately our like-for-like sales declined slightly, falling just 1.0 percent behind the previous year's figure. In positive contrast, our home market Germany outperformed the foreign operations during the year under review. At the same time, we again surpassed the competition in the majority of foreign countries, gaining additional market share.

Pre-tax earnings (EBT) – prior to one-off adjustments for the streamlining of the store network – totaled just under 128 million EUR. All in all, we reached the defined target of 120 to 130 million EUR (before non-recurring items) that we had set ourselves in May 2009. Furthermore, despite the difficult economic conditions, the DOUGLAS Group once again posted a positive DOUGLAS Value Added (DVA) of 21 million EUR in fiscal 2008/09.

At first glance our performance in the 2008/09 financial year may seem modest, especially when compared to some of the previous years, in which we were able to report double-digit growth. However, we are still proud of the fact that we have managed to achieve our goals despite the unfavorable economic climate and that we were able to defend our position against many of our competitors.

Our workforce of 24,000 ladies and gentlemen played a pivotal part in this accomplishment. With their warmth, customer orientation and professionalism, they managed to spark customers' enthusiasm for the DOUGLAS Group's specialty stores even in these difficult times. Therefore I would like to express my heartfelt thanks – also on behalf of my colleagues on the board – to each and every one of our employees for their contribution and dedication to our goals!

Despite their outstanding effort, the crisis has hit us hard in several of our foreign markets. As a result, the entire DOUGLAS Group store network was analyzed and we decided to close approximately 50 Douglas perfumeries abroad. Not only were these locations generating negative cash flows, but – even in the medium-term forecast – there was no indication of these cash flows improving on a sustained basis. Altogether, the costs of streamlining the store network in our various divisions will reach approximately 24 million EUR.

In the last fiscal year, we have also decided to cut back and reduce our investments. Whereas we invested 155 million EUR in the previous year, just 112 million EUR was devoted to opening 104 new stores and modernizing existing stores during the year under review. Of this amount, approximately 61 million EUR was invested in the Perfumeries division. There were 78 openings throughout Europe, with the new Douglas store on Berlin's "Unter den Linden" among the highlights. In the Books division, a dozen new Thalia stores were added. With the opening of our very first true multi-channel bookstore at the "Loop5" shopping mall in Weiterstadt near Frankfurt, Thalia set innovative standards for booksellers in German-speaking countries. In the Jewelry division, Christ boasted six new openings and numerous modernized locations, the highlights being the completely remodeled stores in Cologne and Nuremberg. On the Fashion front, the AppelrathCüpper flagship stores in Frankfurt, Hamburg and Cologne were modernized and repositioned. And last but not least, Hussel opened eight new stores and upgraded numerous existing locations to expand its network of high-quality confectionery shops.

Although the impact of the economic crisis could still be felt during the 2009 Christmas season, the DOUGLAS Group was able to increase its sales by 1 percent from October through December 2009, thereby producing a satisfactory first-quarter performance. We therefore remain cautiously optimistic as to the developments in the rest of the financial year.

However, exact predictions concerning consumer behavior in 2010 are currently just as difficult as accurate forecasts on when the global financial crisis will finally end. Yet the last year demonstrated that people still like to indulge in a touch of luxury even in times of financial hardship.

Nonetheless, it is important for the DOUGLAS Group and retailers in general that the government act swiftly to create a framework, which is conducive to a gradually improving economy and rising consumer confidence. If appropriate funding is available, the promised tax breaks should be instituted as soon as possible. Beyond that, the continuing stabilization of the labor market remains another urgent priority, which would in turn positively impact the retail sector.

Regardless of the crisis and even though another tough year may lie ahead for the retail industry: we will keep our strategic focus by offering our customers outstanding service, an inviting shopping ambiance and first-rate product ranges at fair prices.

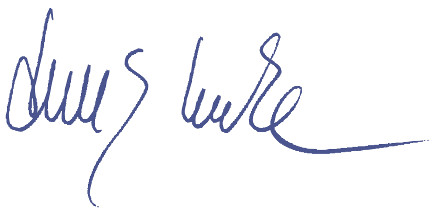
Our aim is to continue growing – albeit at a somewhat slower rate – as we further cement and extend our position as a leading European lifestyle group. We will be concentrating on generating organic growth powered by new store openings and the modernization of existing locations. For this purpose we have budgeted an investment volume of 120 million EUR for the ongoing fiscal year. Our Douglas perfumeries are planning to open 40 new stores and up-date numerous existing ones. Thalia will solidify its market leadership in the German-speaking countries by opening between five and 10 new bookstores while consistently pursuing its multi-channel strategy. Christ and Hussel will also further extend their leading market positions by opening and modernizing stores. AppelrathCüpper already set its new course in 2009; it is now younger, more up-to-date and more fashionable. Now much will depend on whether the apparel industry can regain its momentum after a long slowdown. If and when this happens, we are confident that AppelrathCüpper will be among the winners.

All of the activities in the DOUGLAS Group revolve around the customer. We have stylish stores, sophisticated and contemporary product ranges, as well as competent, committed and friendly ladies and gentlemen who consistently impress our customers with our products and services. As we feel that there is always room for further improvement, our corporate motto for 2010 is: "Turning visitors into customers." We want our customers to truly enjoy each visit to our shops and always feel that they have been treated to the very best advice, the very best service and the very best products.

Hopefully you have noticed that – despite the economic turbulence – we are striving with "heart and mind" to achieve further sustainable and value-oriented growth for the DOUGLAS Group. All things considered, our performance in the last business year and our cautiously optimistic outlook enable us to propose a dividend payment at the previous year's level. For this reason, the Supervisory and Executive Boards will be recommending that the Shareholders' Meeting on March 24, 2010, approve a dividend of 1.10 EUR per dividend-bearing share for the 2008/09 financial year.

The DOUGLAS Group is well prepared to face the challenges of the future. Financially, we are equipped with both a healthy capital structure and solid long-term financing. Additionally, we have extremely service-oriented and competent ladies and gentlemen in our team who rank among the very best the retail trade has to offer. Propelled by a modest economic upturn and a slightly more optimistic mood among consumers, the DOUGLAS Group will strive to deliver a strong performance in 2010.

Sincerely,



First established in 2000 and updated several times since, the principles of Corporate Governance in effect at DOUGLAS HOLDING AG – like the requirements, recommendations and proposals for responsible management specified in the German Corporate Governance Code – form a constituent component of the Group's corporate culture.

CORPORATE GOVERNANCE

The Corporate Governance principles adopted by DOUGLAS HOLDING AG help to ensure that the DOUGLAS Group is managed and supervised in a responsible manner which is designed to create value. Corporate Governance generates transparency, openness, respect for the interests of shareowners and efficient cooperation between the Executive and Supervisory Boards based on mutual trust, with the goal of producing a sustained increase in value within the Group. Compliance with the applicable versions of the DOUGLAS Principles of Corporate Governance and the German Corporate Governance Code is monitored by a compliance officer specially appointed by the Supervisory Board.

Implementation of Code Recommendations

The changes made to the German Corporate Governance Code on June 18, 2009 from the Federal Commission of the German Corporate Governance Code have been implemented except for the amendments to the D&O insurance. This applies in particular to the resolution passed by the entire Supervisory Board regarding total remuneration paid to individual Executive Board members and the alignment of the remuneration structure of the Executive Board towards a sustainable business development.

During the 2008/09 fiscal year, the Executive and Supervisory Boards of DOUGLAS HOLDING AG again demonstrated full compliance with the recommendations and proposals of the most recent version of the German Corporate Governance Code (DCGK) except for the three items listed below:

1. Prior to the enactment of the law to limit remuneration paid to Executive Board members, the DOUGLAS HOLDING AG had signed a contract for D&O insurance for its Executive and Supervisory Boards. A self-deductible portion is also included, but however does not yet conform to the new legislative requirements. The self-deductible portion will be accordingly adjusted to conform to the German Corporate Governance Code by the statutory period until June 30, 2010.

2. Although the DOUGLAS HOLDING AG's fiscal year ends on September 30, the publication of its consolidated financial statements does not take place prior to the close of that calendar year (12/31), but rather in January of the following year. This ensures greater attention from investors and better visibility with shareholders and the media than might be expected from publication at the end of December (No. 7.1.2. sent. 4, DCGK Code). Next year, DOUGLAS HOLDING AG will release a Trading Statement a few days after the close of the financial year, as it has done in the past.

3. In line with the statutory provisions, DOUGLAS HOLDING AG discloses the shares in DOUGLAS HOLDING AG held by the members of the Executive and Supervisory Boards to the extent that the shareholding exceeds or falls short of the relevant reporting limits prescribed by Section 21 of the German Securities Trading Act (WpHG). It also publishes details of all transactions of DOUGLAS HOLDING shares that involve the above individuals. To protect their privacy, no further details of the Executive and Supervisory Board members' shareholdings are disclosed (No. 6.6. para. 2, DCGK Code).

In conformity with the current version of the German Corporate Governance Code as of June 18, 2009, the Executive and Supervisory Boards of DOUGLAS HOLDING AG have issued a declaration of conformity pursuant to Section 161 of the German Stock Corporation Law (AktG). This is published under www.douglas-holding.com/en/cg.

Executive Board remuneration

The remuneration system for Executive Board members is resolved by the entire Supervisory Board.

The remuneration amount of DOUGLAS HOLDING AG Executive Board members is proposed by the Supervisory Board's Executive Committee and determined by the entire Supervisory Board. In the 2008/09 fiscal year, a total of 2,512.6 thousand EUR was paid to the members of the Executive Board for their work rendered on behalf of DOUGLAS HOLDING AG and its subsidiaries. Of this amount, 1,281.7 thousand EUR comprised of non-performance related and 1,230.9 thousand EUR performance-related income. The variable components for compensation to the Chairman of the Executive Board and all Executive Board members in future are based on the result from ordinary business activities of the DOUGLAS Group less a 12 percent virtual accrual of the Group's equity. Variable remuneration is limited, because it cannot exceed a clearly defined percentage in base salary. With respect to Division heads, the variable components are based on the net results of the respective division in a comparative form.

Corporate Governance on the Internet

Principles of Corporate Governance, Declaration of Conformity pursuant to Section 161 of the German Stock Corporation Law (AktG) and Principles governing Executive Board remuneration

www.douglas-holding.com

There are no stock option programs for Executive Board members. A D&O insurance policy with an appropriate self-deductible portion was entered into for the Executive and Supervisory Boards for the first time in fiscal year 2007/08. The insurance contracts are being renegotiated at the present time in order to comply with legal requirements up through June 30, 2010.

Further details regarding the remuneration paid to the Executive Board members – including pensions and pension provisions – are published under www.douglas-holding.com/en/cg; a breakdown by member is shown in the Notes accompanying the consolidated financial statements on page 148 of this Annual Report.

Supervisory Board remuneration

The remuneration of the Supervisory Board is determined by the Annual Shareholders' Meeting and governed by Section 14 of the DOUGLAS HOLDING AG statutes. Such remuneration contains a fixed as well as a variable, performance-oriented component that is keyed to the earnings per share. The time spent chairing and attending committee meetings is accorded due consideration. The members of the DOUGLAS HOLDING AG Supervisory Board were paid a total of 842.4 thousand EUR during the 2008/09 fiscal year. Of this sum, 611.4 thousand EUR comprised fixed components and 231.0 thousand EUR variable components. A breakdown by member is shown in the Notes accompanying the consolidated financial statements on page 149 of this Annual Report.

No conflict of interest

No conflicts of interest subject to the Supervisory Board's immediate notification were reported by the members of the Executive and Supervisory Boards. In the estimation of the DOUGLAS HOLDING AG Supervisory Board, the number of independent members in its ranks is sufficient. The efficiency examination – performed at intervals – confirmed that the Supervisory Board is efficiently organized and the collaboration between the Executive and Supervisory Board functions quite well.

Directors' Dealings

During the 2008/09 fiscal year, the members of the Executive and Supervisory Boards as well as the senior management of the DOUGLAS Group complied with the applicable reporting requirements of the German Securities Trading Act in respect to trading involving DOUGLAS shares. This also applies to the trading of derivatives. Security trading information can be found in the Notes accompanying the consolidated financial statements on pages 149/150 of this Annual Report.

Independence of Auditors

Prior to commencing the audit of the consolidated financial report for the fiscal year 2008/09, the Supervisory Board obtained confirmation from the auditors, Susat & Partner, to the effect that there were no business, financial, personal or other ties between the auditors, members of their executive bodies or the audit directors on the one hand and the company and the members of its executive bodies on the other which might constitute grounds to doubt the auditors' independence. It was further confirmed that no consulting services of significance were rendered by Susat & Partner during the year under review or agreed for the fiscal year 2009/10.

Dr. Dr. h.c. Jörn Kreke,
Chairman of the
Supervisory Board

Dear Shareholders,

During the financial year under review, the Supervisory Board of DOUGLAS HOLDING AG held four regular meetings to discuss in depth the commercial and strategic development of our Group. During the entire 2008/09 fiscal year, the Supervisory Board fulfilled its duties in accordance with the legal requirements and the company's statutes, rules of order and Principles of Corporate Governance of DOUGLAS and further monitored and provided advice to the Executive Board. The Executive Board reported to the Supervisory Board regularly, comprehensively and in a timely manner. Beyond these meetings, the Chairmen of the Supervisory and Executive Boards remained in close contact to regularly review strategy options and current policy issues.

Focus of work

The Supervisory and Executive Boards communicated closely on the trends in the European retail sector and the financial performance of the DOUGLAS Group's individual divisions. Discussions were held and decisions made on numerous issues including:

a) measures to secure earnings under the current difficult economic conditions;
b) the further selective growth of the Douglas Perfumeries outside of Germany;
c) the multi-channel expansion of the Thalia bookstores taking account of the changed competitive situation in the German-speaking bookselling retail sector;
d) realignment of the AppelrathCüpper women's fashion stores;
e) the strategic measures undertaken in specific countries;
f) changes relating to the members of the Executive Board and management at the Group's subsidiaries.

Given the global economic crisis, weaknesses in the organization and store network were analyzed and adjusted, processes optimized and services improved in all markets in which the DOUGLAS Group operates. In this respect, impressive progress was made in all areas.

Corporate Governance

The declaration of conformity according to the German Corporate Governance Code and pursuant to Section 161 of the German Stock Corporation Law (AktG) was updated and published on the Internet under www.douglas-holding.com, together with the DOUGLAS HOLDING AG Principles of Corporate Governance.

Committees

In addition to holding numerous teleconferences and individual discussions, the Executive Committee convened for one meeting during the period under review. Among other topics, its discussions covered the strategic further development of the DOUGLAS Group, significant leases, a range of acquisition projects and issues relating to human resources and the Executive Board. Additionally, the form and content of the Supervisory Board's activities were discussed and reviewed, with both being found efficient and appropriate by the Supervisory Board and its Executive Committee. The Audit Committee met on three occasions during the 2008/09 financial year. The main focal points of its deliberations were the DOUGLAS HOLDING AG's separate and consolidated annual financial statements, the current financing structure, the hedging of interest and foreign currency risks and the operational planning for the Group. In addition, the Executive Board and Audit Committee held in-depth discussions concerning the quarterly financial reports of the fiscal year under review. The Supervisory Board as a whole was kept fully informed of the outcome of the discussions held at all the committee meetings. There was no need to convene the Arbitration Committee (pursuant to Section 27 (3) of the German Codetermination Act).

Auditors

In accordance with the vote at the Annual Shareholders' Meeting, the Supervisory Board appointed Susat & Partner oHG Wirtschaftsprüfungsgesellschaft, Hamburg, in August 2009 to audit the separate and consolidated annual financial statements for the 2008/09 fiscal year. Prior thereto, the extent and focus of the audit had been defined by the Audit Committee.

The accounting and separate financial statements of DOUGLAS HOLDING AG, the consolidated financial statements for the financial year 2008/09, as well as the combined management report covering both the Group and DOUGLAS HOLDING AG, were audited by the auditors, concluded that they comply with legal requirements and the company statutes and issued an unqualified audit report.

On December 2, 2009, the Audit Committee joined the Executive Board to hold full discussions with the auditors on the audit findings, risk management system and organizational matters at the Group's subsidiaries. The auditors were party to the discussions on the agenda items relating to their work at the Supervisory Board's balance sheet meeting on December 9, 2009, where they also reported on the principal findings of the audit and answered questions. Copies of the auditor's reports were presented to the Supervisory Board. The Supervisory Board approved the findings of the audit; no objections were raised.

Annual financial statements of DOUGLAS HOLDING AG and the Group

In accordance with legal obligations, the Supervisory Board conducted a review of the separate and consolidated financial statements, the combined management report of the Group and DOUGLAS HOLDING AG, as well as the proposed appropriation of profits – all of which had been submitted in good time – and gave its approval in writing. The annual financial statements are therefore deemed adopted pursuant to Section 172 of the German Stock Corporation Law (AktG). The release of the consolidated financial statements was approved for January 11, 2010. The Supervisory Board approved the proposal for the appropriation of profits as submitted by the Executive Board, including a dividend payout of 1.10 EUR per dividend-bearing share for the 2008/09 fiscal year.

The Supervisory Board would like to thank the Executive Board, the management and all the employees of the DOUGLAS Group in Germany and abroad for their tremendous dedication and successful work under challenging economic conditions in the financial year just ended.

Hagen, January 2010

On behalf of the Supervisory Board

Dr. Jörn Kreke
Chairman

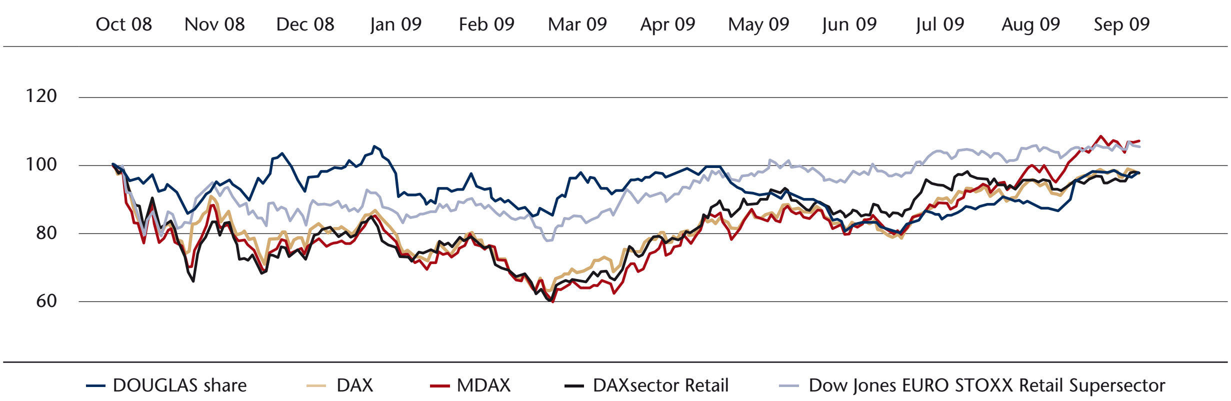
THE DOUGLAS SHARE

The financial crisis and its impact on the global economy dominated the performance on the worldwide stock markets in the 2008/09 fiscal year. In the wake of the global recession, share prices reached a multi-year low in March 2009. Subsequently, the world's stock markets recovered, but without reaching their initial values by the end of the fiscal year. The first signs of a sluggish recovery in the global economy had a positive impact on the share prices during the course of 2009, which was supported by the leading industrialized nations through massive economic stimulus plans.

The German stock index, DAX, stood at 5,865 points at the beginning of DOUGLAS HOLDING AG's fiscal year on October 1, 2008 – severely falling to 3,666 points at the beginning of March 2009. In the following months, the DAX was able to make up the losses for the most part, closing at 5,675 points as of the balance sheet date on September 30, 2009. This corresponds to a minus of 3.2 percent based on the fiscal year. The MDAX, which also lists the DOUGLAS shares, gave a better performance. The index gained 4.9 percent over the same period despite the very volatile share price development, closing at 7,359 points. The performance of the German retail stocks is tracked in the DAXsector Retail index. Following the index's sharp drop of nearly 45 percent in the previous year, it once again fell slightly by 3.4 percent in the reporting period. The robust private consumption demand in international comparison together with a positive development of various consumer climate indicators in Germany and the low inflation impact all supported the share prices.

Maximum and minimum price of the DOUGLAS share in fiscal year 2008/09 (in EUR)

Indexed price of the DOUGLAS share in 2008/09 (in %)



Stable share price performance

The DOUGLAS shares upheld the prior year's share price level even against a turbulent capital market environment. Based on a much lower price volatility compared to the overall stock market, the shares could not, however, follow the positive performance of the benchmark index MDAX in the reporting period. The DOUGLAS shares closed on XETRA at 31.25 EUR on September 30, 2009 after starting at 32.47 EUR at the beginning of the fiscal year; representing a contraction of 3.8 percent over the fiscal year. Taking into account the 2007/08 dividend of 1.10 EUR per share, this translates into a negative value performance of 0.4 percent. On January 6, 2009, the DOUGLAS share reached its yearly high at 33.80 EUR for the 2008/09 fiscal year and recorded its yearly low at 25.62 EUR on June 23, 2009. The share price responded adversely to the critical opinions given by analysts up through the middle of 2009, which caused the analysts to fear a collapse in private consumer consumption in Germany given the uncertain overall economic conditions. Later in the year, the negative anticipations had been revised by several analysts.

Lower trading volume

With growing insecurity among the investors about the further developments of the global economy, the trading volume also declined on the international stock exchanges. The DOUGLAS shares could not escape from this trend. The average daily turnover on the electronic platform, XETRA, which is where more than 98 percent of all trading in DOUGLAS shares takes place, dropped in fiscal year 2008/09 by a substantial 42 percent to 137,000 shares (FY 2007/08: 236,000 shares). Nevertheless, at peak times, up to 500,000 shares changed hands in a single day.

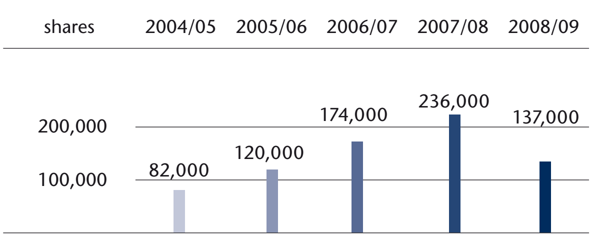
As of September 30, 2009, the DOUGLAS share had a market capitalization of 1.23 billion EUR (9/30/2008: 1.27 billion EUR). According to Deutsche Börse AG's index system, which only takes the free float into account when calculating market capitalization, the shares were ranked 26th in the MDAX (prior year: 29th), with an index-weighting of around 1.4 percent as of the close of the fiscal year (prior year: 1.7 percent).

Intensive dialog with capital markets

Good financial ratios are not the only building blocks for a better performance on the capital markets. The DOUGLAS Group's corporate strategy geared towards generating sustainable value is also regularly and comprehensively communicated on the capital markets. Maintaining ongoing and transparent dialogs with analysts as well as institutional and private investors feature strongly in the DOUGLAS Group, especially in difficult stock market times. The objective is to clarify the DOUGLAS Group's strategy and potential, thus achieving a realistic and fair valuation of the DOUGLAS share.

Also in the 2008/09 fiscal year, the Executive Board and the Investor Relations Team kept investors and financial analysts regularly informed about current

Trading volume – Five year overview (daily average)



DOUGLAS share – Market overview

		2008/09	2007/08
Shares issued as of balance sheet date	m	39.3	39.2
Shares issued as of balance sheet date, not including treasury shares	m	39.3	39.2
Capital stock	EUR m	117.8	117.7
Highest stock quotation (XETRA)	EUR	33.80	45.04
Lowest stock quotation (XETRA)	EUR	25.62	29.35
Stock quotation as of end of fiscal year (XETRA)	EUR	31.25	32.24
Market capitalization as of end of fiscal year	EUR m	1,227.5	1,265.0
Earnings per share	EUR	1.60	2.47
Dividend per share	EUR	1.10	1.10

business developments, strategic planning and on the targets of the DOUGLAS Group. Representatives of the DOUGLAS HOLDING AG answered investors' inquiries in the course of 25 road shows and investor conferences, and in over 190 meetings with individuals and groups in all major financial centers in Europe, the USA and at the company's headquarters in Hagen, Germany. The top management of the various operating divisions was also included in the discussions with the capital markets. An "Investors' Day" in Dortmund, for instance, gave analysts and investors an opportunity to take a first-hand look at the DOUGLAS Group's operations, and to convince themselves of the consistent manner in which lifestyle demands are being met in the specialty stores.

DOUGLAS share – Key information

Type of share/denomination	No-par value shares
Admission segment	Prime standard
Industry	Retail
Index	MDAX
ISIN	DE0006099005
Stock exchanges	Frankfurt am Main, Düsseldorf, Berlin, Hamburg, Stuttgart, Hanover, Munich
Symbol	DOU.ETR
Ticker symbol	DOU GR (Bloomberg) DOHG.DE (Reuters)
Designated Sponsor	Sal. Oppenheim jr. & Cie. KGaA

A fixed component of financial communication is also the annual Analysts' Conference. At the Analysts' Conference in Frankfurt am Main in January 2009, the Executive Board gave a full report to around 60 analysts and investors on the past 2007/08 fiscal year and on the sales and earnings forecasts for 2008/09. In three telephone conferences with an average of 35 participants, business developments in the first three quarters of 2008/09 were discussed in detail.

The DOUGLAS Group also strives intensively for dialogs with private investors. Many private investors took advantage of the Shareholders' Meeting on March 18, 2009 to obtain a thorough picture from the DOUGLAS HOLDING AG's Executive Board of business developments. The nearly 1,300 shareholders present at the Shareholders' Meeting represented 59 percent of capital stock (prior year: 50 percent) and approved all agenda topics. In order to meet the informational needs of private investors, the Investor Relations Team also addressed issues presented at the 13th Annual Shares Forum from the Deutsche Schutzvereinigung für Wertpapierbesitz (DSW) in Cologne.

Apart from personal meetings, DOUGLAS HOLDING AG's Internet website presents shareholders and interested potential investors an opportunity to gain information about the company. Under www.douglas-holding.com, financial reports, analysts' evaluations, presentations and scripts from Executive Board speeches as well as diverse stock information can be accessed. In addition, certain major portions of the Shareholders'

Meeting are broadcast live on the Internet every year. Business figures are continually updated and information provided on the website is also improved in terms of content and expanded in specific areas.

It was gratifying that the Investor Relations initiatives in the 2008/09 fiscal year reached top positions in rankings by external evaluations. Consequently, the DOUGLAS Group was awarded third place in the MDAX category in 2009 by the Deutsche Investor Relations Verband e.V. (DIRK). The international economic magazine, Institutional Investor, awarded the Investor Relations Team second place in its European ranking in the category ”Best IR Professionals – Retailing/General.”

Investor Relations activities will be intensified even further in the 2009/10 fiscal year. The idea is to strengthen communications not only in continuing to give first-class attention to existing shareholders, but also to attract new investors in Germany and abroad for the DOUGLAS shares.

Analysts’ interest remains strong

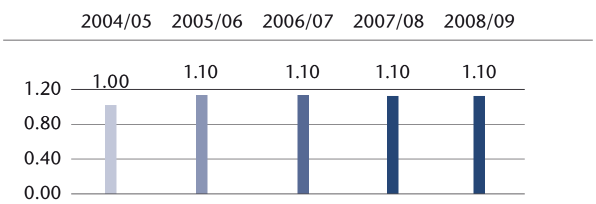
In the 2008/09 fiscal year, 25 analysts from renowned investment firms – mainly from Germany, the United Kingdom and the USA – regularly published studies and commentaries on current developments of the DOUGLAS Group and made their recommendations. As of September 30, 2009, six analysts recommended buying the DOUGLAS shares; ten of them categorized them as ”hold” and nine recommended selling them. The analysts justified their predominantly restrained expectations for the short term performance of the DOUGLAS shares at the end of the reporting period to be the result of the difficult macroeconomic conditions. At the same time, the analysts concluded in their studies that the DOUGLAS Group is very well positioned and are of the opinion that it is well-situated even in the current phase of ongoing restrained economic development.

Stable dividend

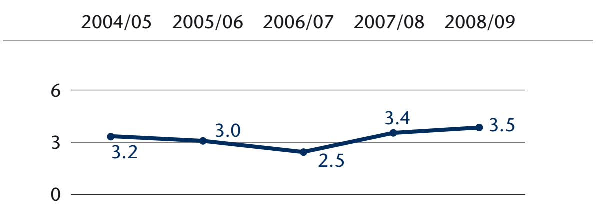
The Executive and Supervisory Boards of DOUGLAS HOLDING AG will propose to the Shareholders’ Meeting on March 24, 2010 to approve a dividend of 1.10 EUR per no-par value share for the 2008/09 fiscal year. This represents a distribution ratio of 69 percent of the consolidated net income allocated to DOUGLAS shareholders. Therefore, the objective of a dividend distribution ratio of about half of consolidated net income has been considerably exceeded. At the same time, the dividend proposal takes into account the dividend consistency strived for and the DOUGLAS Group’s profitability as adjusted for substantial one-off effects. If the dividend is viewed in relation to the market price of 31.25 EUR for DOUGLAS shares as of the end of the 2008/09 fiscal year, this would result in a dividend yield of approximately 3.5 percent.

Therefore, on the basis of a stable dividend payout year-on-year, the Executive and Supervisory Boards want to continue its shareholder-friendly dividend policy even against a challenging macroeconomic environment and thus allowing shareholders to participate in corporate development in an appropriate manner.

Dividend performance (in EUR)



Dividend yield (in %)



Customer orientation has long been a top priority for the DOUGLAS Group. But what does customer orientation actually mean, and what shape does it take within the Group? This forum provides answers from pundits in the field: the economic journalist and trade expert Dr. Ruth Vierbuchen, the successful author Edgar K. Geffroy, and Dr. Timo Renz, managing director of the Munich-based corporate consultants Dr. Wieselhuber & Partner.

CUSTOMER ORIENTATION

The Measure of All Things!

What defines good customer orientation and how does the DOUGLAS Group put this into practice?

Dr. Ruth Vierbuchen

The economist learned the basics of journalism at the "Giessener Anzeiger" newspaper. She then headed the "Retail" section of the Düsseldorf-based "Handelsblatt" newspaper for 20 years. In the summer of 2007, she joined the publisher Werner Rohmert to become editor-in-chief of the "Handelsimmobilien Report."

The theme of customer orientation is as old as trade itself. And it has long determined success, particularly in the retail sector. Yet there's no mystery to good customer orientation. Instead it is the sum of many different – and often ostensibly minor – factors. The DOUGLAS Group represents a model of how customer orientation can thrive – for decades.

There's no mystery to good customer orientation.

But first let us look back. Starting in the early 1970s, the German retail trade underwent an incredible structural shift that reached its peak in the 1980s. Regional retailers became national enterprises, and the establishment of the EU as a single market in 1993 elevated these companies to global players. Numerous family businesses disappeared during this phase, taken over by large corporations. Most notably in the food retail business, competitive systems arose which were comprised of a few major corporations and fast-expanding discount chains that engage in hard-fought price wars. The German retail market is reputed to be among the toughest worldwide.

The DOUGLAS Group has successfully established itself within this constellation. The Hussel confectionery chain, initially a small operation, has developed into one of the leading European retail players. This success has been determined in no small part by implementing its principles of customer orientation, i.e. by a fundamental and honest interest in what consumers want.

Both under Dr. Jörn Kreke, who took over the helm of the former Hussel AG at the age of 29 in 1969, and Dr. Henning Kreke today, the actions of the DOUGLAS Group have adhered to the same corporate values that prevailed more than 40 years ago: customer orientation, employee orientation and decentralization.

The customer is the focus of everything. In this context, it's not only about the big, strategic issues; it's about the little things. It's about the one-on-one, i.e. the specialist retail trade. For in contrast to discount stores, specialty shops are multi-facetted and strive for high standards: a prime location, the right ranges, a fitting ambiance, the best possible service, the most tasteful windows, and the most skilled and friendly advice.

To meet these high standards, the DOUGLAS Group has evolved into a successful European trading company. Kreke senior and junior have always set a good example. They do not conduct their business in a vacuum; instead they visit their stores as often as possible. The theory of "management by walking around" is a respected tradition within the DOUGLAS Group. And it applies to everyone at the management level who gathers their own impressions "on site" as to whether the decisions made centrally have filtered effectively into the system.

We want satisfied customers. Customers whose expectations we meet will gladly return and will remain loyal to us. This is why a consistent customer orientation is the measure of all things within the DOUGLAS Group. In our relations with our customers, friendliness and a willingness to help are the highest priorities. By demonstrating professionalism, commitment and enthusiasm, we give our customers the rewarding feeling of being the center of attention at our stores.

Customer orientation is the number-one corporate value at the DOUGLAS Group.

What is more, the principle upheld by the DOUGLAS Group – "As decentralized as possible, as centralized as necessary" – dictates that the decision-making authority reside exactly where it needs to be. Namely in the hands of the staff in the stores. In pursuing this approach, DOUGLAS deliberately empowers and promotes its local entrepreneurs. After all, they know the customers and their wishes best of all, and are therefore able to shape their business from the bottom up while constructively incorporating the extensive knowledge of local staff when it comes to their specific market.

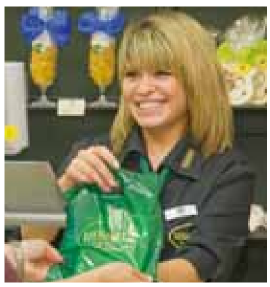
"As decentralized as possible,
as centralized as necessary."

Another maxim applied by the DOUGLAS Group is: "We go wherever our customers are" – be it in prime downtown locations or well-managed shopping centers. This too is an aspect of customer orientation. And having rational and economic criteria also factoring prominently in investment decisions is a natural part of entrepreneurial thinking. Yet the DOUGLAS Group never loses sight of the fact that people are always the focus of its business.

Good customer orientation only works with satisfied employees. Customers will instinctively pick up on the mood among staff and know how comfortable they are in their jobs. For this reason, the DOUGLAS Group has always attached great value to a good working atmosphere. This also entails having management meet regularly with the employees at the stores to gain a first-hand impression of any problems or issues they may be facing. Evidently this emotional, interpersonal component also plays a decisive role in retail success.

Satisfied employees = satisfied customers

For many years now, the concepts of tradition and innovation have distinguished this publicly listed company. The lifestyle group is headed – with familial flair – by two dedicated men who are retailers with heart and soul: Jörn and Henning Kreke. In light of this, it can come as no surprise that an organization led and managed with so much passion and commitment reaped multiple accolades in 2009, being recognized for its customer confidence levels and voted "most popular retailer" by its customers.



INTERVIEW
Edgar K. Geffroy

Edgar K. Geffroy is regarded as one of the most creative German business speakers. In the early 1990s he revolutionized the concept of customer orientation in his best-selling book, "The Only Disturbance is the Customer." The expert answered questions for the DOUGLAS HOLDING Corporate Communication Department.

As an expert on customer orientation, what is your assessment of the DOUGLAS Group's commitment to this marketing discipline?

Edgar K. Geffroy: "Being both a customer and market observer, I have a multiple perspective on the DOUGLAS Group's activities: chocolates for my mother-in-law at Hussel, a fragrance for my wife's birthday from a Douglas perfumery, or the marketing of my own best-seller at the Thalia bookstores – and there is not a weakness to be detected. It's all in the mix: fantastic ranges mean I can find what I need without a long search. Competent and friendly staff means I get sound answers to my questions. Easily accessible, great atmosphere. I would be hard put to find flaws."

In view of the changes in the market, is there anything else you can think of?

Edgar K. Geffroy: "There are probably few things the people in charge at DOUGLAS have not already seen or will see. The shift of the age pyramid, for instance, makes adjustments prudent in all of the Group's specialty stores. Older people read different books than younger customers; fragrances may well be chosen based on different criteria. So customers need to be integrated more closely when developing creative business strategies. The customers' knowledge and desires are the be-all and end-all of success."

Edgar K. Geffroy

What should be done in this regard?

Edgar K. Geffroy: "Reach out more to your customers. There's never any harm in trying. Involve your customers in projects, for instance in a retail advisory board set up as a forum for mutual exchange. You will see: many customers are already loyal fans and will gladly participate – if you just take the initiative and ask them to do so. People are and will always be your core business."

Where do you see room for improvement in the processes?

Edgar K. Geffroy: "That is difficult to judge from outside the organization. But I do know that, in the long run, customer orientation is subject to a certain amount of wear and tear. You need to continually revitalize this capability. Celebrate the enthusiasm of your employees. If they think and act like co-entrepreneurs, customers will register that and reward you with years of loyalty. Management also needs continuous motivation. If everyone feels like a choreographer responsible for the quality of the daily play called Retail, you'll have a solid foundation for long-term success."

Does retail have a future?

Edgar K. Geffroy: "Forever and ever. But the number of market players will thin out. Those who remain will be the ones that have consistently practiced the principle of customer orientation – my expression is 'clienting.' Based on the old notion that no one is partly pregnant, you need to do what you do well and to the best of your ability. I have little doubt that the DOUGLAS Group will do just that."

Retail with heart and mind?

Edgar K. Geffroy: "Exactly!"

"The customers' knowledge and desires are the be-all and end-all of success."

Dr. Timo Renz, member of the management at Dr. Wieselhuber & Partner GmbH

Douglas perfumeries:
"Germany's Best Retailer" in 2009

This age of financial crisis with all its negative and far-reaching repercussions to date – first and foremost affecting industry – raises a number of issues for the German retail trade. Which factors impact consumer behavior during a recession? Where are the true sales engines? Are bargain prices really enough to keep buyers happy during difficult times? Only those who know and meet the needs of their customers during periods like this will be in a position to maintain their market position. They might even capture additional market share during the crisis.

Responding to these questions prompted Dr. Wieselhuber & Partner to undertake – in conjunction with the Serviceplan communication agency and the facit market research institute – a study on consumer behavior in the German retail industry. In an online survey conducted in February and March of 2009 covering 15 subsegments and 89 retail companies, 3,000

3,000 consumers were questioned

consumers in Germany were questioned as to their current and future behavior during the crisis. The categories assessed using the W&P Fit Monitor were customer proximity, customer focus, customer dialog, customer loyalty and customer benefits. A composite list of companies standing to gain and lose from the crisis was drawn up in the form of a "crisis seismograph." The clear winner: Douglas took first place before dm to become the top company in German retail in the consumers' view. Apparently Douglas knows best how to meet its customers' expectations, a finding which was most evident in three categories. When it came to customer proximity – which stands for identification, image, advertising message and accessibility – Douglas won by a sizable margin before other major retailers such as Toys'R'Us, dm and IKEA. This was also the case in terms of customer focus, which evaluated impulse impact, the purchasing experience and in-store navigation at the POS. In the category of customer dialog, participants were asked to rate ease of contact, the friendliness of sales staff, information and the handling of complaints. Here as well, Douglas came out on top.

No universally applicable rules

It is not possible to distill a universally applicable way forward for all the various segments. There are no easy solutions that work for everyone. However, it is clear that certain operative and strategic factors tend to weigh more heavily in times of crisis:

1. *Good value for money: The customer wants a fair price.*
2. *Transparent positioning and profile: The customer wants to know what the retailer stands for and what distinguishes it from the rest of the segment.*
3. *Approach the customer: The customer wants to be taken seriously at the store and expects friendly service and a willingness to help – now more than ever.*

Considering these core findings, it is easy to understand why Douglas performed so well in the survey.

Open to change

In closing, it remains to be said that two guiding principles of the retail business apply more than ever during an economic downturn. Retail means change: trade needs to embrace change and focus more closely on the customer. It needs to shed old habits and outdated mindsets. It needs to be open to new things. Retailing is detailing: if you want to be successful in retail, you need to closely analyze all the factors that generate and exploit customer frequency, and particularly the measures that drive sales. Retailers must have perfect command of their entire management repertoire. This is a real challenge, because it requires taking a painstakingly close look. Douglas is doing just that – and is being rewarded by its customers.

THE HEART OF THE DOUGLAS GROUP

Even more so than in previous years, the success of the DOUGLAS Group during the 2008/09 financial year was powered by the dedication of its approximately 24,000 employees. With their outstanding team spirit and creative ideas for boosting sales and earnings, they successfully defied the difficult economic climate. As such, the DOUGLAS Group's corporate culture – which is based on mutual trust and shared commercial success – once again proved its worth. The theme chosen for the 2008/09 financial year was "Successful Together – Fit for the Future." In this context, numerous new initiatives were launched, many in the realm of human resources.

Top training

Having well-trained personnel is particularly critical in the field of specialty retailing. The DOUGLAS Group has therefore been offering modern and well-grounded apprenticeship programs for young people, and securing their long-term services with varied and attractive career opportunities. Evidently with substantial success, because once again numerous apprentices completed their training with outstanding grades during the 2008/09 financial year. trendence, Europe's leading institute for personnel marketing, once again surveyed 11,500 schoolchildren as part of its "German School Barometer" for 2009. And in the category "Dream Employer," the DOUGLAS Group was ranked a respectable overall ninth.

Some 450 new apprentices began their careers in the DOUGLAS Group during its 2009 training year. The Perfumeries, Books, Jewelry and Confectionery divisions sustained their traditionally high numbers of newcomers. In the Fashion division, AppelrathCüpper launched a training drive, appointing a total of 23 new trainees at its 14 stores in 2009. This number is due to rise still further in the year ahead. In total, some 1,450 apprentices were working in Germany effective September 30, 2009, representing a trainee quota of 12.5 percent – once again well above the segment average of some 8 percent.

Janine Dorschner (21)

... opted to begin an apprenticeship at Christ in Mönchengladbach after she graduated from high school in 2007. It was a decision she has never regretted. Just two years later she had completed her training in retailing – with the highest possible grade. She summarized her apprenticeship as follows: "From day one I enjoyed the complete trust of my store manager Andrea Hiltl and the entire team, enabling me to work on my own initiative. I always felt happy and comfortable in my work. Ms. Hiltl even accompanied me personally to my final oral examination." This clearly impressed the Chamber of Commerce and Industry in the region, which not only singled out Janine Dorschner for her outstanding achievements but also designated Christ in Mönchengladbach as one of the area's top training locations.

Today Janine Dorschner has a permanent post. As the store's Pandora manager, she is responsible for purchasing and presenting this popular jewelry brand. She is also learning the skills required to become a "Decor Assistant."

Giving customers a warm welcome: the Douglas team at the Ernst August Galerie mall in Hanover.

Teamwork

Friendliness

Shared success

A great mood

Service

Keeping the best books at their fingertips: the Thalia team in Weiterstadt.

Finding the perfect watch for every customer: the Christ team from the Limbecker Platz store in Essen.

Tempting shoppers with tasty treats: the Hussel team from Hildesheim.

Showing a sure sense of style: the knitwear, shirt and blouse team from AC in Frankfurt.

Interview with Simone Leifert
Personnel Development Officer
Douglas North

Why was the "Douglas College" established?
Together with her team, Dörte Wojtczak – formerly regional manager and today managing director of Douglas Central – had the idea back in 2007 of creating a training program that was made "for employees by employees." When Ursula Gladeck-Tacke, a personnel development officer at Douglas North-West, and I heard about it, we couldn't wait to give our support.

And what, specifically, does it offer?
The "Douglas College" is like a distance learning service that enables students to update and extend their knowledge base. To this end, they receive a total of five course books. These provide detailed information on an interesting variety of subjects, including the history of the DOUGLAS Group, skincare, make-up techniques and trend topics such as men's cosmetics.

Who can study at the "Douglas College" and how exactly is the course configured?
All personnel working at the Douglas perfumeries can register. They work their way through the course books one at a time. At the end of each book is a questionnaire which must be completed within a specific timeframe. If they get at least 70 percent of the answers correct, they move on to the next book. As a reward for their efforts, employees successfully completing the first questionnaire receive a bracelet with a Douglas charm. For every other questionnaire test that they pass, they are awarded an additional charm for their collection.

How has the response been?
It has been overwhelming, more than compensating us for the enormous amount of work involved. More than 90 percent of employees have registered for the College, with over 65 percent already completing the course and receiving their certificates. Lots of colleagues have thanked us for this new learning medium. They think it's great that the company is supporting and funding such an opportunity.

Are there any plans for the future?
Indeed there are! The sixth course book for the Douglas College – covering the area of exclusive and own brands – is due to be published in January. And, incidentally, the idea for this one also came from the employees. And in February, a new term will be starting at the "Douglas College."

Of the training programs, the professions of retailer and sales associate still represent the largest groupings. Beyond this, the European University of Applied Sciences degree in "Retail Management" – which combines on-the-job training with internationally-oriented coursework – has been successfully established within the DOUGLAS Group.

Capable sales specialists and enthusiastic young executives

Getting the right mix is the formula for success in the DOUGLAS Group. Long-standing specialists and dedicated newcomers make up balanced and high-powered teams – at both the stores and the various service centers. During 2008/09 almost 6,000 of the DOUGLAS Group's employees in Germany had worked for the company for at least 10 years, with some 1,450 on the payroll for more than 20 years. The experienced personnel pass on their expertise while their younger colleagues reciprocate with new ideas.

"Old hands" and fresh faces alike can tap an array of opportunities to develop their careers within the DOUGLAS organization. All of the subsidiaries provide comprehensive training programs focused on specialty retailing and management skills. Some are designed for employees who wish to hold management positions in the area of sales. These include the "Douglas Academy" run by the German Douglas perfumeries – which has now been launched in France as "L'Academie Douglas" – and the "PROMIs" program run by Christ. At the "Thalia Academy," the Books division offers an array of personnel development options focusing on sales and service. These extend from seminars such as "Active and Emotional Selling" through to the "Leadership" scheme, which enables college graduates to move into management positions after completing a three-year program. AppelrathCüpper too has intensified its training of young potentials. During the autumn of 2009 the company initiated a two-year program for budding managers. This includes internal seminars and workshops on specific areas such as merchandise management and visual merchandising, but its primary focus is on fostering the participants' management skills and personal development. The program's defining feature is its integration of theory and practice. Among their other duties, the up-and-coming managers are charged with supervising the apprentices at the various fashion stores.

The Douglas perfumeries have posted particular success with their "Douglas College" – which

Lifelong learning

Strategy

Leadership ability

Honing their skills at the DOUGLAS HOLDING Academy: top managers from the DOUGLAS Group.

was developed by employees for employees. Anyone can register – from apprentices through to associates with many years of sales experience, all the way to management staff. The participants currently receive training material in the form of five books, which they can work through in their free time or coffee breaks. Subsequently they take a test. After a mere year, the initiators of the program can point to an amazing 4,000 registered students (see the interview on page 18).

Relevant training is also provided in the holding and service companies in Hagen, based on the annual discussions between management and the experts in Human Resources. Wherever possible, the most popular topics are communicated in in-house seminars. This enables the company to secure the exclusive services of the best training personnel and to tailor the sessions to the Group's individual requirements.

The DOUGLAS HOLDING Academy has also become a fixture in the training program. Since the spring of 2008, it has been running seminars, workshops and information-keyed events for the Group's top executives – in line with the philosophy of lifelong learning. During the past financial year, over 40 executives have been extending their expertise in areas such as strategy, employee supervision, innovation and change management. In conjunction with the Leipzig Graduate School of Management, top speakers from academia and commerce detail the key topics of the day.

Sustainable age structure

At the balance sheet date, more than 3,500 DOUGLAS Group employees in Germany – almost 25 percent of the workforce – were over 50 years old. Demographic change is therefore also an important issue for the DOUGLAS Group's personnel work. For this reason, the company participated in the "50-Plus Experience" project that was jointly initiated by the German Retail Association (HDE) and the German Ministry of Family Affairs. Within this project, training courses in selling and marketing – configured specifically for the needs of the Group's older personnel – ran successfully at both AppelrathCüpper and Christ. These courses are due to begin at Hussel as well during 2010. Beyond this, the DOUGLAS Group is participating in the European Union's age-sustainable organization project run in conjunction with the Institute for Management & Organization in Bochum. The age structures of individual business segments have already been analyzed and the corresponding potential for improvement tapped.

Modern personnel marketing

The DOUGLAS Group has become synonymous with lifestyle in retailing. And to maintain this status, it needs a clear and persuasive brand image as an employer. During the 2008/09 financial year, the Human Resources department renewed its efforts in this increasingly important area. Its main focus was on developing a communication concept which invested the DOUGLAS Group with a clearer image as an employer on the market. The goal was to highlight the qualities that make the DOUGLAS Group unique: varied and sophisticated operations within a group of companies consisting of market leaders and trendsetters; decentralized organization that allows the formation of small, lean teams with streamlined decision-making processes; and attractive career prospects.

The Douglas perfumeries, for example, have completely updated and modernized their personnel marketing communications. With the slogan "Douglas – that's where I want to be," the company is aiming to boost its profile and highlight which qualities it expects from potential applicants. The DOUGLAS HOLDING corporate identity was also rejuvenated through revisions to its image and recruiting advertising, careers website and trainee brochure.

Additionally, the company's college marketing was also realigned and taken to a new level. To this end the partnerships with existing colleges were reconfigured and new cooperative ventures with institutions of learning launched.

The new package was rounded out by the development of a higher education campaign that will be run at selected universities during the 2009/10 financial year – with the goal of further underlining the benefits that the DOUGLAS Group offers for graduates.

Top motivation and personal contact

Employees putting their heart and soul into their work need to be highly motivated. For this reason, the DOUGLAS Group attaches great importance to creating good working environments with lots of personal communication – making it fun for staff to perform at their best.

On the one hand the remuneration systems are being progressively optimized with the aim of suitably rewarding above-average contributions to the Group's success. On the other, the subsidiaries regularly run incentive campaigns in which individual employees or teams are awarded bonuses for special achievements – either in money or in kind. For the first time ever, a Group-wide "Sales Competition" was held in Germany during the 2008/09 financial year – in which the "Top Team 2009" was chosen in a total of eight different categories. The winners were the teams whose stores had posted the highest percentage increase in gross yield com-

Antje Ohle (AppelrathCüpper)

Katja Gunst (Hussel)

Hülya Berik (Douglas)

pared to the previous year. Creative ideas on how to boost sales and cut costs were the order of the day. The winners were announced at the start of November 2009 – with a true treat awaiting them. In each category, the entire store team won a four-day trip on the cruise ship AIDA. But the second- and third-placed teams had reason to be pleased as well: their prizes consisted of multiple-day tours to major European and German cities.

The DOUGLAS Group's corporate culture is built first and foremost on personal contact. Everyone in management – from the Executive Board through to the store managers – maintains close personal contact with their employees at all times. Regular team meetings, discussions with employees and workshops are just a few of the everyday activities designed to promote communication. One special meeting took place in June 2009 in Cologne. Against the backdrop of the financial crisis, President and CEO Dr. Henning Kreke joined employees from all of the Group's subsidiaries to discuss their wishes and concerns, and did his best to allay the uncertainties expressed by some of them. A multi-page article in the Group-wide employee magazine updated the entire workforce on its conclusions.

Beyond this, the DOUGLAS Group is renewing its efforts in the area of networking. For example, the DOUGLAS HOLDING's Human Resources & Organization department hosted an introductory event for new management personnel. Held either in German or English, its primary aim is to communicate the Group's corporate values and management principles to new executives, and to encourage links between the participants. During the 2008/09 financial year, 32 new top executives from the level of regional manager upwards participated in this program.

Human Resources

	09/30/09	09/30/08	Change
Perfumeries	14,611	14,722	-111
Books	5,151	5,153	-2
Jewelry	2,025	2,020	5
Fashion	757	979	-222
Confectionery	1,097	1,109	-12
Service/Holding	549	538	11
DOUGLAS Group	**24,190**	**24,521**	**-331**
In Germany	*14,761*	*15,110*	*-349*
Outside Germany	*9,429*	*9,411*	*18*

Magdalene Machnik (Douglas)

Jens Alberding (Christ)

Rosina Lange-Wildsmith (Thalia)

Advice
Enthusiasm
Charm
Warmth

Champions of good cheer: the Hussel team from the Limbecker Platz shop, Essen.

Walk right in: the Thalia team in Weiterstadt welcomes its customers.

Professional advice for jewelry and watch aficionados: the Christ team at the Elbe EKZ mall in Hamburg.

Friendly advice from woman to woman: the AC Frankfurt jacket, coat and dress team.

Cheerful and charming beauty experts: the Douglas team from Hagen.

Increased compatibility between family and work

Because more than 90 percent of the employees in the DOUGLAS Group are women, the company wants to do its very best to save them from choosing between their work and their families. As an issue very close to his heart, President and CEO Dr. Henning Kreke is constantly seeking ways to make family life and career easier to combine. At the start of the school year in 2009, a company kindergarten opened its doors at the Group's head offices in Hagen – christened the "Ministore." Beyond this, a flexitime program now helps employees to plan better, and therefore to reconcile the conflicting interests of work and home. Thanks to the Group's decentralized power structures, local store managers are empowered to find solutions that satisfy the individual needs of store employees. In fall of 2009, the Human Resources department at DOUGLAS HOLDING also launched a hotline for parents. Employees who are expecting children can call for information on their legal rights and parental leave etc. The hotline can also provide tips on childcare facilities and recommend local agencies able to provide assistance.

Values personal contact: Dr. Henning Kreke (4th from left), President and CEO of DOUGLAS HOLDING AG, at a meeting with employees in Cologne.

Focus on customer satisfaction

The DOUGLAS Group thrives on the fact that its employees tap their potential, their imaginations, their creativity and their enthusiasm. And these are the very qualities needed to bring the Group's theme for the 2009/10 financial year to vibrant life:

"Turning visitors into customers!"

Supported by management and personnel officers, the teams will be trying their very best to be "good hosts" at all times. With that added touch of warmth and friendliness, excellent service and helpful assistance, the ideal is to make the DOUGLAS Group into the "number one choice" – and to turn visits to a store into experiences of consummate pleasure. In this way, we can turn "guests" into satisfied customers and maybe even "regulars." The Douglas perfumeries are already at the head of this field. In a spring 2009 study conducted by the corporate consultants Wieselhuber & Partner, they were rated "Germany's most popular retailer." Similarly in January 2009, in the "Best of Handels-Check 2008" survey performed by the "WirtschaftsBlatt" newspaper and the online market research institute "Marketagent.com." Thalia Austria was ranked top among Austrian retailers in the "Image" category.

But as welcome as official accolades may be, the satisfaction of every single customer always remains the best reward for employees – day in, day out, at each of the specialty stores operated by the DOUGLAS Group.

CONTENTS

KEY RESULTS IN THE 2008/09 FISCAL YEAR:

Group sales higher by 2.3 percent over prior year (target: around 2 percent)

- Currency-adjusted sales increase by 2.7 percent
- Weak sales performance delivered by many foreign markets
- Like-for-like sales in Germany slightly below prior year

Earnings before taxes (EBT) and before closing costs at 127.6 million EUR (target: 120 to 130 million EUR)

- Earnings decline in Perfumeries division mainly due to weak foreign markets
- Further higher earnings contribution from Thalia and Christ
- Store network streamlining costs of 23.7 million EUR (target: 20 to 30 million EUR)

Dividend of 1.10 EUR per share in line with prior year

- Earnings per share fall to 1.60 EUR
- Dividend distribution ratio at 69 percent

Solid financing and capital structure

- Free Cash Flow rises from 40.1 to 84.5 million EUR
- Net bank debt drops to 166.3 million EUR
- Financing assured via revolving credit facility

DOUGLAS Value Added (DVA) declines to 20.5 million EUR

- Lower value contribution from Perfumeries division due to lower earnings performance
- Higher value contribution from the Books and Jewelry divisions

*The **Christ Jewelry stores** lead the market in Germany in the mid to upper price range for jewelry and watches.*

*Present in 22 countries, the **Douglas Perfumeries** lead the market in Europe and stand for expertise in the areas of perfume, cosmetics and body care.*

*The **AppelrathCüpper Fashion stores** are highly valued at their locations as a leading premium supplier of women's outerwear.*

*The **Hussel Confectionery shops** lead the market in the German confectionery sector and, since 2005, have been present in Austria as well.*

*The **Thalia Bookstores** have attained a leading market position in Germany, Austria and Switzerland with their extensive and distinguished product-mix.*

GROUP MANAGEMENT REPORT

BUSINESS ACTIVITIES AND OPERATING ENVIRONMENT

A leading European specialty retailer

The DOUGLAS Group is a leading European retail group. It embodies five decentralized retailing divisions under one roof. DOUGLAS HOLDING AG, with its head office in Hagen, Germany, is the strategic holding company responsible for key investments and centralized management decisions for the DOUGLAS Group's subsidiaries. The service companies, which operate as profit centers, incorporate important administrative tasks and the service head offices of the distribution companies support the retail stores with their day-to-day operations. The DOUGLAS Group is currently represented with about 2,000 specialty stores spanning across 22 countries. The largest division is the Perfumeries division with 1,220 Douglas Perfumeries, which are the market leaders in Europe, standing for expertise in the areas of perfume, cosmetics and body care. Being the sole full product-mix bookseller, the 294 Thalia bookstores presently combine traditional stationary and online bookselling services and have attained a leading market position in German-speaking countries. The 203 Christ jewelry stores lead the market in Germany in the mid to upper price range of the jewelry and watches segment. The 14 women's fashion stores from AppelrathCüpper are held in high esteem by its customers at all their locations for the excellent quality of the clothing offered. The profile is rounded out by the Hussel confectionery division, which with 274 stores leads the market in the German confectionery sector and is present in Austria as well. A company overview can be found on page U4. An overview of significant shareholdings of the DOUGLAS Group can be found on pages 152 and 153 of this Annual Report.

The DOUGLAS Group operates predominantly in Europe, having assumed a leading position in many western European countries. Above all, the German-speaking region forms the focus of activities. Moreover, the Douglas Perfumeries are also present in the USA. As a specialty retail group, it is critical to identify customers' wishes and to maintain close partnerships with suppliers. As a consequence, the DOUGLAS Group is viewed as a key and reliable partner by leading market producers for launching new products. Numerous product innovations are launched every year in the Perfumeries division. The various specialty stores of the DOUGLAS Group offer an optimum platform in this respect.

Corporate objectives and philosophy of the DOUGLAS Group

All five operating divisions combine the lifestyle philosophy and implement the mutual corporate objectives: quality and service leadership, sustained value-oriented growth and securing a leading market position. The DOUGLAS Group stands for "retail with heart and mind," which describes the corporate culture that characterizes and is lived by its employees.

The lifestyle philosophy is based on the DOUGLAS Group's consistent customer and service orientation. Some 24,000 employees assure that our customers experience the lifestyle philosophy each and every day: expert advice, excellent service and first-class products at fair prices in an attractive shopping atmosphere.

The objective of the DOUGLAS Group is to also attain a leading market position in countries where this has not yet been achieved. In the expansion of quality and service leadership, all business divisions follow a clear differentiation from their competitors.

This will ultimately contribute to the DOUGLAS Group's goal of value-oriented growth. To this end each and every planned investment is examined to see whether it contributes to sustained increase of the business value. Added value is then created, when a return is generated that is above the costs of capital.

Corporate management and controls

The responsibility for the DOUGLAS Group's management underlies three members of the Executive Board of DOUGLAS HOLDING as well as three division directors, who are responsible for the operating subsidiaries. The Executive Board reports regularly to the Supervisory Board, which is composed of an equal number of representatives of the shareholders and employees for a total 16 members.

In the 2008/09 fiscal year, the Executive and Supervisory Boards of DOUGLAS HOLDING AG again demonstrated full compliance with the recommendations and proposals of the most recent version of the German Corporate Governance Code (DCGK) except for three exceptions. The declaration of conformity pursuant to Section 161 of the German Stock Corporation Law (AktG) has been published on the DOUGLAS HOLDING AG's internet homepage.

The remuneration of the Executive Board is resolved by the Supervisory Board and the remuneration of the Supervisory Board is determined by the Annual Shareholders' Meeting. Such remuneration contains a fixed as well as a variable, performance-oriented component. There are no stock option programs. Further details concerning the remuneration paid to the Executive and Supervisory Boards can be found in the Corporate Governance report on pages 4 and 5 and in the Notes accompanying the consolidated financial statements.

Corporate controlling and strategies

As a retailer, it is very important to be as close to our customers as possible. True to the principle "as much decentralization as possible, as much centralization as necessary," the DOUGLAS Group's subsidiaries allow their employees the greatest possible scope of entrepreneurial activity. By contrast, centralized systems can be found in the administrative department to enable an efficient controlling of the Group. For example, this is evident in the real estate, treasury and tax departments. Even supportive services such as bookkeeping or payroll accounting are bundled in one company and centrally rendered for material operating companies. Moreover, the Executive Board determines the annual target values for sales and earnings before taxes (EBT) as well as key indicators based on the DOUGLAS Value Added concept (DVA), which are geared towards attaining a sustained increase in the business value. The DOUGLAS Group's positioning in the existing markets is of particular importance for achieving the sales and earnings targets. A strong market position in comparison to competitors is a key success factor. That is why the DOUGLAS Group concentrates on existing markets in Europe in order to gain additional market share there. Especially in a challenging environment, the home market in Germany has proven to be an important pillar for the DOUGLAS Group and is the reason why it will remain the focus also in the future.

Executive Board's overall assessment of business developments in the 2008/09 fiscal year

In the 2008/09 fiscal year, the DOUGLAS Group defended its position under extremely difficult consumption conditions. On the whole, net sales were up by 2.3 percent to 3.2 billion EUR. Following a solid performance in the all-important Christmas quarter 2008 to which the stable domestic business contributed to offsetting the unsatisfactory sales and earnings performance of some individual foreign markets, a weaker sales performance in Germany, too, was posted in the second quarter. This was caused by the shift in the Easter trade business to the third reporting quarter and a growing buying restraint. Given these factors, the Executive Board formalized its forecast in the half-year interim report published in May 2009 by revising the anticipated sales growth of between 3 and 6 percent to around 2 percent. In addition, the costs for streamlining the store network of between 20 and 30 million EUR for about 50 unprofitable stores were announced. As a consequence, the range of anticipated earnings before taxes of between 100 and 150 million EUR was limited to between 120 and 130 million EUR before closing costs. The third quarter profited from the Easter trade business. In Germany, higher like-for-like sales were generated with foreign like-for-like sales remaining at the previous year's level. The fourth quarter again saw an overall trend of a slightly muted consumption demand in Germany and weaker demand in many foreign markets.

In the 2008/09 fiscal year, the sales and earnings targets as adjusted during the year were reached. The predicted sales growth of around 2 percent was attained at the end of the fiscal year with a sales increase of 2.3 percent. The earnings before taxes and before closing costs of 127.6 million EUR was also in line with the forecast of between 120 and 130 million EUR. On the basis of the proposed dividend payout of 43 million EUR (1.10 EUR per share), the distribution ratio is 69 percent, and surpasses the target set at about half of the Group's net

Targets and results

Targets 2008/09	Results 2008/09	Targets 2009/10
Group sales increase of between 3 and 6 percent was revised to around 2 percent	Increase of 2.3 percent to 3.2 billion EUR	Group sales increase of between 0 and 2 percent
EBT growth originally expected to lie between 100 and 150 million EUR was limited to between 120 and 130 million EUR before closing costs (20 to 30 million EUR)	EBT at 127.6 million EUR before closing costs (23.7 million EUR)	EBT between 120 and 130 million EUR
Capital expenditure volume of about 140 million EUR	Capital expenditure totals 112.3 million EUR	Capital expenditure volume of about 120 million EUR
Sustainable increase in business value based on DVA	DVA falls to 20.5 million EUR	Sustainable increase in business value based on DVA
Continued dividend policy – about 50 percent of Group net profit intended to be distributed	Dividend proposal of 1.10 EUR per share corresponds to a distribution ratio of 69 percent	Continued dividend policy – about 50 percent of Group net profit intended to be distributed

profit. This dividend proposal takes into account the consistency strived for and the DOUGLAS Group's profitability as adjusted for substantial one-off effects. The business value of the DOUGLAS Group – measured in terms of the DVA – did not rise further in the fiscal year under review. The DVA came in at 20.5 million EUR or 13.6 million EUR less than in the previous year.

The capital expenditure volume excluding acquisitions in the 2008/09 fiscal year totaled 112.3 million EUR, which was less than the target figure and significantly less than the year before. A total of 104 new specialty stores opened in Germany and abroad (prior year: 141). This figure is offset by 70 store closures compared to 67 last year. As of September 30, 2009, the store network comprised of 2,005 locations (prior year: 1,966). The store closures related predominantly to the Perfumeries and Confectionery divisions and did not contain closures from the separately planned streamlining of the store network.

Overall economic operating environment

Coming out of the recession

According to the predictions of the Institute for World Economy (IfW), the global economy is in a minimal recovery phase at the end of 2009 following a plunge in world trade at the beginning of the year. The stabilization of the global economy is mostly the consequence of numerous government stimulus programs together with an expansionary monetary policy of the central banks, the relative resilience of emerging economies and the comparatively low oil prices. The Institute for World Economy predicts a drop in worldwide production of 1.0 percent in 2009.

The euro zone countries are recovering slowly from the recession. The impact of the financial crisis is still being felt dramatically. In particular, the employment markets in such countries like Spain, where a real estate boom was previously experienced, suffered the most. Despite falling inflation, the massive drop in exports resulted in a significant decline in investments. The Institute for World Economy predicts lower GDP growth of 4.0 percent in the euro zone.

Following a decline in economic performance in Germany at the beginning of 2009, the economic situation stabilized towards the middle of the year. The weak global demand led to a historically unprecedented drop in exports. Of these, the exporting nation, Germany, was particularly hit. In addition to the economic stimulus programs, the expansionary monetary policy and falling inflation rates, the "environment bonuses" temporarily stimulated private consumption in Germany and supported the German economy. Nevertheless, the Institute for World Economy anticipates a significant decline in macroeconomic production of 5.0 percent on the whole for 2009.

Company-specific operating environment

Robust private consumption in Germany

According to the German Retail Association (HDE), the feared extent of shrinkage in German retail sales as a consequence of the global economic crisis in 2009 has not yet been reached. Rather, consumer spending bolstered the German economy. This development was encouraged by stable consumer prices that still demonstrated a high rate of inflation the year before. However, retail sales were affected by the ”environment bonus” introduced to revive demand in the automotive sector, but which deprived purchasing power in the retail sector. In all, major purchases were often placed on hold by consumers because of uncertainties in the economic environment. Consequently, the savings rate in Germany remained high.

Following a nominal drop in retail sector sales of 2.9 percent in the first quarter of 2009, the second quarter saw a slight stabilization with a minus of 0.9 percent. HDE forecasts a nominal drop in sales of 2 percent for 2009.

No slump in the employment market

During the reporting period, the slump in the employment market did not largely materialize, because of the vast use of shortened workweeks by the companies. The number of short-time workers saw a sharp rise during the course of 2009. Where less than one percent represented short-time work in December 2008, this figure surged to 5.2 percent by summer 2009. According to the Federal Employment Agency, the unemployment rate in September 2009 stood at 7.2 percent.

In June 2009, the retail industry reached a tariff agreement, which calls for a pay hike of 2 percent starting September 1, 2009 and a further increase of 1.5 percent starting September 1, 2010. Furthermore, it also calls for a one-time payment of 150 EUR in April 2010. The payments of a special allowance in the amount of 150 EUR, which were agreed to in the previous year, have been extended until 2011.

The DOUGLAS Group has taken into account the tariff adjustments in its prospective planning.

Outperformed the industry:
The Christ Jewelry stores – here at the Elbe EZ shopping center in Hamburg.

Net sales by division and store network development

	Net sales (in EUR m)		Change (in %)		Stores		Change
	2008/09	2007/08	Total	Like-for-like	09/30/2009	09/30/2008	Absolute
Perfumeries	1,853.5	1,823.1	1.7	-1.6	1,220	1,171	49
national	*920.0*	*908.9*	*1.2*	*-0.6*	*452*	*445*	*7*
international	*933.5*	*914.2*	*2.1*	*-2.7*	*768*	*726*	*42*
Books	819.7	768.8	6.6	0.8	294	291	3
national	*628.7*	*589.6*	*6.6*	*0.6*	*238*	*236*	*2*
international	*191.0*	*179.2*	*6.6*	*1.4*	*56*	*55*	*1*
Jewelry	292.4	286.0	2.3	1.5	203	204	-1
Fashion	131.0	148.0	-11.5	-7.3	14	15	-1
Confectionery	101.0	101.2	-0.2	-0.8	274	285	-11
national	*96.2*	*97.1*	*-1.0*	*-0.8*	*258*	*269*	*-11*
international	*4.8*	*4.1*	*18.0*	*0.9*	*16*	*16*	*-*
Services	3.2	3.3	-	-	-	-	-
DOUGLAS Group	**3,200.8**	**3,130.4**	**2.3**	**-1.0**	**2,005**	**1,966**	**39**
national	*2,071.5*	*2,032.9*	*1.9*	*-0.5*	*1,165*	*1,169*	*-4*
international	*1,129.3*	*1,097.5*	*2.9*	*-2.0*	*840*	*797*	*43*

NET ASSETS, FINANCIAL POSITION AND RESULT OF OPERATIONS

Group sales reach 3.2 billion EUR

In fiscal year 2008/09, the DOUGLAS Group recorded a 2.3 percent increase in net sales for a total of 3.2 billion EUR, thus slightly exceeding the most recent forecasted target of around 2 percent. Adjusted for currency effects, sales increased even by 2.7 percent compared to the same period last year. It should be taken into account in this respect that the previous year's sales were reduced by 7.8 million EUR as a consequence of the change in the accounting of customer loyalty programs and in order to assure comparability between the reporting years (further details regarding the necessary IFRS adjustment can be found on pages 108 and 109 of this Annual Report). This satisfying performance on the whole was encouraged by the German subsidiaries with a sales increase of 1.9 percent and by the foreign subsidiaries with a sales gain of 2.9 percent.

The share of foreign subsidiaries in Group sales rose to 35.3 percent (prior year: 35.1 percent). On a comparative basis, which reflects only those stores that operated during both the reporting and the comparable prior period, the prior year's Group sales were just barely missed by 1.0 percent. With a comparative decline of 0.5 percent, the performance in Germany proved to be better than abroad which posted a comparative drop of 2 percent.

Sales reported by the 1,220 Douglas Perfumeries saw a 1.7 percent jump to nearly 1.9 billion EUR, thus further expanding its leadership of the European market. In Germany, the 452 Douglas Perfumeries posted turnover of 920.0 million EUR for an increase of 1.2 percent. Like-for-like sales fell just short of the prior year by 0.6 percent. Consequently, Douglas further secured its leading market position on the all-important home market despite the difficult economic conditions.

Share of foreign sales by country

	2008/09 in EUR m	2007/08 in EUR m	Change Absolute in %	Change Currency-adj. in %
Austria	188.5	182.0	3.6	3.6
Netherlands	176.9	172.8	2.3	2.3
Italy	158.8	156.6	1.5	1.5
France/Monaco	135.8	139.8	-2.9	-2.9
Switzerland	112.4	107.2	4.9	-2.1
Spain/Portugal	104.1	110.7	-6.0	-6.0
Poland	72.5	68.2	6.3	29.0
Russia	55.1	54.7	0.6	17.1
Baltic States	30.2	35.9	-15.9	-15.4
Hungary	21.2	22.9	-7.7	3.2
Croatia	21.0	5.5	281.8	-
U.S.A.	12.5	12.5	-0.1	-10.0
Others*	40.2	28.7	40.1	47.6
Total	**1,129.3**	**1,097.5**	**2.9**	**4.3**

*Bulgaria, Denmark, Romania, Slovakia, Slovenia, Czech Republic, Turkey

Sales of the 768 Douglas Perfumeries abroad were up 2.1 percent to 933.5 million EUR. However, sales on a like-for-like basis were down 2.7 percent. Ongoing poor consumption conditions in many foreign markets had a negative impact. This particularly affected Spain, the Baltic States and Hungary. The highest absolute sales growth was posted by the subsidiaries in Poland, Romania, Croatia and Bulgaria; whereby the latter two countries were first acquired in the second half of the 2007/08 fiscal year and included for the first time in the reporting period with a full year's worth of sales. Currency-adjusted sales increased by 4.4 percent. In particular, the subsidiaries in Turkey, Russia and Poland significantly increased sales in the respective local currencies. In the reporting period, Douglas opened 68 new stores abroad primarily in Poland, Russia, Croatia and Italy. In total, the share of foreign subsidiaries in Group Perfumery sales slightly increased to 50.4 percent after 50.1 percent a year earlier.

The Books division increased sales in the 294 Thalia bookstores in Germany, Austria and Switzerland by 6.6 percent to 819.7 million EUR. This rate of increase was achieved by both the 238 bookstores in Germany with sales of 628.7 million EUR and also by the 56 bookstores outside of Germany with sales of 191.0 million EUR. Consequently, the leading market position in German-speaking countries was further expanded. Like-for-like sales grew by 0.8 percent. Sales in Germany contributed 0.6 percent, with foreign sales contributing 1.4 percent. Of particular note is the pleasing performance in Austria. Like-for-like sales of the 32 Thalia bookstores climbed by 5.2 percent which was once again above the good rate of increase in the previous year. The performance of the 24 Thalia bookstores in Switzerland was less pleasing. Currency-adjusted sales declined by 1.2 percent. Overall, the Thalia group leads the markets in both Austria and Switzerland.

In the Jewelry division, the 203 Christ jewelry stores reported a sales gain of 2.3 percent to 292.4 million EUR during the fiscal year under review. The like-for-like sales increase amounted to 1.5 percent, which was due to the particularly good start in the first quarter and the satisfying performance in the third quarter of the reporting period. Therefore, Christ outperformed the sector and expanded its very solid market position in the mid to upper price range in Germany. The highest growth rates were realized with exclusive and private labels, which in the meantime represent around 15 percent of total sales. In addition to modernizing several of its retail stores, Christ opened a total of six new Jewelry stores in the year under review.

Sales in the Fashion division came in at 131.0 million EUR, 11.5 percent behind the previous year. Adjusted for the store closed in Berlin in January 2009, the sales decline of the 14 AppelrathCüpper women's apparel stores came in at 7.3 percent as a consequence of the tough industry environment. The fashion store in Frankfurt has been modernized and renovated; the stores in Cologne and Hamburg were redesigned. In line with the restructuring program, AppelrathCüpper will focus even more in the future on the mid to upper genre for women's fashion clothing with service being the focal point.

In the Confectionery division, Hussel succeeded in expanding its leading market position in Germany. The 274 Hussel confectionery shops in Germany and Austria reported sales of 101.0 million EUR in line with the previous year. Like-for-like sales for German stores were down by 0.8 percent, while the Austria Hussel shops increased like-for-like sales by 0.9 percent.

Additional information about strategy and figures of the individual business divisions can be found on pages 60 to 97 of this Annual Report and in the Notes accompanying the consolidated financial statements.

Earnings target reached

Earnings before taxes (EBT) and before costs for store network streamlining came in at 127.6 million EUR after 151.7 million EUR a year earlier. Therefore, the earnings target announced in May 2009 of between 120 and 130 million EUR before special effects from the store network streamlining was reached. It should be taken into account that the previous year's EBITDA and EBT were each increased by 2.2 million EUR due to the change in the accounting of customer loyalty programs. Accordingly, comparability with the reporting period has been assured (further details concerning the necessary IFRS adjustments can be found on pages 108 and 109 of this Annual Report).

The return on sales – the ratio of EBT to sales – came in at 4.0 percent versus 4.8 percent in the prior year's period; this is quite a decent figure for specialty retailers. Taking consideration of closing costs, the earnings before taxes stood at 103.9 million EUR.

Consequent store network streamlining

On the basis of an analysis of the store network, the DOUGLAS Group identified all stores generating a negative cash flow with no expectation of a sustainable improvement in earnings on the medium term. As far as the cash costs of a store closure were estimated to be lower in the next one to two years than the anticipated negative cash flows from continuing operations, it was then decided to close the store. This affected a total of about 50 stores with a total remaining carrying value of around 10.3 million EUR. In total, closing costs of 23.7 million EUR have been recognized in the reporting period. These costs comprise of the divisions Perfumeries (19.2 million EUR), Confectionery (0.7 million EUR) and Fashion (3.8 million EUR without consideration of the portion allocable to minority interests, which is presented under the financial result).

Operating earnings contribution by the divisions

The Perfumeries' earnings before taxes (EBT) and before special one-off effects from the store network streamlining stood at 87.7 million EUR following 110.1 million EUR in the same period last year. Subsequently, the return on sales dropped from 6.0 percent to 4.7 percent. While the earnings contribution of the domestic Perfumeries only just fell short of the prior year's level because of a stable sales performance, the EBT of the foreign Perfumeries significantly declined. This was due to the dramatic deterioration of economic conditions in several countries and the purchasing power losses that led to lost revenue. Consequently, the weak performances delivered in Spain, Italy, France and in the Baltic States could not be compensated by the comparably good performances in Poland, Russia and the Netherlands. The total special one-off effects from the store network streamlining of 19.2 million EUR predominantly affected perfumery closures in Spain, USA and Italy, where sales and earnings expectations could not be met in a sustainable manner.

A significantly better outcome in operating earnings was delivered in the Books division. Here, the EBITDA margin increased from 6.7 percent to 7.1 percent in the year under review. The goal of increasing the EBITDA margin to 8 percent in the next two to three years remains unchanged. The pre-tax earnings rose by 19.4 percent from 19.1 million EUR in the prior year to 22.8 million EUR in the year under review. It should be noted here that the earnings attributable to minority interests is contained in the pre-tax earnings under financing costs. The reasons for the favorable earnings performance were the consequence of an improved gross profit margin following the optimization of procurement channels and strict cost management. In addition, Austria's dynamic sales growth contributed to the improved earnings.

Gratifying was also the performance given in the Jewelry division, which posted a higher EBT from 13.2 million EUR to 15.1 million EUR in the year under review. This translated into an increase of 14.4 percent. The EBT margin improved to 5.2 percent following 4.6 percent a year earlier. This positive development relates to the very solid sales performance compared to the sector and to the further expansion of the exclusive and private labels. Hence, Christ's profitability improved further.

The Fashion division's earnings before closing costs improved to 1.1 million EUR, which resulted in a balanced outcome compared to the prior year. This improvement is the result of a higher gross profit margin and consequent cost management. Both effects together more than offset the unsatisfactory sales development. However, the earnings were adversely impacted in the amount of 3.8 million EUR by the necessary subleasing of the Berlin store.

The earnings performance delivered by the Confectionery division was unsatisfactory. With 3.3 million EUR before special one-off effects for the store network streamlining, the EBT fell short of the prior year's figure by 25 percent (EBT FY 2007/08: 4.4 million EUR). Correspondingly, the EBT margin declined from 4.3 percent in the prior year to 3.3 percent in the reporting period. The special one-off effects from the store network streamlining totaling 0.7 million EUR relate to store closures in Austria where the sales and earnings expectations were not met.

The earnings decrease in the Services division resulted from a lower net interest result. This was caused by significantly lower interest income from loans granted to subsidiaries as a consequence of lower interest rates and from financial income received in the previous year from interest swaps no longer required in the amount of 3.5 million EUR.

The cost structure of the DOUGLAS Group in the year under review did not materially change over the preceding year. Despite slightly lower like-for-like sales, the personnel cost ratio remained constant at 21.8 percent. However, rental and utility costs rose minimally due to the expanded store network and higher energy prices. The rental costs contain special one-off effects from the planned store network streamlining in the reporting year in the amount of 12.7 million EUR. Moreover, impairment charges of 10.3 million EUR were recognized on the fixed assets of the stores affected as

EBITDA and EBITDA margins

	EBITDA (in EUR m)		Change (in %)	EBITDA margin (in %)	
	2008/09	**2007/08**		**2008/09**	**2007/08**
Perfumeries	181.0	199.3	-9.2	9.8	10.9
Books	57.9	51.3	12.9	7.1	6.7
Jewelry	24.4	23.1	5.6	8.3	8.1
Fashion	7.3	6.1	19.7	5.6	4.1
Confectionery	6.4	7.7	-16.9	6.3	7.6
Services	-8.6	-10.3	16.5	-	-
DOUGLAS Group before closing costs	**268.4**	**277.2**	**-3.2**	**8.4**	**8.9**
Closing costs	-13.4	-0.3			
thereof Perfumeries	*-9.2*	*0.0*	-	-	-
thereof Fashion	*-3.8*	*-0.3*	-	-	-
thereof Confectionery	*-0.4*	*0.0*	-	-	-
DOUGLAS Group	**255.0**	**276.9**	**-7.9**	**8.0**	**8.8**

well as other costs in the amount of 0.7 million EUR. In total, the annual earnings were impacted by closing costs in the amount of 23.7 million EUR.

Tax expenses stood at 41.1 million EUR in the reporting period after 52.2 million EUR in the same period last year. In all, the Group tax rate increased by 4.6 percentage points to 39.6 percent of the pre-tax earnings. The increase in the tax rate is mainly the result of losses reported by some foreign subsidiaries for which no deferred tax assets had been recognized.

The 2008/09 fiscal year closed with net income of 62.8 million EUR. There was no portion of net income attributable to minority interests in the year under review (prior year: 0.1 million EUR). Consequently, the portion of net income attributable to DOUGLAS shareholders totals 62.8 million EUR as compared to 97.0 million EUR the year before. Earnings per share fell to 1.60 EUR following 2.47 EUR in the preceding year.

The DOUGLAS Group's detailed consolidated income statement can be found on page 101 of this Annual Report. Further explanations of the development of individual income and expense items can be found in the Notes accompanying the consolidated financial statements commencing on page 121.

Measurement decisions applied to the accounting and valuation principles as well as important forward-looking assumptions are explained in detail in the Notes accompanying the consolidated financial statements under Note 5 (see page 119).

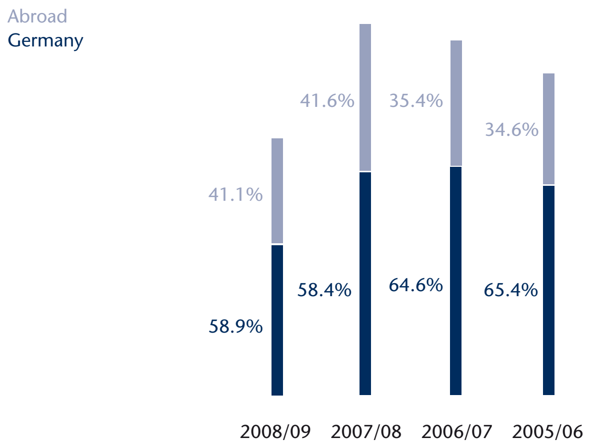
Significant decrease in capital expenditure

The DOUGLAS HOLDING AG and its German and foreign subsidiaries invested a total of 112.3 million EUR in the 2008/09 fiscal year in new retail stores and in the modernization of its existing store network. Therefore, this was significantly below the original capital expenditure budget earmarked for around 140 million EUR. Accordingly, management took into consideration the changed macroeconomic conditions. The number of stores increased by 39 to 2,005 stores in the year under review. The lower investment volume in comparison to the previous year relates to a more restrictive investment policy, increasing demand on the quality of location, lower target levels of investment per square meter and a time extension in modernization investments. Moreover, the preceding year was marked by intense acquisition activities including, among others, the acquisition of a Croatian and Bulgarian company.

EBT and EBT margins

	EBT (in EUR m)		Change (in %)	EBT margin (in %)	
	2008/09	**2007/08**		**2008/09**	**2007/08**
Perfumeries	87.7	110.1	-20.3	4.7	6.0
Books	22.8	19.1	19.4	2.8	2.5
Jewelry	15.1	13.2	14.4	5.2	4.6
Fashion	0.0	-1.1	100.0	0.0	-0.7
Confectionery	3.3	4.4	-25.0	3.3	4.3
Services	-1.3	6.0	-	-	-
DOUGLAS Group before closing costs	**127.6**	**151.7**	**-15.9**	**4.0**	**4.8**
Closing costs	-23.7	-2.4			
thereof Perfumeries	*-19.2*	*0.0*	-	-	-
thereof Fashion	*-3.8*	*-2.4*	-	-	-
thereof Confectionery	*-0.7*	*0.0*	-	-	-
DOUGLAS Group	**103.9**	**149.3**	**-30.4**	**3.2**	**4.8**

Development of capital expenditure in Germany and abroad



	2008/09	2007/08	2006/07	2005/06
Total in EUR m	**112.3**	**155.5**	**155.8**	**141.2**
Change year-on-year	-27.8%	-0.2%	+10.3%	+16.1%

In the Perfumeries division, 61.1 million EUR were invested in the opening of 78 new Douglas Perfumeries as well as in the modernization of the store network (prior year: 91.3 million EUR). The decline in investments relates to domestic and foreign subsidiaries in about equal parts. As in the previous year, the focal point of new openings was placed on European countries outside of Germany with 68 new stores. Foreign investments of 41.9 million EUR were predominantly made in store openings in Poland, Russia, Croatia and Italy. The retail store network as of September 30, 2009 had grown to 1,220 Perfumeries. The total sales space in the Perfumeries division increased from 261,000 m² to 277,500 m².

A total amount of 24.2 million EUR was invested in the Books division for twelve new Thalia bookstores and the refurbishment of the existing store network (prior year: 33.6 million EUR), of which 19.9 million EUR relates to Germany and 4.3 million EUR to Austria and Switzerland, respectively. Ten new bookstores were opened in Germany and two abroad, thus enlarging the store network in the Books division to 294 locations as of September 30, 2009. Sales space expanded from 236,500 m² to 242,200 m².

Investments of 8.0 million EUR were made to the Jewelry division compared to 10.5 million EUR year-on-year, which were mainly attributable to the modernization of several existing retail stores as well as for six new Christ jewelry stores. The 203 stores have a total sales space of 19,800 m².

In the Fashion division, an amount of 5.0 million EUR was invested in the refurbishment of existing shops (prior year: 6.0 million EUR). The main focus was on the stores in Frankfurt, Cologne and Hamburg. As per the fiscal year-end, AppelrathCüpper operated a total of 14 fashion stores with a total sales space of 35,300 m².

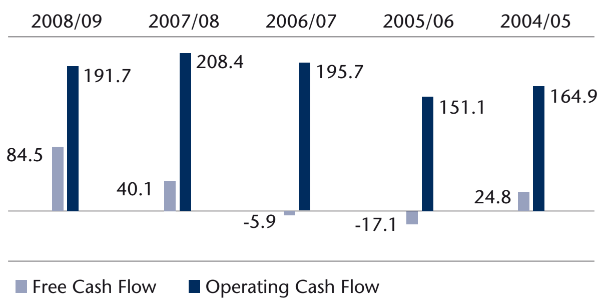
A total amount of 3.8 million EUR was invested in the Confectionery division for the expansion and modernization of the existing store network as well as for eight new openings in Germany (prior year: 4.2 million EUR). Hussel operated a total of 274 confectionery shops with a sales space of 15.800 m² as per September 30, 2009.

Total Group sales space amounts to 590,600 m² as of September 30, 2009 compared to 574,100 m² the year before.

Free Cash Flow climbs to 84.5 million EUR

At 84.5 million EUR, the Free Cash Flow – the sum of cash inflow and outflow from operating and investing activities – for the 2008/09 fiscal year was significantly above the prior year's amount of 40.1 million EUR. The lower investing activities offset the lower cash flow from operating activities.

Cash Flow (in EUR m)



Net cash inflow from operating activities in the 2008/09 fiscal year decreased to 191.7 million EUR following 208.4 million EUR the year before. The lower cash inflow compared to the preceding year mostly relates to a decline in the EBT to 116.1 million EUR (prior year: 159.9 million EUR) and to higher tax payments of 27 million EUR, which mostly related to prior years. The increase in depreciation and provisions mainly relate to expenses incurred for the store network streamlining

Change in Free Cash Flow

in EUR m	2008/09	2007/08
Net cash inflow from operating activities	191.7	208.4
Investments and fixed assets	-111.3	-155.6
Inflow from the disposal of fixed assets	7.5	6.5
Outflow for the purchase of consolidated companies	-3.4	-19.2
Free Cash Flow	**84.5**	**40.1**

that were non-cash related during the reporting period. In addition, capital employed in inventories was held at a constant level despite the slight sales growth year-on-year.

The net cash outflow for investing activities decreased from 168.3 million EUR in the previous year to 107.2 million EUR in the 2008/09 fiscal year.

The strong decline depicts the more restrictive investment policy of all business divisions. Besides higher demands on the quality of locations during the renting process, the target values for investments per square meter have been reduced. Moreover, modernization investments were extended during the reporting period without endangering the high quality of the store network.

In addition, the acquisition volume was lower in the year under review. While two Perfumery companies were acquired with a majority shareholding each in Croatia and Bulgaria in the preceding year, only smaller acquisitions were conducted during the 2008/09 fiscal year. Correspondingly, acquisition-related payments significantly fell from 19.2 million EUR to 3.4 million EUR in the fiscal year under review.

The Free Cash Flow generated in the reporting period and the scheduled reduction in the cash and cash equivalents balance were applied for the dividend payout of 43.2 million EUR and for the repayment of bank liabilities.

The detailed consolidated cash flow statement of the DOUGLAS Group can be found on page 106 of this Annual Report.

Improved net assets and capital structure

Total assets declined by 3.2 percent to around 1.7 billion EUR as of September 30, 2009. This was the consequence of a more restrictive investment policy and the planned store network streamlining as well as the improved management of working capital and cash positions.

The capital structure is still balanced. Non-current assets account for 47.3 percent of total assets, with non-current capital accounting for 49.8 percent of total equity and liabilities.

Non-current assets decreased by 9.6 million EUR to 798.8 million EUR in the 2008/09 fiscal year, because depreciation clearly exceeded capital expenditure. In particular, impairment charges on tangible assets increased due to the scheduled store network streamlining.

Current assets were down 45.6 million EUR from 935.4 million EUR in the previous year to 889.8 million EUR as of the balance sheet date. As a consequence of the improved working capital management, inventories were held at the prior year's level and accounts receivable as well as supplier reimbursements significantly declined. Cash and cash equivalents decreased from 49.9 million EUR or 2.9 percent of total assets to 35.8 million EUR or 2.1 percent of total assets also as a result of the improved cash management.

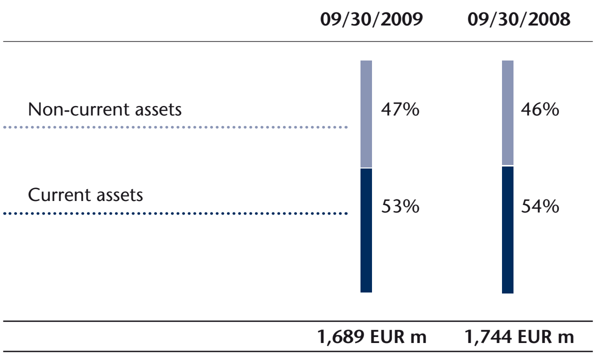
As of September 30, 2009, equity totaled 710.9 million EUR compared to 697.0 million EUR on the previous balance sheet date. The DOUGLAS Group's equity ratio moved ahead from 39.9 to 42.1 percent – also the result of a lower balance sheet total.

Non-current liabilities fell by 18.4 million EUR to 129.7 million EUR largely as a result of the repayment of bilateral bank loans. The ratio of non-current liabilities to the balance sheet total decreased from 8.5 percent to 7.7 percent year-on-year. The drop in current liabilities of 50.7 million EUR to 848.0 million EUR is predominantly due to lower current bank liabilities. In addition, the tax liabilities fell by 15.8 million EUR to 50.6 million EUR in the 2008/09 fiscal year as a consequence of payments for past tax assessment periods. By contrast, current provisions increased from 116.3 million EUR in the preceding year to 133.3 million EUR in the reporting period. This increase mainly relates to the costs expected to be incurred for the store network streamlining, particularly in connection with the premature cancellation of rental agreements.

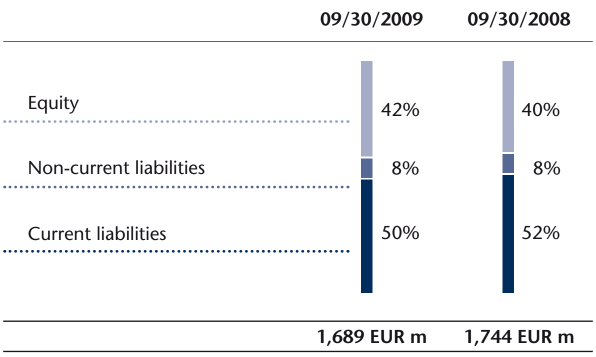
Solid financing

The DOUGLAS Group's net debt – the net balance of cash and cash equivalents less liabilities to banks and acceptance liabilities – stood at 166.3 million EUR as of

Consolidated balance sheet: assets



Consolidated balance sheet: equity and liabilities



September 30, 2009 following 220.6 million EUR on the same date last year. The lower net debt as of the closing date mainly relates to the lower capital expenditure. In the 2008/09 fiscal year, the average net debt – derived from net debt amounts per quarter – amounts to 154.1 million EUR, which compares to an average of 139.5 million EUR as of the last year.

The banks will attest to lower debt and a solid financial structure of the DOUGLAS Group. Thus, the targeted reduction in cash and cash equivalents is connected to the procurement of a generously sized revolving credit facility from September 2007. This revolving credit facility, which is contractually agreed with eleven banks and matures in September 2012, allows the DOUGLAS Group to withdraw up to 500 million EUR. Drawings amounted to 84.2 million EUR as of the balance sheet date. Consequently, the financing of further growth, including potential acquisitions, is secured for the next few years.

Executive Board's overall assessment of the current economic situation

The DOUGLAS Group's business performance in the first quarter of the current fiscal year 2009/10 – containing the all-important Christmas business for the DOUGLAS Group – has progressed still satisfactorily on the whole given the challenging conditions.

In all, the Executive Board still assessed the business development as of the preparation date of this accompanying report as positive. From today's standpoint, the Executive Board assumes that sales and earnings will perform as projected and that the financial key indicators will be reached as planned. As of the printing date of this Annual Report, the prognosis agreed with the current business performance to a large extent.

DOUGLAS HOLDING AG

DOUGLAS HOLDING AG with its head office in Hagen, Germany, is the strategic holding company responsible for key investments and centralized management decisions. It also performs central leadership and service functions for the DOUGLAS Group's subsidiaries. This includes the making of all decisions concerning fundamental aspects of corporate strategy and the financing and funding of Group companies as well as the filling of key management positions in the Group. For purposes of supporting the financing functions, Douglas Finance B.V., Nijmegen, assumed the major tasks of financing the foreign subsidiaries during the reporting year.

The DOUGLAS HOLDING AG's annual net income calculated in accordance with the provisions of the German Commercial Code (HGB) is decisive for the calculation of the proposed dividend; this is basically determined by the earnings received from participating interests in operating subsidiaries. Since profit and loss transfer agreements exist with key German companies, the bulk of the earnings recorded are received in the same fiscal year.

For the 2008/09 fiscal year, the DOUGLAS HOLDING AG's income statement reports investment earnings of 111.2 million EUR as compared to 95.6 million EUR in the preceding fiscal year. The main contributor to this figure was the Perfumeries division with earnings from investments of 85.4 million EUR (prior year: 56.1 million EUR). The higher year-on-year figure largely relates to higher dividend income from the perfumery company in the Netherlands.

Investment earnings from the Jewelry division came in at 14.9 million EUR after 13.7 million EUR due to the positive business performance. The Books division's investment earnings also increased from 9.2 million to 12.0 million EUR thanks to the solid business performance delivered. In the Fashion division the investment earnings stood at -3.9 million EUR. The prior year's positive earnings of 11.2 million EUR resulted from the merger of two intermediary holding companies.

As a consequence of the transfer of special reserves with an equity portion to investments at the head office in Hagen, Germany, other operating income and depreciation each increased by 7.1 million EUR.

The net interest result significantly fell by 11.2 million EUR to 13.5 million EUR. This was caused by the lower interest rates that led to lower interest income from loans granted to subsidiaries and by one-off proceeds from the sale of interest swaps in the preceding fiscal year. Because of the higher earnings from investments, earnings from the operating activities of the DOUGLAS HOLDING AG climbed to 108.0 million EUR (prior year: 103.1 million EUR).

The increase in income taxes from 25.3 million EUR to 32.0 million EUR relates to write-downs made to the investment carrying values executed without a tax effect. Net income, i.e. earnings from operating activities after deducting taxes, reached 75.9 million EUR following 77.7 million EUR last year.

As of September 30, 2009, the balance sheet total decreased by 71.5 million EUR to 941.4 million EUR year-on-year. The main reason for this was the transfer of the function for the financing of foreign subsidiaries to Douglas Finance B.V., Nijmegen. Consequently, the receivables due from affiliated companies and the bank liabilities both declined. Furthermore, this also reflects the lower capital needs of the subsidiaries due to the reduced investment volume.

An amount of 32.7 million EUR was transferred to retained earnings from the 2008/09 net income amount. Taking into account the profit carried forward from the previous year in the amount of 0.8 million EUR, net retained profits totaled 44.0 million EUR as in the preceding fiscal year. Correspondingly, the DOUGLAS HOLDING AG reported equity in the amount of 732.4 million EUR as of September 30, 2009 (prior year: 699.1 million EUR) and an equity ratio of 77.8 percent (prior year: 69.0 percent).

The complete set of financial statements of DOUGLAS HOLDING AG, which have been issued with an unqualified audit opinion by the auditors, are publicized in Germany in the so-called ”electronic Federal Gazette” (Internet platform for official publications). They may also be requested in paper form from DOUGLAS HOLDING AG as well as being available online at www.douglas-holding.com.

Dividend stable at 1.10 EUR

The Executive and Supervisory Boards of DOUGLAS HOLDING AG will propose to the Annual Shareholders' Meeting on March 24, 2010 to approve a dividend distribution from the net retained profits of 1.10 EUR per dividend-bearing share. This corresponds to a distribution ratio of 69 percent. Therefore, the objective of distributing about 50 percent of Group net income has been clearly surpassed. However, the net income was substantially impacted by one-off expenses incurred in connection with the scheduled store network streamlining and the prior year's distribution ratio was below average.

Based on a closing share price of 31.25 EUR as of September 30, 2009, the dividend yield would be 3.5 percent. A total distribution for the dividend-bearing capital in the amount of 118.0 million EUR would result in a distribution amount of 43.3 million EUR.

Information required under the Takeover Law

The company's share capital amounts to 117,837,936.00 EUR as of the balance sheet date. It is divided into 39,279,312 no-par value shares. The shares have a theoretical par value of 3.00 EUR.

The company is not aware of any restrictions that affect voting rights or the transfer of shares.

A 25.84 percent direct interest in the company's equity was held by Dr. August Oetker Finanzierungs- und Beteiligungs GmbH as of the balance sheet date.

There are no holders of no-par value shares who have special controlling rights. Also, there is no special controlling of voting rights nor are there controlling rights of employees participating in equity that are not being directly exercised.

Regarding the appointing and dismissal of Executive Board members, reference is made to the statutory provisions pursuant to Sections 84 and 85 of the German Stock Corporation Act (AktG). In accordance with Section 5 (1) of the DOUGLAS HOLDING AG's Articles of Incorporation, the Supervisory Board determines the number of Executive Board members; the Executive Board must however have at least two members. The Supervisory Board can appoint one member to be the Chairman of the Executive Board. Remuneration to the members of the Executive Board contains components that are non-performance and performance based. The variable remuneration is determined as performance-based. Further information regarding the Executive and Supervisory Board's remuneration structure can be found in the Notes accompanying the consolidated financial statements on pages 148 to 149.

Amendments to the company by-laws can only be made in accordance with Sections 133 and 179 AktG and Section 12 of DOUGLAS HOLDING AG's Articles of Incorporation.

In accordance with the resolution adopted by the Annual Shareholders' Meeting on March 18, 2009, the Executive Board is authorized until September 17, 2010 to acquire no-par value shares for treasury stock up to 10 percent of the current share capital.

According to Section 4 (2) of the Articles of Incorporation, the Executive Board is authorized, with the approval of the Supervisory Board, to increase the company's share capital by up to 25,000,000.00 EUR in the period up to March 11, 2013 by issuing, on one or more occasions, new no-par value shares against cash or non-cash contributions (authorized capital I). According to Section 4 (3) of the Articles of Incorporation, the Executive Board is also authorized, with the approval of the Supervisory Board, to increase the company's share capital by up to 1,371,000.00 EUR in the period up to March 11, 2013 by issuing, on one or more occasions, new no-par value shares against cash contributions (authorized capital II).

DOUGLAS HOLDING AG's revolving credit facility contains a market-conform ”change of control” clause that empowers the contractual partners additional rights of information and rights of termination in the event of a change of the controlling and majority powers.

No agreements have been entered into with either the members of the Executive Board or with employees regarding the issue of compensation in the event of a takeover bid.

INTERNAL CONTROL SYSTEM AND KEY PERFORMANCE INDICATORS

The DOUGLAS Group aims to raise the business value on a sustained basis with the assistance of internal control factors. Consequently, the sales and earnings performance as well as raising profitability are the central indicators applied. In order to also monitor the required capital employment, the DOUGLAS Group applies an Economic Value Added Analysis (EVA®) model, which has been adapted to the specific framework conditions of a retail company – namely the DOUGLAS Value Added (DVA). The DVA measures the contribution made by the operative companies to the sustained increase in the business value.

The linking of the Group's top management's variable remuneration to the control factors and key performance indicators ensures the consequent implementation of the target set for value-oriented corporate management.

DVA in FY 2008/09

The DOUGLAS Group succeeded in reaching a positive DVA of 20.5 million EUR despite the challenging macroeconomic conditions in the 2008/09 fiscal year.

Internal control factors and key performance indicators

		2008/09	2007/08
Net sales	in EUR m	3,200.8	3,130.4
Gross profit	in EUR m	1,517.3	1,486.6
Gross profit margin	*in %*	*47.4*	*47.5*
EBITDA	in EUR m	255.0	276.9
EBITDA margin	*in %*	*8.0*	*8.8*
EBT	in EUR m	*103.9*	*149.3*
EBT margin	*in %*	*3.2*	*4.8*
DVA	in EUR m	20.5	34.1
Delta-DVA	in EUR m	-13.6	4.9
Equity ratio	in %	42.1	39.9
Working capital*	in EUR m	455.0	459.8
Net bank debt**	in EUR m	166.3	220.6

* Inventories and trade accounts receivable less trade accounts payable
** Liabilities to banks and acceptance liabilities less cash and cash equivalents

However, as a consequence of the downward earnings performance, the DVA was 13.6 million EUR less than in the preceding fiscal year.

With a DVA of 26.3 million EUR, the Perfumeries division remained behind the prior year's figure. This was largely the result of a significant adverse earnings performance in several foreign markets.

By contrast, the Books division increased its value contribution in the reporting period. This performance was predominantly the consequence of an increase in earnings in Germany due to strict cost management. The absolute DVA contribution stood at 3.1 million EUR or 0.7 million EUR above the prior year's figure.

The highest absolute and percentage increase in value was attained in the Jewelry division with a DVA increase of 1.5 million EUR to 4.1 million EUR. Besides the solid earnings performance, the optimization of assets held contributed to this positive development.

As in the preceding year and with a DVA of -7.3 million EUR, the Fashion division could not succeed in making a positive value contribution. However, an improved DVA was generated due to the slightly higher business earnings and lower rental obligations. This resulted in a positive delta DVA of 0.9 million EUR.

The Confectionery division reached a positive DVA of 0.9 million EUR in the reporting period. However, the prior year's DVA of 2.0 million EUR was just missed by 1.1 million EUR.

As a consequence of the substantial reduction in the financing volume, primarily in DOUGLAS HOLDING AG, the negative value contribution of the other companies/Consolidation division was reduced by 4.0 million EUR.

DVA as a key performance indicator of corporate control

The control factor, DOUGLAS Value Added (DVA), was introduced in 2001 together with the business consultants Stern Stewart. DVA is based on the Economic Value Added® (EVA®) concept. This is an internationally recognized control and management system pursuant to which all decision-making processes can be geared to increasing corporate value, which is measurable in terms of DVA. In addition to operating and strategic decisions, all investment decisions in particular are reviewed in terms of their sustained contribution to value. In order to be certain that this is performed in all operating units, the DVA is anchored in all internal reporting within the Group – right down to the store level.

DVA calculation

Based on the premise that the DOUGLAS Group and its individual subsidiaries only generate value if the cost of capital employed is at least covered by their earnings, the DVA is calculated by subtracting the imputed financing costs of capital employed from the net operating profit after taxes (NOPAT). The NOPAT is the operating profit before the costs of financing minus income taxes. Capital employed is the total of all equity and liabilities minus all non-interest bearing liabilities plus the present value of rental and lease obligations. The capital employed is calculated based on the average of the four quarters of a fiscal year.

The weighted average cost of capital (WACC) is calculated using the capital asset pricing model (CAPM). As in the previous year, this amounted to 6.5 percent after taxes for the DOUGLAS Group in the year under review. This takes into account interest for both lenders and investors. In addition to the absolute DVA of the period, the Delta DVA is also a key performance indicator. This illustrates whether, and the extent to which, the DVA could be increased in comparison to the previous year.

Statement of Value Added

The DOUGLAS Group's statement of value added details the origin and the use of economic performance in the 2008/09 fiscal year. Value added is calculated by deducting the necessary intermediate input – cost of materials, depreciation and other expenses – from the Group's performance. The origin of the value added is then reviewed in terms of its appropriation and the portions of valued added received by the individual interest groups – employees, shareholders, lenders, or public sector – are posted. The result represents the macroeconomic performance of the DOUGLAS Group.

In fiscal year 2008/09, the Group performance increased by 2.0 percent to over 3.4 billion EUR. Net of intermediate input, the value added generated by the DOUGLAS Group totaled 820.2 million EUR (prior year: 852.8 million EUR), which represents a decrease of 3.8 percent year-on-year.

The bulk of the value added – 85.1 percent – went to the benefit of the DOUGLAS Group's employees. The public sector received 5.0 percent of value added. Based on the dividend currently being proposed, the DOUGLAS Group's shareholders account for 5.3 percent of value added. This means that 2.4 percent remains within the Group.

DVA and Delta DVA before special items by division (in EUR m) – Fiscal year 2008/09

	NOPAT	Capital employed	DVA[1]	ROCE[2] (in %)	Delta-DVA[3]
Perfumeries	69.9	906.8	26.3	9.4	-19.6
Books	21.6	349.7	3.1	7.4	+0.7
Jewelry	11.2	116.5	4.1	10.0	1.5
Fashion	0.6	118.0	-7.3	+0.3	0.9
Confectionery	2.4	25.5	0.9	9.9	-1.1
Sales subsidiaries	105.7	1,516.5	27.1	8.3	-17.6
Other companies/consolidation	-11.1	-71.6	-6.6	–	4.0
DOUGLAS Group	**94.6**	**1,444.9**	**20.5**	**7.9**	**-13.6**

[1] Adjusted for the planned start-up costs from the store-related investments. These are added to the DVA of the period, shown in the capital employed of the subsequent period and charged to cost of capital.
[2] ROCE = (DVA / capital employed) + WACC
[3] Prior year figures recalculated on the basis of the amended accounting principles (IFRIC 13).

Statement of Value Added

	2008/09 (in EUR m)	2008/09 (in %)	2007/08 (in EUR m)	2007/08 (in %)	Delta (in %)
Origin of Value Added					
Net sales	3,200.8	93.7	3,130.4	93.5	2.2
Other income	213.8	6.3	217.1	6.5	-1.5
Group performance	3,414.6	100.0	3,347.5	100.0	2.0
Cost of materials	-1,683.5	-49.2	-1,643.8	-49.0	2.4
Depreciation/amortization	-138.9	-4.1	-117.0	-3.5	18.7
Other expenses	-772.0	-22.6	-733.9	-21.9	5.2
Value added	**820.2**	**24.0**	**852.8**	**25.5**	**-3.8**
Use of Value Added					
Employees	698.3	85.1	683.1	79.0	2.2
Public sector	41.1	5.0	49.4	5.8	-16.8
Shareholders	43.2	5.3	43.2	5.1	0.0
Company (retained earnings)	19.6	2.4	56.6	5.5	-65.5
Creditors	18.0	2.2	20.4	2.4	-11.8
Minority interests	0.0	0.0	0.1	0.0	0.0
Value added	**820.2**	**100.0**	**852.8**	**100.0**	**-3.8**

KEY SUCCESS FACTORS

Number of employees constant

The DOUGLAS Group's positive performance delivered in the fiscal year under review is largely due to the high commitment of its employees. With their extraordinary dedication and high service-orientation, the employees make sure that the customers receive expert advice and service, thus enjoying making purchases at the DOUGLAS Group's specialty retail stores.

As of September 30, 2009, the DOUGLAS Group employed a total of 24,190 employees (prior year: 24,521). In Germany, the number of employees increased to 14,761 compared to 15,110 year-on-year. In particular, the number of employees for the AppelrathCüpper fashion stores declined, because the flagship store in Berlin was closed. The workforce number for the other divisions moved along the prior year's level. The Group employed a total of 9,429 employees abroad, which was just above the prior year's number of 9,411. As a consequence of expansionary efforts in the Perfumeries in Poland, Russia and Romania, the workforce number significantly increased. In southern and western parts of Europe, however, the workforce number declined as a result of the difficult macroeconomic conditions in certain countries – particularly in Spain and Portugal.

Personnel expenses in the 2008/09 fiscal year totaled 698.3 million EUR, therefore exceeding the prior year's amount by 2.2 percent. The ratio of personnel expenses to sales of 21.8 percent remained at the prior year's level.

An instrumental success factor continues to be the consistent training and continuing education of our employees. In Germany, 450 young people began their vocational training in 2009 in a specialty retail store or at the head office. Although this represents a slight reduction year-on-year (prior year: 560) it still translates into a trainee rate of 12.5 percent, which once again places the DOUGLAS Group well above the sector average in the German retail sector (about eight percent). Moreover, all subsidiaries have well-established continuing education, dealing with both technical and leadership issues. For example, such seminars are offered at the "Douglas Academy" for the German Douglas Perfumeries, at the "PROMIs-Program" for Christ or the "Thalia Academy." The target group comprises all those employees, who receive just those opportunities in terms of lifelong learning, which will help them further in their professional lives. The DOUGLAS HOLDING ACADEMY has also established itself quite well, offering the DOUGLAS Group's upper management echelon participation in seminars, workshops and informative events and delivering important ideas for the further

Product variety: Continuous market analyses guarantee a wide-ranging and attractive product-mix – like here at a Douglas Perfumery store in Essen.

strategic development of the divisions and especially in grasping the latest developments and trends.

Moreover, cross-group and tailored continuing education and development programs are in place for employees of all levels of hierarchy and functions. This includes the "Douglas College," offering employees in the Perfumeries division the opportunity to further widen competencies in technical issues throughout the year, and special seminars for more experienced employees (over 50 years-old) at Christ and AppelrathCüpper as well as the training topic "Active and Emotional Selling" at Thalia.

Additional information in this respect can be found in the "Human Resources" section on pages 16 to 23 of this Annual Report.

***Employees by division** (09/30/2009)*

	Douglas	Thalia	Christ	AC	Hussel	Holding/ Services
	14,611	5,151	2,025	757	1,097	549
Change year-on-year	-0.8%	0.0%	+0.2%	-22.7%	-1.1%	+2.0%

Research and development

In a retail group such as the DOUGLAS Group, there are no research and development expenses in the traditional sense. Nevertheless, the markets are closely and continually monitored, and emerging trends are analyzed. The knowledge gained therefrom helps in the development of new platforms and distribution channels and in developing modern and attractive products. Even the designing of modern store concepts and the development of marketing instruments and computer systems which profit from this ongoing market analysis.

Procurement and logistics

Procurement and logistics play a decisive role for a retail group operating at an international level. Ongoing optimization in these areas is central to the success of a business group. Competitive advantages can be generated in part by ensuring product quality and reliability of supplier relationships. The cooperation between the DOUGLAS Group and its suppliers must therefore be arranged with a long-term perspective at all times.

In 2009, the DOUGLAS Group received the ECR Award 2009. This prize is awarded to companies with uniform processing standards and intelligent customer-orientation as defined by the Efficient Consumer Response (ECR). The business group applies all ECR instruments along the value chain – from innovative logistics solutions and up to a uniform cash register system throughout Europe. With the assistance of Category Management projects, which include both the supply and demand sides, the goods availability can be raised and positive sales effects can be achieved. In distribution, cross-docking platforms enable an efficient flow of goods. For purposes of optimizing internal processes and intra-group processes, supplier communications were largely converted to EDI standards (Electronic Data Interchange).

In the Perfumeries division, a new central warehouse was established during the year under review for exclusive brands and private labels that allows lower logistics costs and improved services. Furthermore, the computer-supported system for store orders (SAF) will be gradually rolled out following the successful pilot phase. In addition to inventory optimization, this will also alleviate employees in the distribution department.

Furthermore, the implementation of numerous IT systems was executed in the year under review, which is connected to the corporate merger of five German distribution companies into one.

In the Books division, the fiscal year's focus was placed on the implementation of a new merchandising management and information system. The objective is to secure operations and the company's ability to grow as well as to increase profitability through realizing cost savings potential and improving business processes.

As a consequence of a number of acquisitions in the past years, Thalia had a number of different IT systems, which required enormous maintenance efforts. The new, SAP-supported uniform merchandise management and information system, THAWIS, constitutes a closed merchandise management from master data management, product controlling, procurement, invoice examination, warehousing and logistics to distribution. In addition, a data warehouse solution is used as the store information system and provides operational and strategic analyses.

Social responsibility

Being an international retailer, corporate responsibility to the DOUGLAS Group means economic success by harmonizing social and ecologic commitment. Social responsibility in commerce is becoming increasingly important for companies, employees, customers, investors and other interest groups. The DOUGLAS Group realizes this claim with a number of projects. In 2008, the "Corporate Social Responsibility Council" was established, comprising of representatives from the operating divisions and the Holding in an advisory capacity. The aim is to bundle existing, group-wide activities and to generate competitive advantages through social responsibility. Greater importance is attached to supplier relations. The DOUGLAS Group sees it as their duty to work towards ensuring that the business partners comply with minimum social and environmental standards, which are set forth in a supplier code of conduct. This is based on the human rights declaration of the United Nations (UN) and the conventions of the International Labour Organization (ILO), which must be signed by every business partner. For the DOUGLAS Group, doing sustainable business means to commit to employees, the environment and society alike.

Responsibility to employees

The DOUGLAS Group's employees are the most important success factors. That is why topics such as "training" and "employee loyalty" have a very high priority. In the 2008/09 fiscal year, some 450 young professionals commenced their apprenticeships in the DOUGLAS Group in Germany. When combining all apprenticeship levels together, nearly 1,450 young people served their apprenticeships in companies. Since the DOUGLAS Group prefers to recruit qualified young professionals from its own ranks, the Company offers attractive career opportunities following a successful apprenticeship. Many former trainees are in managing positions today.

And many longstanding employees are also still active in the DOUGLAS Group. With their experience and commitment, they have helped shape the Company's success. Therefore, the DOUGLAS Group sees itself committed – in terms of lifelong learning – to offering the more experienced staff members with attractive continuing education and training programs. Consequently, the Company participated in the "Experience 50+" project initiated from the German Retail Association (HDE) and the Federal Ministry of Family. This incorporates sales training especially designed for the 50+ age group.

Employee satisfaction constitutes an integral component of our corporate culture. For purposes of promoting this and making improvement potential more transparent, the DOUGLAS Group conducts wide-ranging written and anonymous employee questionnaires on a regular basis. Subsequently, this results in an intense follow-up in workshops and group-wide monitoring for the continuous implementation of improvement potential and sustainable, active communications between managers and employees.

Sustained staff development in the DOUGLAS Group also means paying particular attention to the family interests of the individual employees. For a company with a share of female workers of over 90 percent, the issue of making family and working life more compatible becomes of great importance. The objective is to not make employees have to decide between family or career, but to find a constructive solution for com-

Enables compatibility between family and working life: The company kindergarten "Minifiliale" located at the Service headquarters in Hagen.

patibility between family and career. For this very purpose, the first company kindergarten was opened at the DOUGLAS head offices in Hagen in August 2009 under the name "Minifiliale." The kindergarten comprising of 12 children with an interior space of about 160 m², a large playing terrace of some 20 m² and a nearly 600 m² large playground, is operated in cooperation with the AWO Arbeiterwohlfahrt Bundesverband e.V. and the Center for Minors in Hagen. Currently, the "Minifiliale" takes care of children between the ages of 0 and 3 years, and because of the high demand by the staff, a new group will be setup for 3 to 6 year-olds in the new fiscal year. The "Minifiliale" also counts among the winners of the 2010 competition "365 places in a land of ideas." On each day of the year, a separate event will be announced to the public for the winner's idea. Since 2006 this joint local initiative from the federal government and the German economy has premiered for innovations under the motto "Germany – A land of ideas." Moreover, flexible working hours allow for a better interaction between career and family. Here, sales executives can use their decision-making authority and develop individual solutions together with separate employees. Even in the area of nutrition, the DOUGLAS Group will make a contribution towards a sustainable development and will offer, for example, well-balanced nutritional meals in the company cafeteria along with a Health Day featuring various related topics twice a year. In November 2009, the DOUGLAS Group was awarded second place in the competition "AKTIVE Companies NRW" from the German Foundation for Stroke Aide. The objective of the competition was to integrate creative and sustainable actions, movement and healthy nutrition in the work day, thus preventing strokes.

Responsibility to the environment

The careful use of natural resources and energy efficiency play a very important role in the DOUGLAS Group. Therefore, suppliers are obligated to observe all statutory regulations and generally accepted national and local rules concerning environmental requirements. Among other items, this includes procedures and standards for waste management and emissions. All subsidiaries within the DOUGLAS Group are en-

Mutually successful for a good cause: Being the main sponsor, the Douglas Perfumeries support the efforts of DKMS LIFE – shown here, the Douglas Division Director, Reiner Unkel, is presenting a check to the DKMS LIFE Managing Director, Claudia Rutt, at the dreamball 2009.

couraged to avoid the unnecessary consumption of energy and materials. A few years ago, the DOUGLAS HOLDING's location in Hagen was certified for its eco-profit operations. But the specialty retail stores also take responsibility for the environment. For example, care is taken that the lighting and heating needs are adjusted each day to the respective day's and usage conditions. This is supported through accurate power output measurements by maximizing duration and intensity from the use of timing devices. In addition, energy-savings and environmentally-friendly technology is implemented for lighting and air conditioning for each renovation made. As part of the heating management, air curtain equipment is also used in stores to keep the heat inside in winter months and keep the cold outside. In the summer, the same principles apply: keep the heat outside and not in the stores. All in all, the energy consumption per square meter in numerous stores was significantly reduced. This was particularly possible from the reduction of power consumption (watt/m²) and from the use of LED bulbs for store window lighting and neon signs.

Responsibility to society

Social responsibility also prescribes assuming social responsibility for the Company. Being a company in Hagen, the DOUGLAS Group is actively involved in local assistance-projects. As in prior years, the Annual Shareholders' Meeting in 2009 approved charitable donations by the DOUGLAS HOLDING in the total amount of 25,000 EUR. Two donation amounts each in the amount of 10,000 EUR went to the foundation "Evangelische Stiftung Volmarstein" established in 1904 and to the first German Youth Hospice in Olpe to support their important work. The soup kitchen (Suppenküche Hagen e.V.) in Hagen was supported with a donation of 5,000 EUR.

Furthermore, the DOUGLAS HOLDING was one of the founding members in Hagen of the "Local Alliance for the Family," an initiative established by the German Federal Ministry responsible for the family. Being a combined effort of politicians, business enterprises, private individuals and charitable organizations, this alliance has set itself the goal of making the city of Hagen more "family-friendly." The DOUGLAS Group supports this initiative not only financially but through hands-on-activities as well. Hence, the Company was instrumental in introducing the free "Family Card" in Hagen, which was granted to Hagen families providing them with several discounts.

The DOUGLAS Group's specialty retail stores also take part in various social projects. Since 2008, the Douglas Perfumeries, being the main sponsor, have supported the organization, DKMS LIFE, a subsidiary of the German Database of Bone Marrow Donators (DKMS). For example, the Douglas Perfumeries offer free cosmetic seminars for the benefit of women with cancer by helping them gain self-confidence and to strengthen their courage. In addition, Douglas offers its customers attractive cooperation products, whereby a portion of the profit is donated to DKMS LIFE. Together with sale of other various cooperation products, a total of over 150,000 EUR was donated in the fiscal year under review. Moreover, Douglas was also a main sponsor of the "dreamball 2009," which is a charity event for the benefit of DKMS LIFE. For the first time as part of this event, the "Douglas bearer of Hope" award was presented in recognition for outstanding commitment in the fight against cancer. The winner of this award was the TV moderator, Barbara Schöneberger. In the future, this award is intended to be presented as part of the dreamball to persons or organizations campaigning for persons suffering from cancer. At the beginning of 2010, Douglas will launch together with the cosmetics company, Origins, the project "Plant a Tree!." A tree will be planted in the Stechlin nature reserve in Brandenburg for every product sold of "A Perfect World Antioxidant Moisturizer with White Tea," thereby supporting the conversion of pine monocultures into mixed forests.

The Christ jewelry stores also support the DKMS LIFE initiative. At Christ, a specific "Angel's Wings" necklace in an exclusive and limited edition from the designer, Jette Joop, has been sold for about three years now. A portion of the sales are donated to DKMS LIFE. On occasion of the "dreamball 2009," Christ presented DKMS LIFE with a diamond necklace with a value of approximately 6,000 EUR.

Thalia is particularly involved in culture and promoting reading. In 2009, together with the magazine "KulturSPIEGEL" Thalia launched the largest great young authors' competition. In addition, Thalia has been active since 2009 in the international literature festival "lit.COLOGNE" and is the main sponsor in the area of books. Since January 2009, parents have received a book box entitled "read to me" as a welcome gift for their newborn babies at the Wels-Grieskirchen hospital in Austria. Consequently, Thalia intends to promote language and reading comprehension from early childhood and on. In Switzerland, the DOUGLAS subsidiary is the main sponsor of the 14th International Literature Festival in the spa resort Leukerbad. Additionally, Thalia Switzerland is also searching, together with the evening magazine "Blick am Abend," for talented young playwrights in the current fiscal year. Under the motto "Writing with a great longing" and regarding the topic "Longing," young authors were encouraged to submit short stories to "Blick am Abend" at the beginning of October 2009.

AppelrathCüpper promoted family-friendliness in the fiscal year under review. The company was awarded with the "Family-friendliness label" from the initiative "Local Alliance for Families" from the metropolitan region Rhein-Neckar.

Following the trend for lasting enjoyment, Hussel introduced the high-quality organic confectionery products a few years ago and, since autumn 2009, it is the first to offer "Grand Cru Chocolates" on the market made with cultivated high-grade cocoa beans. Since November 2009, Hussel has presented three top quality milk chocolates, the "Grand Cru La Margerita," using cocoa beans certified by the "Rainforest Alliance." In addition, the Hussel's praline packaging will bear the FSC mark depicting exemplary forest management and hence stands for the use of controlled renewable resources in product packaging. The promotion of reading is also very important to Hussel. For the second time in a row, the company has assumed the financing of the "Reading Competition," which takes place annually as part of the Hohenlimburger Schloss festival. Consequently, Hussel contributed a crucial part to continuing this traditional event.

Restructuring program: New routes implemented at AppelrathCüpper bear fruit.

OPPORTUNITIES AND RISK SITUATION UNCHANGED

Opportunities and risk management

In difficult economic times, it is especially important to detect opportunities and identify potential risks at an early stage and to evaluate them precisely. The DOUGLAS Group implements an integral opportunities and risk management system, which is an intrinsic component for management in detecting, evaluating and monitoring opportunities and risks through clearly defined processes.

Opportunities and risk identification are evaluated by risk managers appointed for each Group company in Germany and abroad using an IT-based opportunities and risk management system developed for this purpose. A monetary evaluation of opportunities and risks is also performed as well as the documentation of measures applied.

The DOUGLAS HOLDING's internal auditing unit regularly reviews the effectiveness and efficiency of this system as part of the regulatory reviews. The independent auditor also periodically investigates the opportunities and risk management system.

Opportunities and risks are stated in risk reports at regular intervals and presented to the Executive Board to assure that top management is informed about material risks in a timely manner.

Environment and business opportunities and risks

Given the challenging global economic situation, the conditions at the present time are difficult for the retail industry.

In the Douglas Perfumeries, the dependency on individual national markets is reduced through internationalization by means of a single store network spanning 22 countries. Hence, a sales decline in the Douglas Perfumeries in the year under review – especially in Spain, Portugal, France and in the Baltic States – could be compensated in part from the positive sales performances delivered in Poland, Romania, Croatia and Bulgaria. The focal point of the reporting period was not on further regional expansion, but rather on securing the market position in existing countries. The DOUGLAS Group's internationalization strategy is also associated with risks. Therefore, the national political, economic and legal framework conditions are carefully monitored and evaluated by experienced managing directors on location.

The macroeconomic development in the all-important markets of the DOUGLAS Group is extremely hard to estimate; and it has a material impact on the net assets, financial position and result of operations of the Group. Thus, the persistently weak trend in retail sales in Europe presents a risk. Therefore, in addition to the budget reports, which are prepared in regular intervals, scenario analyses are also prepared in order to react to changes in the framework conditions in a timely manner.

For purposes of optimizing the store network to the current and anticipated framework conditions, not only were numerous openings and acquisitions conducted, but store closures as well. Consequently, costs in the amount of about 24 million EUR were anticipated in the 2008/09 fiscal year that largely arose from the planned streamlining of the Perfumeries store network abroad. In this connection it is of great importance that rental decisions are made to assure the highest possible quality of locations and rental conditions, which enable sufficient flexibility.

Rising costs, not only for rent and utilities, necessitate a rigorous cost management. The opportunities and risk management support the search for meaningful solutions.

Another environmental risk, which increasingly moved to the epicenter in the 2008/09 fiscal year, was the potential outbreak of a pandemic (for example the so-called swine flu). Accordingly, the companies followed the general precautions to prevent a spreading of the flu among the employees.

The development of the capital markets and changes in tax and regulatory environment also play a decisive role in the DOUGLAS Group's decisions. The dynamics in this area were illustrated before the general election in September 2009 with the debate surrounding a significant increase to the sales tax, and for products which are currently subject to a reduced rate (such as for books).

Sales and purchasing opportunities and risks

In order to assure an attractive and modern product-mix, the DOUGLAS Group maintains business relations with a number of selected suppliers and manufacturers. Through supplier agreements based on longer terms and ongoing market observations, potential procurement risks are minimized. The solid national and international negotiation position of the DOUGLAS Group with landlords, suppliers and manufacturers helps to realize key procurement advantages.

For an international retail group, changes in consumer habits present significant opportunities and risks. Therefore, the DOUGLAS Group attaches great importance to the always changing demands of the customers when implementing the lifestyle philosophy, which relies on expert advice, outstanding service and first-class products.

The continuously developed Customer Relationship Management, in which various target groups are addressed directly through various channels, not only contribute to the further development of the own brands concept, but also establish customer loyalty to the DOUGLAS Group. According to an independent study from the business consulting group, Nymphenburg Consult, and together with the Ebeltoft group, the Douglas Perfumeries were evaluated to be leaders in the areas of competency, integrity and warmth in Germany.

In the Books division, increasingly more elements in the traditional and online bookselling trade are becoming interlinked. Subsequently, new experiences are created covering all aspects of book subjects, without neglecting personal advice.

All these activities are subject to regular reviews in order to spot trends early and respond appropriately.

Financial opportunities and risks

The DOUGLAS Group reports a moderate financial risk profile. Due to its concentration in the euro zone, currency risks are insignificant. The same applies to liquidity and interest risks due to the Group's solid capital and financing structure. Default risks are countered by the DOUGLAS Group by distributing the business volume into both money deposits and financial instruments among various contractual partners. Because of the global difficult economic conditions, large money investments will be avoided where possible or invested only with first-rated banks in Germany.

A detailed description of the financial risks and their managing tactics can be found in the Notes accompanying the consolidated financial statements on pages 143 to 146.

Receivables default risk

The risk from receivables default is limited for the DOUGLAS Group. The continual evaluation and monitoring of receivables by means of an active receivables management such as internal and external service providers minimizes the risks from receivables default throughout the Group. In addition, the timely offsetting of receivables against payables with suppliers helps to reduce the default risk. Risks from cash and non-cash payments are limited by group-wide guidelines in effect and systematic examination procedures. Losses from forgery of banknotes are immaterial due to the controls in place.

Information technology opportunities and risks

The optimization of business processes are supported to a considerable extent by the use of complex IT systems. The resulting dependency on the availability and reliability of these systems present a growing risk.

In order to counter this, a group-wide IT safeguarding concept has been implemented. Comprehensive precautionary measures, such as firewall systems, daily virus protection, emergency plans as well as extensive data protection training for all specific employees are implemented just like regular controls and system monitoring are performed as part of emergency exercises.

A far-reaching standardization of the IT environment as well as implementing the most modern communications technology across the group such as Internet telephony generate cost savings potential and reduce downtimes.

Human resources opportunities and risks

Key components of the DOUGLAS Group's lifestyle philosophy include expert advice and outstanding service. Employees who are inadequately qualified and who lack the requisite commitment to service pose the most significant human resources risks. On the basis of the DOUGLAS Group's decentralization, the employees on location have the highest degree of local decision-making authority.

Therefore, the DOUGLAS Group's focus of human resources is placed on offering company training and continuing education and promoting young management professionals. Thus, top executives have the opportunity to receive specific training and to simultaneously exchange their experiences across the divisions.

Opportunities arise in particular from the high attractiveness of the DOUGLAS Group as an employer and very high proportion of apprentices, so that the creation of qualified young management professionals is assured.

Legal opportunities and risks

Besides consistent compliance with the current legal situation in all relevant countries, particular attention is also given to forthcoming legislative changes. The early inclusion of internal and external local legal advisors helps to take the necessary steps.

As a rule, all major contracts are subject to prior review by a legal advisor. Any potential residual claims or liability risks are covered by extensive insurance policies, the extent to which is centrally adjusted and continually improved. Warranty claims for product defects or receivables from the product liability law are contractually secured by agreements with suppliers containing recourse clauses.

Legal disputes that could materially impact the financial situation of the DOUGLAS Group are neither pending nor is the company threatened by any such disputes at this time.

Management's overall assessment of the DOUGLAS Group's risk exposure

The basis of assessing the risk situation is that the DOUGLAS Group regularly discusses the risks and opportunities management system with the internal management committee.

Included among the main types of potential risks for the DOUGLAS Group are those caused by factors that cannot be influenced or only indirectly influenced factors such as the state of the national and international economies and the associated change in purchasing power. Another type of risk is generally of an operational nature, which can be combated directly by taking all appropriate steps in the companies.

The internal control system (ICS) in place with the purpose of monitoring the financial reporting process assures that business transactions are properly and completely processed and fully documented by means of technical and organizational measures. The risks arising from the financial reporting processes are monitored in the opportunities and risks management system of the DOUGLAS Group.

The existing risks as well as the individual risks and those connected to other risks are limited and from to-

Ready for the future: Thalia's multi-channel strategy in Weiterstadt.

day's standpoint are immaterial to the going concern of the DOUGLAS Group. Nor are there any risks discernible at the present time that might endanger the going concern. All prerequisites of an organizational nature have been established in order to be informed about any potential risk situations at an early stage.

Credit rating

The DOUGLAS Group's financial standing is evaluated very positively by the banks. The revolving credit facility agreed in September 2007 with a banking syndicate has a term of five years and allows drawing a credit line of up to 500 million EUR. This financing facility was used by less than 20 percent as of the balance sheet date and offers adequate financial flexibility over the coming years. This agreement was agreed under very attractive conditions and necessitates no external credit rating. More detailed information about the revolving credit facility can be found in the Notes accompanying the consolidated financial statements on page 146.

SUBSEQUENT EVENTS

With effect from December 1, 2009, Thalia Holding GmbH acquired a further 24.7 percent of the shares in buch.de internetstores AG, Münster. Consequently, the shares held by Thalia Holding GmbH increases to 60.2 percent.

As a result of the capital increase executed on November 17, 2009 for purposes of issuing employee shares, the share capital increased by 0.2 million EUR to 118.0 million EUR. The aforementioned items did not impact the net assets, financial position and result of operations of the DOUGLAS Group.

Other important events subsequent to the balance sheet date did not arise.

FORECAST

Moderate economic recovery in 2010

In the opinion of the Institute for World Economy (IfW), a slow recovery of the global economy is anticipated for 2010. The continual low investment willingness of companies around the world and fears of deteriorating labor markets in many countries, however, pose a major threat to the private consumption demand. By contrast, the economic programs of the leading industrial nations and the stable development of the emerging countries should deliver a positive impact. According to the predications of the Institute for World Economy, with a growth rate of 3.6 percent in 2010 the overall production is still below the average of the last few years. An increase of 3.9 percent in the global gross domestic product is predicted for 2011.

Only a slight recovery in economic activity is expected in the euro zone in 2010. In the opinion of the Institute for World Economy, export demand will rise slowly due to the sluggish recovery of the global economy. The situation on the labor market is also expected to deteriorate, that means the unemployment rate is likely to rise until the year 2011. Consequently, only a slight growth rate in the gross domestic product (GDP) of 0.8 percent is forecasted for the euro zone for the year 2010 and 1.6 percent for 2011.

The economic recovery in Germany in the coming year is also expected to be moderate. Although a positive impetus is anticipated to arrive from the government stimulus measures and the low interest rates, at the same time, however, adverse effects are feared to come from the negative labor market development and weaker consumer spending. The Institute for World Economy predicts a rise in the GDP of 1.2 percent in Germany for 2010 and 2.0 percent for 2011.

Hardly a stimulus in demand in the retail sector

According to estimates of the German Retail Association (HDE), the retail sector will hardly profit from the anticipated economic recovery in the year 2010. Although consumer prices are expected to remain stable, the projected rise in the unemployment rate will however burden the consumer sentiment. Moreover, the proposed tax cuts are not likely to have any positive impact in consumption demand. Given the uncertainties surrounding the overall development, the HDE could not provide sales projections for the years 2010 and 2011 as of the press date of this Annual Report.

Impact of proposed tax and legislative enactments in Germany

The coalition agreement with the political parties represented in the newly elected federal government prescribes some tax and labor tax changes that upon enactment should have a positive impact on the German retail sector. The preliminary draft of the Growth Acceleration Act provides, among other items, for a reduction in the trade tax add-back in real estate rents from 16.25 percent to 12.5 percent and a permanent increase in the exemption limit for tax deductible interest expenses of 1 million EUR to 3 million EUR. In addition, the rise in the graduated income tax rates means, according to HDE, a fairer tax system and tax relief for all. The proposed tax cuts should reduce burdens on businesses, strengthen the purchasing power of consumers and promote economic growth.

EXECUTIVE BOARD'S OVERALL ASSESSMENT OF THE DOUGLAS GROUP

No change in the DOUGLAS Group's strategic direction

Even in challenging economic times, the DOUGLAS Group will not amend its strategic direction. Market share is intended to be gained in all business divisions with the aim of reaching and securing a leading market position. The all-important sales markets for the business group remain to lie in Europe. From today's standpoint, new markets are not expected to be entered in the coming fiscal year. The DOUGLAS Group aims to further expand its position as a key distribution partner in the industry. For this reason, the distribution network will continue to be modernized and expanded. In the coming fiscal year, scheduled store network streamlining will be implemented. Consequently, about 50 unprofitable Douglas Perfumeries outside of Germany are scheduled to be closed. Approximately 120 million EUR has been earmarked for new openings and refurbishment in the coming fiscal year. An investment budget of at least the same amount is also planned to be made available in the 2010/11 fiscal year. In addition, the DOUGLAS Group aims to grow further by means of acquisitions. Acquisition opportunities will therefore be continuously monitored and evaluated.

The DOUGLAS Group's financing of investments is secured from the access to various financial sources. This includes cash and cash equivalents, operating cash flow and bank credits. In addition to the syndicated revolving credit facility that was contractually agreed with eleven banks up through September 2012, bilateral credit lines are available in the amount of 45.5 million EUR. As of the balance sheet date, the Group had at its disposal unused financing commitments in the amount of 415 million EUR from the revolving credit facility. Procurement of larger financing commitments before the maturity date of the revolving credit facility is not considered necessary at the present time. In the case that financing needs should dramatically change, the financing strategy would then be accordingly adjusted in a timely manner.

No changes are anticipated in the cost structure. Personnel costs are expected to remain at about 22 percent. With respect to the rental expense ratio, the DOUGLAS Group does not anticipate material increases because of the long-term nature of these agreements. Energy costs corresponded to nearly 1 percent of sales and are expected to remain at such a high level in the future as well.

Opportunities for the DOUGLAS Group are expected to come from the growing importance of online selling in the retail industry. In this respect, the individual divisions are well-positioned to benefit from this trend. Moreover, process optimization steps being implemented in the areas of logistics and IT as well as improving the store network of the Douglas Perfumeries should contribute to cost savings and improve earnings.

Economic outlook of the business divisions in the fiscal years 2009/10 and 2010/11

In the current and coming fiscal years, the focal point of the DOUGLAS Group's investment activities will continue to be on the Douglas Perfumeries. Up to 60 million EUR is planned to be invested in the opening of about 40 new Perfumeries with the modernization of existing stores. In contrast, store closures are of about the same number, in particular from the scheduled streamlining of the international store network of the Douglas Perfumeries. New markets are not planned to be entered in the next two fiscal years. Focus is being concentrated on expanding the market position in existing markets. In times of particular crisis, it has been demonstrated that the market leader performs better than its competitors. Therefore, the home market in Germany will continue to constitute an important pillar for the performance of the Douglas Perfumeries in the future. Stable sales and earnings developments in Germany should also compensate for the weaker earnings performances delivered by individual foreign markets in the next two fiscal years.

The current consumption and competitive environment has increased the price sensitivity of the consumer. In particular, price-conscious drug stores profit from this development. Douglas counters this competitive environment through attractive initial entry-level prices. Furthermore, exclusive brand and private labels are becoming more important for competitive differentiation and are therefore expected to be expanded further. Being a market leader and trendsetter, the Douglas Perfumeries in Germany are already considered the preferred partner for the cosmetics industry in launching new innovative products exclusively on the market. The establishing of exclusive brands and private labels is an important component in strengthening customer loyalty. A very successful customer loyalty program has been developed with the Douglas Card, which is currently being offered in eight countries and will also be introduced in other countries in the future. The objective of the Douglas Perfumeries is to expand its leading market position in Europe in the areas of perfumery, cosmetics and body care.

The Thalia group will continue to focus on the German-speaking countries of Germany, Austria and Switzerland, where it already is a market leader today. Entry in new markets is not planned at this time. In the coming fiscal year, the focus will be placed on expanding the multichannel strategy and to raise profitability. Five to ten new openings and numerous renovations are planned for the 2009/10 fiscal year. An investment budget of about 25 million EUR has been set aside for these measures. In addition, Thalia intends to grow even more by means of acquiring local and regional bookstores.

In the books division, the interlinking of stationary bookselling with online sales is becoming increasingly important due to the higher competitive intensity. Thalia successfully implemented the key elements of the multichannel concept at the first bookstore in Weiterstadt. This incorporates a product-mix extension through Print on Demand and a separate Games-Shop as well as affixing multimedia elements in the store's design. By means of touch screen monitors, the customers can access information and exchange information with the Thalia-community.

The multi-channel strategy significantly helps Thalia to distinguish itself from competitors. Customer relations are strengthened through extended service measures. In addition, Thalia will secure additional competitive advantages from the introduction of a new merchandise management and information systems, the implementation of which commenced in 2009, and from the resulting process and cost improvements. Thalia aims to further expand its leading market position in German-speaking countries.

The Christ jewelry stores will also concentrate its efforts in Germany in the coming two years by opening up to ten new stores. An investment budget of approximately 9 million EUR has been earmarked for new openings and various renovations.

In a price-sensitive environment, in which competition becomes fiercer from growing verticalization, it becomes more and more important for Christ to position itself as a jeweler with expertise and to therefore differentiate itself from competitors. The expanded services of the Christ watchmaker and the successful product-mix strategy contribute, among others, to the service concept and strengthening customer loyalty. In the area of exclusive brands and private labels, jewelry of even a higher-quality is also expected to be sold.

In the Jewelry division, the importance of individualism is growing. For this reason, Christ introduced an "engagement ring fitter" in the past fiscal year, which allows for a personalized setting of the engagement ring. In addition, Christ will continue to offer the highly-demanded charm pendants. Christ intends to grow over proportionally in relation to the entire jewelry market again in the coming two years and to secure its position as a market leader in Germany.

In the 2008/09 fiscal year, AppelrathCüpper completed all the significant work associated with the closure of the flagship store in Berlin and with renovations to the other fashion stores. It is now ready to fully concentrate on reaching the sales and earnings targets in the future. The earnings of the fashion division for the fiscal year under review were substantially impacted by the closure of the store in Berlin. However, management succeeded in significantly improving the cost structure and thereby establishing a solid platform for the future. The market launch of the umbrella concept and the merchandise presentation adjusted to the target group in the fashion stores will be carried forward. AppelrathCüpper intends to position itself even more as a profiled premium brands seller of women's fashion clothes and to overcome the difficult market situation in the textile retail industry.

The Hussel confectionery stores will still focus on developing existing markets in Germany and Austria

Gift ideas for the soul: The Soul Food Kitchen at the Hussel Confectionery shops.

in the next two fiscal years. Entry in new markets is not intended at this time. In the following fiscal year, an investment budget of about 3 million EUR has been earmarked for the opening of up to four new shops and for numerous refurbishments to the existing store network. For purposes of securing quality and innovative leadership, Hussel will also focus in the future on product innovations and on a philosophy of own brands and licensing. In addition to the constant strong organic trend, the listing of ingredients is becoming increasingly important in the customer's perception. Hussel intends to position itself as a provider of gifts and to expand its position as a market leader in the German confectionery market.

Positive overall position of the DOUGLAS Group

DOUGLAS HOLDING AG's Executive Board continues to assess the situation of the DOUGLAS Group as being positive. The Group has once again demonstrated in the fiscal year under review that it succeeded in maintaining its position even in challenging economic times. Following high sales growth outside of Germany in the past years, the development in Germany in the past fiscal year was better than abroad. The "German home market" has proven to be a very important pillar for the business group particularly in this difficult economic period.

The DOUGLAS Group is well-positioned and has available a solid net assets, financial position and result of operations position. It will continue to carryforward its product portfolio, without neglecting the continual revision of optimization potential. The DOUGLAS Group's committed employees will contribute significantly to the business successes in the future as well. Moreover, the key success factors: adjusted international store network of the Douglas Perfumeries, realization of additional earnings potential from improved processes in the Books division and further operating growth in the Jewelry division all contribute to the continued solid performance of the business group.

Given the ongoing deteriorated consumption conditions, Group sales at the beginning of the new fiscal year 2009/10 still developed satisfactorily. The first quarter of the current fiscal year – containing the all-important Christmas trade for the DOUGLAS Group – posted higher sales by nearly one percent. On a like-for-like basis, the prior year's sales were not quite matched, because the stable domestic business could not compensate the downward performance outside of Germany.

The prognosis for the 2009/10 fiscal year is hard to estimate at the present because of the macroeconomic framework conditions which are difficult to anticipate. In view of the high uncertainties surrounding the 2010/11 fiscal year, no reliable guidance for the DOUGLAS Group is possible. Even industry associations have not yet published projections for the years 2010 and 2011. In this respect, only surveys conducted by associations can provide insight into the mood of the industry. Consequently, the German Association of Perfumery Retailers predicts a sales decline of 1.6 percent in 2009 in the perfumery retail sector. The association expects a further slight contraction in sales in the year 2010. According to companies surveyed by the German Retail Association (HDE), lower sales are projected for 2010 in the Books sector. However, a rise is predicted in Internet sales. According to the Federal Association of Jewelers, Jewelry and Watch Retailers (BVJ), sales slightly declined at the beginning of 2009, but increased over the course of the year. The jewelers predict that the year 2010 will be more difficult for the jewelry industry. Based on information from the magazine "Textile Industry" as of September 2009, sales from fashion retailing dropped by 3 percent. The fashion retail sector projects a largely similar performance in the coming year. On the basis of a survey conducted by the Sweet Global Network, the confectionery industry is expected to close the year 2009 with a gain of 3 percent and stable sales are projected for 2010.

From today's standpoint, the Executive Board predicts a sales increase of between 0 and 2 percent and earnings before taxes of between 120 and 130 million EUR. For purposes of promoting further growth of the DOUGLAS Group, an investment volume of 120 million EUR is available. Even the shareholder-friendly dividend policy will be continued. Therefore, a distribution ratio of about half of consolidated net income is the future target as well.

The forecast takes into account all those events known at the time of preparing the financial statements which might impact the business developments of the DOUGLAS Group.

Hagen, January 2010
DOUGLAS HOLDING AG

The Executive Board

Dr. Henning Kreke | Dr. Burkhard Bamberger | Anke Giesen

EXECUTIVE BOARD AND DIRECTORS

Dr. Henning Kreke
President and CEO
since 2001

Anke Giesen
Human Resources/Legal Affairs
Human Resources Director
Executive Board Member
since November 2009

Dr. Burkhard Bamberger
CFO
since 2006

Reiner Unkel
Director of the
Perfumeries Division
since 2007

Manfred Kroneder
Director of the Jewelry, Fashion
and Confectionery Divisions
since 2008

Michael Busch
Director of the
Books Division
since 2003

Friendly and capable: the almost 15,000 employees make life beautiful – shown here Manuela Nickel (Douglas Dortmund).

GOOD SERVICE PAYS

All in all, the Douglas perfumeries performed very respectably on a difficult pan-European market. Evidently the Douglas concept – which is keyed to service and quality – preserves its appeal in times of crisis. Very substantial investments were once again made in expanding the store network, with some 61 million EUR in total devoted to opening 78 new perfumeries. Flanking this, numerous existing locations were upgraded and modernized. Sales at the 1,220 perfumeries in 22 countries rose by 1.7 percent to almost 1.9 billion EUR. With this increase Douglas secured additional market share, in contrast to many competitors. Once again, the approximately 15,000 friendly and capable employees played a crucial part in this success.

The 452 Douglas perfumeries in Germany increased their turnover by 1.2 percent to 920 million EUR. This rise may appear relatively modest compared to previous years, but it enabled Douglas to further cement its leading position in an otherwise contracting German cosmetics segment. The 10 new stores and numerous completely overhauled venues also made their contribution to this performance. The year’s highlights included the opening of the new 1,000-square-meter perfumery on Berlin’s most famous artery ”Unter den Linden” in October 2008. And at another nine new stores, Douglas sparked fresh trends in the areas of shop design, merchandising and service – as it did in Hanover at the

Attractively showcased: fine fragrances at Douglas in Hagen.

The essence of lifestyle:
the True Religion series.

Ernst August Gallery, in Dresden at the Elbe Park, in Coesfeld, in Brandenburg at the St. Annen Gallery, and in Berlin at new venues in two shopping centers – Märkisches Zentrum and Tempelhofer Hafen.

The refined materials, sophisticated shapes, color schemes and merchandise presentation create a consistent, atmospheric ambiance that is ideal for showcasing the Douglas brand. This shop design proved a match for customers' tastes during the 2008/09 financial year as well. One impressive example is the perfumery in the historic Krüger House in Dortmund, which the German Retailers Association (HDE) selected as its "Store of the Year" in April 2009.

Perfumeries

	2008/09	2007/08
Net sales (in EUR m)	**1,853.5**	**1,823.1**
In Germany	*920.0*	*908.9*
Outside Germany	*933.5*	*914.2*
Stores	**1,220**	**1,171**
In Germany	*452*	*445*
Outside Germany	*768*	*726*
Employees	**14,611**	**14,722**
In Germany	*6,541*	*6,689*
Outside Germany	*8,070*	*8,033*
Sales area (in m²)	**277,500**	**261,000**
In Germany	*113,700*	*110,800*
Outside Germany	*163,800*	*150,200*

Masculine: men's fragrances are displayed to eye-catching effect at Douglas – as demonstrated by the stone-in-stone look at the Bocholt store.

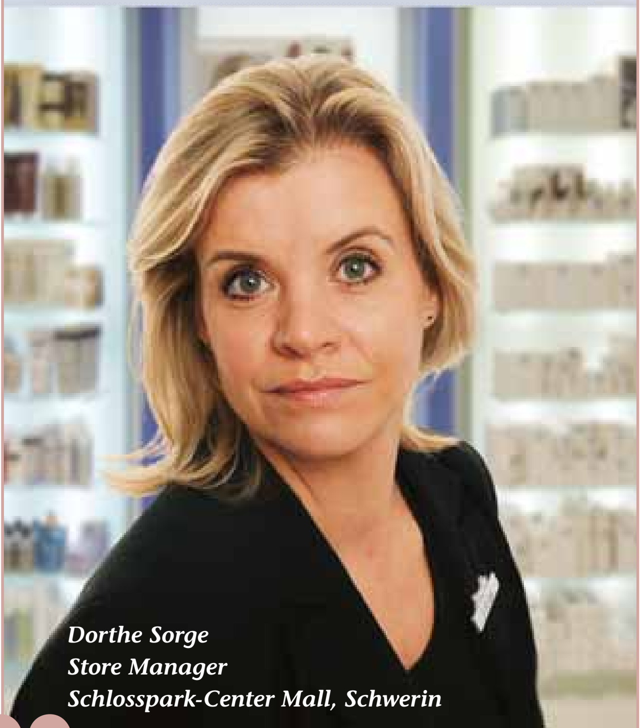
You have been with Douglas now for nearly 20 years. In your opinion, what drives the perfumeries' success?
Douglas is more than a name – it's a powerful brand. We have succeeded in winning over a broad following. We've always stayed true to our key principle, too: offering a touch of luxury. And we always put our hearts into everything we do, every day and for every single customer.

Douglas has always made customer orientation a top priority. How do you manage to make customers so happy day after day?
I start by motivating my fellow staff. With a major emphasis on personal, candid and sincere communication. After all, it's shared enthusiasm that turns ambition into success.

Times are troubled at the moment. What do you do to keep your team so dedicated?
They have never been easy. Every year something unexpected has left its mark. The point is to create an atmosphere in which the team believes the glass is half full rather than half empty. Our employees are our formula for success. The company makes them feel secure despite the economic uncertainty. That's an incentive.

What do you enjoy most about your job?
I can work on my own initiative. I'm given the scope to make decisions, and my superiors trust me. I have a really fantastic team and a second-in-command I can count on at all times. What is more, I get praise and recognition from my superiors. All in all, I feel proud to tell people where I work, because everyone knows Douglas.

What has been your most memorable moment at Douglas to date?
October 20, 2009. That was the day our new perfumery opened, and I was elected to cut the red ribbon. The moment I gazed into the eyes of my utterly exhausted but still highly motivated team made a lasting impression on me.



Dorthe Sorge
Store Manager
Schlosspark-Center Mall, Schwerin

Exclusive best-sellers: fragrances by Ed Hardy.

While Douglas performed well in its key home market of Germany in the 2008/09 financial year, the overall sales trend elsewhere dipped slightly. After years of posting above-average growth, Douglas was hard hit by the economic crisis in numerous countries. Turnover at the 768 perfumeries in 21 countries rose overall by 2.1 percent to over 933 million EUR. However, this resulted foremost from the sales at the 68 new stores and the interest acquired in the Croatian perfumery company "IRIS." In contrast, sales fell sharply in the Baltic States, Spain and Hungary. Encouragingly, however, the subsidiaries in Poland, the Netherlands, Russia and Italy all continued to post gains.

All told, adhering to the trusted Douglas strategy of focusing on quality and service paid off. Satisfying customers' wishes has traditionally been the company's top priority – in line with its slogan "Douglas makes life beautiful." For this reason, Douglas has placed its faith in the principle of "local management": after all, the store teams in the perfumeries know their clientele best, which makes them best suited to decide which merchandise is ideal for their specific customer mix.

The various awards garnered by Douglas in 2009 offer eloquent testimony to its customer orientation. In the spring of 2009, for example, consumers selected the Douglas perfumeries as "Germany's Best Retailer" in a study of 80 German retail organizations conducted by the corporate consultants Wieselhuber & Partner. This view was confirmed in a further study by "Gruppe Nymphenburg Consult" the following autumn, with Douglas being ranked first and designated "the company trusted most by consumers." The employees in the Douglas perfumeries are very proud of these accolades. However, they also know full well that they cannot afford to

Decorative: the Douglas beauty professionals conjure up the perfect look – shown here Sarah Quante (Douglas Münster).

Elegant and inviting: the Douglas perfumery on Elberfelder Strasse in Hagen.

rest on their laurels. To help maintain the current excellent levels of service and sales advice, all store employees receive regular training.

The Douglas perfumeries carry sophisticated product ranges consistently comprised of the latest lifestyle and trend brands. Douglas is Europe's only source for many of these brands, including the fragrances from Ed Hardy and True Religion, and care products such as Tri-Aktiline and Eyliplex. The range of own brands has also evolved further, with the relaunch of the Venus brand and the introduction of 'Douglas nails hands feet' proving resounding successes.

But the Douglas perfumeries also impress their customers with a range of special services extending from salons through hair competence centers to cosmetics cubicles. The services also include the Douglas perfumery on the Internet. The comprehensive range of products at www.douglas.de is primarily tapped by customers who prefer to do their beauty shopping from wherever they happen to be, around the clock. With sales reaching almost 40 million EUR, the Douglas Online Shop became the

Helpful and competent: the advice given to Douglas customers.

Douglas makes life beautiful

Proud and excited: the Douglas team at the opening of the Essen store in October 2009.

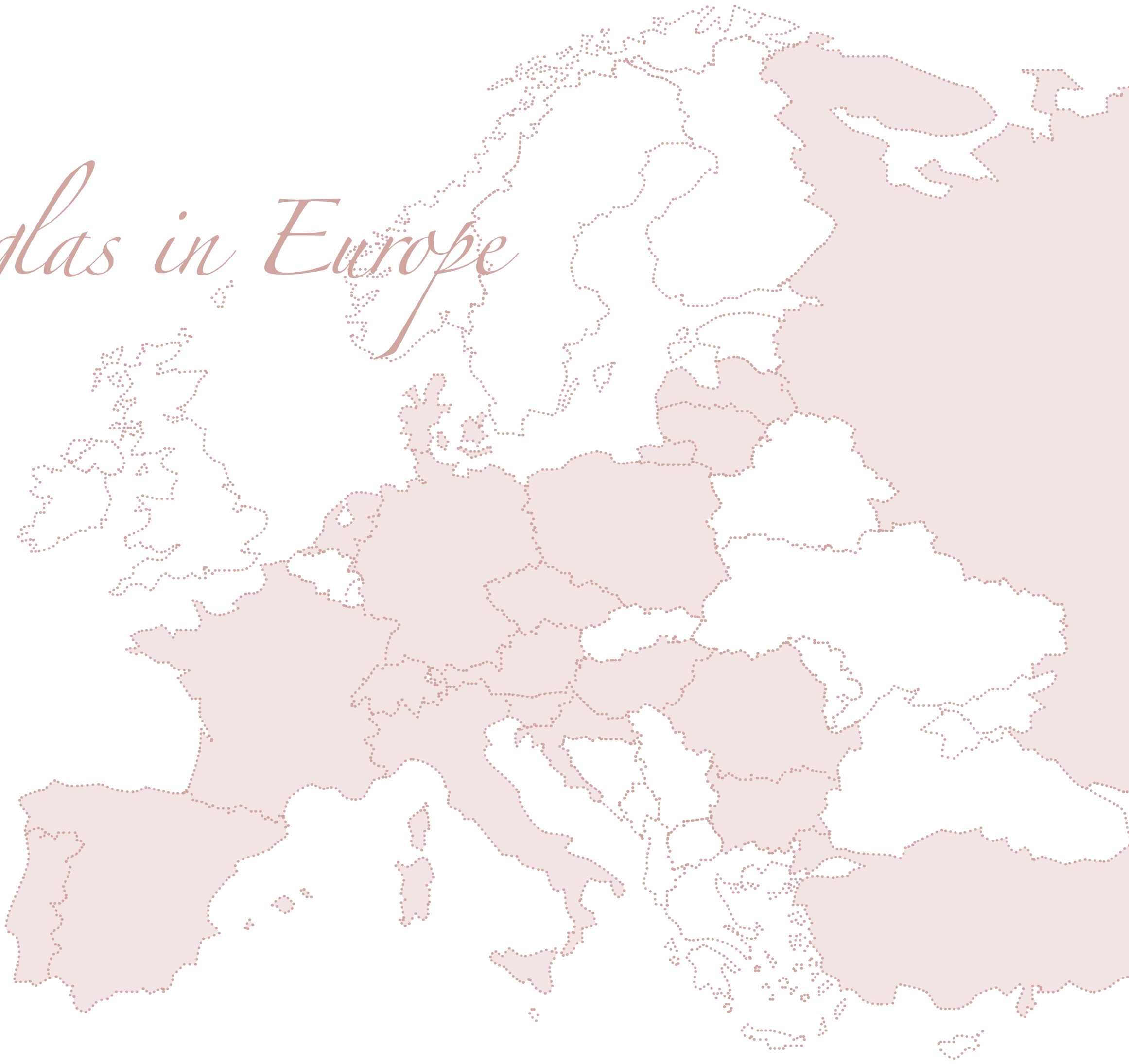
highest-selling "Douglas branch" this year. Overall, the strong customer levels are sustained not only by the attractive and regularly changing special offers and new products. Competitions, an array of promotions, and a newsletter also play their part, as does Douglas Online TV.

In the area of marketing, a new concept was instituted during the 2008/09 financial year. The company's comprehensive range of marketing instruments – embracing print, TV, posters, direct mailings, shopping bags and in-store promotions – was also adopted by the non-German Douglas subsidiaries: a key landmark en route to establishing a strong pan-European image for the brand "Douglas."

With some 2.5 million owners in Germany and almost 8 million throughout Europe, the Douglas Card numbers among the continent's most successful customer cards. In addition to the enthusiastic German shoppers, their counterparts in France, Spain, the Netherlands, Russia, Austria, Italy and Poland are already reaping the rewards of membership.

As a successful retail organization, Douglas is keenly aware of its responsibilities towards society. Since 2008, Douglas has been the lead sponsor of the charity DKMS LIFE which provides support to women cancer victims. In 2009, Douglas personnel gave 150 free seminars, in which they advised the women on how to look good and therefore how to improve their quality of life. Additionally the German Douglas perfumeries ran numerous campaigns, generating donations totaling over 150,000 EUR for DKMS LIFE by the end of September 2009. For this effort, Douglas was awarded the "JOY Trend Award" in the summer of 2009.

Douglas in Europe



Douglas International

		Net sales (in EUR m)		Stores		Employees	
	since	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
Germany	1969	920.0	908.9	452	445	6,541	6,689
Netherlands	1980	176.9	172.8	87	84	1,371	1,395
Italy	1989	158.8	156.6	136	130	1,069	1,118
France	1986	133.0	136.7	91	91	1,016	1,116
Spain	1998	77.7	83.5	89	90	669	700
Poland	2001	72.5	68.2	65	47	911	737
Austria	1972	70.8	72.6	43	44	563	605
Russia	2003	55.1	54.7	32	26	617	508
Switzerland	1991	34.3	33.3	13	12	194	192
Portugal	1998	26.4	27.2	16	15	185	199
Hungary	2001	21.2	22.9	18	16	251	217
Croatia	2008	21.0	5.5	48	42	245	239
Latvia	2007	15.1	19.0	32	31	221	199
Lithuania	2007	14.6	16.2	37	39	227	244
United States	1982	12.5	12.5	11	13	83	111
Czech Republic	2004	11.5	8.9	15	12	123	119
Bulgaria	2008	10.0	4.2	7	4	98	95
Turkey	2006	7.3	5.8	12	12	95	102
Romania	2007	5.3	2.2	5	3	61	45
Denmark	2004	4.0	4.1	4	5	35	39
Monaco	2002	2.8	3.1	4	4	12	16
Slovenia	2003	2.2	2.3	3	3	24	22

Shared success: the Dutch Douglas team in the heart of Rotterdam.

Committed: the Polish Douglas team in Bielsko-Biała.

In the realm of organization and logistics, the construction of a central warehouse for the Group's own and exclusive brands marked a major milestone. Located in Zossen-Dabendorf near Berlin, this new and modern facility offers over 10,000 m² of storage space. Operated in conjunction with Rhenus Logistics, it will reduce logistics expenditure and create a solid platform for the proposed expansion of the Group's own and exclusive brands.

Douglas will continue to post value-oriented growth in the 2009/10 financial year, although the pace of expansion may decline slightly compared to previous years. All in all, a total of about 40 new perfumeries will be opening their doors across Europe, with Italy, Poland, Russia and Croatia forming the main hubs of expansion. And Douglas will also gain growth in its key home market of Germany. In addition to pursuing this organic growth, Douglas will be examining opportunities for acquisitions and investments on an ongoing basis – above all in existing markets. At the same time, efforts will be maintained to complete the consolidation pro-

Douglas has been impacted by the financial crisis in many countries – but not in Poland. What are you doing differently?
The myth of red lipstick being a "little luxury" in times of crisis has proven true in Poland. Above all, though, we have always adhered to the Douglas lifestyle philosophy and focused our efforts on providing service, atmosphere and an innovative range. We have blazed new trails in marketing and been able to establish ourselves as a trend brand. This success has been due in large part to our friendly, competent staff.

If you compare the German and Polish markets for cosmetics, what main differences or features do you see?
We are incredibly strong in make-up and skincare. In these segments, our customers care a lot about good advice. And if that's a given, they don't mind paying a little bit more. But we also offer attractive products for more price-conscious customers.

What do you enjoy most about your job?
The feeling that we are really achieving something. My team and I have worked hard to make Douglas Poland what it is today. In the process, we have grown with our responsibilities and gathered a wealth of experience. This is something I'm very proud of.

Douglas launched operations in Poland with a single perfumery in 2001. Since then it has grown rapidly. What is the expansion strategy for the future?
Today we operate 65 perfumeries, and are planning some 10 new openings each year. If we continue at this rate, we will soon be able to celebrate the opening of our 100th store at our 10th anniversary in 2011.

Agnieszka Mosurek-Zava
Managing Director
Douglas Poland

cesses which were initiated during 2009 in the markets most severely affected by the economic crisis. This applies particularly to Spain, the Baltic States, Denmark and the United States, where the process of closing long-term unprofitable perfumeries has already begun.

Douglas is also well-placed to master tomorrow's challenges from an organizational perspective. European marketing is divided into the three regions Germany, southern and western Europe, and eastern Europe. The general managers responsible for each region report to the Director of the Perfumeries Division. On its key home market in Germany, Douglas has also realigned its administration to reflect the dynamic expansion of the store network. In October 2009, the five former administrative areas were restructured into six sales regions; the organic evolution of the past years had caused considerable overlap. This situation has been rectified, and the systematic decentralization now in place is due to enhance efficiency and streamline decision-making processes in the future as well.

The Douglas merchandising strategy will be concentrating on extending its own and exclusive brands – the care and decorative cosmetic segments offer the greatest scope for growth. In bodycare, Douglas will be expanding its range of entry-level products with the goal of attracting new customer groups. In face care, Douglas is already well-positioned with its Annayake and Orlane brands. Given the high levels of advice expected by customers in this area, Douglas benefits considerably from the sales expertise of its personnel. Where fragrances are concerned, Douglas will focus more strongly on exclusive brands in the future – enabling it to capture its customers' imaginations time and again with new products, further distinguishing itself from the competition on the market.

Douglas is poised for continuing success. With attractive perfumeries, the latest merchandise, outstanding service, and above all capable and friendly sales advice from dedicated and highly-motivated personnel, Douglas will cement its status as Europe's quality and market leader on a sustained basis.

Top honors: consumers selected Douglas as "Germany's Best Retailer" in 2009.

Innovative: Thalia synthesizes traditional and online bookselling in Weiterstadt.

Atmosphere

e-books

Books

Customers

User-friendliness

Employees

Multi-channel

Internet

Service

Strong brand

Advice

Market leader

Thalia

THE BEST OF MANY WORLDS

The Thalia Group posted renewed growth during the 2008/09 financial year by opening 12 bookstores, bringing investments for the period to 24 million EUR. Sales at the 294 venues in Germany, Austria and Switzerland rose by 6.6 percent to approximately 820 million EUR. This enabled the Group to cement its market leadership in the book retailing segment in German-speaking Europe. The highly trained 5,100-plus employees – who habitually provide expert advice and impart an infectious enthusiasm for the Thalia book universes to their customers – played a primary role in this success.

The 238 bookstores in Germany increased their sales by 6.6 percent to about 629 million EUR. The systematic implementation of the multi-channel concept contributed to this encouraging trend, with the inclusion of electronic books also proving a major factor. At the start of 2009, the Sony PRS-505 e-Book Reader premiered on the German bookselling market. Prior to this, Thalia had actively championed the assimilation of this ultramodern segment in the industry. Today, customers can buy e-books and download content from the

Gudrun Löchl
Store Manager
Schloss-Arkaden mall, Braunschweig

Thalia goes a long way to be appealing to its customers. What makes Thalia so unique?
It's the spirit of cooperation. Every single employee is actively integrated in the work processes. We make decisions together, and as "local entrepreneurs" we have a great deal of leeway. In addition, the store and department managers hold regular meetings, which always provide me with valuable ideas and initiatives for my day-to-day work. And thanks to the support we get from the head office, we can devote all our attention to our customers.

Apropos customers: what does customer-orientation mean to you?
For the Braunschweig location, it means chipping away at the initial prejudices against chains. We are booksellers with all our heart and soul – highly motivated and qualified. That's how we have won over customers. And how we can post the kind of sales figures we do. And because we obviously want to maintain this situation, it's a goal we strive for, day in and day out.

The Internet is playing an ever greater role. How does this impact you?
In the past, customers sometimes came to us for gardening advice, for example. Today you can find this type of information on the Internet. What is more, many consumers today are very well informed – they have done research and come to us with a clear picture of what they want. As a result, our own work has changed. And Thalia is changing as well. Our multi-channel approach means that we can offer the best of many worlds.

Thalia has been offering the Sony Reader since the start of the year. How has it been received?
Positively! We have had good sales with the Reader from day one.

What do you read?
I haven't joined the ranks of the e-book readers yet; on the other hand, there is limited space on my shelves. But whatever medium you prefer, I am certain that traditional, printed books will always be around.

online stores at www.thalia.de, www.thalia.at and www.thalia.ch. While the proportion of e-books remains comparatively small in Thalia's total turnover, sales of these electronic media are outstripping other book forms in relative terms. Thalia is convinced that the bookselling segment will expand with the arrival of new versions of the e-Book Reader. The new devices will not bring about the demise of printed books. Rather they offer an appealing alternative that harbors opportunities to interest new target groups in reading and books.

In the field of merchandise, Thalia gained from successful titles such as "Die Leber wächst mit ihren Aufgaben" ("Your Liver Expands with the Challenges you Face") from the best-selling author Eckart von Hirschhausen and the vampire series "Twilight" by Stephenie Meyer, the American children's author. "Alle sieben Wellen" ("All Seven Waves") by Daniel Glattauer topped the hit parade of the newly listed e-books. Beyond this, the "recommended reading" selected by store employees forms another key pillar of the Thalia merchandising concept, investing each and every Thalia location with its own individual personality.

In the online sector, the rapid expansion of the online shop www.thalia.de once again underscored the appeal of the company's multi-channel strategy

ViTAO: the Thalia Wellness Shop caters to the body, mind and soul, as here in Weiterstadt.

and online expertise – both of which are further bolstered by the existing partnership with buch.de internetstores AG. Thalia Holding GmbH owns an approximately 60 percent interest in this company, the third-largest online book and media dealer in the German-speaking countries.

In conjunction with KulturSPIEGEL, the arts supplement to SPIEGEL magazine, Thalia launched a competition for young authors in Germany as part of its ongoing campaign to promote reading and the arts. The competition was received enthusiastically by budding writers. The company's presence at the international literature festival "lit.COLOGNE" also testifies to its close associations with both authors and publishing houses – Thalia has been the lead sponsor of the festival's books section since 2009.

Thalia's marketing activities are tailored to making shopping a fun experience for the whole family, as the children's line "Thalino" – which was launched in the fall of 2009 – clearly demonstrates. The miniature "alphabet tiger" has found a home in children's sections online and at bookstores, encouraging young girls and boys to read and initiating them into the wonderful world of books.

The total of 56 Thalia locations in Austria and Switzerland increased their sales by 6.6 percent to 191 million EUR. With 32 retail bookstores in Austria and 24 in Switzerland, the Thalia Group holds a market-leading position in each country.

At the end of January 2009, the newspaper "WirtschaftsBlatt" and the online market research institute "Marketagent.com" selected Thalia Austria as the winner of the "Image" category in their annual survey of Austrian retailers ("Best of Handels-

Books

	2008/09	2007/08
Net sales (in EUR m)	**819.7**	**768.8**
Germany	*628.7*	*589.6*
Austria	*112.9*	*105.3*
Switzerland	*78.1*	*73.9*
Stores	**294**	**291**
Germany	*238*	*236*
Austria	*32*	*32*
Switzerland	*24*	*23*
Employees	**5,151**	**5,153**
Germany	*3,886*	*3,878*
Austria	*710*	*734*
Switzerland	*555*	*541*
Sales area (in m²)	**242,200**	**236,500**
Germany	*197,400*	*192,300*
Austria	*28,900*	*28,900*
Switzerland	*15,900*	*15,300*

Trust
Service Experience
Books Tradition History
Advice

It all started here: the very first Thalia bookstore at the corner of Pferdemarkt/ Alstertor in central Hamburg.

Laid the foundations for Thalia's success (from left): Erich and Jürgen Könnecke.

When, on August 15, 1919, a small bookshop called "Thalia" first opened its doors in Hamburg, nobody could have imagined that this modest venture would one day turn into an international bookselling group with stores spread across Germany, Austria and Switzerland. Over a period of 90 years, the "Thalia Family" has grown into the "best of many worlds." After its initial establishment by Alfred Schulze, the company has passed through numerous phases and marked multiple milestones. These include its acquisition in 1931 by the Könnecke family from Hamburg – which still heads the enterprise almost 70 years later – and the merger with the Phönix-Montanus bookselling group in the spring of 2001. The Thalia Group has since integrated numerous additional bookstores and opened many new locations of its own, establishing it as the clear market leader in German-speaking Europe today.

Thalia today: a modern multi-channel bookstore – shown here in Weiterstadt.

Reading goes digital: the e-Book Reader is well received by customers.

Bright, friendly and welcoming: Thalia at the KOMM Center in Offenbach.

Check 2008”). In the interviews, customers above all praised the capable and friendly employees and the level of trust accorded to the company. During the 2008/09 financial year, the Thalia store on Vienna’s Mariahilfer Strasse – the Austrian premier shopping boulevard – celebrated its 10th anniversary. Every year, some three million customers enter to explore its book, paper and new media worlds.

At Thalia Switzerland, the bonus card introduced during 2008 is enjoying growing popularity, establishing itself as an effective CRM tool. At the start of July, Thalia opened its first-ever bookstore in the so-called ”Three Country Triangle” where Austria, Germany and Switzerland meet. The almost 400 m² ”World of Thalia” at the Rheinpark shopping center in St. Margrethen offers a comprehensive range of products and a special focus on English-language books. Following many hours of discussion, in December 2009 the Swiss Council of States approved a fixed pricing system for the book retailing segment because books – as a key component of culture – warrant special protection. Having repeatedly called for the reintroduction of this legislation in recent years, the Thalia Group now welcomes this decision.

Providing full and detailed advice to our customers is a matter close to the hearts of all of our employees, as is a desire to share their enthusiasm for the various products that we sell. For this reason Thalia invested heavily in training its employees during the past financial year, with the topic ”Active and Emotional Selling” playing a pivotal role. This year also saw the first students graduate successfully from the ”Thalia Academy,” which was established in 2008 to foster young employees.

The Thalia Group is planning to power further organic growth during the 2009/10 financial year by establishing its own new stores. Some five new retail bookselling locations are due to open their doors. With the opening of the multi-channel location in the Loop5 shopping center in Weiterstadt, Thalia ensured a great start to the current financial year. The futuristic store concept features a unique combination of traditional and online bookselling in a sales area of 2,000 m² – with customers able to

Competent and cheerful: the Offenbach Thalia team.

Karin Germann
Store Manager
Schaffhausen

Its 24 bookstores make Thalia the market leader in Switzerland. What makes Thalia so different?
First of all, our highly qualified and motivated booksellers. And our stores: although each is unique in terms of its range and design, they all have high recognition value and a personal note. We also offer our clientele first-class service: Thalia customers can immerse themselves in the world of books online or on location, with the support of outstanding sales assistance. Our goal is to provide a one-stop source of books, electronic media and more.

What makes the Schaffhausen venue special?
The welcoming atmosphere. It all starts with friendly, competent advice and extends through a broad range of merchandise, all the way to an atmosphere exuding the character and charm of our city. Schaffhausen is a historical treasure with a rich cultural calendar – and an international clientele with lots of different interests. Every day this exciting mix presents us with new challenges.

What do you enjoy most about your job?
Dealing with people and books on a daily basis. I'm fascinated by the variety offered by our profession and its different facets. I especially enjoy working with our highly motivated apprentices, as well as buying and presenting new products. And of course selling.

What about Thalia's commitment to the arts?
It's wonderfully diverse! Thalia sponsors a series of book and literature festivals. We offer readings and talks at our stores. We carry regional literature and run writing contests with attractive prizes. And young readers can join our "Thalino-Club."

A paradise for budding bookworms: the children's section featuring "Thalino," the friendly "alphabet tiger" from Thalia.

access types of information that were formerly out of range in fixed-location venues. One example of this is the "Crime Map." On touchscreens customers can browse this atlas of crime fiction – which had previously only been available on the Internet – and select the best authors from the different countries and continents. Of the upcoming new stores, the venue at the former Metropol movie palace in Bonn promises to be a fresh highlight when it opens at the end of fiscal 2009/10.

Foreign literature, DVDs, stationery goods, and remainders are still growing in importance within the traditional bookselling sector. Complementing these, Thalia is launching strategic partnerships with providers from related segments, such as the "activity gift" vendor Jochen Schweizer®.

From an overall perspective, the Internet and digitization are becoming increasingly critical factors in the book retailing market. In addition to fleshing out its fixed-location network, Thalia will therefore be expanding and supplementing its online products, so that it can provide the same outstanding quality and service to its customers via an array of different channels – around the clock and wherever they may be. All in all, the Thalia Group is well-positioned to cast off the mantle of a retail bookseller and reinvent itself as a multi-channel service provider.

Friendliness *Service*

Competence *Staff*

Enthusiasm *Support*

Books, media and more: the over 5,100 staff members at Thalia enjoy finding the right book for their customers – shown here, Julia Franken (Thalia Remscheid).

An ambiance for high flyers: Christ goes futuristic at its "Loop5" Weiterstadt store.

A TRUE GEM SINCE 1863

CHRIST

Despite a slight overall contraction of the segment, the 203 Christ jewelry stores posted sales of more than 292 million EUR during the year, an increase of over 2 percent. Thanks to investments totaling 8 million EUR, six new venues were opened and a further 13 modernized during the financial year. All in all, Christ secured additional market share in Germany, more than reinforcing its already good position.

Friendly and capable: Tanja Endler from Christ in Kassel.

The systematic development of the product ranges also served to boost its market position. Christ reported very impressive sales gains with the Jette brand; Christ and the Hamburg-based jewelry and fashion designer celebrated 10 years of shared success in fall of 2009. Trend brands like Pandora with its famous charm bracelets captured the consumer mood and sold well, as did chic and fashionable labels like Guess and Skagen. Christ also improved on its core competence in the traditional jewelry segment, with sales trends for established brands like Longines and Tissot on the up. In the wedding ring sector, Christ built a platform for renewed growth by developing its new "Wedding Ring Configurator" and creating locally-based wedding ring lounges.

Service has always been the key to success for Christ. The drive launched a full two years ago was yet again rewarded by customers in the past financial year. To ensure the best possible customer care, the company opened the first Christ Service Workshop in Dortmund during February 2009. The facility is expected to ease the load on the individual retail stores and reduce the volume of outsourced repairs. The industry is supporting this initiative by providing certifications, helping train the employees, and supplying spare parts. With its Service Workshop and the numerous local seminars held for employees, Christ is underscoring its pledge to assist customers both before, during and after purchases.

Putting their heart and soul into their work: the employees at Christ – like Selina Giese (Christ, Kassel).

In sparkling form:
the Christ team from Kassel.

10 JAHRE JETTE bei Christ

It's proved a boon for a full 10 years: the successful partnership between the Christ jewelers and the Hamburg-based jewelry and fashion designer Jette Joop. Twice a year, Jette creates an exquisite jewelry and watch collection – exclusively for Christ. And the shared success is no coincidence. Time and again, the designer and Christ have demonstrated their ability to divine the dreams and desires of customers – and capture them in extraordinarily creative products.

Christ hopes that this top-class service will further bolster its credentials on the market.

In its marketing, Christ has developed a completely redesigned corporate image and a fresh new idiom for addressing its customers. With the slogan "Momente des Glücks seit 1863" (Moments of Happiness since 1863), Christ both highlights its hallmark competencies and communicates a desire to produce unforgettable moments for its customers. Christ wants to step into the limelight when people are looking to reward themselves or others for those truly special moments in life. And, indeed, why shouldn't customers associate shared moments of happiness with a visit to their favorite Christ venue? The over 2,000 capable and helpful Christ employees consistently aspire to add that crowning touch of helpfulness, service and advice that transforms a visit to the store into an experience of unique pleasure.

Christ wants to exude emotional appeal and satisfy the current fashion and design aspirations of its customers with a comprehensive and contemporary selection of watches and jewelry. This goal is also reflected in the store design and furnishings as well as in the various marketing concepts. In this context, Christ again demonstrated its ability to tailor locations to specific customer needs during the past financial year, donning its "classic and refined" mantle in Nuremburg and Cologne and showcasing a more contemporary style in Mainz – thereby ultimately satisfying both its more traditional and fashion-oriented customers. Customers with especially discriminating tastes can find six "Christ 1863" stores distributed across Germany, including in Hamburg, Frankfurt, Mannheim and Berlin's famed department store KaDeWe. The store network is rounded out by four venues at Frankfurt Airport which primarily serve the needs of tourists, with two "Christ jewellery & watches international" stores in the duty-free zone focusing on premium product selections.

For Christ, nurturing young staff is a matter of paramount importance. During the last financial year the number of trainees across Germany again rose significantly. The proportion of apprentices in the workforce has now exceeded 11 percent. Christ

Jewelry

	2008/09	2007/08
Net sales (in EUR m)	292.4	286.0
Stores	203	204
Employees	2,025	2,020
Sales area (in m²)	19,800	20,000

Unique: Christ at the KaDeWe department store – one of a six "Christ 1863" venues.

A visit to a Christ store can mean unforgettable moments. But everything needs to be just right: the service, the people and the atmosphere. It's rather like dining at your favorite restaurant. To enhance the experience, Christ aims to arouse emotions and offer the fashion and design pieces that make its customers' wishes come true. The rich variety of store concepts also reflects this goal.

Classic quality: Christ at the Elbe EZ shopping center in Hamburg.

Modern and inviting: Christ at "Loop5" in Weiterstadt.

Exclusive: "Christ jewellery & watches international" at Terminal 2, Frankfurt Airport.

prefers to fill management positions from within its own ranks, so the company offers a wide range of attractive career options for staff – even after they have completed traineeships. Today, numerous former apprentices remain with the company, some at the management or executive level.

Christ is maintaining its expansion program in the 2009/10 financial year as well. Up to 10 new stores are due to open their doors, including locations in Dresden and at Frankfurt Airport next spring, where Christ will then be represented by five locations. Of the new openings, one special highlight came at the very start of the current financial year: the Christ store at the futuristic "Loop5" shopping center in Weiterstadt near Frankfurt. Plans have also been made to upgrade the network as a whole by modernizing and extending the sales areas of numerous locations.

In the area of merchandising, Christ will again be extending its range of own and exclusive brands in the next financial year. At the same time, its competence in diamonds will be strategically fostered and other untapped potential in the trend brand segment exploited. In almost every domain of modern life, there is a discernible trend towards greater product individuality, and the jewelry segment is no exception. Christ has responded accordingly and – as with its wedding ring initiative – is well prepared with a range of rings tailored to almost every conceivable need.

As a "stylesmith," Christ possesses the unique strengths needed to communicate the pleasures of watches and jewelry to its customers, leaving it poised to secure additional market share in a highly competitive environment.

Miriam Ascanio
Store Manager
Frankfurt Airport, Terminal 2

As a "stylesmith," Christ aims to communicate the pleasure that jewelry and watches provide. What does this expression mean to you?
We take up current design and fashion themes, find trends, and incorporate these into our ranges as quickly as possible. That's what we mean by "stylesmith."

You work at the Christ store in the airport. What makes this location different from normal stores?
The airport has its own special flair and it's a place that is constantly evolving. We are open 365 days a year from 7 a.m. to 10:30 p.m. Our jewelry store is situated in the transit lounge, i.e. the non-public segment of the airport. So the majority of our customers are international travelers. This means language skills are vital. Beyond that, our broad range of brands makes us unique. We offer everything from fashion watches to high-end handcrafted models.

What do you like most about your job?
I love the variety my job offers. Most of all, I'm fascinated by the customers' motives – the backstories behind their purchases. Finding the right thing for each and every one of them means a lot to me – that's what makes each sales discussion so unique. I also care deeply about my staff: I want them to be satisfied and motivated so we can all celebrate lots of sales.

Have you noticed any specific purchasing behavior on the part of your international clientele?
Each nation has its own particular culture and mentality. The challenge is to take this into consideration when dealing with the customer. That requires tact and diplomacy.

What's currently the "top hit" at your store?
Right now our Asian customers are clamoring for limited-edition watches. Our Christ brand mechanical watches are also very popular; they offer great value for money, along with an exclusive look.

The place for leather & lace: Karina Wacker (AppelrathCüpper Münster) enjoys presenting the latest fashion trends.

AppelrathCüpper

THE FASHION STORE

Big on fashion: "AC" on Mönckebergstrasse, Hamburg's premier shopping avenue.

As part of its repositioning program, AppelrathCüpper reconfigured its three top-selling flagship stores during the 2008/09 financial year. With a cumulative sales area of some 10,000 m², the Hamburg, Cologne and Frankfurt venues now offer their customers a state-of-the-art shopping ambiance. In addition, the parent store in Aachen was further upgraded following the integration of shop-in-shops for Armani, Escada and Burberry.

Despite the improvements to the product range, service and shopping environment, total sales at the 14 AppelrathCüpper womenswear stores fell by 11.5 percent during the 2008/09 financial year, totaling 131 million EUR. Excluding the Berlin location, which was closed in January 2009, the decline was 7.3 percent. AppelrathCüpper has not yet been able to extract itself from the weak industry-wide trend. However, it has instituted numerous measures within its restructuring program that will stand it in good stead for the future.

These included the relaunch of the "AC" emblem with the goal of progressively establishing it as a synonym for fashion and brand expertise, backed by service excellence. In its "Exquisit" segment, AC

Highly motivated: the AppelrathCüpper team from Hamburg.

Fashion

	2008/09	2007/08
Net sales (in EUR m)	131.0	148.0
Stores	14	15
Employees	757	979
Sales area (in m²)	35,300	40,000

Trends for two: Kerstin Dobischok (AC Münster, left) and Susanne Kraft (AC Dortmund).

has enhanced its merchandising proficiency with the successful brands Marccain, Hugo Boss and Burberry. In its trend ranges, the Napapijri and Desigual labels proved top sellers.

AppelrathCüpper built on its already impressive reputation for service and sales assistance by running tailored training programs for its workforce, which now numbers more than 750 employees. This is vital given that competent advice is the key to success in fashion retailing: achieving the right balance of helpfulness and expertise, honesty and friendly support, is crucial for many sales. AC has also launched a major trainee drive, nearly doubling its number of apprentices last year to the current figure of almost 50.

During the 2009/10 financial year, AppelrathCüpper will continue to pursue its new course. The merchandise in the mid- to upper-priced ranges will be strategically ”rejuvenated” and extended through the addition of attractively-priced goods. The challenge will be to add younger, trend-oriented highlights without neglecting the needs of its established customer base. Walking this tightrope may be difficult, but it is necessary. After all, AppelrathCüpper aims to earn the loyalty of both its younger and more mature customers.

Integrated into the Dortmund and Mannheim stores during the autumn of 2009, the Mango shops have been well received by customers. Furthermore, AC is introducing a new accessories concept. This top trend is being reflected in specially designed and dedicated areas at the fashion stores. Showcasing contemporary brands such as Liebeskind, AC is also showing its fashion edge in this new segment. The newly-formed purchasing team doubles as a trend scout and is hoping to land more unqualified successes in the future, as it did with the Desigual trend label. At the same time, AppelrathCüpper will continue to foster leading brands such as Brax, Gerry Weber and Basler.

In its marketing, AppelrathCüpper is focusing on seasonal campaigns such as ”AC Royal Family” for the 2009/10 fall/winter collection. These campaigns form a common thread throughout the marketing mix: multi-page spreads in national fashion magazines such as ”Cosmopolitan,” ”Instyle” and ”Madame;” inserts in newspapers; and banner advertising on the Internet. But the current

Inviting and expansive: the ”new AC” on Hamburg’s Mönckebergstrasse shows how fashions are presented today.

Melanie Stichel
Store Manager
Kiel

These days it's not easy in the fashion industry. What is AppelrathCüpper doing to defy the odds?
It's very important to keep an open ear for our customers and their needs. That creates trust. One of our trademarks is good service – above all providing competent, in-depth advice. We need to keep one step ahead in this area. Having the right range is another key to success. We want AppelrathCüpper to be a first-class name in fashion.

AppelrathCüpper has been realigned – as a multi-generation fashion store that also carries young and exclusive brands. How have the customers responded?
On the whole, positively – especially the older regulars who welcome fresh and modern looks. We've been able to introduce many of these customers to our new ranges. They now have a win-win choice between familiar brands such as Basler and Brax – and the "newcomers" such as Gant, Burberry and Armani. This reorientation has also brought a significant increase in the number of younger shoppers.

How has the job of a fashion salesperson evolved over the years?
I've been working in the fashion business for some 17 years now, five of them at AppelrathCüpper. In my opinion, customers have become more critical. And much better informed, too – whether from magazines or the Internet. Today they enjoy putting their own outfits together. To me, the most important aspect of customer service is and remains being open and honest.

Five years ago you started out at the AC store in Kiel as a head of department. Today, as a store manager, you're responsible for a team of some 50 employees. How did you climb the ladder so quickly?
First of all, you need to have confidence in your own strengths. Flexibility is also incredibly important. I have always regarded new tasks and duties as a positive challenge. You need to adapt your mindset and your actions to new situations, and seize the opportunities these offer.

What do you enjoy most when working with your team, and what is your top priority?
It's great to see a team fuse into one. Communication is a key factor in making that happen. I always try to find ways to help and explain things. Obviously there are also clear-cut rules. But it's vital to stay fair and impartial. I have no time for people who always opt for the path of least resistance. And last but not least: No two days are alike. I love the variety my job has to offer.

campaign photography has also been integrated in the stores' visual merchandising, gracing tastefully designed window displays and enhancing the interior decor. AppelrathCüpper is leveraging this presence to fully establish its credentials on Germany's main shopping boulevards. Following the successful campaigns featuring the top model Toni Garrn, the new German supermodel Katrin Thormann will be advertising for AC from the spring of 2010.

In its merchandise displays and shop furnishings, AC is introducing "mix and match" areas, reflecting the preference of today's fashion-conscious customers to create their own outfits. These areas also allow stores to respond more flexibly to seasonally changing trends.

AppelrathCüpper has designated a sustained improvement of its earnings power as the overriding focus of all its activities. The goal is to establish each venue as one of the local leader. In the long term, AppelrathCüpper is thus well-placed to profit when the fashion industry recovers and should soon be restored to its former strength.

Eye-catching: visual merchandising at AppelrathCüpper.

Always en vogue: Marta Harengerd (AppelrathCüpper Münster) creates chic combinations for fashion-minded customers.

A TASTE FOR SUCCESS

Hussel again focused consistently on quality during the 2008/09 financial year, introducing further improvements in its merchandise, shop design, and above all service. The 274 confectionery stores in Germany and Austria posted sales of 101 million EUR, matching the previous year's level.

In Germany, Hussel succeeded in extending its leadership in the specialist confectionery segment, despite turnover falling by a marginal 1.0 percent to 96 million EUR. Nevertheless, Hussel managed to

Snacking permitted: Melek Binbas (Hussel Münster) enjoys treating her customers to tasty tidbits.

HUSSEL
Confiserie

Kristin Endler
Junior District Manager
Hussel North

Hussel has now turned 60. What do you think is the key to this success?
A good balance between tradition and trends. What is more, our specialty stores and the merchandise they carry are really eye-catching and memorable. But the most important thing, in my opinion, is our friendly, courteous staff. They bring our corporate values to life, inspiring customers every single day with our wonderful products.

Hussel aims to offer its customers "class rather than mass." In your view, what makes Hussel products so special?
Pure and absolute enjoyment. You can always find the perfect treat for every occasion. And of course the consistently excellent quality and exclusivity of our products play a key role, too.

What are the greatest challenges you face as a Junior District Manager?
Forging trust. I devote a lot of time to each individual on my team to create a solid foundation of trust. That is critical to joint success and effective teamwork. And, of course, we need to maintain the success of recent years.

What do you like most about your job?
The variety I experience every day. Developing new ideas, together with my team, and then putting them into action. That's what makes me really happy. And the contacts I have with so many different kinds of people – the customers, my own colleagues, and my superiors.

You were awarded the 2008/09 sales trophy as the district management posting the highest like-for-like sales increase. What does that mean to you?
It's a great honor. I'm very proud of having achieved so much with my team in such a short time. It shows me that we're all headed in the right direction. And last but not least, it's an incentive to make a substantial contribution to the company's success again next year.

And what do you like to nibble on most?
Chocolate with chili and salt. It's an unusual combination with a growing fan base.

A rich range: that's what makes Hussel unique – as seen here in the "Loop5" shopping center in Weiterstadt.

increase its market share, partly because sales in the segment dropped even more sharply due to the hot weather during Easter and the summer season.

With eight new shops and 11 modernized locations, Hussel further upgraded its store network in Germany, tailoring it more precisely to the needs of today's consumers. The promotions associated with Hussel's 60th jubilee were well received by customers and proved a major success.

Sales at the 16 confectionery stores in Austria rose by 18 percent to almost 5 million EUR. This enabled Hussel to again improve its position and make further inroads into the lead held by Confiserie Heindl, the market's number one player.

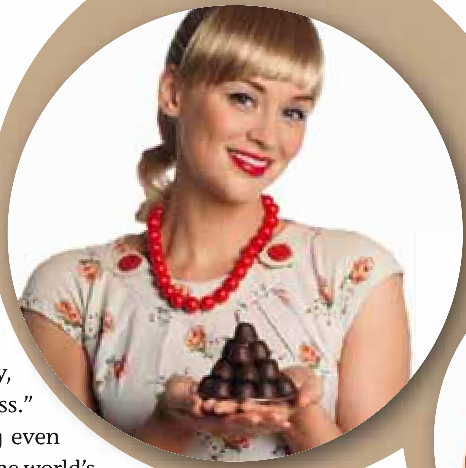
Making life sweet for Hussel fans: the team in Wuppertal-Elberfeld.

Confectionery	2008/09	2007/08
Net sales (in EUR m)	**101.0**	**101.2**
Germany	*96.2*	*97.1*
Austria	*4.8*	*4.1*
Stores	**274**	**285**
Germany	*258*	*269*
Austria	*16*	*16*
Employees	**1,097**	**1,109**
Germany	*1,040*	*1,048*
Austria	*57*	*61*
Sales area (in m^2)	**15,800**	**16,600**
Germany	*14,900*	*15,700*
Austria	*900*	*900*

In the area of merchandising, Hussel underscored its high standards and innovative power with new lines such as "Bio-Chocolade" (Organic Chocolate) and "Top-Chocolatiers der Welt" (The World's Best Chocolatiers). But with "Soul Food," "Dessert Trüffeln" (Truffle Desserts) and "Gran Cru" chocolates, Hussel also catered to its customers' tastebuds. Together with the German Confectioners' Club (CdC) – a federation of top specialist retailers and suppliers – Hussel is demanding flawless quality in the choice of raw ingredients. For example, Hussel uses 100% premium cocoa for its Gran Cru plantation chocolate "Iara," and has had the outstanding quality of these products authenticated with the BIO seal.

Hussel will continue to expand in the new financial year. Up to four new shops will be opening their doors, with numerous existing venues undergoing modernization.

In line with the claim "Hussel – Confectionery at its finest," the shops offer a comprehensive, innovative and unique assortment. This is flanked by first-class service from dedicated personnel who pamper their customers in the shops' tasteful environments. The number of articles on the shelves is con-



1950s: it all began with chocolate creams, coffee flavors and liquor fillings.

1970s: the Hussel "Huggy" gummy bears were a smash hit.

tinuously optimized. The challenge here is to prove that "less is more." Hussel wants to offer its customers quality rather than quantity, "class rather than mass." And this entails making even more improvements to "the world's best and most exclusive chocolates."

The approximately 1,100 friendly and capable employees at Hussel play a crucial part in the company's success. For this reason, Hussel offers a full selection of training courses for its staff teams – extending from creative gift wrapping and active selling through to the "FiT" seminars specially designed for up-and-coming management personnel. With high-quality products, first-class service and an inviting ambiance in its confectionery stores, Hussel aims to keep winning its customers' hearts.

2000s: Every chocoholic loves "Iara".

Quality, not quantity: Hussel offers sweets for sophisticated palates – as seen here in Weiterstadt.

Competent: Hussel service in a word – as provided here by Anja Möllmann (Hussel Weiterstadt).

SERVICE DIVISIONS AND COMPANIES

Providing support and advice: employees at administrative headquarters in Hagen.

The DOUGLAS Group employs some 1,200 men and women at its headquarters in Hagen. From their offices in the various subsidiaries' service centers, the holding company's own service divisions and the autonomous service companies, they coordinate central projects and provide administrative support to the Executive Board, the management teams and the stores.

The DOUGLAS HOLDING service divisions report directly to the Executive Board. They assist and advise the Group's decision-makers, monitor compliance with defined targets and agreed standards, and develop new ideas and concepts that power the continuing evolution of the DOUGLAS Group. The Controlling department promotes the DOUGLAS Group's value-oriented development through its contributions to the planning process, the monthly forecasts and its financial oversight of investment activities. The Finance section is specifically charged with drawing up the Group's annual accounts and responsible for the ongoing implementation of the International Financial Reporting Standards (IFRS). It also secures the resources needed by the Group and ensures the liquidity of its subsidiaries. The Investor Relations and Communication sections supply shareholders, financial markets and the media with the accurate and up-to-date information that they require. Group Development advises the Executive Board and subsidiary managers on commercial strategy, techniques of optimizing corporate processes, and marketing and merchandising concepts. The Group Auditing & Risk Management unit assists the Executive Board by coordinating the DOUGLAS Group's risk management functions and performing independent reviews of the internal controlling systems at all of the Group's divisions around the world. Mergers & Acquisitions provides support to the Executive Board and subsidiary managers on investment and disinvestment projects. The Human Resources & Administration unit coordinates the management of core personnel issues and Group-wide projects such as the employee survey and employee shares. Legal & Corporate Affairs supervises legal concerns ranging from acquisitions to trademark law. The Taxes & Consulting unit delivers detailed advice to consolidated companies on all taxation matters.

The service centers of almost all the subsidiaries are also based at administrative headquarters in Hagen. They support the subsidiaries in their day-to-day work by handling functions such as marketing, purchasing, controlling and logistics.

DOUGLAS Corporate Service GmbH (DCS) acts as an in-house provider of financial, accounting and payroll services to the majority of the Group's companies. With the increasingly international character of the DOUGLAS Group, DCS is also responsible for the standardization of the Group's financial accounts in accordance with IFRS. Optimizing the systems used in finance and accounting is of paramount importance, not least given the number of subsidiaries abroad. As such, the Group's processes are being efficiently managed and harmonized at a high standard, spawning further improvements to processes throughout the DOUGLAS Group.

The function of DOUGLAS Informatik & Service GmbH (DIS) is to leverage the full potential of information technology for the DOUGLAS Group's business processes. Alongside Customer Relationship Management (CRM), its main areas of work include financial, merchandise and information management: the specialist IT teams model the Group's processes, creating interfaces between the business and IT systems. The Technology Center (which manages the computer center and telecommunication network) and the Service Center (which provides IT support for the Group's domestic and foreign subsidiaries) round out the added-value operations. DIS also ensures the dependability and economic efficiency of the hardware and software in use, which it systematically refines and extends in close conjunction with the sales subsidiaries as required.

DOUGLAS Immobilien GmbH & Co. KG is charged with acquiring new rental properties in Germany and beyond, as well as with administering and optimizing existing leases. This also entails managing the more than 2,000 current rental agreements maintained by the Group. Beyond this, the subsidiary handles all real estate-related financial transactions and is responsible for project supervision where major investments are involved.

Project management: just one of many operational focuses.

EKV Einkaufsverbund GMBH and EEG Energie-Einkaufsverbund GMBH generate cost benefits for the DOUGLAS Group by pooling orders for non-merchandise goods and negotiating major service agreements. Its activities are focused on utilities, telecommunications, office supplies and maintenance work. Beyond this, EKV GMBH also manages the office building at corporate headquarters. The establishment of the company EEG Energie-Einkaufsverbund GMBH on January 1, 2008, has led to renewed optimizations in the procurement of electricity and gas.

DOUGLAS Versicherungsvermittlung GmbH (DVV) is the Group's first port of call for insurance issues. It manages all the policies and files all the claims for the German-based companies. Beyond this, DVV offers optional advisory services to the foreign subsidiaries. DOUGLAS Leasing GmbH manages the vehicle fleet with the goal of optimizing costs and generating synergistic benefits for the Group as a whole.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT OF DOUGLAS HOLDING AG

for the period from October 1, 2008 to September 30, 2009

Income Statement

		Notes	10/01/2008 to 09/30/2009 in EUR m	10/01/2007 to 09/30/2008 in EUR m
1.	**Sales**	**6**	**3,200.8**	**3,130.4**
2.	Cost of raw materials, consumables and supplies and merchandise		-1,683.5	-1,643.8
3.	**Gross profit from retail business**	**7**	**1,517.3**	**1,486.6**
4.	Other operating income	8	207.5	206.6
5.	Personnel expenses	9	-698.3	-683.1
6.	Other operating expenses	10	-772.0	-733.8
7.	Income from other investments in associates	11	0.3	0.4
8.	Income from other investments	11	0.2	0.2
9.	**EBITDA**		**255.0**	**276.9**
10.	Amortization/depreciation	12	-138.9	-117.0
11.	**EBIT**		**116.1**	**159.9**
12.	Financial income		5.8	9.8
13.	Financial expenses		-18.0	-20.4
14.	Financial result	13	-12.2	-10.6
15.	**Earnings before taxes (EBT)**		**103.9**	**149.3**
16.	Income taxes	15	-41.1	-52.2
17.	**Net income for the year**		**62.8**	**97.1**
18.	Profit attributable to minority interests		0.0	-0.1
19.	Profit attributable to the Group shareholders		62.8	97.0
			EUR	EUR
	Earnings per share	**23**	**1.60**	**2.47**

CONSOLIDATED BALANCE SHEET OF DOUGLAS HOLDING AG

as of September 30, 2009

Assets

		Notes	09/30/2009 in EUR m	09/30/2008 in EUR m
A.	**Non-current assets**			
I.	Intangible assets	16	265.5	267.6
II.	Property, plant and equipment	16	478.6	508.4
III.	Tax receivables	15	7.7	0.0
IV.	Financial assets	20	5.8	5.8
V.	Investment in associates		7.9	7.4
VI.	Deferred tax assets	17	33.3	19.2
			798.8	**808.4**
B.	**Current assets**			
I.	Inventories	18	667.1	666.2
II.	Trade accounts receivable	19	42.7	53.5
III.	Tax receivables	15	24.3	30.3
IV.	Financial assets	20	94.9	104.8
V.	Other assets	21	25.0	30.7
VI.	Cash and cash equivalents	22	35.8	49.9
			889.8	**935.4**
			1,688.6	**1,743.8**

Equity and Liabilities

		Notes	09/30/2009 in EUR m	09/30/2008 in EUR m
A.	**Equity**	23		
I.	Capital stock		117.8	117.7
II.	Additional paid-in capital		218.9	217.8
III.	Retained earnings		374.0	361.3
IV.	Minority interests		0.2	0.2
			710.9	**697.0**
B.	**Non-current liabilities**			
I.	Provisions for pensions	24	29.6	28.3
II.	Other non-current provisions	25	22.8	20.3
III.	Financial liabilities	26	65.1	85.3
IV.	Other liabilities	27	5.3	5.8
V.	Deferred tax liabilities	17	6.9	8.4
			129.7	**148.1**
C.	**Current liabilities**			
I.	Current provisions	25	133.3	116.3
II.	Trade accounts payable		254.8	259.9
III.	Tax liabilities		50.6	66.4
IV.	Financial liabilities	26	296.2	347.1
V.	Other liabilities	27	113.1	109.0
			848.0	**898.7**
			1,688.6	**1,743.8**

STATEMENT OF CHANGES IN GROUP EQUITY

Statement of Changes in Group Equity

in EUR m	Capital stock	Additional paid-in capital	Retained earnings	Minority interests	Total
10/01/2007	**117.6**	**216.5**	**305.0**	**0.1**	**639.2**
IFRIC 13			2.6		2.6
10/01/2007	**117.6**	**216.5**	**307.6**	**0.1**	**641.8**
Currency translation			2.6		2.6
IAS 32 Minority Interest			0.1		0.1
IAS 39 Hedge Accounting			-2.8		-2.8
Changes recognized directly in equity	**0.0**	**0.0**	**-0.1**	**0.0**	**-0.1**
Net income for the year			97.0	0.1	97.1
Capital increase (employee shares)	0.1	1.3			1.4
Dividend			-43.2		-43.2
Transactions with shareholders	**0.1**	**1.3**	**-43.2**	**0.0**	**-41.8**
09/30/2008	**117.7**	**217.8**	**361.3**	**0.2**	**697.0**
10/01/2008	**117.7**	**217.8**	**361.3**	**0.2**	**697.0**
Currency translation			-11.0		-11.0
IAS 32 Minority Interest			5.6		5.6
IAS 39 Hedge Accounting			-1.5		-1.5
Changes recognized directly in equity	**0.0**	**0.0**	**-6.9**	**0.0**	**-6.9**
Net income for the year			62.8		62.8
Capital increase (employee shares)	0.1	1.1			1.2
Dividend			-43.2		-43.2
Transactions with shareholders	**0.1**	**1.1**	**-43.2**	**0.0**	**-42.0**
09/30/2009	**117.8**	**218.9**	**374.0**	**0.2**	**710.9**

SEGMENT REPORTING

Segmentation by Divisions

	Perfumeries		Books	
in EUR m	2008/09	2007/08	2008/09	2007/08
Sales (net)	1,853.5	1,823.1	819.7	768.8
Intersegment sales	0.0	0.0	0.0	0.0
Sales	**1,853.5**	**1,823.1**	**819.7**	**768.8**
Earnings from investments in associates	0.0	0.0	0.3	0.4
Earnings from other investments	0.0	0.0	0.0	0.0
EBITDA	**171.8**	**199.3**	**57.9**	**51.3**
EBITDA margin in %	9.3	10.9	7.1	6.7
Amortization/depreciation	88.3	67.6	25.2	22.4
EBIT	**83.5**	**131.7**	**32.7**	**28.9**
Interest expense	20.3	26.3	10.4	10.6
Interest income	5.3	4.7	0.5	0.8
EBT	**68.5**	**110.1**	**22.8**	**19.1**
Assets incl. equity participations (09/30)	**971.5**	**1,023.9**	**389.0**	**370.8**
Capital expenditure	61.1	91.3	24.2	33.6
Liabilities (09/30)	828.0	878.9	332.6	324.5
Average annual number of employees (FTEs)	12,266	12,058	4,119	4,089
Sales area (1.000 m²)	274	252	240	224
Number of stores (09/30)	1,220	1,171	294	291

Jewelry		Fashion		Confectionery		Services/ Consolidation		DOUGLAS Group	
2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
292.4	286.0	131.0	148.0	101.0	101.2	3.2	3.3	3,200.8	3,130.4
0.1	0.0	0.0	0.0	1.3	1.3	-1.4	-1.3	0.0	0.0
292.5	**286.0**	**131.0**	**148.0**	**102.3**	**102.5**	**1.8**	**2.0**	**3,200.8**	**3,130.4**
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.4
0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.2
24.4	**23.1**	**3.5**	**5.8**	**6.0**	**7.7**	**-8.6**	**-10.3**	**255.0**	**276.9**
8.3	8.1	2.7	3.9	5.9	7.5	-	-	8.0	8.8
7.3	8.1	6.6	9.1	3.0	2.9	8.5	6.9	138.9	117.0
17.1	**15.0**	**-3.1**	**-3.3**	**3.0**	**4.8**	**-17.1**	**-17.2**	**116.1**	**159.9**
2.2	2.2	1.8	1.2	0.4	0.4	-17.1	-20.3	18.0	20.4
0.2	0.4	1.1	1.0	0.0	0.0	-1.3	2.9	5.8	9.8
15.1	**13.2**	**-3.8**	**-3.5**	**2.6**	**4.4**	**-1.3**	**6.0**	**103.9**	**149.3**
133.8	**143.6**	**68.0**	**67.2**	**26.1**	**27.1**	**100.2**	**111.2**	**1,688.6**	**1,743.8**
8.0	10.5	5.0	6.0	3.8	4.2	10.2	9.9	112.3	155.5
77.7	88.0	77.8	80.1	23.4	24.4	-361.8	-349.0	977.7	1,046.9
1,709	1,671	643	795	791	758	487	471	20,015	19,842
20	20	37	40	16	17	0	0	587	553
203	204	14	15	274	285	0	0	2,005	1,966

SEGMENT REPORTING

Segmentation by Geographic Region

	Perfumeries		Books		Jewelry		Other	
in EUR m	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09	2007/08
Sales								
Germany	*920.0*	*908.9*	*628.7*	*589.6*	*292.4*	*286.0*	*230.4*	*248.4*
Rest of Europe	*921.0*	*901.7*	*191.0*	*179.2*	*0.0*	*0.0*	*4.8*	*4.1*
U.S.A.	*12.5*	*12.5*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
	1,853.5	**1,823.1**	**819.7**	**768.8**	**292.4**	**286.0**	**235.2**	**252.5**
Assets								
Germany	*346.9*	*338.5*	*321.6*	*304.4*	*133.8*	*143.6*	*192.0*	*202.4*
Rest of Europe	*619.5*	*679.5*	*67.4*	*66.4*	*0.0*	*0.0*	*2.3*	*3.1*
U.S.A.	*5.1*	*5.9*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
	971.5	**1,023.9**	**389.0**	**370.8**	**133.8**	**143.6**	**194.3**	**205.5**
Capital expenditure								
Germany	*19.2*	*34.0*	*19.9*	*27.3*	*8.0*	*10.5*	*19.0*	*19.0*
Rest of Europe	*41.5*	*57.0*	*4.3*	*6.3*	*0.0*	*0.0*	*0.0*	*1.1*
U.S.A.	*0.4*	*0.3*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
	61.1	**91.3**	**24.2**	**33.6**	**8.0**	**10.5**	**19.0**	**20.1**

CONSOLIDATED CASH FLOW STATEMENT

Consolidated Cash Flow Statement

			10/01/2008 to 09/30/2009	10/01/2007 to 09/30/2008
			in EUR m	in EUR m
1.		EBIT	116.1	159.9
2.	+	Amortization/depreciation of non-current assets	138.9	117.0
3.	+	Increase in provisions	20.7	8.0
4.	–/+	Other non-cash income/expense	-4.4	2.6
5.	+/–	Profit/loss on the disposal of non-current assets	0.0	0.1
6.	+/–	Changes in inventories, trade receivables and other assets not classifiable to investing or financing activities	7.2	-44.7
7.	–/+	Changes in trade payables and other liabilities not classifiable to investing or financing activities	-8.9	13.8
8.	–	Interest paid	-15.6	-13.2
9.	+	Interest received	3.6	3.8
10.	–	Taxes paid	-65.9	-38.9
11.	**=**	**Net cash flow from operating activities**	**191.7**	**208.4**
12.	+	Proceeds from the disposal of non-current assets and disposal of stores	7.5	6.5
13.	–	Investments in non-current assets	-111.3	-155.6
14.	–	Payments for acquisition and disposal of consolidated companies and other business units	-3.4	-19.2
15.	**=**	**Net cash flow for investing activities**	**-107.2**	**-168.3**
16.		**Free cash flow (sum of 11 and 15)**	**84.5**	**40.1**
17.	+	Receipts from appropriations to equity	0.6	1.4
18.	–	Dividends paid to DOUGLAS shareholders	-43.2	-43.2
19.	–	Dividends paid to minority interests	0.0	0.0
20.	–	Payments for the repayment of financial liabilities	-93.9	-200.6
21.	+	Proceeds from borrowings	35.7	100.0
22.	+/–	Other financial changes	0.7	-12.2
23.	**=**	**Net cash flow for financing activities**	**-100.1**	**-154.6**
24.	**=**	**Net change in cash and cash equivalents (total of rows 11, 15 and 23)**	**-15.6**	**-114.5**
25.	–/+	Net change in cash and cash equivalents due to currency translation	-0.9	0.2
26.	+	Cash and cash equivalents at beginning of year	53.2	167.5
27.	**=**	**Cash and cash equivalents at end of year**	**36.7**	**53.2**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DOUGLAS HOLDING AG FOR THE FISCAL YEAR 2008/09

1. General principles

The consolidated financial statements of the retailing group DOUGLAS HOLDING AG, which is based in Hagen, Germany, and its subsidiaries as of September 30, 2009 have been prepared according to International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, taking into account all mandatory standards and interpretations in effect at the closing date.

The financial statements of the German and foreign subsidiaries included in the consolidated financial statements have been prepared in a uniform manner according to the classification, accounting and measurement principles stipulated by IFRS. Recognition and measurement rules which differ from the uniform Group principles have been eliminated by preparing separate trade financial statements (HB II).

All figures in the balance sheet and income statement are in millions of euros (EUR m).

2. New IASB accounting standards

The consolidated financial statements of DOUGLAS HOLDING AG have been prepared taking into account all published standards and interpretations which have been adopted as part of the European Union (EU) endorsement process and for which application is mandatory for fiscal year 2008/09. Earlier application of the new standards in the accompanying consolidated financial statements was not conducted by the Group.

In comparison with the consolidated financial statements as of September 30, 2008, the following standards and interpretations have been revised and/or are mandatory for the first time:

IAS 39 (Financial Instruments: Recognition and Measurement) and IFRS 7 (Financial Instruments: Disclosure)

As part of the revisions to this standard, rules concerning the reclassification of financial assets have been amended. The amendments are to be applied for annual periods beginning on or after July 1, 2008. The EU Commission recognized these revisions as part of the Endorsement proceedings in September 2009.

IAS 39 (Financial Instruments: Recognition and Measurement) and IFRIC 9 (Reassessment of Embedded Derivatives)

As part of the amendments, the IASB made clear that the reclassification of financial assets from the category "fair value through profit or loss" triggers a mandatory reassessment of the embedded derivatives, because structured products following measurement at fair value did not previously need to be examined for a possible separation of the embedded derivative. These amendments are to be applied to annual periods beginning on or after July 1, 2008. The amendments have been recognized by the EU Commission as part of the Endorsement proceedings.

IFRIC 12 (Service Concession Arrangements)

This interpretation regulates the financial reporting of rights and obligations under service arrangements whereby the company is obligated to create an asset which will remain with the government. This interpretation is to be applied for annual periods beginning on or after January 1, 2008. The interpretation has been recognized by the EU Commission as part of the Endorsement proceedings.

IFRIC 13 (Customer Loyalty Programs)

The DOUGLAS Group adopted IFRIC 13 for the first time starting with the 2008/09 fiscal year. This interpretation, which was issued in July 2007, deals with the accounting recognition of customer loyalty programs under which customers are granted loyalty award credits that can be redeemed in the future for free or discounted goods or services. IFRIC 13 impacts the accounting and measurement of customer loyalty programs of the DOUGLAS Group's foreign subsidiaries. The amount of proceeds allocated to the award credits was previously measured at the purchase price. Pursuant to IFRIC 13.6, measurement is at fair value. According to IAS 18.13, the deferral of the award credit is recognized by reducing sales revenues. Sales revenues are first recognized when the award credits are redeemed.

Besides the customer loyalty programs abroad, the DOUGLAS Group also accounts for and measures domestic customer loyalty programs that do not fall within the scope of IFRIC 13, but are adjusted to assure a uniform accounting and presentation of reliable and relevant information.

Pursuant to IAS 8.22, first time adoption is to be recognized retrospectively, which requires the prior year's figures to be restated. In two of the foreign subsidiaries, the redemption ratio underlying the calculation was adjusted in the past fiscal year as part of a change in accounting estimate.

The restatement of the prior year's figures impacted the following line items in the income statement and balance sheet as of September 30, 2009 as follows:

Impact on individual line items in the income statement and balance sheet

in EUR m	Presentation at 09/30/2008 without restatement	Presentation at 09/30/2008 inclusive modified accounting of customer loyalty programs	of which changes from domestic customer loyalty programs	of which changes from foreign customer loyalty programs
Sales	3,138.2	3,130.4	-7.3	-0.5
Other operating income	205.4	206.6	1.2	0.0
Other operating expenses	-742.6	-733.8	-8.8	0.0
EBITDA	274.7	276.9	2.7	-0.5
EBIT	157.7	159.9	2.7	-0.5
EBT	147.1	149.3	2.7	-0.5
Income taxes	-51.9	-52.2	0.5	-0.2
Net income	95.2	97.1	2.2	-0.3
Earnings per share (in EUR m)	2.43	2.47		
Deferred tax assets	20.0	19.2	-0.2	1.0
Retained earnings	356.8	361.3	4.6	-2.0
Deferred tax liabilities	7.6	8.4	0.8	0.0
Current provisions	119.4	116.3	0.4	-3.5
Tax liabilities	67.8	66.4	-1.4	0.0
Other current liabilities	110.6	109.0	-8.3	6.7

The following effects on line items in the income statement and balance sheet would have been incurred if the rules under IFRIC 13 would not have been adopted as of September 30, 2009:

Impact on individual line items in the income statement and balance sheet

in EUR m	Presentation at 09/30/2009 without restatement	Presentation at 09/30/2009 inclusive modified accounting for customer loyalty programs	of which changes from domestic customer loyalty programs	of which changes from foreign customer loyalty programs
Sales	3,209.2	3,200.8	7.3	1.1
Other operating income	204.9	207.5	-2.6	0.0
Other operating expenses	-764.8	-772.0	7.2	0.0
EBITDA	253.6	255.0	-2.5	1.1
EBIT	114.7	116.1	-2.5	1.1
EBT	102.5	103.9	-2.5	1.1
Income taxes	-41.6	-41.1	-0.8	0.3
Net income	60.2	62.8	-1.7	-0.9
Earnings per share (in EUR m)	1.53	1.60		
Deferred tax assets	30.8	33.3	-1.6	-0.9
Retained earnings	368.5	374.0	-4.6	-0.9
Deferred tax liabilities	3.8	6.9	-4.6	1.5
Current provisions	132.9	133.3	-0.4	0.0
Other current liabilities	119.6	113.1	9.7	-3.2

IFRIC 16 (Hedges of a Net Investment in a Foreign Operation)

This interpretation relates to the issue of how risks arising from the hedging of foreign operations should be dealt with and where the hedging instrument is permitted to be held within the business group. This interpretation is to be applied for annual periods beginning on or after October 1, 2008. The EU Commission endorsed this IFRIC in June 2009.

In addition to the mandatory standards and interpretations to be adopted in the consolidated financial statements as of September 30, 2009, there are other new and/or revised standards and interpretations that are not yet applicable to annual periods beginning on October 1, 2008.

IFRS 1 (First Time Adoption of International Financial Reporting Standards)

In July 2009, the IASB revised and restructured the standard that were intended to assure that the entities would not incur unnecessary costs and additional burdens at the date of first time adoption of IFRS. These revisions are to be applied for annual periods beginning on or after July 1, 2009, but these revisions have not yet been endorsed by the EU Commission. In addition, further simplifications for the first time adoption of IFRS were agreed to and are to be applied to annual periods beginning on or after January 1, 2010, but have also not yet been endorsed by the EU Commission.

IFRS 1 (First Time Adoption of International Financial Reporting Standards) and IAS 27 (Consolidated and Separate Financial Statements)

These amendments, which were issued in May 2008, contain rules with respect to acquisition costs incurred for joint ventures and associated companies and are be applied for annual periods beginning on or after January 1, 2009. The EU Commission recognized this amendment in January 2009 as part of the Endorsement proceedings.

IFRS 2 (Share-based Payment – Vesting Conditions and Cancellations)

These amendments issued in January 2008 mainly contain modifications to the definitions of exercise conditions and rules for the annulment of a plan by third parties. The revised standard is to be applied to annual periods beginning on or after January 1, 2009 and has been recognized by the EU Commission as part of the Endorsement proceedings. Furthermore, additional changes have been made to IFRS 2 in 2009 with respect to the presentation of share-based payments in the financial statements of subsidiaries and are to be applied for annual periods beginning on or after January 1, 2010. The EU Commission has not yet endorsed these amendments as part of the Endorsement proceedings.

IFRS 3 (Business Combinations)

As part of the revisions made to IFRS 3, an election was introduced between the Full Goodwill method and the current methods in use. Moreover, the rules for step acquisition have been modified and capitalization of incidental acquisition costs has been deleted. The revisions are to be applied to annual periods beginning on or after July 1, 2009. These revisions have been endorsed by the EU Commission as part of the Endorsement proceedings.

IFRS 7 (Financial Instruments)

As part of the revised standards, the IASB prescribes expanded disclosures for the measurement of financial instruments at fair value and for liquidity reserves. These revisions are to be applied for annual periods beginning on or after January 1, 2009. These revisions have not yet been endorsed by the EU Commission.

IFRS 8 (Operating Segments)

On November 30, 2006, the IASB published IFRS 8, which is to replace the existing IAS 14 (Segment Reporting) for annual periods beginning on or after January 1, 2009. The standard was endorsed by the EU Commission on November 21, 2007 as part of the Endorsement proceedings.

IAS 1 (Presentation of Financial Statements) – Revised Presentation

The amendments made to IAS 1 in September 2007 relate to the renaming of certain sections of the IFRS financial statements and the presentation in the income statement and changes to equity statement. The revised standard is to be applied for annual periods beginning on or after January 1, 2009. This revised standard was endorsed by the EU Commission in December 2008 as part of the Endorsement proceedings.

IAS 23 (Borrowing Costs)

In March 2007, IAS 23 was amended whereby borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are now immediately expensed. The amended standard is to be applied for annual periods beginning on or after January 1, 2009. The amendment has been endorsed by the EU Commission as part of the Endorsement proceedings.

IAS 27 (Consolidated and Separate Financial Statements)

The amendments to the standard clarify the issue regarding the measurement of shares in subsidiaries held for sale. These amendments relate to the accounting of subsidiaries, joint ventures and associated companies in the separate financial statements of a company. The amended standard is to be applied for annual periods beginning on or after July 1, 2009. The amendment has already been endorsed by the EU Commission.

IAS 32 (Financial Instruments: Presentation) and IAS 1 (Presentation of Financial Statements)

According to these amendments of the standard, certain instruments issued by a company should be classified as equity although the instruments have the characteristics of a liability. The amended standard is to be applied for annual periods beginning on or after January 1, 2009. The amendment has already been endorsed by the EU Commission as part of the Endorsement proceedings.

IAS 39 (Financial Instruments: Recognition and Measurement)

As part of the amendments made to IAS 39, specific rules regarding the presentation of fair value hedges were revised. These amendments are to be applied for annual periods beginning on or after July 1, 2009. The EU Commission endorsed the amendments in September 2009 as part of the Endorsement proceedings.

IFRIC 15 (Agreements for the Construction of Real Estate)

IFRIC 15 addresses the issue of revenue recognition for construction contracts and is to be applied for annual periods beginning on or after January 1, 2009. The EU Commission endorsed this interpretation on July 22, 2009 as part of the Endorsement proceedings.

IFRIC 17 (Distributions of Non-cash Assets to Owners)

IFRIC 17 clarifies topics such as how companies should measure other assets as cash equivalents that have been transferred as dividends to the shareholders. This interpretation is to be applied for annual periods beginning on or after July 1, 2009. The EU Commission has not yet endorsed this interpretation.

IFRIC 18 (Transfers of Assets from Customers)

IFRIC 18 clarifies the accounting of agreements in which a company receives from a customer an item of property, plant and equipment that the company must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, water or gas). This interpretation is to be applied for annual periods beginning on or after July 1, 2009. The EU Commission has not yet endorsed this interpretation.

Furthermore, the IASB made minor changes to the standards shown below as part of the Annual Improvement Process for 2008. These changes are almost all to be applied for annual periods beginning on or after January 1, 2009. The changes resulting from the Improvement Process for 2008 have already been endorsed by the EU Commission.

IAS 1	(Presentation of Financial Statements)
IAS 7	(Statements of Cash Flow)
IAS 8	(Accounting Policies, Changes in Accounting Estimates and Errors)
IAS 10	(Events after the Reporting Period)
IAS 16	(Property, Plant and Equipment)
IAS 18	(Revenue)
IAS 20	(Accounting for Government Grants and Disclosure of Government Assistance)
IAS 23	(Borrowing Costs)
IAS 26	(Accounting and Reporting by Retirement Benefit Plans)
IAS 28	(Investments in Associates)
IAS 29	(Financial Reporting in Hyperinflationary Economies)
IAS 31	(Interests in Joint Ventures)
IAS 32	(Financial Instruments: Presentation)
IAS 34	(Interim Reporting)
IAS 36	(Impairment of Assets)
IAS 38	(Intangible Assets)
IAS 39	(Financial Instruments: Recognition and Measurement)
IAS 40	(Investment Property)
IAS 41	(Agriculture)
IFRS 1	(First-time Adoption of International Financial Reporting Standards)
IFRS 5	(Non-current Assets Held for Sale and Discontinued Operations)
IFRS 7	(Financial Instruments: Disclosure)

The IASB also made minor changes to the standards and interpretations shown below as part of the Annual Improvement Process for 2009; these have not yet been endorsed by the EU Commission. These changes are to be applied for annual periods beginning on or after January 1, 2010.

IAS 1 (Presentation of Financial Statements)
IAS 7 (Statements of Cash Flow)
IAS 17 (Leases)
IAS 36 (Impairment of Assets)
IAS 38 (Intangible Assets)
IAS 39 (Financial Instruments: Recognition and Measurement)
IFRS 2 (Share-based Payment)
IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations)
IFRS 8 (Operating Segments)
IFRIC 9 (Reassessment of Embedded Derivatives)
IFRIC 16 (Hedges of a Net Investment in a Foreign Operation)

Earlier application of the revisions to the standards and interpretations detailed above has not been chosen by the DOUGLAS Group and it does not believe these revisions will have a significant impact on the DOUGLAS Group's net assets, financial position and results of operations.

3. Consolidation principles

Scope of consolidation

All of the German and foreign companies over which DOUGLAS HOLDING AG has direct or indirect control are fully consolidated in the consolidated financial statements. Subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group. They are deconsolidated on the date on which control ceases.

Joint venture companies represent contractual arrangements whereby two or more parties undertake an economic activity which is subject to joint control and are included proportionately in the consolidated financial statements.

Major associated companies over which DOUGLAS HOLDING AG exerts significant influence are carried in the consolidated financial statements at equity. Associated companies of minor importance for the consolidated financial statements are measured at cost.

Group of consolidated companies

	Germany	Other countries	Total
As of October 1, 2008	56	37	93
Companies consolidated for the first time	2	0	2
Merged companies	11	2	13
As of September 30, 2009	47	35	82

With effect from November 28, 2008, the remaining 50 percent interest in S.A. LPG based in Clermont-Ferrand/France was assumed by the Perfumeries division and merged with Parfümerie Douglas France S.A. in Lille/France. In addition, the assets of the German Parfümerie Aurel in Coesfeld were acquired as well as the assets of SAS Votre Beauté in Plaisir in France.

The Books division acquired the assets of the companies, Center Bücherland Lutz Grobel GmbH in Hürth and Bücher Kehrein in Neuwied, with effect from October 1, 2008.

The impact of these individual transactions on the Group's net assets, financial position and results of operations is of minor importance. The purchase price for all of the acquisitions detailed above totals 2.8 million EUR, which contains an insignificant amount of incidental acquisition costs. The purchase prices were paid in cash. In addition, subsequent acquisition costs in the amount of 0.8 million EUR were paid in the year under review for two business combinations from prior years.

In the course of acquiring companies over the last fiscal year, goodwill arose in the total amount of 0.8 million EUR. Goodwill arises from assets that are not capable of being individually identified and separately recognized from the acquired company. The amounts capitalized as goodwill mainly reflect market shares acquired.

During the period in which the acquired companies belonged to the Group, sales totaling 5.0 million EUR and earnings totaling -0.4 million EUR were recorded. Since all of the shops were acquired at the beginning of the fiscal year under review, these amounts correspond to the impact on the entire fiscal year.

With effect from October 1, 2008, the companies: Douglas Nord GmbH Co. & KG, Douglas Nord Verwaltungs GmbH, Douglas Süd GmbH & Co. KG, Douglas Süd Verwaltungs GmbH, Douglas West GmbH & Co. KG, Douglas West Verwaltungs GmbH and IPA Brixner GmbH were merged to Parfümerie Douglas Deutschland GmbH.

Furthermore and with effect from January 1, 2009, the companies: Buch und Kunst GmbH & Co. KG, Dresden, and B+K Beteiligungs GmbH, also in Dresden, were removed from the scope of consolidation of the Books division due to mergers. In addition, Thalia Service GmbH, Hagen, was merged with Thalia Holding GmbH, Hamburg, effective October 1, 2008. In Switzerland, the company, Stauffacher Buchhandlung AG, Bern, was removed from the scope of consolidation as a result of merging with Thalia Bücher AG, Bern, also effective October 1, 2008.

In the Fashion division, Appelrath-Cüpper GmbH & Co. KG, Kiel, was transferred to Reiner Appelrath-Cüpper Nachfolge GmbH based in Cologne with effect from October 1, 2008.

In the Books division, a further 24.7 percent interest in buch.de internetstores AG based in Münster was acquired with effect from December 1, 2009. Consequently, the total stake held increased to 60.2 percent of capital stock. Accordingly, full consolidation took place starting December 1, 2009. The purchase price for this acquisition amounted to 8.4 million EUR.

Information regarding IFRS carrying values directly before the business combination is not possible, because the company acquired did not recognize IFRS accounting regulations before the acquisition.

In total, the changes to the scope of consolidation impacted the consolidated balance sheet as follows:

Changes to the consolidated Group

in EUR m	Additions	Disposals	Net amount
Non-current assets	1.9	0.0	1.9
Current assets	0.5	0.0	0.5
Cash and cash equivalents	0.2	0.0	0.2
Non-current liabilities	0.0	0.0	0.0
Current liabilities	0.3	0.0	0.3

buch.de internetstores AG, Münster (35.5 percent interest as of the balance sheet date) is carried at equity in the consolidated financial statements based on its interim financial statements as of September 30, 2009. The balance sheet date is December 31, and thus not identical to the balance sheet date in the DOUGLAS Group. Based on the stock market price on September 30, 2009, the allocable fair value of buch.de is 14.8 million EUR (previous year: 9.4 million EUR). The equity method was not applied for six associated companies (including one foreign company) as these are of minor importance for the DOUGLAS Group's net assets, financial position and results of operations. These are carried at cost. Due to the business volume, these companies do not prepare interim financial statements. Therefore information on assets, liabilities and earnings does not exist as of the balance sheet date. These investments encompass companies whose services are used by the DOUGLAS Group in individual cases as well as a company with confectionery stores in Portugal. The fair value of these companies cannot be reliably measured. The balance sheet dates of these companies differ from the DOUGLAS Group's balance sheet date.

The following table provides an overview of the key financial data of the companies carried at equity in the consolidated financial statements (all figures as of December 31):

At equity consolidation

in EUR m	09/30/2009	09/30/2008
Non-current assets	10.6	10.7
Current assets	22.3	18.1
Non-current liabilities	0.6	0.6
Current liabilities	11.2	8.2
Net assets	21.1	20.0
	2009	2008
Income	73.1	67.0
Expenses	72.2	67.5
Net income	0.9	-0.5

Consolidation methods

The financial statements of the companies included in consolidation have been prepared as of September 30, 2009. The individual financial statements are combined based on the following principles:

Capital consolidation is conducted by offsetting acquisition costs against the Group's interest in the consolidated subsidiary's net assets at fair value on the acquisition date. Any positive differences that result are capitalized as goodwill and tested annually for impairment. Any negative differences are recognized in profit or loss.

Any hidden reserves and liabilities due to minority shareholders are carried as minority interests.

Goodwill arising from new acquisitions after October 1, 2004 is not subject to scheduled amortization but subject to an annual impairment test. If there are indications of impairment, corresponding impairment tests are also conducted during the year.

During preparation of the opening IFRS balance sheet as of October 1, 2004, retroactive application of IFRS 3 was waived, and the simplification option offered under IFRS 1 was applied. As a result, the goodwill reported in the opening IFRS balance sheet remained offset against the revenue reserves as in the HGB (German Commercial Code) balance sheet.

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

The share of profits or losses from associated companies is netted with the carrying amount of the respective participating interest in line with the equity method. Unrealized gains and losses between Group companies and associated companies are eliminated.

4. Currency translation

The financial statements of the subsidiaries are translated to the Group currency according to the functional currency concept. The functional currency of the subsidiaries is the respective national currency. The functional currency of the parent company is the Euro.

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

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

Exchange rates

in EUR			Average exchange rate 2008/09	Average exchange rate 2007/08	Closing rate 09/30/2009	Closing rate 09/30/2008
1	US dollar	USD	0.739	0.665	0.682	0.697
100	Swiss franc	CHF	66.059	61.712	66.287	63.351
100	Polish zloty	PLN	23.602	28.630	23.642	29.263
100	Hungarian forint	HUF	0.359	0.401	0.371	0.411
100	Russian rouble	RUB	2.368	2.755	2.272	2.742
100	Danish crown	DKK	13.426	13.410	13.433	13.403
100	Turkish lira	TRY	47.169	54.533	45.977	54.765
100	Czech crown	CZK	3.804	3.956	3.980	4.054
100	Slowakian crown	SKK	3.319	3.135	3.319	3.312
100	Estonian kroon	EEK	6.404	6.404	6.406	6.394
100	Lithuanian litas	LTL	28.772	28.823	28.936	28.553
100	Latvia's lats	LVL	140.513	141.537	141.183	138.908
100	Romanian leu	RON	24.168	27.717	23.729	26.755
100	Croatian kuna	HRK	13.643	13.891	13.712	14.011
100	Bulgarian lev	BGN	51.063	51.049	51.078	50.976

In the individual financial statements, assets and liabilities denominated in foreign currency are converted using the exchange rate on the date of acquisition. There is then an adjustment to the respective closing rate on each balance sheet date, which is recognized to profit or loss.

In total, income from exchange rate differences totaling 2.0 million EUR (previous year: 2.3 million EUR) and corresponding expenses totaling 4.2 million EUR (previous year: 3.2 million EUR) were recorded to profit or loss.

5. Accounting and valuation principles

Intangible assets

Goodwill that arises as part of capital consolidation, and that represents the excess of the cost of the business combination over the company's interest in the net fair value of the identifiable net assets of the subsidiary, is capitalized according to the requirements of IFRS 3 and subject to an annual impairment test and whenever there are triggering events indicating impairment. For the purposes of the impairment test, goodwill is allocated to the underlying cash generating units (CGU) that are expected to profit from synergies arising from the acquisition. If, within the scope of this impairment test, the company ascertains that the recoverable amount of the CGU is less than its carrying amount, the goodwill allocated to the CGU is written down and recognized to profit or loss. This continues to be recognized even if the reasons for impairment cease to exist in subsequent periods.

Goodwill that arises from the acquisition of an associated company is included in the carrying amount of the associated company.

Other intangible assets are carried at cost. Borrowing costs are not included when calculating acquisition costs. Intangible assets with finite useful lives are subject to scheduled straight line amortization over their useful life. If they have an indefinite useful life, these intangible assets are not subject to scheduled amortization. These assets are reviewed for impairment at least once a year.

If the recoverable amount of the asset is less than its carrying amount, it is written down to its fair value. If the reasons for write-downs made in previous years no longer apply, the assets are written up. Intangible assets that are subject to scheduled amortization are only subject to an impairment test if there are triggering events indicating impairment.

Property, plant and equipment

If items of property, plant and equipment are used for longer than one year, these are carried at cost less scheduled straight-line depreciation. Investment subsidies received reduce that asset's cost for which the subsidy was granted. As a rule, borrowing costs are not included when calculating acquisition costs for property, plant and equipment, but are immediately expensed to the income statement. In the year of purchase, property, plant and equipment are depreciated on a pro rata temporis basis. Where indications of impairment exist, impairment tests are conducted for the corresponding asset. Items of property, plant and equipment are derecognized when removed or further economic benefits are no longer expected from that asset's use. The gain or loss from the disposal of the asset arises from the difference between its net realizable value and carrying amount.

The amortization and depreciation periods for intangible assets and property, plant and equipment are determined based on their useful lives and are as follows:

Useful lives

	Years
Software	3 - 5
Leasehold rights	5 - 15
Customer bases	5 - 10
Non-competition clauses	5
Buildings	10 - 50
Store fittings, office and operating equipment	3 - 10

Leases

The economic ownership of a leased asset is classified to that contractual party who bears substantially all the risks and rewards incident to ownership of the leased asset. Material lease arrangements predominantly relate to the leasing of company stores within the DOUGLAS Group. Leases are recognized in the balance sheet according to the requirements of IAS 17. In order to ensure the greatest possible flexibility, the DOUGLAS Group generally aims to conclude rental agreements with a fixed rental period of no more than 10 years and single or multiple exercisable options to extend the lease, which means that these agreements qualify as operating leases.

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

Financial assets

Financial assets, including interests in unconsolidated companies that are not measured using the equity method, other equity participations, loans, securities and contractual receivables are accounted for according to IAS 39. Depending on their classification, these are either measured at fair value (securities and financial assets from derivative financial instruments) or amortized cost (loans, trade receivables, and other contractual financial receivables). Financial assets are initially measured at fair value.

Interests in companies in which the DOUGLAS Group has a significant influence are recognized in the balance sheet using the equity method at their allocable equity and reported as investments in associates.

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

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

Deferred taxes

Deferred taxes are identified using the liability method based on the requirements of IAS 12. Deferred taxes are thus recognized for temporary differences between the carrying amounts in the consolidated financial statements and the tax base to the extent that these differences will lead to tax refunds or charges in future. Deferred taxes are measured taking into account the tax rates and tax regulations that have been enacted on the balance sheet date or which are expected to be enacted when the differences are reversed. Deferred tax assets are only recognized to the extent that there is taxable income on the date the difference is reversed against which the difference can be offset.

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

Inventories

As a rule, merchandise is recognized at the lower of cost and net realizable value. In individual areas, acquisition costs are identified using the retail method based on the selling price using reasonable valuation allowance deductions. The net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Selling as well as fashion and other risks were taken into account, to the extent needed, as part of measurement at the net realizable value. Raw materials, consumables and supplies are recognized at the lower of their acquisition costs or daily prices.

Receivables and other financial assets

Trade accounts receivable and other financial assets are capitalized at amortized cost at the time of revenue recognition. Recognizable risks are taken into account via write-downs. Write-downs are in part conducted by using bad debt accounts. Receivables and other assets are generally derecognized when they are settled.

Securities

Securities are carried at their fair value according to the requirements of IAS 39. As a result, the fair value is adjusted and reflected directly in equity via a separate equity component, as securities have been classified to the "available for sale" category. Securities are generally initially recognized at the trade date.

Cash and cash equivalents

Cash and cash equivalents, which include money accounts and short term money deposits with banks, are stated at amortized cost.

Provisions

Provisions are accounted for according to the provisions of IAS 37. Provisions are recognized if there is a legal or constructive obligation to third parties arising from past events and the future cash outflow to fulfill this commitment can be reliably estimated. The carrying amount of the provision is based – for individual risks – on the best estimate of the settlement taking into account all recognizable risks, or – for a large population of risks – the amount computed according to the expected value method. Non-current provisions are discounted and carried on the balance sheet at their present value. As of September 30, 2009, non-current provisions were discounted using an interest rate of 5.90 percent (previous year: 5.80 percent). The maturity of long-term human resources commitments is based on the date of dismissal of the employee or forecasted cash outflows. The maturity of long-term real estate commitments is based on the duration of the lease contract.

Provisions for pensions are accounted for in line with the requirements of IAS 19. Actuarial calculations for provisions for defined benefit plans use the projected unit credit method. As part of this measurement, the pensions and entitlements known on the balance sheet date are taken into account as well as the increases in salaries and pensions to be expected in future. If changes to these calculation assumptions result in differences between the identified pension obligations and the actual present values of the entitlements, IAS 19 prescribes an option with respect to the recognition of actuarial gains or losses. Within the DOUGLAS Group this option is exercised as follows: the actuarial gains or losses are only recognized in income for the average future remaining period of service if these are outside a corridor of 10 percent of the amount of the benefit obligation. Assets and liabilities from pension plans are presented in a net amount. The interest portion included in the pension expense is presented as interest expense within the financial result. Further obligations similar to provisions for pensions such as part-time work schemes and termination benefits are also disclosed according to the requirements of IAS 19.

Financial liabilities

According to IAS 39, financial liabilities are generally recognized at amortized cost on the balance sheet. Acquisition costs are stated at fair value. Transaction costs attributable to the acquisition are included in cost. 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 that arise from leases are carried as a liability at their present values. Income and expense from non-derivative financial liabilities arise from interest income or expense or from currency translation adjustments. Financial liabilities are recognized at the inception of the contract and are derecognized when the obligation is extinguished or expired (limitation of time). All trade accounts payable have a maturity of less than one year and are non-interest bearing. Liabilities arising from finance leases are reported under other liabilities. The election to initially recognize financial liabilities at fair value to profit or loss was not applied by the DOUGLAS Group.

Accounting for derivative financial instruments and hedging relationships

Derivative financial instruments are implemented to reduce cash flow fluctuations that result from interest rate risks. Derivative financial instruments are neither used nor issued for speculative purposes. Derivative financial instruments are recognized at fair value, which corresponds to market value, both upon initial and subsequent measurement in accordance with IAS 39; and can result in a positive or negative figure. Gains and losses from fair value measurement, to the extent that these are designated derivative financial instruments qualifying as hedged items within the meaning of IAS 39, are recognized directly in equity under a separate equity item in line with the rules for hedge accounting. Derivative financial instruments that do not qualify as hedged items are measured at fair value and recognized in the income statement. Deferred taxes arising from the difference between the IFRS carrying amounts and the tax base are also recognized directly to equity under a separate equity item if the fair value differences were also recognized directly to equity. The amounts recorded under equity increase or reduce profit or loss as soon as the hedged cash flows from the underlying transaction are recognized in the income statement.

The fair value of derivative financial instruments corresponds to the amount either paid or received by the Group company upon termination of the financial instrument on the balance sheet date. The calculation of the fair value takes into account the interest rates and forward rates in effect as of the balance sheet date. The recordation of changes in the fair value depends on the application of the derivative financial instrument. Where the derivative financial instrument is not used in an effective hedging relationship, the change in fair value is immediately recognized to profit or loss. If, on the other hand, an effective hedging relationship exists, then it is recorded as such. The DOUGLAS Group implements derivative financial instruments as hedging instruments only as part of cash flow hedges. By way of such cash flow hedges, the DOUGLAS Group hedges the exposure to future variability in cash flows attributable to risks associated with recognized assets and liabilities in the balance sheet. In the case of a cash flow hedge, the effective portion of the value change in the hedging instruments is recognized directly to equity until the result arising from the hedged items is recognized. On the contrary, the ineffective portion of the value change is immediately recognized in profit or loss.

Revenue recognition

As a rule, revenue is only recognized after performance is complete. Claims from customer loyalty programs are measured at the costs to be incurred herefrom and offset directly against sales. Sales revenues arising therefrom are first collected upon redemption of the bonus points. Such accruals are reversed or utilized in line with the way customers honor their gift vouchers and are also reported under sales revenue. Interest income and interest expense are recognized in the financial result on an accrual basis.

Use of assumptions and estimates

Assumptions have been made and estimates used in the preparation of these consolidated financial statements that impact the disclosure and amount of the assets and liabilities, income and expenses carried in these statements. These assumptions and estimates were used, in particular, in the determination of useful lives, assessing the impairment of goodwill, measuring provisions and estimating the probability that future tax refunds will be realized. In addition, assumptions and estimates are of significance in determining the fair values and acquisition costs associated with first time consolidation. 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.

Capital management

The goal of the DOUGLAS Group's capital management is to assure that the Group can continue to meet its financial obligations and to sustain the business value on a long-term basis. The central control factor of the DOUGLAS Group is the DOUGLAS Value Added (DVA). This represents a control and management system in which all decision-making processes are reviewed in terms of their sustained contribution to value and measured in terms of DVA. Further information about the current development of the DVA can be found in the Management Report on page 41/42.

The aim of the DOUGLAS Group's capital management strategy is to ensure that all the Group companies have appropriate equity according to local needs, such that external capital requirements have always been met in the past fiscal year.

Capital

in EUR m	09/30/2009	09/30/2008
Equity	710.9	697.0
Debt	977.7	1,046.8
Net Debt	166.3	220.6
Working Capital	455.0	459.8
Equity ratio	42.1%	39.9%

NOTES TO THE INCOME STATEMENT

6. Sales

(Net) sales totaling 3,200.8 million EUR were recorded in fiscal year 2008/09. Of this amount, 35.3 percent was recorded abroad following 35.1 percent in the 2007/08 fiscal year. Due to the first time retrospective modification of accounting for customer loyalty programs, the previous year's sales figures were restated.

Sales

in EUR m	2008/09	2007/08
Perfumeries	1,853.5	1,823.1
international	*933.5*	*914.2*
Books	819.7	768.8
international	*191.0*	*179.2*
Jewelry	292.4	286.0
Fashion	131.0	148.0
Confectionery	101.0	101.2
international	*4.8*	*4.1*
Services	3.2	3.3
Total	**3,200.8**	**3,130.4**

7. Gross profit from retail business

Gross profit from retail business totaled 1,517.3 million EUR in fiscal year 2008/09 (previous year: 1,486.6 million EUR). The sales margin (ratio of gross profits to net sales) totaled 47.4 percent, which was slightly lower than in the previous fiscal year.

8. Other operating income

Other operating income

in EUR m	2008/09	2007/08
Income from costs passed on to third parties	125.5	131.1
Income from leasing and subleasing	17.8	17.0
Income from reversal of provisions	11.9	9.1
Income from customer cards	9.3	9.2
Income from commissions	8.5	8.1
Income from insurance casualty	5.4	2.1
Income from disposal of non-current assets	5.2	3.9
Income from currency translation	2.0	2.3
Income from derecognition of liabilities	1.8	5.7
Income from reversal of impairment	1.1	0.2
Other income	19.0	17.9
Total	**207.5**	**206.6**

Income from costs passed on to third parties includes refunds for marketing costs
and other costs charged further. Other income includes, for example, income from pension

plans. Due to the first time retrospective modification of accounting for customer loyalty programs, the previous year's other operating income amount was restated. The line item for insurance casualty contains an amount of 1.2 million EUR for damaged tangible fixed assets.

9. Personnel expenses

Personnel expenses

in EUR m	2008/09	2007/08
Wages and salaries	578.6	566.1
Social security, pension and other benefit costs	119.7	117.0
of which for pensions: 4.3 EUR m (previous year: 3.3 EUR m)		
Total	**698.3**	**683.1**

10. Other operating expenses

Other operating expenses are broken down as follows:

Other operating expenses

in EUR m	2008/09	2007/08
Rent and energy costs	365.6	331.6
Advertisement in newspapers	23.8	26.3
Advertisement in other media	17.8	19.3
Direct mailing and customer loyalty cards	27.4	31.8
Other marketing and advertisement costs	66.1	65.9
Costs of transferring merchandise	47.4	45.5
Other services	56.2	58.0
Repair costs	16.2	16.5
Credit card commission	11.4	11.3
Office and postal costs	14.3	14.9
Travel and vehicle costs	12.0	13.7
Consumables and supplies	10.8	10.7
Expenses from sublease	23.3	14.5
IT costs	16.0	15.1
Insurance premiums	4.4	4.4
Other expenses	59.3	54.3
Total	**772.0**	**733.8**

Due to the first time retrospective modification of accounting for customer loyalty programs, the previous year's other operating expense amount was restated.

11. Investment result

Income from investments in associates in fiscal year 2008/09 amounts to 0.3 million EUR (previous year: 0.4 million EUR) and relates to the at-equity investment in buch.de internetstores AG, Münster.

12. Amortization/depreciation

Amortization/depreciation

in EUR m	2008/09	2007/08
Scheduled amortization of intangible assets and depreciation of property, plant and equipment	116.2	110.5
Impairment losses on intangible assets and property, plant and equipment	22.7	6.5
Total	**138.9**	**117.0**

13. Financial result

Financial result

in EUR m	2008/09	2007/08
Interest from loans and receivables	3.2	9.3
Income from financial instruments: Held-to-maturity	0.0	0.0
Income from financial instruments: Trading	0.1	0.5
Income from financial instruments: Available-for-sale	0.0	0.0
Income from minority options	2.5	0.0
Total financial income	**5.8**	**9.8**
Interest expense for discounting non-current provisions	-1.8	-1.2
Financing expense for minority options	-6.0	-6.3
Expense for financial instruments: Trading	0.0	0.0
Financial expense for financial assets at amortized cost	-10.2	-12.9
Total financial expense	**-18.0**	**-20.4**
Financial result	**-12.2**	**-10.6**

Financial income and expense arising from financial instruments are properly classified to the respective categories pursuant to IAS 39. In connection with the revolving credit facility, expenses totaling 0.5 million EUR (previous year: 0.6 million EUR) were incurred during the fiscal year under review. In all, fees in the form of compensation incurred in conjunction with financial instruments amounted to 4.7 million EUR (previous year: 4.5 million EUR) for the fiscal year 2008/09. The financial expenses for the minority options relate to the results of third-party shareholders whose interests are reported as payables, as these either have an option right or are minority interests in German partnerships.

14. Net results by valuation category

Net results by valuation category – Fiscal year 2008/09

in EUR m	Income/expense from fair value measurement	Impairment	Interest income	Interest expense	Net profit/loss
Financial instruments: Held-for-trading	0.0	0.0	0.0	0.0	0.0
Financial instruments: Held-to-maturity	0.0	0.0	0.0	0.0	0.0
Available-for-sale financial assets	0.0	0.0	0.0	0.0	0.0
Loans and receivables	0.0	-0.8	3.2	-10.2	-7.8
Liabilities measured at fair value	0.1	0.0	0.0	0.0	0.1
Minority options	0.0	0.0	2.5	-6.0	-3.5
Net profit by measurement category	0.1	-0.8	5.7	-16.2	-11.2
Income/expenses, not included in the interest result	0.0	0.8	0.0	0.0	0.8
Interest income/expenses of assets, which are not financial instruments	0.0	0.0	0.0	-1.8	-1.8
Financial result	**0.1**	**0.0**	**5.7**	**-18.0**	**-12.2**

Net results by valuation category – Fiscal year 2007/08

in EUR m	Income/expense from fair value measurement	Impairment	Interest income	Interest expense	Net profit/loss
Financial instruments: Held-for-trading	0.0	0.0	0.0	0.0	0.0
Financial instruments: Held-to-maturity	0.0	0.0	0.0	0.0	0.0
Available-for-sale financial assets	0.0	0.0	0.0	0.0	0.0
Loans and receivables	0.0	-0.8	9.3	-12.9	-4.4
Liabilities measured at fair value	0.5	0.0	0.0	0.0	0.5
Minority options	0.0	0.0	0.0	-6.3	-6.3
Net profit by measurement category	0.5	-0.8	9.3	-19.2	-10.2
Income/expenses, not included in the interest result	0.0	0.8	0.0	0.0	0.8
Interest income/expenses of assets, which are not financial instruments	0.0	0.0	0.0	-1.2	-1.2
Financial result	**0.5**	**0.0**	**9.3**	**-20.4**	**-10.6**

Interest arising from financial instruments is reported in the financial result and dividends under the investment result. Valuation allowances on trade accounts receivable classified to the loans and receivables category are shown under other operating expenses. In the fiscal year under review and in the previous year, neither income or expenses from financial instruments held-for-trading, held to maturity nor available-for-sale were incurred.

15. Income taxes

Income taxes		
in EUR m	2008/09	2007/08
Income taxes	54.0	51.6
national	*41.4*	*33.2*
international	*12.6*	*18.4*
Deferred taxes	-12.9	0.6
from temporary differences	*-10.6*	*1.6*
from loss carryforwards	*-2.3*	*-1.0*
Total	**41.1**	**52.2**

The statutory corporate income tax rate in Germany for the assessment period 2008/09 totaled 15 percent. Including trade tax and the solidarity surcharge, this resulted in taxes totaling 32.0 percent. Deferred taxes for the German Group companies were also generally measured at 32.0 percent (previous year: 32.0 percent). For foreign companies, a country-specific average tax rate is generally applied.

In accordance with current tax provisions, the current imputed corporation tax credits as of December 31, 2006 were stated at fair value through profit and loss. As of September 30, 2009 the corporate income tax credit amounts to 8.4 million EUR (previous year: 8.7 million EUR). The corporate income credit is shown in the balance sheet under non-current tax receivables. In the previous fiscal year, this corporate income credit was still shown under current tax receivables, because at that time there was an intent to dispose of the credit at present value.

The current taxes only include non-period tax income and expense to a minor extent.

An amount of 0.7 million EUR (previous year: 1.4 million EUR) was recognized directly to equity under a separate component of equity.

No deferred tax assets were recognized for tax losses carried forward of individual Group companies totaling 10.8 million EUR (previous year: 14.9 million EUR). Of this amount, none was used in the past fiscal year (previous year: nil).

The reconciliation from the expected tax expense to the effective tax expense is as follows:

Tax reconciliation		
in EUR m	2008/09	2007/08
Earnings before taxes	103.9	149.3
Consolidated income tax rate (national incl. trade tax)	32.0%	32.0%
Expected tax expense	33.2	47.8
Impact of different national tax rates	-4.3	-2.6
Non-period tax income/expense	1.0	0.3
Tax-exempt income	-1.8	-1.1
Non-deductible tax operating expenses	3.0	1.6
Financial expenses – minority options	1.1	2.0
Not reported deferred tax assets due to operating losses	4.8	3.0
Not reported deferred tax assets due to goodwill impairment	1.6	0.0
Write-ups on deferred taxes/use of unrecognized loss carryforwards	0.0	0.0
Trade tax (additions/deductions)	2.7	1.5
Other	-0.2	-0.3
Effective tax expense	**41.1**	**52.2**

NOTES TO THE BALANCE SHEET

16. Intangible assets and property, plant and equipment

Intangible assets – Fiscal year 2008/09

in EUR m	Leasehold interests and similar rights and assets	Goodwill	Advance payments for intangible assets	Total
Acquisition costs				
As of October 1, 2008	**108.7**	**214.7**	**5.9**	**329.3**
Currency adjustments	0.0	-0.6	0.0	-0.6
Changes due to business combinations	0.3	1.7	0.0	2.0
Additions	8.9	0.8	0.5	10.2
IAS 32	0.0	2.2	0.0	2.2
Disposals	-6.6	-0.4	-0.5	-7.5
Reclassifications	8.4	-1.8	-5.3	1.3
As of September 30, 2009	**119.7**	**216.6**	**0.6**	**336.9**
Accumulated amortization				
As of October 1, 2008	**54.0**	**7.7**	**0.0**	**61.7**
Currency adjustments	0.0	-0.2	0.0	-0.2
Changes due to business combinations	0.1	0.0	0.0	0.1
Additions	10.5	0.0	0.0	10.5
IAS 36	0.3	5.7	0.0	6.0
Write-ups	-1.3	0.0	0.0	-1.3
Disposals	-5.2	-0.2	0.0	-5.4
Reclassifications	1.8	-1.8	0.0	0.0
As of September 30, 2009	**60.2**	**11.2**	**0.0**	**71.4**
Net				
As of September 30, 2009	**59.5**	**205.4**	**0.6**	**265.5**
As of September 30, 2008	**54.7**	**207.0**	**5.9**	**267.6**

Intangible assets – Fiscal year 2007/08

in EUR m	Leasehold interests and similar rights and assets	Goodwill	Advance payments for intangible assets	Total
Acquisition costs				
As of October 1, 2007	**97.4**	**177.3**	**3.1**	**277.8**
Currency adjustments	0.1	-0.2	0.0	-0.1
Changes due to business combinations	4.5	16.6	0.0	21.1
Additions	5.6	0.8	4.7	11.1
IAS 32	0.0	20.4	0.0	20.4
Disposals	-1.0	-0.2	0.0	-1.2
Reclassifications	2.1	0.0	-1.9	0.2
As of September 30, 2008	**108.7**	**214.7**	**5.9**	**329.3**
Accumulated amortization				
As of October 1, 2007	**46.7**	**6.6**	**0.0**	**53.3**
Currency adjustments	0.1	0.0	0.0	0.1
Changes due to business combinations	0.1	0.0	0.0	0.1
Additions	8.1	0.0	0.0	8.1
IAS 36	0.1	1.3	0.0	1.4
Write-ups	-0.4	0.0	0.0	-0.4
Disposals	-0.6	-0.2	0.0	-0.8
Reclassifications	-0.1	0.0	0.0	-0.1
As of September 30, 2008	**54.0**	**7.7**	**0.0**	**61.7**
Net				
As of September 30, 2008	**54.7**	**207.0**	**5.9**	**267.6**
As of September 30, 2007	**50.7**	**170.7**	**3.1**	**224.5**

Property, plant and equipment – Fiscal year 2008/09

in EUR m	Land and buildings	Other equipment, operating and office equipment	Payments on account and assets under construction	Total
Acquisition costs				
As of October 1, 2008	**613.4**	**747.5**	**14.5**	**1,375.4**
Currency adjustments	-1.7	-4.6	0.0	-6.3
Changes due to business combinations	0.0	0.4	0.0	0.4
Additions	35.0	57.0	10.1	102.1
Disposals	-15.0	-32.8	-0.7	-48.5
Reclassifications	7.8	6.9	-16.0	-1.3
As of September 30, 2009	**639.5**	**774.4**	**7.9**	**1,421.8**
Accumulated depreciation				
As of October 1, 2008	**338.8**	**528.2**	**0.0**	**867.0**
Currency adjustments	0.0	-1.8	0.0	-1.8
Changes due to business combinations	0.0	0.3	0.0	0.3
Additions	41.5	64.2	0.0	105.7
IAS 36	7.5	9.2	0.0	16.7
Write-ups	0.0	-1.2	0.0	-1.2
Disposals	-13.1	-30.4	0.0	-43.5
Reclassifications	0.0	0.0	0.0	0.0
As of September 30, 2009	**374.7**	**568.5**	**0.0**	**943.2**
Net				
As of September 30, 2009	**264.8**	**205.9**	**7.9**	**478.6**
As of September 30, 2008	**274.6**	**219.3**	**14.5**	**508.4**

Property, plant and equipment – Fiscal year 2007/08

in EUR m	Land and buildings	Other equipment, operating and office equipment	Payments on account and assets under construction	Total
Acquisition costs				
As of October 1, 2007	**586.2**	**698.5**	**8.5**	**1,293.2**
Currency adjustments	2.1	2.0	0.0	4.1
Changes due to business combinations	1.3	5.5	0.1	6.9
Additions	51.3	78.8	14.3	144.4
Disposals	-30.1	-42.5	-0.4	-73.0
Reclassifications	2.6	5.2	-8.0	-0.2
As of September 30, 2008	**613.4**	**747.5**	**14.5**	**1,375.4**
Accumulated depreciation				
As of October 1, 2007	**323.3**	**497.0**	**0.0**	**820.3**
Currency adjustments	1.1	1.2	0.0	2.3
Changes due to business combinations	0.8	4.2	0.0	5.0
Additions	40.3	62.1	0.0	102.4
IAS 36	0.7	4.4	0.0	5.1
Write-ups	0.0	-0.6	0.0	-0.6
Disposals	-27.5	-40.1	0.0	-67.6
Reclassifications	0.1	0.0	0.0	0.1
As of September 30, 2008	**338.8**	**528.2**	**0.0**	**867.0**
Net				
As of September 30, 2008	**274.6**	**219.3**	**14.5**	**508.4**
As of September 30, 2007	**262.9**	**201.5**	**8.5**	**472.9**

A) Intangible assets and property, plant and equipment

The capital expenditure of the 2008/09 fiscal year is broken down by divisions as follows:

Capital expenditure

in EUR m	2008/09	2007/08
Perfumeries	61.1	91.3
Books	24.2	33.6
Jewelry	8.0	10.5
Fashion	5.0	6.0
Confectionery	3.8	4.2
DOUGLAS HOLDING AG, Services	10.2	9.9
Total	**112.3**	**155.5**

Of this total, 46.2 million EUR is attributable to foreign subsidiaries (fiscal year 2007/08: 64.7 million EUR).

The additions to intangible assets mostly relate to acquired leasehold interests, goodwill and software licenses.

Capital expenditure in property, plant and equipment primarily relates to the opening and acquisition of 34 stores in Germany and 70 stores abroad. In addition, continual investments were made in designing and re-designing existing stores.

Scheduled amortization/depreciation during the fiscal year totaled 116.2 million EUR (previous year: 110.5 million EUR).

Impairment tests for property, plant and equipment and intangible assets at store level, as cash-generating units, led to write-downs totaling 16.7 million EUR in the fiscal year under review (previous year: 6.5 million EUR). Ongoing negative contributions towards profits and the intended closure of stores triggered the performance of impairment tests on the cash-generating units.

In addition, write-ups amounted to 2.5 million EUR in fiscal year 2008/09 (previous year: 0.3 million EUR) and are shown under other operating income. In general single cash-generating units are written up due to increases in income.

As part of impairment testing, the carrying amount of the cash-generating unit was compared to its recoverable amount. The recoverable amount is calculated as being the value in use of the future cash flows based on internal forecasts. Sensitivity planning assumptions include sales growth, gross profit forecasts, estimates of replacement investments in the store network and the ratio of personnel expenses to sales on the basis individual stores. The forecasts are based on the fixed term of the respective rental agreements, and calculations are based on an interest rate of 10.75 percent before taxes.

Finance leases

As of the balance sheet date only one subsidiary had finance leases. The lease assets mostly comprised of vehicles, which were shown with a carrying value of 0.1 million EUR as of September 30, 2009 (previous year: 0.1 million EUR).

Operating leases

Contracts qualifying as operating leases within the DOUGLAS Group mostly comprise store rental agreements. As a rule, these agreements are concluded for a basic rental period of 10 years and include lease extension options. The operating leases shown do not include any lease extension options. The lease installments are based on both variable and fixed rental payments. The minimum lease payments from operating lease agreements amount to 281.1 million EUR in the 2008/09 fiscal year (previous year: 256.0 million EUR).

Operating leases

in EUR m	Up to one year 2008/09	Up to one year 2007/08	1 to 5 years 2008/09	1 to 5 years 2007/08	More than 5 years 2008/09	More than 5 years 2007/08	**Total** 2008/09	**Total** 2007/08
Obligations from operating leases	245.8	250.3	565.9	630.1	214.0	295.7	**1,025.7**	**1,176.1**
Income from subleases	15.8	7.9	42.8	35.6	23.8	20.6	**82.4**	**64.1**

B) Goodwill

Goodwill in the amount of 167.1 million EUR (previous year: 169.0 million EUR) is due to differences from capital consolidation and 38.3 million EUR (previous year: 38.0 million EUR) is due to goodwill arising from asset deals at the level of the individual financial statements.

According to IAS 36, existing goodwill is subject to an impairment test at least once each year. Goodwill from company acquisitions is allocated at a legal-unit level, because it is monitored and controlled that that level. As is the case for impairment tests for tangible assets, the carrying amount of the cash-generating units is compared with the recoverable amount of the cash-generating units, with the recoverable amount in the DOUGLAS Group being defined as the value in use based on the discounted future cash flows from the internal forecast. Sensitivity planning assumptions include sales growth, gross profit forecasts, estimates of replacement investments in the stores network and the ratio of personnel expenses to sales. The forecasts are based on a detailed forecast period of ten years, which corresponds to the companies' standardized forecasting system, and a subsequent constant perpetual annuity. The calculations are based on a risk-adjusted growth rate of between 0 and 2 percent and interest rates between 9 and 13 percent before taxes.

Impairment testing applied to goodwill led to write-downs totaling 5.7 million EUR for the fiscal year under review (previous year: 1.3 million EUR). Of which, 4.9 million EUR relates to the cash-generating unit in Spain, which is classified to the Perfumeries division. The write-downs arose on the basis of the budget forecasts for the coming years as part of the impairment testing. The total impairment needs for this cash-generating unit was deducted from the existing goodwill amount.

Location advantages associated with the leasehold interests that were acquired from the prior tenant are capitalized under intangible assets with indefinite useful lives. The useful life of these assets is independent of the term of the rental agreement.

Material items of goodwill and intangible assets with indefinite lives existed as of the balance sheet date for the following cash-generating units:

Carrying amounts of goodwill and intangible assets with indefinite lives as of the balance sheet date for the following cash generating units

in EUR m	09/30/2009			09/30/2008		
	Goodwill			Goodwill		
Company	Individual financial statements	Capital consolidation	Intangible assets with indefinite useful lives	Individual financial statements	Capital consolidation	Intangible assets with indefinite useful lives
Parfümerie Douglas Deutschland GmbH, Hagen	5.2	6.6		4.8	6.6	
HELA Kosmetik Handels GmbH & Co. Parfümerie KG, Munich		4.1			4.1	
Parfümerie Douglas Ges.m.b.H., Vienna			2.4			2.4
Parfumerie Douglas France S.A., Lille	22.4	30.4	13.7	21.6	30.2	13.7
Douglas Spain S.A., Madrid		13.9			18.7	
Profumerie Douglas S.P.A., Bologna		4.8			4.8	
OOO Douglas Rivoli, Moscow	2.0			2.4		
S.I.A. Douglas Baltic, Riga		7.3			8.0	
Parfümerie Douglas Bulgaria ood, Sofia		7.7			8.8	
IRIS d.d., Zagreb		12.5			13.8	
Thalia Holding GmbH, Hamburg		38.4			32.9	
Thalia Universitätsbuchhandlung GmbH, Hagen	5.9	0.7		5.6	0.7	
Reinhold Gondrom GmbH & Co. KG, Kaiserslautern	0.5	14.0		0.5	14.0	
Buch und Kunst Gruppe, Dresden		20.0			20.0	
Grüttefien GmbH, Varel		2.7			1.8	
Buch Kaiser GmbH, Karlsruhe		2.5			2.5	
Other	2.3	1.5		3.1	2.1	
Total	**38.3**	**167.1**	**16.1**	**38.0**	**169.0**	**16.1**

17. Deferred taxes

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

Deferred taxes

	09/30/2009		09/30/2008	
in EUR m	Asset	Liability	Asset	Liability
Intangible assets	4.6	1.0	4.6	0.5
Property, plant and equipment	9.4	9.5	4.3	8.8
Inventories	5.9	0.8	0.3	0.3
Financial assets	0.4	1.6	1.0	2.0
Other assets	0.1	0.0	0.0	0.0
Provisions	13.0	0.0	7.3	0.2
Financial liabilities	3.8	1.5	3.0	1.4
Other liabilities	0.3	4.5	2.6	4.5
Additional paid-in capital	0.0	0.3	0.0	0.3
Tax loss carryforwards	8.1	0.0	5.7	0.0
Total	45.6	19.2	28.8	18.0
Offsetting	-12.3	-12.3	-9.6	-9.6
Carrying amount	**33.3**	**6.9**	**19.2**	**8.4**

Deferred tax assets on loss carryforwards were recognized for companies with budget forecasts triggering substantial indications for impairment.

18. Inventories

Inventories		
in EUR m	09/30/2009	09/30/2008
Finished goods and merchandise	655.3	654.3
Raw materials, consumables and supplies	11.3	11.3
Advances to suppliers for merchandise	0.5	0.6
Total	**667.1**	**666.2**

In the past fiscal year, inventories were written down to the net realizable value in the amount of 22.7 million EUR (previous year: 20.3 million EUR).

19. Trade accounts receivable

Trade accounts receivable primarily include settlement receivables from credit card organizations as well as from Douglas Card customers. In the past fiscal year an amount of 0.9 million EUR (previous year: 0.8 million EUR) was written down due to an allowance for uncollectible accounts. The write-downs on trade accounts receivable are shown under other operating expenses. They are payable immediately. These receivables do not bear interest and are therefore not exposed to any interest rate risk. The carrying amounts of the receivables correspond to their fair values. The maximum default risk corresponded to the carrying value as of the balance sheet date.

20. Financial assets

Financial assets				
in EUR m	09/30/2009 with a remaining term of		09/30/2008 with a remaining term of	
	up to 1 year	more than 1 year	up to 1 year	more than 1 year
Bonuses	65.1		75.2	
Other equity participations		2.5		2.6
Other loans and advances		3.0		3.1
Securities	0.9		3.3	
Financial assets from the valuation of derivative financial instruments			0.2	
Other financial assets	28.9	0.3	26.1	0.1
Total	**94.9**	**5.8**	**104.8**	**5.8**

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

Other loans were issued with a fixed interest rate of 6.8 percent and a term until November 30, 2010 as well as loans with variable interest rates.

Securities are designated as "available-for-sale" and therefore carried at fair value. Changes in fair value are recognized directly to equity as a separate component.

Other financial assets include receivables from associates, from other equity participations and from companies that are being consolidated proportionately in the amount of 0.8 million EUR (previous year: 1.1 million EUR). Furthermore, the item contains balances owed in supplier accounts of 4.9 million EUR (previous year: 7.1 million EUR) and receivables from rental agreements of 5.4 million EUR (previous year: 7.5 million EUR). In addition, a short-term loan of 8.9 million EUR is reported under other financial assets with a floating rate based on EURIBOR plus a margin. All other financial assets are non-interest bearing financial instruments. The carrying amounts of other financial assets are basically equivalent to their fair values.

There are no restrictions to the disposal rights for the receivables and other assets carried on the balance sheet.

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

Analysis of financial assets not impaired

in EUR m	Not due	Past due < 30 days	Past due > 30 days
Trade accounts receivable			
09/30/2009	0.0	40.7	2.0
09/30/2008	0.0	51.7	1.8
Other receivables			
09/30/2009	95.3	5.4	0.0
09/30/2008	107.9	2.7	0.0

With respect to receivables that are neither impaired nor past due, there were no indications of uncollectibility from the debtor as of the balance sheet date. Overall, receivables for which previous write-downs were not taken were directly written-down in the amount of 0.1 million EUR during the fiscal year (previous year: 0.1 million EUR). Cash receipts relating to receivables fully written-off in prior periods were not recognized in the fiscal year under review or in the previous year.

Write-downs on capitalized financial instruments

	Loans and receivables	
in EUR m	2008/09	2007/08
As of October 1	3.7	3.3
Additions	1.0	0.8
Reversal	-0.2	-0.2
Utilization	-0.3	-0.2
Currency translation adjustments	0.0	0.0
Changes in the consolidated group	0.0	0.0
As of September 30	4.2	3.7

Impairment losses were not recognized on other financial assets neither in the fiscal year under review nor in the previous fiscal year.

21. Other assets

Other assets primarily include deferred expenses.

22. Cash and cash equivalents

The largest item of cash and cash equivalents is bank balances. It also includes checks and cash in hand. The cash flow statement provides a detailed analysis of the movement in cash and cash equivalents. The maximum default risk corresponds to the carrying value as of the balance sheet date.

23. Equity

Capital stock

Issued capital totaled 117,837,936.00 EUR on the balance sheet date and comprises 39,279,312 no-par value shares. The shares have a theoretical par value of 3.00 EUR each. The no-par value bearer shares carry full voting and dividend rights for fiscal year 2008/09, and are admitted to trading on the official markets of four German stock exchanges. Capital stock is entirely paid in.

Issued capital changed as follows during the year under review:

Changes in issued capital

		Issued capital
As of October 1, 2008	in EUR m	117.7
	Shares	39,236,312
Issue of employee shares	in EUR m	0.1
	Shares	43,000
As of September 30, 2009	in EUR m	117.8
	Shares	39,279,312

The Shareholders' Meeting on March 12, 2008 authorized the Executive Board pursuant to Section 71 (1) No. 8 of the German AktG (Stock Corporation Act), with the approval of the Supervisory Board, to acquire shares of up to 10 percent of the share capital up to September 17, 2010. This authorization has not been acted on.

Earnings per share are calculated by dividing net income by the average number of shares outstanding in the year under review. These increased in fiscal year 2008/09 through the issue of 39,273,539 employee shares (previous year: 39,229,017).

Authorized capital I

By way of a shareholders' resolution dated March 12, 2008, the Executive Board was authorized, with the approval of the Supervisory Board, to increase the company's share capital by up to 25.0 million EUR in the period up to March 11, 2013 by issuing single or multiple new, no-par value bearer shares against cash or non-cash contributions.

In so doing, the shareholders are to be granted subscription rights for cash capital increases. However, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude fractions from the shareholders' subscription rights. In the case of non-cash capital increases, the Executive Board is authorized, with the approval of the Supervisory Board, to exclude shareholders' subscription amounts up to a nominal amount of 12.5 million EUR in total for the purpose of acquiring companies or participating interests in companies. The Executive Board is also authorized, with the approval of the Supervisory Board, to define the conditions for issuing shares and the further details for implementing capital increases from authorized capital. Authorized capital I has not been utilized to date.

Authorized Capital II

By way of a resolution of the Shareholders´ Meeting dated March 12, 2008, the Executive Board was authorized, with the approval of the Supervisory Board, to increase the company's share capital by up to 1.5 million EUR in the period up to March 11, 2013 by issuing new, no-par value bearer shares against cash contributions on one or several occasions.

In so doing, the Executive Board can, with the approval of the Supervisory Board, exclude shareholders' subscription rights in order to issue the new no-par value shares to employees of the company or of an associated company. The Executive Board, with the approval of the Supervisory Board, decides on the issue of new no-par value shares and the conditions of the issue. Including the 43,000 shares issued to employees during the year under review (is equivalent to capital stock of 129,000.00 EUR), authorized capital II has to date been utilized in the amount of 0.2 million EUR. A further 41,580 employee shares were issued in November 2009 at a price of 15.00 EUR. These carry dividend rights for the year under review.

Additional paid-in capital

Additional paid-in capital comprises of the excess paid by shareholders over the par value price of capital stock. Premiums from the capital increase for employee shares in the amount of 1.1 million EUR were added to the additional paid-in capital.

As part of the employee shares option program, employees are permitted to purchase a specific number of DOUGLAS Holding AG shares once a year at a subscription price. Employees are permitted to order the shares on a predetermined date in the first quarter of the fiscal year, which are then issued by DOUGLAS Holding AG. The employee shares option program is measured at fair value. The fair value is based on the stock price, which amounted to 31.25 EUR as of the balance sheet date (previous year: 32.24 EUR). The benefit of 0.6 million EUR granted to employees for the difference between the issue price and stock price is recognized under personnel expenses in the 2008/09 fiscal year. In addition, the transaction costs incurred in this connection in the amount of 0.1 million EUR are offset directly against the additional paid-in capital.

Retained earnings

Retained earnings

in EUR m	09/30/2009	09/30/2008
Other revenue reserves	377.5	357.5
Statutory reserve	0.3	0.3
Reserve for the valuation of minority options (IAS 32)	8.6	3.0
Reserve for the valuation of hedging instruments	-2.0	0.6
Reserve for deferred taxes recognized directly to equity	0.6	-0.1
Reserve for currency translation differences	-11.0	0.0
Total	**374.0**	**361.3**

The retained earnings reflect the valuation effects recognized directly to equity and the resulting deferred taxes from the valuation of derivative financial instruments that are used for hedging and that qualify as hedging instruments within the meaning of IAS 39. In the fiscal year under review, an amount from the valuation of cash flow hedges of 2.2 million EUR (previous year: decrease of 4.2 million EUR) decreased the retained earnings. Correspondingly, deferred taxes as of the balance sheet date amounting to +0.6 million EUR (previous year: +0.1 million EUR) were also recognized directly to equity. In the previous year an amount of +3.5 million EUR was transferred from equity to the income statement as a consequence of the disposal of hedging instruments. Valuation fluctuations in derivative financial instruments for which no hedging relationship exist are recognized immediately to the income statement. In the fiscal year under review, this amounted to +0.1 million EUR (previous year: +0.4 million EUR).

Minority interests

The shares in consolidated companies attributable to other shareholders are reported under this item. As a result of the provisions of IAS 32, interests of shareholders, who have an option to sell or an opportunity for termination with compensation at present values that were included in the opening balance sheet had to be reclassified as financial liabilities and carried at fair value. The remaining amounts are therefore attributable to the Douglas Expansion, Clermont-Ferrand/France.

Profit appropriation

The distribution of dividends by DOUGLAS HOLDING AG is determined by the company's HGB financial statements.

Pursuant to a resolution of the Shareholders´ Meeting on March 18, 2009, a dividend of 1.10 EUR per share, or a total amount of 43.2 million EUR was distributed to the shareholders from the net retained earnings of 44.0 million EUR from the fiscal year 2007/08. The remaining amount of 0.8 million EUR was carried forward.

The Executive Board will propose to the Shareholders' Meeting to pay from the reported retained earnings of DOUGLAS HOLDING AG for the fiscal year 2008/09 totaling 44.0 million EUR, a dividend of 1.10 EUR per no-par value share with dividend rights, or a total amount of 43.3 million EUR. The remaining amount of 0.7 million EUR is to be carried forward.

24. Provisions for pensions

Provisions for pensions are formed for commitments arising from pension entitlements and ongoing payments to employees and former employees and their surviving dependents. These commitments are accounted for according to the requirements of IAS 19. The measurement for German subsidiaries is valued based on actuarial reports pursuant to the following parameters. The measurement parameters for foreign subsidiaries vary insignificantly from these parameters.

Calculation parameters

	09/30/2009	09/30/2008
Interest rate	5.90%	5.90%
Pension-benefit increase rate during expectancy period	2.5%	2.5%
Increase in consumer price index	2.0%	2.0%

The expected return on plan assets is between 4 and 5 percent.

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

The actuarial gains and losses were recorded based on the 10 percent corridor method. According to this method, actuarial gains and losses are only recognized in income if they exceed 10 percent of the amount of the commitment. The amount which exceeds the corridor is then distributed over the average remaining working lives of the employees participating in that pension plan.

Company pensions in the DOUGLAS Group are based primarily on defined benefit plans.

Douglas Nederland B.V. takes part in a multi-employer-plan which basically must be qualified as a defined benefit plan. But due to the unavailability of the necessary information, this plan is qualified as a defined contribution plan. The recognized expense due to this plan amounts to 1.3 million EUR for the 2008/09 fiscal year (previous year: 1.3 million EUR). Payments of about the same amount are expected for the coming fiscal year. For purposes of enhancing comparability, the prior year's figures for pension plans of some foreign companies that obtained pension actuarial report for the first time in the fiscal year under review were restated.

Reconciliation of Defined Benefit Obligation (DBO)

	09/30/2009		09/30/2008	
in EUR m	Unfunded obligation	Funded obligation	Unfunded obligation	Funded obligation
DBO	24.7	24.0	25.8	24.5
Unrecognized actuarial gains/losses	2.2	1.2	1.1	-2.8
Fair value of plan assets	0.0	22.5	0.0	20.3
Liability	**26.9**	**2.7**	**26.9**	**1.4**

DBO reconciliation

	2008/09		2007/08	
in EUR m	Unfunded obligation	Funded obligation	Unfunded obligation	Funded obligation
DBO as of October 1	25.8	24.5	26.1	24.5
Actuarial gains/losses	-1.3	-1.2	-0.5	0.0
Service cost	0.3	0.2	0.3	0.0
Interest cost	1.4	0.6	1.3	0.1
Past service costs	0.0	-0.3	0.0	0.0
Curtailments/settlements	0.0	0.0	0.0	0.0
Insurance premium	0.0	0.0	0.0	0.0
Contributions	0.0	0.2	0.0	0.0
Pension payments	-1.5	0.0	-1.4	-0.1
Currency translation adjustments	0.0	0.0	0.0	0.0
Changes in the consolidated group	0.0	0.0	0.0	0.0
DBO as of September 30	**24.7**	**24.0**	**25.8**	**24.5**

Pension expenses

	2008/09		2007/08	
in EUR m	Unfunded obligation	Funded obligation	Unfunded obligation	Funded obligation
Service cost	0.3	0.2	0.3	0.0
Interest cost	1.4	0.6	1.3	0.1
Amortization of actuarial gains/losses	0.1	0.0	-0.1	0.0
Expected return on plan assets	0.0	0.1	0.0	0.1
Past service costs	0.0	0.0	0.0	0.0
Gains/losses from curtailments/settlements	0.0	0.0	0.0	0.0
Period pension expense	**1.8**	**0.7**	**1.5**	**0.0**

Development of plan assets

in EUR m	2008/09	2007/08
Plan assets as of October 1	20.3	20.4
Expected return on plan assets	0.1	0.1
Actuarial gains/losses	0.0	-0.1
Contributions	2.3	0.0
Currency translation adjustments	0.0	0.0
Costs	0.0	0.0
Payments	-0.2	-0.1
Plan assets as of September 30	**22.5**	**20.3**

The table below depicts the development of the financing status over the past fiscal years arising from the net present value between the defined benefit obligations and the fair value of plan assets.

Funded status

in EUR m	09/30/2009	09/30/2008	09/30/2007	09/30/2006	09/30/2005
DBO	48.7	50.3	35.1	39.1	38.6
Plan assets	22.5	20.3	8.1	9.1	8.5
Net	**-26.2**	**-30.0**	**-27.0**	**-30.0**	**-30.1**

25. Provisions

Statement of changes in non-current provisions

in EUR m	Human resources commitments	Provision for purchase price annuities	Real estate commitments	Other provisions	Total
10/01/2008	15.9	0.7	2.3	1.4	20.3
Utilization	-1.0	0.0	0.0	0.0	-1.0
Reversal	-0.4	0.0	-0.6	0.0	-1.0
Additions	1.8	0.0	3.9	0.0	5.7
Reclassification	0.0	0.0	-0.3	-0.9	-1.2
Change in the consolidated group	0.0	0.0	0.0	0.0	0.0
Foreign currency translation differences	0.0	0.0	0.0	0.0	0.0
09/30/2009	**16.3**	**0.7**	**5.3**	**0.5**	**22.8**

Statement of changes in current provisions

in EUR m	Human resources commitments	Real estate commitments	Other provisions	Total
10/01/2008	66.1	5.8	44.4	116.3
Utilization	-53.9	-3.0	-34.3	-91.2
Reversal	-3.4	-1.0	-5.4	-9.8
Additions	57.8	13.7	45.9	117.4
Reclassification	0.1	0.3	0.8	1.2
Change in the consolidated group	0.1	0.0	0.1	0.2
Foreign currency translation differences	-0.2	-0.4	-0.2	-0.8
09/30/2009	**66.6**	**15.4**	**51.3**	**133.3**

Other current provisions are comprised as follows:

Other current provisions

in EUR m	09/30/2009	09/30/2008
Deliveries and services not yet invoiced	34.7	33.0
Litigation costs	2.4	1.9
Supervisory Board remuneration	0.8	0.9
Onerous contracts	0.8	0.5
Costs for annual financial statements	0.6	0.6
Customer bonus programs	0.1	0.1
Interest	0.0	0.5
Other	11.9	6.9
Total	**51.3**	**44.4**

During the last fiscal year, there was no amount of accrued interest added to non-current provisions and shown as interest expense (previous year: nil). Furthermore, there was also no interest expense recorded due to changes in the discount rate (previous year: 0.1 million EUR).

26. Financial liabilities

Financial liabilities

in EUR m	09/30/2009	Remaining term up to 1 year	between 1 and 5 years	more than 5 years	09/30/2008	Remaining term up to 1 year	between 1 and 5 years	more than 5 years
Liabilities to banks	201.1	144.8	41.6	14.7	259.1	188.3	46.7	24.1
Advance payments received	1.1	1.1			1.6	1.6		
Liabilities on bills accepted and drawn	1.0	1.0			11.5	11.5		
Liabilities to affiliated companies	11.7	11.7			9.2	9.2		
Financial liabilities from the valuation of derivative financial instruments	2.0	2.0			0.1	0.1		
Financial liabilities from the valuation of options from minority interests	110.8	102.0	6.2	2.6	112.3	102.8	6.8	2.7
Other liabilities	33.6	33.6			38.6	33.6	5.0	
Total	**361.3**	**296.2**	**47.8**	**17.3**	**432.4**	**347.1**	**58.5**	**26.8**

Financial liabilities from valuation of options from minority interests are related to minority interests with cancellation and rights of disposal.

During the fiscal year, no income was incurred from the derecognition of trade accounts payable (previous year: 0.2 million EUR).

27. Other liabilities

Other liabilities include liabilities from gift vouchers not yet redeemed and deferred income.

28. Notes to the Cash Flow Statement

In compliance with the requirements of IAS 7, the cash flow statement is categorized into cash flows from operating, investing and financing activities. The effects of changes to the group of consolidated companies have been eliminated; their impact on cash and cash equivalents is shown separately - as is the impact of changes in currency exchange rates.

Cash and cash equivalents are comprised as follows:

Cash and cash equivalents

in EUR m	09/30/2009	09/30/2008
Marketable securities	0.9	3.3
Cash and cash equivalents	35.8	49.9
Total	**36.7**	**53.2**

Cash and cash equivalents include no amounts from companies consolidated on a pro rata basis (09/30/2008: nil). The effect of the sale and purchase of consolidated companies is presented under the notes regarding consolidation.

29. Notes on Segment Reporting

Segment reporting has been prepared in line with the provisions of IAS 14. The segments comply with the Group’s internal reporting structure.

The primary reportable segment format is thus based on the business segments of the DOUGLAS Group. The secondary reporting format is by geographic region.

Segment reporting is prepared in compliance with the accounting and valuation methods used in the consolidated financial statements.

Transfers between segments are at the same prices that would apply as between third parties (arm’s length transaction).

In the course of the impairment tests of the fiscal year under review, write-downs were made to property, plant and equipment in the amount of 16.7 million EUR (previous year: 6.5 million EUR). In addition, write-downs were recorded for intangible assets including goodwill in the amount of 5.7 million EUR (previous year: 1.4 million EUR).

Impairments in the Perfumeries division amounted to 16.1 million EUR (previous year: 2.9 million EUR) for property, plant and equipment and 5.7 million EUR (previous year: 1.4 million EUR) for intangible assets. At the same time, prior year impairments totaling 2.1 million EUR (previous year: 0.1 million EUR) were reversed in the Perfumeries division.

In the Books division impairments of 0.2 million EUR (previous year: 0.7 million EUR) were recognized and an impairment amount of 0.3 million EUR (previous year: nil) was reversed in the past fiscal year.

In the Jewelry division impairments of 0.1 million Euro (previous year: 0.7 million EUR) were recognized and 0.1 million EUR (previous year: 0.2 million EUR) was reversed in the fiscal year under review.

In the Fashion division no impairments were recognized (previous year: 2.2 million EUR) in the fiscal year under review.

As in the previous year, impairments of 0.3 million EUR were recognized in the Confectionery division.

Segment identification

In its primary segment reporting, the DOUGLAS Group is broken down into five operating divisions, which are shown as individual segments. The Services division is summed up with the reconciliation amounts. In the secondary reporting structure, the segments are identified using the geographical regions of Germany, Europe, and the U.S.A..

Segment result

In addition to earnings before taxes (EBT) as the segment result, the EBITDA and EBIT figures are also reported for the segments.

Segment assets and liabilities

The asset items of the consolidated balance sheet have been properly allocated to the individual segments. Segment assets and segment liabilities refer to earnings before taxes and are therefore not adjusted for financing items.

In the case of borrowing, the liabilities disclosed in the consolidated balance sheet have been increased by the loans issued by DOUGLAS HOLDING AG to the individual subsidiaries and then allocated to the individual segments as per their cause. The resulting corrections to the consolidated balance sheet are eliminated in the reconciliation column.

Segment investments

Investments under segment reporting relate to the additions to intangible assets and property, plant and equipment.

30. Fair values of financial instruments

Fair values at 09/30/2009

in EUR m	Carrying amount	Amortized cost	Fair value through profit or loss	Fair value, changes recognized directly in equity	Fair value
Assets					
Loans and receivables					
Loans and advances	3.0	3.0			3.0
Trade accounts receivable	42.7	42.7			42.7
Other financial assets	95.6	95.6			95.6
Financial instruments: Held-for-trading					
Derivative financial instruments	0.0				0.0
Financial instruments: Available-for-sale					
Equity participations	1.2	1.2			1.2
Securities	0.9			0.9	0.9

Equity and liabilities					
Financial instruments: Held-for-trading					
Derivative financial instruments	2.0			2.0	2.0
Other financial liabilities					
Trade accounts payable	254.8	254.8			254.8
Financial liabilities from the valuation of options from minority interests	110.8				110.8
Liabilities due to banks	201.1	201.1			201.8
Other financial liabilities	47.3	47.3			47.3

Fair values at 09/30/2008

in EUR m	Carrying amount	Amortized cost	Fair value through profit or loss	Fair value, changes recognized directly in equity	Fair value
Assets					
Loans and receivables					
Loans and advances	3.1	3.1			3.1
Trade accounts receivable	53.5	53.5			53.5
Other financial assets	101.4	101.4			101.4
Financial instruments: Held-for-trading					
Derivative financial instruments	0.2			0.2	0.2
Financial instruments: Available-for-sale					
Equity participations	2.6	2.6			2.6
Securities	3.3			3.3	3.3
Equity and liabilities					
Financial instruments: Held-for-trading					
Derivative financial instruments	0.1		0.1		0.1
Other financial liabilities					
Trade accounts payable	259.9	259.9			259.9
Financial liabilities from the valuation of options from minority interests	112.3				112.3
Liabilities due to banks	259.1	259.1			256.3
Other financial liabilities	60.9	60.9			60.9

31. Management of financial risks

The financial management of the DOUGLAS HOLDING AG is responsible for the DOUGLAS Group’s financing and supports decision-makers in the German and foreign Group companies in respect of all financial issues.

The uniform presence of the DOUGLAS Group facilitates better conditions on the financial markets, and the bundling of the financing volumes of all domestic Group companies allows optimal use of the resources available as part of a cash management system.

The financial risks relevant to the DOUGLAS 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 the DOUGLAS HOLDING AG.

Liquidity risks

The DOUGLAS Group’s non-current financing is secured not only by its solid equity but also through the bank loans at its disposal. This is backed by the ongoing, stable cash flows of the operating Group companies.

Through the revolving credit facility raised in the amount of 500 million EUR in the 2006/07 fiscal year, the DOUGLAS Group’s provision of credit is assured for a period of at least three years.

All of the German subsidiaries of the DOUGLAS Group are linked into a cash management system (cash pooling). By combining financing volumes, short-term liquidity surpluses of individual Group companies can be used to finance the cash requirements of other Group companies. This leads to a reduction in borrowing and an optimizing of cash investments, thus having a positive impact on the Group’s net interest result.

Liquidity risks											
in EUR m	Carrying amount	Payment due within the next 30 days		Payment due within 30 to 90 days		Payment due within 90 to 360 days		Payment due over a period of 1-5 years		Payment due after more than 5 years	
Liability		Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest
Liabilities to banks	201.1	131.5	1.0	1.2	0.2	12.1	2.3	41.6	5.9	14.7	1.2
Advance payments received	254.8	121.2		120.1		13.5					
Financial liabilities from the valuation of options from minority interests	110.8	23.8				78.2		6.2		2.6	
Liabilities to affiliated companies	11.7	11.7									
Financial liabilities from the valuation of derivative financial instruments	2.0				0.2		0.9		1.9		
Advance payments received	1.1	1.1									
Liabilities on bills accepted and drawn	1.0	1.0									
Other financial liabilities	33.6	33.6									

All financial liabilities existing as of September 30, 2009 and for which payments were already contractually agreed were included. Plan payments for future liabilities were not taken into account. Floating interest rate payments were determined on the basis of the interest rates known as of September 30, 2009. Financial liabilities cancellable at all times are always classified to the earliest time slot. Amounts denominated in foreign currencies are translated to the euro currency using the average closing rate.

Payments arising from the interest rate swaps are made at the respective interest adjustment dates, so that the swaps' impact on liquidity is spread over their maturities up to the year 2012. In particular, a withdrawal in the amount of 25.0 million EUR from the revolving credit line is hedged by means of an interest rate swap. Since this deals with monthly payments, this amount is shown in full under current liabilities due to banks with a liquidity of up to 30 days. The DOUGLAS Group's financing strategy aims to utilize the hedged amount of 25.0 million EUR over the entire hedging term.

Interest rate risks

The interest rate risk is the result of fluctuations in interest rates on the money and capital markets and market-related fluctuations of exchange rates.

In order to minimize the Group's risks associated with interest rate fluctuations when refinancing, long-term loans were taken out at fixed and variable interest rates by concluding interest rate swaps. The drawings on the revolving credit facility are made on the basis of current money market rates and are therfore subject to interest risks. An amount of 25.0 million EUR from the revolving credit facility was hedged through interest rate swaps in the 2007/08 fiscal year.

The following interest rate swaps were in use on the balance sheet date to reduce risk. The fair value is determined on the basis of the market value of the interest rate swaps.

Interest rate swaps

in EUR m	09/30/2009 Reference amount	09/30/2009 Fair values Financial assets	09/30/2009 Fair values Financial liabilities	09/30/2008 Reference amount	09/30/2008 Fair values Financial assets	09/30/2008 Fair values Financial liabilities
Interest rate swaps	31.0	0.0	2.0	74.9	0.2	0.1
of which within cash flow hedges	*31.0*	*0.0*	*2.0*	*34.0*	*0.2*	*0.0*
of which not part of a hedge	*0.0*	*0.0*	*0.0*	*40.9*	*0.0*	*0.1*

For purposes of quantifying the interest rate risk, a sensitivity analysis has been performed in accordance with IFRS 7. As part of this analysis, the impact from changes in the market rate of interest on the interest income and interest expense has been presented. The sensitivity analysis is based on the following parameters: non-derivative financial instruments with fixed interest are subject to interest rate risks, which would impact the income statement or equity, only when measured at fair value. If such financial instruments are measured at cost, there is no risk arising from changes in the market rates of interest. Financial instruments with floating rates are generally exposed to risks from changes in market rates of interest if they are not designated as a hedged item as part of a cash flow hedge.

A relative increase in the average interest rate by 5 percent would lead to an increase in the interest expense for the liabilities with variable rates of 0.1 million EUR (previous year: 0.2 million EUR). A drop in the interest rate by the same percentage, would have contrary effects of 0.1 million EUR (previous year: 0.2 million EUR). In the previous fiscal year an opposite effect was incurred of 0.1 million EUR from the interest rate swaps that did not have a hedge relationship. As of the balance sheet date, the DOUGLAS Group no longer had any such hedging instruments.

Based on an interest rate increase of 50 base points with respect to the valuation of financial instruments with a hedge relationship and therefore subject to hedge accounting rules as stated under IAS 39, a change in equity would arise in the amount of 0.5 million EUR (previous year: 0.9 million EUR). According to a corresponding reduction in the interest rate, equity would change by -0.4 million EUR (previous year: nil).

Currency risks

The operative companies of the DOUGLAS Group largely conduct their activities in the respective functional currency. That is why currency risks within the DOUGLAS Group are minimal since around 89 percent of the Group's sales were effected in euros in fiscal year 2008/09, and merchandise was purchased almost exclusively in euros. Differences arising from the translation of foreign currencies to the parent's currency did not impact the preparation of the consolidated financial statements.

In order to hedge the residual currency risks, DOUGLAS HOLDING AG's financial management regularly reviews the DOUGLAS Group's currency items and analyses the pros and cons of implementing derivative financial instruments.

In fiscal year 2008/09, hedging measures were not transacted. In the financial area, foreign currency risks arose from loans denominated in foreign currency (Swiss franc), but are designated as minimal due to the amount of the foreign currency loan as of the balance sheet date.

Within the scope of IFRS 7, a sensitivity analysis was conducted for foreign currency risks. As part of this analysis, the effects from foreign currency positions, which are measured at the closing date rate pursuant to IAS 21, are included. In the event that foreign currency positions should have an equity characteristic, the foreign currency differences are recognized directly to equity.

With respect to the currency risks, the sensitivity analysis is presented as follows: the effects from foreign currency exchange rate fluctuations in financial instruments denominated in foreign currency but not designated as hedged items as part of foreign currency hedging transactions have been included in the sensitivity analysis. In all, the DOUGLAS Group would be exposed to a net risk of 0.7 million EUR (previous year: 0.8 million EUR) based on an appreciation in value of the euro currency of 5 percent and -0.8 million EUR (previous year: -1.6 million EUR) based on a devaluation of 5 percent. The largest amounts encompass the US-Dollar (+/-0.4 million EUR) and the Turkish Lira (+/-0.2 million EUR).

Default risks

A default risk could exist if a banking partner should default, in particular if inability to make payments on monetary deposits or for positive market values for derivatives. The DOUGLAS Group counters this risk in the financial statements by exclusively investing in monetary deposits and entering into financial instruments with first-rated banks. At the same time, the volume is also distributed amongst several contracting parties in order to avoid a concentration of risks. Due to the worldwide difficult economic situation, larger monetary deposits are avoided or only entered into with first-rated German banks.

Financial liabilities

In the 2006/07 fiscal year, DOUGLAS-HOLDING AG entered into a revolving credit facility in the amount of 500 million EUR from an international banking syndicate. The term of this revolving credit facility is three years. Withdrawals are charged at EURIBOR + 25 base points, whereby the margin is fixed for the term. The commitment commission for the unutilized portion of the facility is 30 percent of the margin. As of the balance sheet date, this facility had been utilized in the amount of 84.2 million EUR. The aim of this revolving credit facility is to reduce cash and cash equivalents as well as to create flexible financing possibilities.

Besides DOUGLAS Holding AG, another lending company, Douglas Finance B.V. located in the Netherlands, also became a borrower. This financing company serves the purpose of providing financing to the foreign subsidiaries of the DOUGLAS Group. Due to the raising and drawings of the revolving credit facility by DOUGLAS-Holding AG and Douglas Finance B.V. and further submission to the companies of the DOUGLAS Group, the utilization of the bilateral credit lines by the companies was in part reduced. Withdrawals from the bilateral credit lines amounted to 45.5 million EUR (previous year: 51.0 million EUR) and under the revolving credit facility to 84.2 million EUR (previous year: 100.0 million EUR).

Liabilities to banks (without current accounts and revolving credit facility) as of September 30, 2009

Currency	Original amount in million currency units	Nominal amount in EUR m	Carrying amounts in EUR m	Fair values in EUR m
EUR	125.3	125.3	69.9	70.6
CHF	13.6	9.0	1.5	1.5

Liabilities to banks (without current accounts and revolving credit facility) as of September 30, 2008

Currency	Original amount in million currency units	Nominal amount in EUR m	Carrying amounts in EUR m	Fair values in EUR m
EUR	153.5	153.5	87.3	84.4
CHF	42.2	26.7	20.7	20.8

32. Liabilities to minority interests

There are commitments to minority shareholders of various subsidiaries to acquire their shares. In addition, two partnerships hold termination rights which would result in compensation at present values.

According to IAS 32, these liabilities are to be recognized as financial liabilities at fair value. Therefore the individual commitments were measured in accordance with the respective contractual agreements.

This amounts to a commitment totaling 110.8 million EUR compared to 112.3 million EUR last year. Proportionate earnings in the amount of 3.5 million EUR (previous year: 3.6 million EUR), which are included in financial expenses, increased these commitments; disbursements in the amount of 2.8 million EUR (previous year: 3.4 million EUR) reduced these amounts. In addition, there were valuation-related adjustments totaling -3.3 million EUR (previous year: 13.8 million EUR). Furthermore, adjustments totaling 1.1 million EUR resulting from capital contributions and changes in the scope of consolidated companies increased the liability (previous year: 5.3 million EUR).

33. Other explanatory notes

Other financial commitments

Purchase commitments for approved capital expenditure for property, plant and equipment totaled around 25.5 million EUR (previous year: 50.4 million EUR). Contingent liabilities in the amount of 0.6 million EUR exist for one foreign subsidiary.

Average number of employees

The average number of persons employed was:

Average number of employees

	2008/09	2007/08
Salaried employees and wage earners	22,681	22,535
Apprentices	1,676	1,657
Total	**24,357**	**24,192**

As of the balance sheet date, no companies were included on a pro rata basis. In the previous year, the companies included in the consolidated financial statements on a pro rata basis employed an annual average of 22 employees.

Shareholdings

The list of shareholdings provides an overview of the key companies included in the consolidated financial statements and of other participating interests held by the DOUGLAS Group. A complete list of shareholdings is submitted to the online version of the German Federal Gazette ("Bundesanzeiger").

Related companies and related persons

The DOUGLAS Group had the following relationships with related parties in the fiscal years 2008/09 and 2007/08, respectively, from delivery and supply relationships concluded in the past:

Related companies and related persons

	Deliveries and services received		Deliveries and services provided	
in EUR m	2008/09	2007/08	2008/09	2007/08
Related companies	3.4	2.2	6.8	4.1
Related persons	6.9	3.3	0.0	0.0
Total	**10.3**	**5.5**	**6.8**	**4.1**

Receivables from related companies/parties totaled 0.2 million EUR on the balance sheet date (09/30/08: 0.1 million EUR), the corresponding liabilities totaled 12.6 million EUR (09/30/08: 20.7 million EUR). Business relationships with related persons are effected under the same conditions as with third parties (arm’s length transaction).

Executive bodies

The following table shows the total remuneration of the Executive Board of the DOUGLAS HOLDING AG:

Executive Board remuneration

Executive Board remuneration

	2008/09		
in EUR ’000	Fixed	Variable	Total
Dr. Henning Kreke, President and CEO	533.8	590.0	1,123.8
Dr. Burkhard Bamberger	366.8	365.7	732.5
Gabriele Traude-Stopka	381.1	275.2	656.3
Total	**1,281.7**	**1,230.9**	**2,512.6**

The total remuneration of the Executive Board in fiscal year 2007/08 amounted to 2,768 thousand EUR. The provisions for pensions for members of the Executive Board totaled 1,245 thousand EUR compared to 1,367 thousand EUR last year. Provisions in the amount of 1,210 thousand EUR were formed as of September 30, 2009 for the variable salary components of members of the Executive Board (previous year: 1,400 thousand EUR). The variable components of remuneration are determined on a performance-based calculation. Share-priced-oriented models, e.g. stock options, do not exist.

Pension commitments for members of the Executive Board provide a retirement pension after the attainment of a fixed retirement age as well as benefits for their surviving dependants. The amount of monthly benefits to be granted is based on a non-income-related fixed amount totaling 6,135.50 EUR for Dr. Henning Kreke, 3,000.00 EUR for Dr. Bamberger and 3,067.75 EUR for Mrs. Traude-Stopka. This amount increases by 5.0 percent for each pensionable year of service depending on the general development of the cost of living. Additional commitments like severance payments, bridge money and leave benefits etc. do not exist.

Remuneration totaling 902 thousand EUR (previous year: 879 thousand EUR) was paid to former members of the Executive Board and their surviving dependants. The provisions for former members of the Executive Board and their surviving dependants totaled 12,022 thousand EUR following 12,567 thousand EUR the year before.

Total remuneration for other key executives within the DOUGLAS Group amounted to 4,945 thousand EUR in fiscal year 2008/09 (previous year: 4,993 thousand EUR). Provisions for pensions for these management members totaled 593 thousand EUR compared to 539 thousand EUR in the previous year; provisions totaling 3,621 thousand EUR have been recognized for variable salary components as of September 30, 2009 (previous year: 4,263 thousand EUR).

The total remuneration paid to the Supervisory Board of DOUGLAS HOLDING AG is as follows:

Supervisory Board remuneration

Supervisory Board remuneration

	2008/09			2007/08		
in EUR '000	Fixed	Variable	Total	Fixed	Variable	Total
Dr. Dr. h.c. Jörn Kreke, Chairman	81.6	26.4	108.0	87.7	28.9	116.6
Margarete Pinkowski, Deputy Chairwoman	55.8	19.8	75.6	56.1	21.6	77.7
Prof. Dr. Wolfgang Bernhardt (until March 12, 2008)	0.0	0.0	0.0	15.0	7.2	22.2
Detlef Bierbaum	40.8	13.2	54.0	41.1	14.3	55.4
Ulrike Grabe (since March 12, 2008)	30.0	13.2	43.2	17.5	8.4	25.9
Isabelle Harth	30.0	13.2	43.2	30.0	14.3	44.3
Solveig Hasse (since March 12, 2008)	30.0	13.2	43.2	17.5	8.4	25.9
Astrid Kitschler (until March 12, 2008)	0.0	0.0	0.0	15.0	7.2	22.2
Henning R. Kreke	30.0	13.2	43.2	30.0	14.3	44.3
Petra Lügger	30.0	13.2	43.2	30.0	14.3	44.3
Bernd M. Michael (since March 12, 2008)	30.0	13.2	43.2	17.5	8.4	25.9
Dr. h.c. August Oetker	40.8	13.2	54.0	41.1	14.3	55.4
Heinz Schmidt (until March 12, 2008)	0.0	0.0	0.0	20.5	7.2	27.7
Dr. Ernst F. Schröder	51.6	13.2	64.8	52.2	14.3	66.5
Elke Vahldiek (until March 12, 2008)	0.0	0.0	0.0	20.5	7.2	27.7
Malene Volkers	30.0	13.2	43.2	30.0	14.3	44.3
Dr. Ulrich Wolters (since March 12, 2008)	40.8	13.2	54.0	24.0	8.4	32.4
Prof. Dr. Mark Wössner	30.0	13.2	43.2	30.0	14.3	44.3
Christine Wrobel	30.0	13.2	43.2	30.0	14.3	44.3
Sabine Zimmer	30.0	13.2	43.2	30.0	14.3	44.3
Total	**611.4**	**231.0**	**842.4**	**635.7**	**255.9**	**891.6**

Provisions totaling 842 thousand EUR (2007/08: 892 thousand EUR) were formed for remuneration for the Supervisory Board; of this amount, 611 thousand EUR are fixed and 231 thousand EUR are variable components.

The variable component of the Supervisory Boards' remuneration is based on earnings per share. Share-price oriented models, e.g., stock options, do not exist.

Transactions pursuant to section 15a of the German WpHG (securities trading act)

Dr. Jörn Kreke, Chairman of the Supervisory Board, acquired a total of 25,000 DOUGLAS shares during the year under review via a company controlled by him at prices ranging from 29.64 to 29.94 EUR per share and sold 150,000 DOUGLAS shares at prices ranging from 28.70 and 31.08 EUR per share.

Dr. Jörn Kreke, Chairman of the Supervisory Board and Dr. Henning Kreke, President and CEO, acquired a total of 50,000 DOUGLAS shares during the year under review via a company controlled by them at a price of 29.78 EUR per DOUGLAS share. In addition, 184,000 DOUGLAS shares were tendered through put options transacted at prices ranging from 34.50 and 40.00 EUR per share. Moreover, this company purchased 116,000 put options for DOUGLAS shares with a strike price of between 34.00 and 38.00 EUR per option maturing between March 6, 2009 and April 17, 2009 at prices ranging between 4.50 and 9.95 EUR per option. Furthermore, 100,000 put options for DOUGLAS shares were sold in June 2009 with a strike price of 25.00 EUR per option and maturing on June 16, 2010 at prices ranging between 1.05 and 1.12 EUR per option.

Dr. August Oetker Finanzierungs- und Beteiligungs-Gesellschaft mbH, Bielefeld, as a related legal entity of the Supervisory Board members Dr. August Oetker and Dr. Ernst F. Schröder, purchased a total of 200,000 put options on DOUGLAS shares with strike prices ranging between 32.70 and 32.80 EUR per share and expiry dates falling between January 26, 2009 and January 27, 2009 at prices ranging between 1.82 to 1.94 EUR per option.

In addition, a total of 1,500,000 shares of DOUGLAS shares were acquired at prices ranging between 29.50 and 40.50 EUR per share, as a result of put options sold from the tendering by Dr. August Oetker Finanzierungs- und Beteiligungs-Gesellschaft mbH.

Dr. Ulrich Wolters, a member of the Supervisory Board, purchased a total of 1,650 DOUGLAS shares in 2008 at prices ranging between 29.80 and 31.03 EUR per share.

Expenses for auditor's fees

In accordance with Section 285 No. 17 HGB, the fees of the auditors, Susat & Partner oHG, for preparing the consolidated financial statements for the fiscal year ended are as follows:

Expenses for auditor's fees

in EUR m	2008/09	2007/08
Audit of the financial statements	0.8	0.8
Other attestation and valuation services	0.0	0.0
Tax advice	0.0	0.0
Other services	0.1	0.1
Total	**0.9**	**0.9**

Declaration of conformity pursuant to section 161 of the german AktG

The DOUGLAS HOLDING AG issued an updated declaration of conformity in accordance with Section 161 of the AktG in December 2009. This can be read at www.douglas-holding.com.

Options according to section 264 (3) and 264 b HGB

In application of Sections 264 (3) and 264 b HGB, the following German subsidiaries have refrained from disclosing their annual financial statements.

Options according to section 264 (3) and 264 b HGB	
Perfumeries	
Douglas Cosmetics GmbH	Düsseldorf
Douglas Einkaufs- und Service Gesellschaft mbH & Co. KG	Zossen
HELA Kosmetik Handels GmbH & Co. Parfümerie KG	Munich
Parfümerie Douglas International GmbH	Hagen
Parfümerie Douglas GmbH	Hagen
Parfümerie Douglas Deutschland GmbH	Hagen
Books	
Buch & Medien GmbH	Hagen
Kober & Thalia Buchhandelsgruppe GmbH & Co. KG	Mannheim
Reinhold Gondrom GmbH & Co. KG	Kaiserslautern
Thalia Buchhandlung Erich Könnecke GmbH & Co. KG	Hamburg
Thalia Medienservice GmbH	Hagen
Thalia Service GmbH	Hagen
Thalia Universitätsbuchhandlung GmbH	Hagen
Jewelry	
Christ Juweliere und Uhrmacher seit 1863 GmbH	Hagen
Fashion	
Reiner Appelrath-Cüpper Nachf. GmbH	Cologne
inter-moda GmbH	Hagen
Confectionery	
Cerrini GmbH	Hagen
Hussel Geschenkstudio GmbH	Hagen
Hussel Süßwarenfachgeschäfte GmbH	Hagen
Services	
Douglas Corporate Service GmbH	Hagen
Douglas GmbH & Co. Objekt Zeil KG	Pöcking
Douglas Immobilien GmbH & Co. KG	Hagen
Douglas Informatik & Service GmbH	Hagen
Douglas Leasing GmbH	Hagen
Douglas Versicherungsvermittlung GmbH	Hagen
Douglas Grundstücksverwaltungsgesellschaft mbH & Co. KG	Zossen

Significant shareholdings

No.	Name and registered office		Group interest in percent	Equity in EUR '000 or in '000 of foreign currency	Net revenues in EUR '000 or in '000 of foreign currency	Employees
	DOUGLAS HOLDING AG			**732,467**	**0**	**101**
	Perfumeries					
1.	Parfümerie Douglas GmbH, Hagen		100	250,378	37,273	219
2.	Parfümerie Douglas Deutschland GmbH, Hagen		100	39,874	862,772	6,149
3.	HELA Kosmetik Handels GmbH & Co. Parfümerie KG, Munich		100	566	18,749	110
4.	Parfümerie Douglas International GmbH, Hagen		100	247,068	0	37
5.	Parfümerie Douglas Ges.m.b.H., Vienna/Austria		100	30,660	70,815	563
6.	Parfumerie Douglas Nederland B.V., Nijmegen/The Netherlands		100	50,663	175,621	1,371
7.	Parfumerie Douglas France S.A., Lille/France		100	30,199	131,188	1,010
8.	Profumerie Douglas S.P.A., Bologna/Italy		100	33,144	158,474	1,069
9.	Parfümerie Douglas S.A., Baar/Switzerland	CHF	100	8,279	51,921	194
10.	Parfumerie Douglas Inc., Westport /U.S.A.	USD	100	-11,026	16,895	83
11.	Douglas Spain S.A., Madrid/Spain		100	325	77,702	669
12.	Douglas Portugal Ltd., Lisbon/Portugal		100	11,005	26,402	185
13.	Douglas Ungarn Kft., Budapest/Hungary	HUF	100	2,703,361	5,911,958	251
14.	Douglas Polska SP.z.o.o., Warsaw/Poland	PLN	100	55,708	305,289	911
15.	Parfumerie Douglas Monaco S.A.M., Monaco/Monaco		100	1,618	2,839	12
16.	OOO Douglas Rivoli, Moskow/Russia	RUB	100	573,812	2,325,344	617
17.	Parfumerija Douglas d.o.o., Maribor/Slovenia		100	288	2,158	24
18.	Parfumeri Douglas ApS., Copenhagen/Danmark	DKK	100	2,961	29,809	35
19.	Parfumerie Douglas s.r.o., Prague/Czech Republik	CZK	100	5,974	301,393	123
20.	Parfümerie Douglas Limited Sirketi, Istanbul/Turkey	TRY	100	14,178	15,402	95
21.	SIA "Douglas Latvia", Riga/Latvia	LVL	51	1,766	10,723	219
22.	UAB "Douglas Lithuania", Vilnius/Lithuania	LTL	51	3,818	50,669	227
23.	Parf. Douglas S.R.L., Bucharest/Romania	RON	100	1,679	22,139	61
24.	Parfumerie Douglas Bulgaria ood, Sofia/Bulgaria	BGN	51	7,095	19,689	98
25.	IRIS d.d., Zagreb/Croatia	HRK	51	28,321	153,811	245

Significant shareholdings

No.	Name and registered office		Group interest in percent	Equity in EUR '000 or in '000 of foreign currency	Net revenues in EUR '000 or in '000 of foreign currency	Employees
	Books					
26.	Thalia Universitätsbuchhandlung GmbH, Hagen		100	20,723	271,951	1,502
27.	Thalia Buchh. Erich Könnecke GmbH & Co. KG, Hamburg		100	7,937	143,924	965
28.	Thalia Holding GmbH, Hamburg		75	70,924	151,834	133
29.	Kober & Thalia Buchhandelsgruppe GmbH & Co. KG, Mannheim		75	267	19,982	105
30.	Reinhold Gondrom GmbH & Co. KG, Kaiserslautern		100	5,551	68,320	449
31.	Grüttefien GmbH, Varel		50	4,470	27,285	168
32.	Buch und Kunst GmbH & Co. KG, Dresden		100	2,167	36,052	389
33.	G.D. Baedeker GmbH, Dresden		100	5,840	7,773	52
34.	Buch Kaiser GmbH, Karlsruhe		100	566	7,104	45
35.	Thalia Buch & Medien GmbH, Linz/Austria		100	16,186	112,750	710
36.	Thalia Bücher AG, Basel/Switzerland	CHF	100	16,607	96,102	468
37.	ZAP*Zur Alten Post AG, Brig/Switzerland	CHF	67	1,789	11,225	49
38.	buch.de internetstores AG, Münster (Values as of December 31, 2008)		36	21,131	70,161	111
	Jewelry					
39.	Christ Juweliere und Uhrmacher seit 1863 GmbH, Hagen		100	51,969	292,549	2,025
	Fashion					
40.	Reiner Appelrath-Cüpper Nachf. GmbH, Cologne		75	10,024	131,007	757
	Confectionery					
41.	Hussel Süßwarenfachgeschäfte GmbH, Hagen		100	3,856	88,369	889
42.	Cerrini Confiserie GmbH, Hagen		100	678	14,590	143

• Membership of supervisory boards required by law
• Membership of comparable advisory bodies
* Employee representative

HONORARY CHAIRMAN

Dr. Dr. h.c. Guido Sandler

SUPERVISORY BOARD

Dr. Dr. h.c. Jörn Kreke
Chairman
Merchant, Hagen
• Deutsche EuroShop AG, Hamburg
• Capital Stage AG, Hamburg
• Kalorimeta AG & Co. KG, Hamburg
• Urbana Energietechnik AG & Co. KG, Hamburg

Margarete Pinkowski*
Vice-Chairwoman
Commercial employee, Hagen
Parfümerie Douglas GmbH, Hagen

Detlef Bierbaum
Banker, Cologne
• Sal. Oppenheim jr. & Cie. AG, Vienna/Austria
• IVG Immobilien AG, Bonn (Chairman)
• IVG Institutional Funds GmbH, Wiesbaden (Chairman)
• Kölnische Rückversicherungs-Gesellschaft AG, Cologne
• LVM Landwirtschaftlicher Versicherungsverein, Münster a.G.
• LVM Lebensversicherungs-AG, Münster
• LVM Pensionsfonds-AG, Münster
• Monega KAG mbH, Cologne (Vice-Chairman)
• Oppenheim Kapitalanlagegesellschaft mbH, Cologne (Vice-Chairman)
• SMS GmbH, Düsseldorf
• CA Immobilien Anlagen AG, Vienna/Austria
• Dundee Real Estate Investment Trust, Toronto/Canada
• Integrated Asset Management plc, London/Great Britain
• Lloyd George Management Ltd., British Virgin Islands
• Oppenheim Asset Management Services S.á.r.l., Luxembourg (Vice-Chairman)
• Tertia Handelsbeteiligung mbH, Düsseldorf
• The Central European and Russia Fund, Inc., New York/U.S.A.
• The European Equity Fund, Inc., New York/U.S.A.

Ulrike Grabe*
Head of section, Münster
Parfümerie Douglas Deutschland GmbH, Hagen

Isabelle Harth*
Secretary, Munich
Parfümerie Douglas Deutschland GmbH, Hagen

Solveig Hasse*
Bookseller, Hamburg
Thalia Buchhandlung Erich Könnecke GmbH & Co. KG Boysen & Maasch, Hamburg

Henning R. Kreke
Merchant, Schwaig/Nürnberg

Petra Lügger*
Administration, Münster
Thalia Universitätsbuchhandlung GmbH, Hagen

Bernd M. Michael
Merchant, Düsseldorf
• Loyalty Partner Holding GmbH, Munich
• 12snap AG, Munich (Chairman)
• Uniplan GmbH & Co. KG, Cologne
• Duisport AG, Duisburg (Advisory Board)
• Board of Directors WE Marketing Company Limited, Hong Kong

Dr. h.c. August Oetker
General Partner at
Dr. August Oetker KG, Bielefeld
Chairman of Management Board
Dr. Oetker GmbH
• Damm S. A., Barcelona/Spain
• B. Braun AG, Melsungen
• Martin Braun KG, Hannover (Chairman)
• Hamburg Südamerikanische Dampfschifffahrts-Gesellschaft KG, Hamburg (Chairman)
• Henkell & Co. Sektkellerei KG, Wiesbaden
• Chemische Fabrik Budenheim KG, Budenheim

Dr. Ernst F. Schröder
General Partner at
Dr. August Oetker KG, Bielefeld
• Gerry Weber International AG, Halle (Chairman)
• S. A. Chateau du Domaine St. Martin, Vence/France (Chairman)
• S. A. Hôtel du Cap Eden Roc, Antibes/France (Chairman)
• S. A. Hôtel Le Bristol, Paris/France (Chairman)
• Bankhaus Lampe KG, Düsseldorf
• Radeberger Gruppe KG, Frankfurt a. M.
• PB Brauholding GmbH, Frankfurt a. M.

Malene Volkers*
Trade union secretary, Berlin
Ver.di Bundesverwaltung, Berlin
• Danzas Deutschland Holding, Frankfurt a. M.

Dr. Ulrich Wolters
Corporate consultant, Mülheim a. d. Ruhr
- Bunzl PLC, London/Great Britain
- Lenze AG, Hameln (Chairman)
- Preventicum GmbH, Essen (Chairman)
- Novotergum AG, Mülheim a. d. Ruhr
- Heinrich Deichmann-Schuhe GmbH & Co. KG, Essen

Prof. Dr. Mark Wössner
Entrepreneur, Member of Supervisory Boards, Munich
- eCircle AG, Munich (Chairman)
- Heidelberger Druckmaschinen AG, Heidelberg (Chairman)
- Loewe AG, Kronach (Vice-Chairman)
- Berger Lahnstein Middelhoff & Partners LLP. London/Great Britain
- Germany 1 Acquisition Limited, Guernsey/Great Britain

Christine Wrobel*
Deputy Director of Logistics, Hemer
Christ Juweliere und Uhrmacher seit 1863 GmbH, Hagen

Sabine Zimmer*
Trade union secretary, Berlin
Ver.di, District Berlin, Berlin
- real,- SB Warenhaus-GmbH, Mönchengladbach

EXECUTIVE BOARD

Dr. Henning Kreke (President and CEO)
Dr. Burkhard Bamberger
Anke Giesen (since November 1, 2009)
Gabriele Traude-Stopka (until September 30, 2009)

DIVISION DIRECTORS

Michael Busch
Manfred Kroneder
Reiner Unkel

SUPERVISORY BOARD COMMITTEES

Executive Committee
Dr. Jörn Kreke (Chairman)
Margarete Pinkowski (Vice-Chairwoman)
Dr. h.c. August Oetker (Assessor)

Arbitration Committee
Dr. Jörn Kreke
Dr. h.c. August Oetker
Margarete Pinkowski
Petra Lügger

Audit & Finance Committe
Dr. Ernst F. Schröder (Chairman)
Detlef Bierbaum
Dr. Ulrich Wolters

Nomination Committee
Dr. Jörn Kreke
Dr. h.c. August Oetker
Dr. Ernst F. Schröder

The consolidated financial statements will be approved on January 4, 2010 by a circular resolution of the Supervisory Board of DOUGLAS HOLDING AG.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hagen, January 4, 2010
DOUGLAS HOLDING AG

The Executive Board

Dr. Henning Kreke | Dr. Burkhard Bamberger | Anke Giesen

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by DOUGLAS HOLDING AG, Hagen, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from October 1, 2008 to September 30, 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB are the responsibility of the parent company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and group management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB, and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, January 5, 2010

Susat & Partner oHG
Wirtschaftsprüfungsgesellschaft

Rudolph	Schulz-Danso
German Accountant	German Accountant

FURTHER INFORMATION

Overview of the past several years

		IFRS	IFRS	IFRS	IFRS	IFRS	HGB	HGB	HGB	HGB	HGB	HGB
		2008/09	2007/08[1)]	2006/07	2005/06	2004/05	2004/05	2003/04	2003 abbrev.	2002	2001	2000
Sales	EUR m	3,200.8	3,130.4	3,000.6	2,680.0	2,417.6	2,418.7	2,288.4	1,442.6	2,234.3	2,190.2	2,139.4
national	*EUR m*	*2,071.5*	*2,032.9*	*2,032.6*	*1,815.3*	*1,724.3*	*1,724.3*	*1,596.8*	*1,016.9*	*1,655.0*	*1,667.1*	*1,688.9*
international	*EUR m*	*1,129.3*	*1,097.5*	*968.0*	*864.7*	*693.3*	*694.4*	*691.6*	*425.7*	*579.3*	*523.1*	*450.5*
EBITDA	EUR m	255.0	276.9	266.0	242.9	228.6	219.5	213.1	81.3	206.4	222.5	220.3
EBITDA margin	%	8.0	8.8	8.9	9.1	9.5	9.1	9.3	5.6	9.2	10.2	10.2
EBIT	EUR m	116.1	159.9	157.2	142.1	136.1	122.4	112.2	7.0	105.9	125.2	130.8
EBIT margin	%	3.6	5.1	5.2	5.3	5.6	5.1	4.9	0.5	4.7	5.7	6.2
EBT	EUR m	103.9	149.3	143.1	129.4	119.4	119.5	110.3	3.6	95.1	118.3	125.9
EBT margin	%	3.2	4.8	4.8	4.8	4.9	4.9	4.8	0.2	4.3	5.4	5.9
Net income	EUR m	62.8	97.1	88.4	76.0	57.3	74.5	64.5	-11.4	58.9	81.5	113.9
Non-current assets[2)]	EUR m	798.9	808.4	734.9	636.4	540.7	501.9	437.4	420.1	435.2	447.7	412.8
Current assets[3)]	EUR m	889.8	935.4	993.2	957.9	873.2	868.0	779.9	759.9	895.8	839.4	868.9
Working Capital[4)]	EUR m	455.0	459.8	400.0	381.4	343.6	574.4	504.3	487.5	507.6	479.6	509.4
Equity	EUR m	710.9	697.0	639.2	591.0	537.8	602.1	564.5	531.2	582.3	571.3	549.8
Equity ratio	%	42.1	39.9	36.9	37.1	38.0	43.3	45.9	44.5	43.4	44.0	42.6
Non-current liabilities[5)]	EUR m	129.7	148.1	294.0	278.2	212.7	214.1	152.6	169.1	173.4	164.4	168.6
Current liabilities[6)]	EUR m	848.0	898.7	794.9	725.1	663.4	573.4	509.4	487.3	576.6	557.4	563.8
Net debt[7)]	EUR m	166.3	220.6	206.8	145.2	74.0	74.0	40.6	80.7	4.5	74.3	48.3
Total assets	EUR m	1,688.6	1,743.8	1,728.1	1,594.3	1,413.9	1,391.7	1,229.9	1,194.5	1,341.1	1,298.6	1,290.3
Cash flow from operating activities	EUR m	191.7	208.4	195.7	151.1	164.9	178.7	170.2	37.6	202.3	162.3	194.5
Cash flow from investing activities	EUR m	-107.2	-168.3	-201.6	-168.2	-133.5	-140.8	-100.4	-70.0	-98.2	-134.0	-78.8
Free Cash Flow	EUR m	84.5	40.1	-5.9	-17.1	24.8	37.9	69.7	-32.4	104.1	28.3	115.7
Cash flow from financing activities	EUR m	-100.1	-154.6	-52.9	12.4	35.2	21.2	-42.9	-43.3	-40.7	-60.5	-68.5
Capital expenditure	EUR m	112.3	155.5	155.8	141.2	121.6	120.9	118.3	65.5	98.1	144.7	137.8
Amortization/depreciation	EUR m	138.9	117.0	108.8	100.8	92.5	97.1	101.1	74.6	105.5	97.7	89.6
Number of shares	m Shares	39.3	39.2	39.2	39.2	39.1	39.1	39.1	39.0	39.0	39.0	35.4
Market capitalization	EUR m	1,228.1	1,263.8	1,717.4	1,445.0	1,236.2	1,236.2	929.9	951.8	656.5	1,207.5	1,451.5

Overview of the past several years

		IFRS	IFRS	IFRS	IFRS	IFRS	HGB	HGB	HGB	HGB	HGB	HGB
		2008/09	2007/08[1]	2006/07	2005/06	2004/05	2004/05	2003/04	2003 abbrev.	2002	2001	2000
Per no-par value share												
Share price – end of fiscal year	EUR	31.25	32.24	43.81	36.90	31.60	31.60	23.80	24.40	16.83	31.00	41.00
EBITDA	EUR	6.49	7.06	6.79	6.23	5.90	5.62	5.50	2.08	5.29	5.71	6.22
Earnings[8]	EUR	1.60	2.47	2.25	1.94	1.47	1.56	1.53	-0.69	1.48	1.80	1.85
Dividend	EUR	1.10	1.10	1.10	1.10	1.00	1.00	1.00	0.75	0.90	0.90	0.82
Special bonus	EUR	-	-	-	-	-	-	-	-	-	-	2.56
Dividend yield	%	3.5	3.4	2.5	3.0	3.2	3.2	4.2	3.1	5.3	2.9	2.0
Employees		24,190	24,521	23,265	21,002	19,588	19,588	18,698	18,039	18,967	18,698	18,668
national		*14,761*	*15,110*	*14,746*	*13,521*	*12,952*	*12,952*	*12,333*	*12,071*	*13,391*	*13,808*	*14,261*
international		*9,429*	*9,411*	*8,519*	*7,481*	*6,636*	*6,636*	*6,365*	*5,968*	*5,576*	*4,890*	*4,407*
Stores		2,005	1,966	1,840	1,549	1,599	1,599	1,573	1,558	1,574	1,544	1,665
national		*1,165*	*1,169*	*1,155*	*995*	*1,102*	*1,102*	*1,084*	*1,105*	*1,153*	*1,173*	*1,325*
international		*840*	*797*	*685*	*554*	*497*	*497*	*489*	*453*	*421*	*371*	*340*
Sales space	1,000 m^2	590.6	574.1	528.5	458.8	407.3	407.3	358.5	331.2	328.4	316.8	311.7
national	*1,000 m^2*	*381.1*	*378.6*	*354.1*	*308.9*	*271.2*	*271.2*	*237.8*	*221.3*	*225.6*	*247.4*	*252.2*
international	*1,000 m^2*	*209.5*	*195.5*	*174.4*	*149.9*	*136.1*	*136.1*	*120.7*	*109.9*	*102.8*	*69.4*	*59.5*

[1] Restatement of prior year's figures due to change in accounting for customer loyalty programs according to IFRIC 13 (for explanations see pages 108/109)
[2] HGB: Fixed assets
[3] HGB: Current Assets
[4] IFRS: Inventory and trade accounts receivable less trade accounts payable; HGB: Current assets less current liabilities
[5] HGB: Non-current provisions (for pensions, purchase price annuities, severance pay, anniversary payments, provisions for onerous contracts from tenancies and interest rate swaps) plus non-current liabilities
[6] HGB: Total of provisions and liabilities less non-current portion
[7] Cash and cash equivalents less liabilities to banks and notes payable
[8] HGB: DVFA/SG earnings

GLOSSARY

Actuarial gains/losses
Impact of changes in actuarial parameters when calculating pension obligations.

Associated companies
Companies over which the investor has significant influence (interest between twenty and fifty percent held) and is neither a subsidiary nor an interest in a joint venture.

At equity
Valuation of interests in associated companies with their prorated stockholders' equity and profits for the year.

Available-for-sale securities
Securities which are neither held for trading, i.e. to generate short-term profits, nor held until a specific maturity.

CAPM (Capital Asset Pricing Model)
A capital market-oriented model used to calculate a company's cost of capital.

Cash Flow
An indicator used in the analysis of balance sheets to show a company's financial strength. The cash flow designates the changes to liquid funds resulting from operational activities and other factors within a given period.

Cash Flow Hedge
Used to hedge against risks from cash flow fluctuations as a result of changes in interest rates.

Cash flow statement
Presentation of an organization's liquidity during the course of a fiscal year, reflecting the origins of funds and the effects of allocating resources.

Cash-generating unit
Smallest unit of assets which generates cash flows in a company, whereby these cash flows are mostly independent of cash flows for other assets or groups of assets.

Cash-Management-System
Computer-aided system for the optimum management of funds in the Group in respect to liquidity and profitability.

Consolidation
Aggregation of the financial statements from all the companies within a Group to produce the consolidated financial statement.

Corporate Governance
Term used to denote responsible corporate management and controlling that is aimed at generating sustained added value.

DBO (Defined Benefit Obligation)
Compulsory amount for the company resulting from a defined benefit plan.

Defined-contribution plan
Plan for the provision of payments after the end of the employment relationship, in which the company pays defined contributions to an independent pension fund, and itself has neither a legal nor a de facto obligation to make payments over and above these amounts.

Derivative financial instruments
Financial products for which valuation is based on the performance of the underlying instrument.

Dividend yield
Interest paid on the capital invested in shares; calculated by dividing the dividend by the stock's price at a specific date.

DVA (DOUGLAS Value Added)
DVA is a management control concept based on EVA® (-> EVA®) that has been specially tailored to the DOUGLAS Group's requirements.

EBIT
Earnings before Interest and Taxes.

EBIT margin
Ratio of EBIT to sales.

EBITDA
Earnings before Interest, Taxes, Depreciation and Amortization.

EBITDA margin
Ratio of EDITDA to sales.

EBT
Earnings before taxes.

EBT margin
Ratio of EBT to sales.

Endorsement process
When the IASB passes an accounting standard, it is subjected to a formal recognition process by the EU. Standards that are recognized by the EU Commission in this process can be used by companies preparing their accounts using IFRS based on the EU directive.

Eurozone
The member states of European Union that have adopted the euro as their currency. During the period under review, the Eurozone comprised sixteen countries: Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Portugal, Slovenia, Slovakai, Spain and the Netherlands.

EVA® (Economic Value Added)
EVA® is a concept developed by the corporate consultants Stern Stewart & Co. to promote value-oriented management control.

Fair Value
Amount at which an asset would be transferred in an arm's-length transaction.

Finance lease
Lease in which the main opportunities and risks associated with ownership of an asset are transferred to the user of that asset, irrespective of the actual transfer of legal title.

Free cash flow
Operating cash flow minus cash flow from investment activities. The free cash flow is available for dividend payments to shareholders, and to pay interest.

Free Float
The percentage of share capital that is not held by long-term investors and can therefore be freely traded on the market (free-float).

Functional currency
The currency used in the primary economic environment of a company's operations.

Goodwill
Positive differential between a company's purchase price and its net assets (assets minus debts).

HDE
The Handelsverband Deutschland ("German Retail Association").

Hedge accounting
Accounting treatment of hedge transactions.

IFRIC (International Financial Reporting Interpretations Committee – formerly SIC)
Concrete interpretations of individual IFRSs.

IFRS/IAS (International Financial Reporting Standards – formerly IAS)
Accounting standards issued by an international committee (International Accounting Standards Committee) with the aim of creating transparent accounting that is comparable worldwide.

Impairment
Reduction in value that is performed as soon as the carrying amount of an asset is greater than its recoverable amount, i.e., the higher value which would result from either its sale or its continued use.

Like-for-like sales
Sales relative to space; only includes sales from those branches operating during the year under review and the year being compared. Does not include stores whose sales area varied by at least 20 percent during the period under review.

Market capitalization
The market price of a listed company; calculated by multiplying the current share price by the number of shares issued.

MDAX
Share index containing the fifty largest German and non-German companies within the DAX index (measured in terms of their trading volume and market capitalization).

Net realizable value
Value that would be realized from sale in normal business less the estimated production and marketing costs which are still due.

OECD
Organization for Economic Cooperation and Development.

Operating lease
Leasing for items where the main opportunities and risks associated with the leased item remain with the lessor.

Past service cost
Increase in the present value of a defined benefit pension commitment which is due to the work performed by the employees during the period under review.

Plan assets
Assets which are held in long-term funds or qualified insurance policies to fulfill payments to employees.

Sale-and-Leaseback Transaction
Sale of an item with simultaneous further use of the item by the seller.

Short reporting period
A reporting period that is shorter than twelve months.

Temporary differences
Differences between the carrying amount of an asset and its tax base.

Value added
The additional increase in value generated in a company by operations, over and beyond that generated by the services obtained from third-party providers for this purpose.

FINANCIAL CALENDAR

January 13, 2010
Press Conference on annual results, Düsseldorf
Publication of the Annual Report
for the fiscal year 2008/09
(10/01/2008 – 09/30/2009)

January 14, 2010
Analysts' Conference, Frankfurt/Main

February 9, 2010
Interim Report Q1 2009/10

March 24, 2010
Annual Shareholders' Meeting, Hagen

March 25, 2010
Dividend Distribution

May 11, 2010
Mid-Year Report 2009/10

August 11, 2010
Interim Report 9M 2009/2010

October 7, 2010
Trading Statement for the
fiscal year 2009/10
(10/01/2009 – 09/30/2010)

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On request we will be pleased to send you the annual financial statements for DOUGLAS HOLDING AG as well.
Further information and the latest corporate communications can be found on our website at www.douglas-holding.com.

Forward-looking statements: This annual report contains statements that refer to future developments. Such statements constitute assessments that have been taken in the light of the information available. Should the assumptions on which they are based not prove accurate, or should – as specified in the section entitled Risk Management – risks occur, the actual results may differ from those anticipated.

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