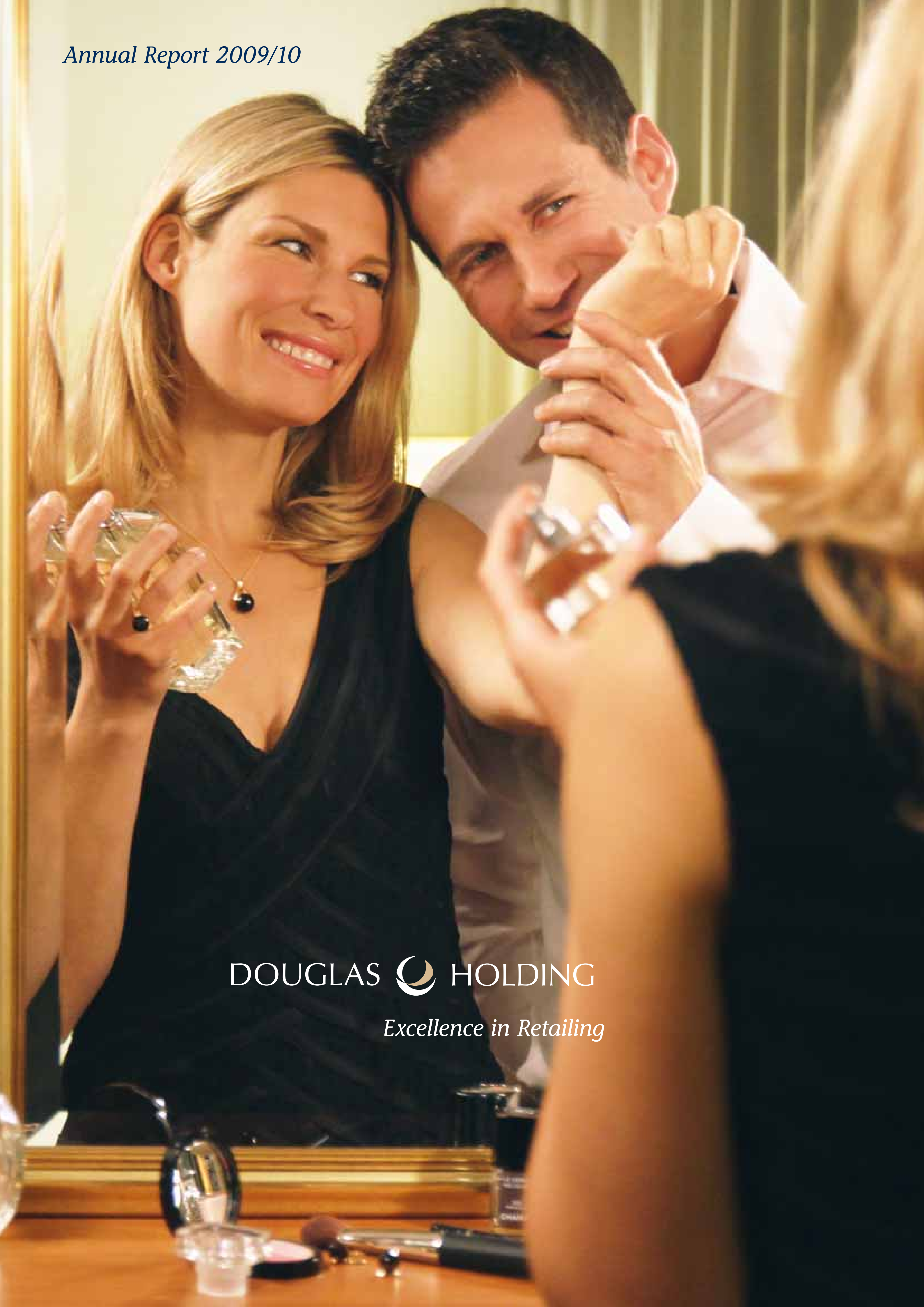
Annual Report 2009/10



DOUGLAS HOLDING

Excellence in Retailing

THE DOUGLAS GROUP FACTS & FIGURES

Facts & Figures

		2009/10	2008/09	Change (in %)
Sales	EUR m	3,320.8	3,200.8	3.7
national	EUR m	2,168.2	2,071.5	4.7
international	EUR m	1,152.6	1,129.3	2.1
EBITDA	EUR m	286.9	255.0	12.5
margin	in %	8.6	8.0	–
EBT before closing costs[1)]	EUR m	131.2	127.6	2.8
margin	in %	4.0	4.0	–
EBT	EUR m	131.2	103.9	26.3
margin	in %	4.0	3.2	–
Net income	EUR m	76.1	62.8	21.2
Share price (September 30)	EUR	36.83	31.25	17.9
EBITDA per share	EUR	7.30	6.49	12.5
Earnings per share	EUR	1.93	1.60	20.6
Dividend per share	EUR	1.10	1.10	–
DVA	EUR m	23.7	20.5	15.6
Free Cash Flow	EUR m	88.2	84.5	4.4
Capital expenditure	EUR m	117.5	112.3	4.6

		09/30/2010	09/30/2009	Change (in %)
Non-current assets	EUR m	792.1	798.8	–0.8
Current assets	EUR m	886.8	889.8	–0.3
Equity	EUR m	764.8	710.9	7.6
Non-current liabilities	EUR m	113.8	129.7	–12.3
Current liabilities	EUR m	827.6	848.0	–2.4
Balance sheet total	EUR m	1,713.4	1,688.6	1.5
Working capital	EUR m	418.1	455.0	–8.1
Net bank debt	EUR m	124.0	165.3	–25.0
Employees		24,655	24,190	–
Stores		1,973	2,005	–
Sales area	1,000 m^2	596.6	590.6	–

[1)] 2008/09: Closing costs of 23.7 EUR m

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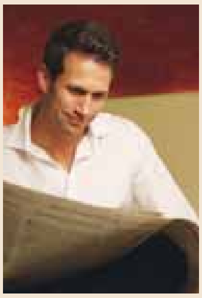
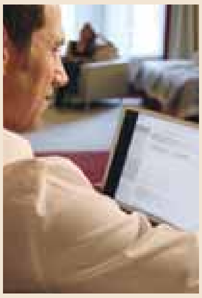
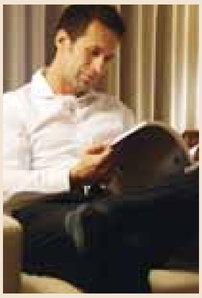




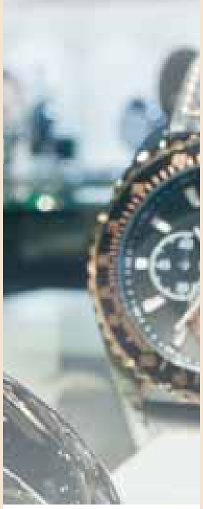


THE DOUGLAS GROUP

The DOUGLAS Group stands for “Excellence in Retailing,” a principle embraced by all of its subsidiaries and service organizations. The five retail divisions (Douglas, Thalia, Christ, Appelrath-Cüpper and Hussel) form the public face of the DOUGLAS Group. Each ranks among the trendsetters and market leaders in its segment.

Various organizations perform key administrative functions within the Group and support the Executive Board and the managements at the sales subsidiaries. They include service companies (such as DOUGLAS Corporate Service GmbH (DCS), DOUGLAS Informatik & Service GmbH (DIS), DOUGLAS Immobilien GmbH & Co. KG, DOUGLAS Leasing GmbH, DOUGLAS Versicherungsvermittlung GmbH (DVV) and EKV Einkaufsverbund GMBH) and the holding company’s own service divisions (Auditing, Communication, Controlling, Finance, Group Development, Human Resources, Investor Relations, Legal Affairs, Mergers & Acquisitions, Risk Management and Taxes).





	Douglas	Thalia	CHRIST	AppelrathCüpper	HUSSEL Confiserie
Sales in EUR m	1,879	906	310	124	99
Employees	14,834	5,186	2,173	751	1,141
Stores	1,205	289	204	14	261
	www.douglas.de	www.thalia.de www.buch.de	www.christ.de	www.appelrath.de	www.hussel.de

MISSION STATEMENT

Customer satisfaction is our paramount corporate objective. We create shopping environments that appeal to all of our customers' senses. We advise and serve these customers with a passion, because we want to satisfy their every need, win their trust and make their lives happier: at each of our locations, in every country, every single day. Offering outstanding service, first-class product ranges and a stimulating shopping experience are goals we aspire to daily throughout our organization. Our employees rank among the very best in the retail segment. Warmth, enthusiasm, dedication, a willingness to learn, and mutual respect are the cornerstones of their – and our – success.

The DOUGLAS Group is a decentralized organization which intentionally places its faith in the strength of local decision-makers. And having consistently prioritized and promoted local entrepreneurship has made us one of Europe's leading retailers today. Our five retail divisions – with their Douglas perfumeries, Thalia bookstores, Christ jewelry stores, Appelrath-Cüpper fashion stores and Hussel confectionery shops – number among the leaders and trendsetters in their respective segments.

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.

As a listed and family-made company, we have equal obligations to our shareholders, our workforce, our clientele and our business partners. We foster a culture in which customers, employees and partners all feel comfortable. This ethos is crystallized by our philosophy of "Excellence in Retailing," a principle that we will continue to embrace – enabling the DOUGLAS Group to sustain profitable growth in the future.

Dear Shareholders and Friends of the DOUGLAS Group,

The DOUGLAS Group once again achieved the goals we set for the 2009/10 financial year. Despite the financial crisis, consolidated sales were up 3.7 percent to over EUR 3.3 billion, slightly surpassing our target of a 2 percent increase. At EUR 131.2 million, earnings before taxes (EBT) were just above our target range of EUR 120 to 130 million.

Once again this year we owe our success first and foremost to our more than 24,000 employees. With their warmth, professionalism and dedication, they reminded our customers time and time again how rewarding shopping in the DOUGLAS Group's specialty stores can be. I would therefore like to express my heartfelt thanks to each and every valued member of the DOUGLAS Group's team for their tremendous contribution!

Our solid performance was achieved by the fact that we once again remained true to our corporate principles – most importantly to our focus on superior customer service. We have persevered with our philosophy and offered customers outstanding service, an attractive shopping atmosphere and first-class merchandise in our stores while maintaining fair prices.

The sales trends were particularly encouraging in our key home market. Sales in Germany's DOUGLAS Group stores rose by 4.7 percent, producing a like-for-like increase of 2 percent. Most notably, the Douglas perfumeries and Christ jewelry stores augmented their market share. Sales abroad were up by 2.1 percent. However, like-for-like sales outside of Germany declined by 2.7 percent. This downturn was partially caused by the financial crisis hitting consumer spending abroad harder than in our home market.

Despite the generally disappointing trends abroad, the DOUGLAS Group posted improvements in its key indicators. DOUGLAS Value Added (DVA) was up by some EUR 3 million to almost EUR 24 million. At EUR 88 million, Free Cash Flow was slightly higher than in the previous year, while our Return On Capital Employed (ROCE) climbed from 7.9 percent to 8.2 percent after taxes.

Investments were also marginally higher at just under EUR 118 million. In total, we opened 72 new stores during 2009/10 and closed 104 unprofitable venues, a consequence of the network optimization program launched in 2008/09. At the very beginning of the economic crisis, we conducted a full review of our entire store network, and decided to close all the locations whose profitability had proved unsustainable.

Today the DOUGLAS Group store network is in a very healthy position, once again offering a platform from which we can improve sales and increase investment. An investment budget of some EUR 125 million has been set aside for the 2010/11 fiscal year. These funds will go toward opening new stores and upgrading existing locations, both at home and abroad. Some 50 to 60 stores are due to open their doors across Europe in the Perfumeries division alone. Expansion activities will focus on countries in which the Douglas perfumeries already lead the market or can expect

Dr. Henning Kreke
President and CEO

to within the foreseeable future. At Thalia, openings of at least ten new multi-channel bookstores will claim the bulk of the investments. In addition Christ and Hussel will also be cementing their market leading positions by opening new locations and modernizing existing venues. While AppelrathCüpper has no plans for expansion, it will continue to invest in upgrading its existing locations.

Beyond attracting customers into our many store locations, we now want to motivate them even more to use our online shops. The future, after all, will belong to retailers who can forge lasting bonds with customers both personally – at fixed-location stores in city centers and malls – and "virtually" with their shops on the Internet. The DOUGLAS Group definitely has a clear edge over vendors who operate exclusively online. In addition to ultra-modern online shops, we can offer almost 2,000 first-class specialty stores where customers can browse at their leisure and draw on expert advice from professionals. As a result, our customers can obtain information on their favorite products at their local store or on the Internet, and buy them either directly in our stores or online for convenient delivery to their doorsteps.

Despite the euphoria about online shopping, there can be no "either – or." We want to offer the best of both worlds: an ideal combination of in-store shopping and online retailing. We are determined to take advantage of the opportunity that we have to boost the image of our brands Douglas, Thalia, Christ, AppelrathCüpper and Hussel both in our stores as well as through our websites. The employees at our stores will therefore be making renewed, more proactive efforts to convince their customers of the benefits of our online shops. Conversely, we will be drawing the attention of all of our online customers to the unique services they will only find inside the DOUGLAS Group's specialty stores. By integrating our online and stationary services, we aim to tap the huge growth potential opening up for multi-channel retailers.

Regardless of location, the customer and his or her utmost satisfaction will always be the focus of our strategy. Our highly capable employees once again demonstrated this successfully during the 2010 holiday season. In the first quarter of our new financial year – from October through December 2010 – sales in the DOUGLAS Group were up by approximately 4 percent. Like for like, this represents an increase of nearly 2 percent. As a result, we have already laid solid foundations for the remainder of the 2010/11 financial year.

Consequently, the prospects for the DOUGLAS Group are positive across the board. That applies particularly to our key home market, where we generate some 65 percent of consolidated sales. Unemployment in Germany is now as low as it was 20 years ago, and rising wages combined with relatively stable prices should also drive domestic consumption. At the same time consumers' "piggy banks" are reasonably full, and if the mood of optimism prevails, they will feel they can afford to spend more again. With its lifestyle strategy tailored to deliver outstanding customer service, first-class merchandise and a stimulating shopping ambiance, the DOUGLAS Group should be well positioned to benefit from this renewed customer optimism more than others.

Given this encouraging outlook and the Group's respectable performance in 2009/10, the DOUGLAS HOLDING AG Executive and Supervisory Boards will propose that the Shareholders' Meeting of March 23, 2011 approve a dividend of EUR 1.10 per dividend-bearing share. This distribution ratio of 57 percent of the Group's net earnings is yet again somewhat higher than our long-term target of about 50 percent. We are delighted that this recommendation will allow you – our esteemed shareholders – to participate in the DOUGLAS Group's solid performance.

Hagen, January 2011

Sincerely,

EXECUTIVE BOARD AND DIRECTORS

Dr. Henning Kreke
President and CEO
since 2001

Anke Giesen
Chief Human Resources Officer
since 2009

Dr. Burkhard Bamberger
CFO
since 2006

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

Michael Busch
Director of the Books Division
since 2003

Reiner Unkel
Director of the Perfumeries Division
since 2007

CORPORATE GOVERNANCE

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 corporate governance specified in the German Corporate Governance Code – form a constituent component of the Group's corporate culture.

The Corporate Governance principles adopted by DOUGLAS HOLDING AG help to ensure that the DOUGLAS Group is managed and controlled in a responsible manner which is designed to create value. Corporate Governance generates transparency and openness, respect for the interests of shareowners, fairness to customers and employees and efficient and trusting cooperation between the Executive and Supervisory Boards, with the goal of producing a sustained increase in value within the DOUGLAS 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 May 26, 2010 from the Federal Commission of the German Corporate Governance Code have been implemented by DOUGLAS HOLDING AG except for the postal ballot.

In the composition of the Executive Board, the Supervisory Board already provided in the past for a proper consideration of female executives early on with the first time appointment of a female executive on the Executive Board back in 2000. The same holds true for the Supervisory Board, in which women have been represented for decades. In addition, due care is taken that the members possess the required knowledge, skills and professional experience needed for the proper performance of their duties. This also applies to next year's election of four representatives from the shareholder side. The proposed candidates possess special knowledge, skills and experience in areas of great importance to the specialty retail business of DOUGLAS HOLDING AG. This spectrum extends from international marketing expertise to subjects such as real estate management and capital market experience.

The aim is to assist the Executive Board as best as possible in its responsibilities and challenges with know-how, experience and advice. This applies in particular to issues arising from new developments, which cannot be drawn on personal experience.

During the 2009/10 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. The DOUGLAS HOLDING AG is refraining from the option of postal voting at the 2011 Annual Shareholders' Meeting (No. 2.3.3. DCGK Code). Given the high attendance at the Annual Shareholders' Meeting and the shareholder structure, the additional costs to be incurred would be disproportionate to the expected voting turnout by postal vote. Also, the postal vote does not offer any perceived added value to the shareholders in the personal exercise of their rights against the written proxy offered by the DOUGLAS HOLDING AG up to the date of the Annual Shareholders' Meeting. Instead the DOUGLAS HOLDING AG is investing in an electronic voting system that facilitates the casting of votes at the Annual Shareholders' Meeting and shall provide for a faster determination of the voting results.

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

Corporate Governance on the Internet:
www.douglas-holding.com

Principles of Corporate Governance

Declaration of Compliance pursuant to Section 161 of the German Stock Corporation Law (AktG)

Principles governing Executive Board remuneration

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 May 26, 2010, the Executive and Supervisory Boards of DOUGLAS HOLDING AG have issued a declaration of compliance 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 2009/10 fiscal year, a total of 2,821.2 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, 1,326.1 thousand EUR comprised of non-performance related and 1,495.1 thousand EUR performance-related income. The variable components for compensation to all Executive Board members (except for the Chief Human Resources Officer) are based on the result from ordinary business activities of the DOUGLAS Group less a 10 percent virtual accrual of the Group's equity. The variable component of the Chief Human Resources Officer's remuneration depends 50 percent on the result from ordinary business activities and 50 percent on individually agreed target arrangements. The remuneration structure is in line with a sustainable business development. Variable remuneration is not based on the result of a respective fiscal year, but is weighted for an average of the results recorded for the past three fiscal years. The variable remuneration is also limited, because it cannot exceed a clearly defined percentage in base salary. With respect to the other Division heads, the variable components are based on the net results of the respective division in a comparative form.

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 self-deductible portion has corresponded to the statutory requirements in effect since July 1, 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 167 of this Annual Report.

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Supervisory Board remuneration

The remuneration of the Supervisory Board is determined by the Annual Shareholders' Meeting and governed by Section 14 of the statutes of DOUGLAS HOLDING AG. 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 811.2 thousand EUR during the 2009/10 fiscal year. Of this sum, 608.2 thousand EUR comprised fixed components and 203.0 thousand EUR variable components. A breakdown by member is shown in the Notes accompanying the consolidated financial statements on page 168 of this Annual Report.

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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 Boards functions quite well.

Directors' Dealings

During the 2009/10 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 page 168 of this Annual Report.

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Independence of Auditors

Prior to commencing the audit of the consolidated financial report for the fiscal year 2009/10, 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 2010/11.

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

The Supervisory Board of DOUGLAS HOLDING AG dealt extensively with the business and strategic performance of our Group during the fiscal year under review. In the 2009/10 fiscal year, the Supervisory Board fulfilled its duties in accordance with the legal requirements and the company's statues, 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 deliberations

The Supervisory and Executive Boards held four ordinary meetings to discuss in-depth the business trends in the European retail sector and the financial performance of the DOUGLAS Group's individual corporate divisions. The Executive Board submitted detailed reports to all Supervisory Board members before the Supervisory Board meetings. Discussions were held and decisions made on numerous issues including, among others:

a) risks and opportunities for the DOUGLAS Group's corporate divisions arising from E-Commerce and the implementation of own multi-channel concepts for all corporate divisions;
b) intensification of the vertical integration strategy by means of expanding private and exclusive labels;
c) impact of digitalization on the bookselling business;
d) strategically necessary measures in certain countries;
e) further development of the remuneration system for the Executive Board;
f) diverse measures to secure earnings in a tough economic environment;
g) strategic considerations to promote growth of the Douglas Perfumeries outside of Germany.

Given the impact of 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, pleasing and impressive progress was made in all areas, so that the market position was upheld and expanded.

Corporate Governance

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

For purposes of self-evaluation, the Supervisory Board performs an efficiency audit at regular intervals, which confirms the open communication and constructive work among the Board and Committees.

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 in Germany and abroad, significant leases, a range of acquisitions and divestiture projects as well as Executive Board remuneration and issues relating to human resources. 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 2009/10 financial year. The main focal points of its deliberations were the DOUGLAS HOLDING AG's separate and consolidated annual financial statements, the current financial structure, the hedging of interest and foreign currency risks and the operational planning for the Group. Moreover, the Executive Board and Audit Committee held three in-depth teleconferences 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).

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

Human resource issues

1. In the 2009/10 fiscal year, Ms Anke Giesen undertook her duties as a Member of the Executive Board on November 1, 2009, and is responsible for the areas of Human Resources and Legal.
2. Ms Malene Volkers, Trade Union Secretary, resigned from her position on the Supervisory Board as per the end of the Annual Shareholders' Meeting on March 24, 2010. Mr Johann Rösch, Trade Union Secretary ver.di, was appointed effective April 28, 2010 as the new employee representative on the Supervisory Board.
3. One Supervisory Board member participated in less than half of the Supervisory Board meetings due to illness.

Auditors

In accordance with a vote at the Annual Shareholders' Meeting, the Supervisory Board appointed Susat & Partner oHG Wirtschaftsprüfungsgesellschaft, Hamburg, in August 2010 to audit the separate and consolidated annual financial statements for the 2009/10 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 2009/10 fiscal year 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 statues and issued an unqualified audit report.

On December 7, 2010, the Audit Committee joined the Executive Board to hold full discussions with the auditors on the audit findings, risk management system and organization matters of 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 8, 2010, 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 on January 10, 2011. 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 2009/10 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 impressive commitment and successful work achieved under challenging economic conditions in the 2009/10 fiscal year.

Hagen, January 2011
On behalf of the Supervisory Board

Dr. Jörn Kreke
Chairman

THE DOUGLAS SHARE

The international stock markets delivered an overall pleasing performance in the 2009/10 fiscal year of DOUGLAS HOLDING AG. In an environment of historically low interest rates, the share prices climbed worldwide in the wake of the emerging global economy, whose recovery was supported by extensive economic programs of the leading industrial nations. For export countries like Germany, additional growth impetus came from the unexpectedly high demand in import goods from emerging countries. In Germany, the higher consumer spending also contributed to this growth. By contrast, the worldwide share prices suffered from doubts surrounding the financial sector's stability and from the credit rating and financial problems arising from high budget deficits of some Euro zone countries. And in particular, the mood on the capital markets was impacted by the repeatedly established recession scenarios for the USA.

Fig. 1 Major European indices reported a positive performance in the year under review: The German stock index, DAX, stood at 5,682 points at the beginning of DOUGLAS HOLDING AG's 2009/10 fiscal year on October 1, 2009 – falling to an annual low of 5,353 points by the beginning of November 2009. In the following months the DAX succeeded in making up losses, closing at 6,229 points as of the balance sheet date on September 30, 2010. This corresponded to a plus of 9.6 percent based on the fiscal year. An even better performance was delivered by the MDAX, which also lists the DOUGLAS shares. The index gained 19.0 percent over the same period, closing at 8,768 points. The performance of the German retail stocks is tracked in the DAXsector Retail index. Following the index's drop of 3.4 percent in the preceding year, it sharply climbed by 18.3 percent in the 2009/10 fiscal year. The substantial gain in the DAXsector Retail index reflected the good economic fundamental indicators in Germany and the related optimistic assessment of the capital markets regarding the further performance of domestic demand in Germany.

Positive share price performance

In the improved capital market environment, the DOUGLAS share gave a pleasing performance and benefited from the sharp rise in expectations for consumer spending in Germany. The DOUGLAS share closed on XETRA at 36.83 Euro on September 30, 2010 after starting at 31.25 Euro at the beginning of the fiscal year. This represented a gain of 17.9 percent following a contraction of 3.8 percent in the previous year. Taking Fig. 2

Fig. 1 · Indexed price of the DOUGLAS share in the 2009/10 fiscal year

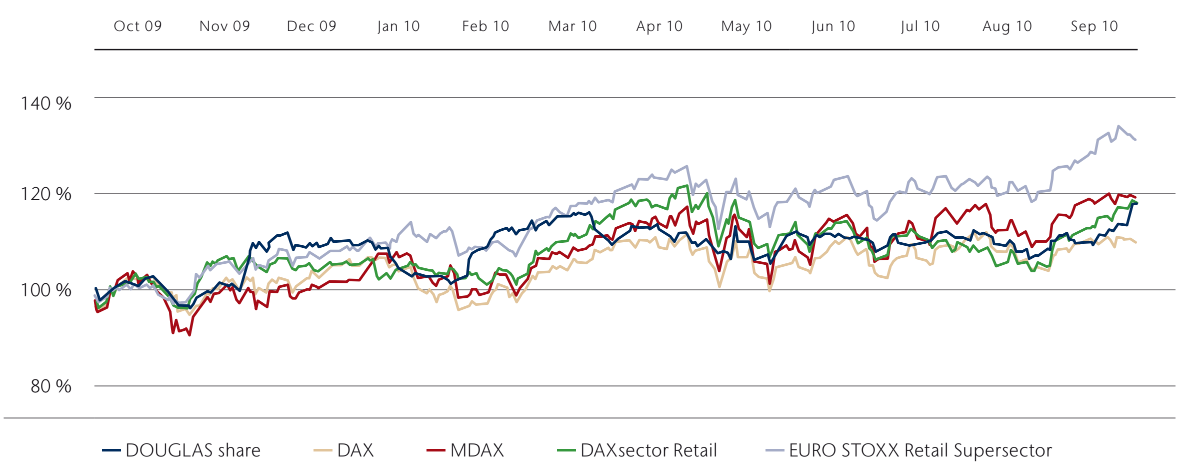
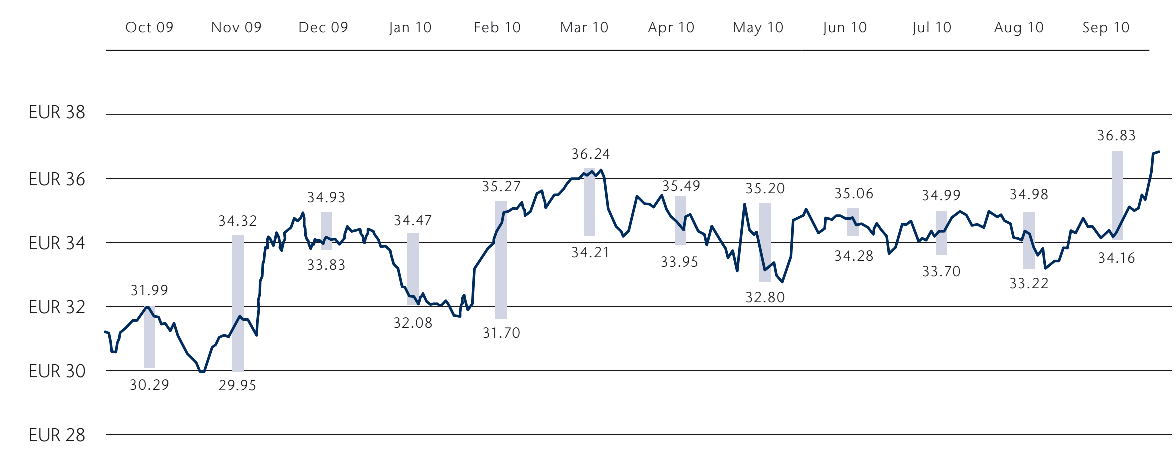


Fig. 2 · Maximum and minimum price of the DOUGLAS share in the 2009/10 fiscal year



into account the 2008/09 dividend of 1.10 Euro per share, this translates into a total shareholder return of 21.4 percent. Subsequently, the DOUGLAS share followed the performance of the comparative indices. On the balance sheet date as of September 30, 2010, the share reached its yearly high at 36.83 Euro for the 2009/10 fiscal year and recorded its yearly low at 29.95 Euro on November 3, 2009.

Lower trading volume

Fig. 3

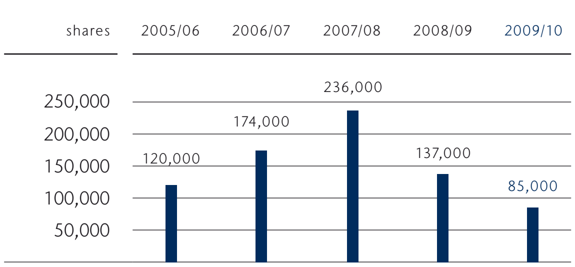
With the stabilization of the financial markets and the resulting fall in the volatility of the stock markets, the trading volume dropped on the international stock exchanges. The DOUGLAS shares could not escape from this trend. The average daily turnover on the electronic platform XETRA, which is where nearly 90 percent of all trading in DOUGLAS shares takes place, declined by 38 percent to 85,000 shares in the 2009/10 fiscal year (FY 2008/09: 137,000 shares). Nonetheless, at peak times, more than 350,000 shares changed hands in a single day. Alternative electronic trading platforms are becoming increasingly more important for the DOUGLAS share, and reached a share in total sales of roughly ten percent in the 2009/10 fiscal year.

Compared to the prior year's closing date, the DOUGLAS share had a market capitalization of 1.45 billion Euro as of September 30, 2010 (9/30/2009: 1.23 billion Euro). According to Deutsche Börse AG's index system, which only takes free float into account when calculating market capitalization, the shares were ranked 34th in the MDAX (9/30/2009: 26th), with an index-weighting of around 1.2 percent as of the close of the fiscal year (9/30/2009: 1.4 percent).

Intensive dialog with capital markets

Maintaining ongoing and transparent dialogs with analysts as well as institutional and private investors feature strongly in the DOUGLAS Group. Alongside the reporting of key financial indicators, the focus of the investor relations' activities is also the communication of the DOUGLAS Group's value-oriented corporate strategy. The objective is to clarify

Fig. 3 · Trading volume – Five year overview [1]



[1] daily average

Fig. 4 · DOUGLAS share – Market overview

		2009/10	2008/09
Shares issued as of balance sheet date	m	39.3	39.3
Shares issued as of balance sheet date, not including treasury shares	m	39.3	39.3
Capital stock	EUR m	118.0	117.8
Highest stock quotation (XETRA)	EUR	36.83	33.80
Lowest stock quotation (XETRA)	EUR	29.95	25.62
Stock quotation as of end of fiscal year (XETRA)	EUR	36.83	31.25
Market capitalization as of end of fiscal year	EUR m	1,448.2	1,227.5
Earnings per share	EUR	1.93	1.60
Dividend per share	EUR	1.10	1.10

the business model and the potential of the DOUGLAS Group to the capital markets, thus achieving an objective and fair valuation of the DOUGLAS share.

Also in the 2009/10 fiscal year, the Executive Board and the Investor Relations Team kept investors and financial analysts promptly and comprehensively informed about current business developments, strategic planning and 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 180 one-on-one or group meetings in all major financial centers in Europe, the USA and at the company's headquarters in Hagen, Germany. The top management of the operating divisions was also included in the communication to the capital markets. Furthermore, at a Store Tour in Berlin, analysts and institutional investors had the 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.

Fig. 5 · DOUGLAS share – Key information

Type of share/denomination	No-par value share
Admission segment	Prime standard
Industry	Retail
Index	MDAX
ISIN	DE0006099005
Stock exchanges	Frankfurt on the Main, Dusseldorf, Berlin, Hamburg, Stuttgart, Hanover and Munich
Symbol	DOU.ETR
Ticker symbol Bloomberg	DOU GR
Ticker symbol Reuters	DOHG.DE
Designated Sponsor	WestLB AG

An important date on the financial calendar is the annual Analysts' Conference. At the Analysts' Conference held back in January 2010 in Frankfurt on the Main, the Executive Board gave a full report to around 60 analysts and investors on the past 2008/09 fiscal year and on the sales and earnings forecasts for 2009/10. In three telephone conferences with an average of 35 participants, business developments in the first three quarters of 2009/10 were discussed in detail.

The DOUGLAS Group attaches great importance to communicating with private investors. Many of whom took advantage of the Shareholders' Meeting on March 24, 2010 held at the City Hall in Hagen to obtain a thorough picture from the DOUGLAS HOLDING AG's Executive Board of business developments. The roughly 1,200 shareholders present at the Shareholders' Meeting represented 58 percent of the capital stock (prior year: 59 percent) and approved all agenda topics. In order to meet the informational needs of private investors, the Investor Relations Team also addressed issues raised by investors at the DAF Share Forum in Berlin.

Apart from personal talks, DOUGLAS HOLDING AG's Internet website presents an alternative to shareholders and all interested potential investors to gain extensive information about the DOUGLAS Group. Under www.douglas-holding.com, share information, current news and dates, presentations and scripts from Executive Board speeches as well as annual and interim financial reports can be accessed. Moreover, major portions of the Shareholders' Meeting are broadcast live on the Internet every year. Company figures are continuously updated and during the current fiscal year information provided on the website will continue to improve in terms of content and to expand in specific areas.

It was most gratifying that the Investor Relations initiatives of DOUGLAS HOLDING AG in the 2009/10 fiscal year reached top positions in external evaluations. As a result, DOUGLAS HOLDING AG ranked third place in the MDAX category of the German Investor Relations Award granted annually by the Deutsche Investor Relations Verband e.V. (DIRK). The economic magazine, Capital, and the Society of Investment Professionals in Germany (DVFA) awarded the Investor Relations Team second place with the "Capital Investor Relations" prize in the MDAX category.

Investor Relations activities will be further improved in the 2010/11 fiscal year. DOUGLAS HOLDING AG's idea is to strengthen communication 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 share.

High interest exhibited by analysts

In the 2009/10 fiscal year, 24 analysts from renowned investment firms – mainly from Germany and the United Kingdom – regularly published studies and commentaries of current developments of the DOUGLAS Group and made their recommendations. As of September 30, 2010, eight analysts recommended buying the DOUGLAS share, thirteen categorized them as "hold" and only three gave a "sell" recommendation. The majority of the analysts raised the share targets for the DOUGLAS share during the course of the year. In their studies, the analysts concluded that the DOUGLAS Group is very well positioned and should benefit disproportionately from the much improved economic conditions and the increased consumer spending, especially in Germany.

Stable dividend

The Executive and Supervisory Boards of DOUGLAS HOLDING AG will propose to the Shareholders' Meeting on March 23, 2011 to approve a dividend of 1.10 Euro per no-par value share for the 2009/10 fiscal year just like in the preceding year. This corresponds to a payout ratio of 57 percent of the consolidated net income allocated to DOUGLAS shareholders. If the dividend is viewed in relation to the market price of 36.83 Euro for DOUGLAS shares as of the end of the 2009/10 fiscal year, this would result in a dividend yield of 3.0 percent. Fig. 6 Fig. 7

Therefore, on the basis of a stable dividend payout year-on-year – even during an overall global financial market crisis – the Executive and Supervisory Boards want to demonstrate their shareholder-friendly dividend policy, thus allowing shareholders to also participate in the solid corporate development in an appropriate manner for the 2009/10 fiscal year.

Fig. 6 · Dividend performance

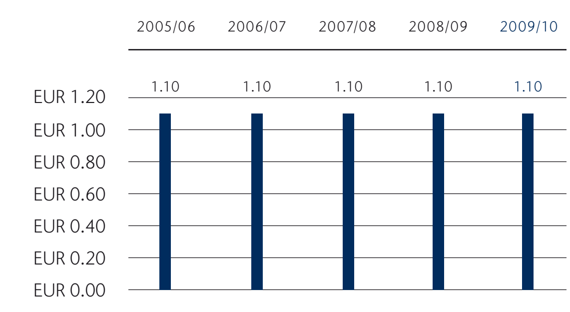
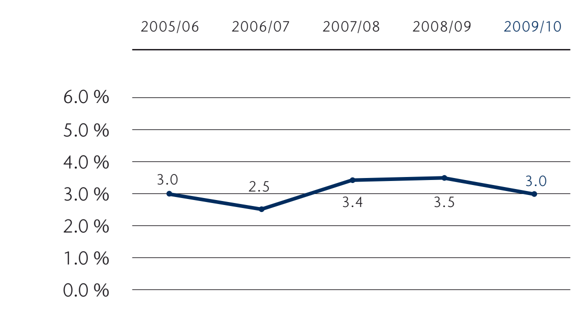


Fig. 7 · Dividend yield



Wishing you a pleasant tour of the highlights from our 2009/10 financial year: Julia Wagener (left) and Ann-Kristin Mugrauer from Douglas in Weiterstadt.

IMPRESSIONS

October 2009

With Douglas, Thalia, Christ and Hussel openings, the DOUGLAS Group offers no less than four new stores at the futuristic “Loop5” shopping center in Weiterstadt near Frankfurt.

Douglas, Christ and Hussel open new locations at the “Limbecker Platz” mall in Essen. Thalia opened a bookstore here in March 2008.

November 2009

The DOUGLAS Executive Board honors the winner of the “TOP TEAM 2009” sales competition. The “crème de la crème” win a four-day Mediterranean cruise on the AIDA.

Anke Giesen assumes responsibility for the Human Resources and Legal Affairs portfolios on the DOUGLAS HOLDING AG Executive Board.

December 2009

Thalia Holding acquires a majority interest in the online bookseller buch.de.

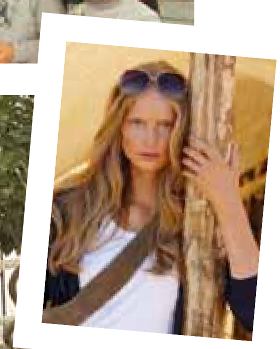
Douglas and Thalia are named German “Retailers of the Year” in the categories “Perfumery“ and “Books and Magazines” – the results of a survey of 45,000 consumers conducted by Q&A Research & Consultancy.

DOUGLAS HOLDING donates EUR 2,000 to the “Meals for Children” initiative run by the Young Protestants organization in Hagen.

January 2010

Douglas joins the cosmetics manufacturer Origins in the “Plant a Tree” ecology campaign.

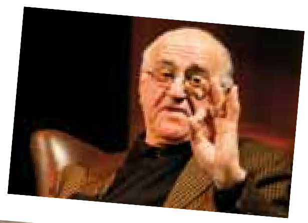
The top model Katrin Thormann becomes the new face of AppelrathCüpper.



February 2010

A quartet of DOUGLAS Group shops opens at the new “Rathaus-Galerie” in Leverkusen: Douglas, Thalia, Christ and Hussel.

TV talkmaster Alfred Biolek guests at the buch.de soirée in Münster.



March 2010

The DOUGLAS Lifestyle building on Frankfurt’s Zeil shopping street celebrates its 10th anniversary. Joining in: Douglas and AppelrathCüpper.

On the occasion of its Shareholders’ Meeting, DOUGLAS HOLDING once again donates EUR 25,000 to three local charities.

April 2010

Douglas employee Marion Thode celebrates her 50th jubilee! On April 1, 1960 she began her apprenticeship at Douglas on Hamburg’s Neuer Wall – and stayed until entering a well-deserved retirement at the end of April 2010.

May 2010

Douglas commemorates the centenary of the first-ever Douglas perfumery – opened at Neuer Wall 5 in Hamburg on May 24, 1910.

Thalia opens a new, ultra-modern multi-channel bookstore with nearly 20,000 square feet of sales space on Dortmund’s Westenhellweg.

Douglas opens the first perfumery exclusively illuminated with LED lighting in Frankenthal (southwest Germany).

Dr. Jörn Kreke, Chairman of the DOUGLAS HOLDING Supervisory Board, turns 70.

June 2010

Hussel pilots a “new world of great taste” in Aschaffenburg and launches www.hussel.de.

Best-selling author Sebastian Fitzek visits the Thalia bookshops in Bielefeld, Cottbus and Dresden.

July 2010

The world’s most expensive perfume goes on sale at Douglas on Düsseldorf’s Königsallee – for the princely sum of EUR 285,000.

Many shop teams organize exciting events for their customers during the Soccer World Cup.

August 2010

The DOUGLAS Group welcomes some 670 new apprentices across Germany – more than ever before.

Thalia opens Austria’s first-ever multi-channel bookstore in Vöcklabruck.

September 2010

The new Douglas perfumery on Berlin’s Tauentzienstrasse captures imaginations with its “world of colors” – a rich array of cosmetic products, a section devoted to exclusive care ranges, and multi-channel features such as touchscreens for browsing online.

Halle Berry presents her new perfume ‘Reveal’ at Douglas in Hamburg.

Thalia shows off its own eReader ‘OYO’ at the IFA trade fair in Berlin.

Christ reopens in grand style on Frankfurt’s Zeil boulevard, setting new standards in the process.

AppelrathCüpper launches its website and attracts customers in Münster with a revamped store design.

The “mini-store,” the DOUGLAS HOLDING kindergarten, is among the winners of Germany’s “365 Places in a Land of Ideas” competition.

ENTHUSIASM DRIVES SUCCESS

The DOUGLAS Group is synonymous with supreme customer and service orientation and therefore considers the professionalism and enthusiasm of its over 24,000 employees paramount. The human resources work centers on carefully planned training and personnel development programs which once again proved a key component of the 2009/10 financial year. But the DOUGLAS Group also focused heavily on preparing for impending challenges – ensuring its capacity to operate successfully in the future.

Highly qualified training

When it comes to training employees, the DOUGLAS Group is one of the most active retailers in Germany. With a share of apprentices that has comfortably exceeded 10 percent for years, it offers numerous graduates the chance of professional training. The start of the 2010 training year brought a new record, with some 670 young women and men launching their careers with the Group – the highest figure ever and a good 200 more than 12 months earlier. All of the subsidiaries intensified their training activities; most notably, the Douglas perfumeries which – with 337 new apprentices (previous year: 205) – again supplied the majority. But Christ jewelers and the fashion store AppelrathCüpper also invested more vigorously in training. A total of 25 trainees began apprenticeships at Hussel (previous year: 15), 38 at AppelrathCüpper (previous year: 18), and 119 at Christ (previous year: 65). At September 30, 2010, the DOUGLAS Group had 1,526 apprentices on its books in Germany, the majority of them pursuing a qualification in retailing. At just under 13 percent, the proportion of trainees was still well above the German retail industry average of 8 percent.

In addition to the prescribed training, apprentices in the holding company and subsidiaries had access to attractive optional courses designed to broaden their horizons. Apprentices at AppelrathCüpper, for example, hold get-togethers with their counterparts at other retail companies to discuss their experiences and training. And third-year apprentices learning wholesaling and foreign trade in the holding company can apply to spend four weeks at a foreign subsidiary.

The instructors in the DOUGLAS Group are also rewarded for their dedication. Their charges are regularly awarded outstanding grades in examinations, with many of them being honored by local chambers of commerce and industry. On average, 70 percent of successful apprentices enter permanent employment with the DOUGLAS Group and go on to develop their careers at programs in the various subsidiaries.

High-appeal training programs

Yet again, numerous employees in the DOUGLAS Group subscribed to attractive HR development programs on an array of technical, managerial and social topics during the 2009/10 financial year. In the Perfumeries division, some 60 candidates graduated from the Douglas Academy – a program designed to impart sales management skills. The tried and trusted "PROMIs" training scheme at Christ pursues similar goals for jewelry professionals, with over 20 young employees completing the course during the year ended. As part of its succession planning program, the Perfumeries division focused throughout Germany on identifying potential candidates for regional manager positions. Since this year, sales management personnel have also been offered a new opportunity: from a range of training modules they can select those that match their individual requirements and most effectively foster their development.

Employees

	09/30/10	09/30/09	Change
Perfumeries	14,834	14,611	223
Books	5,186	5,151	35
Jewelry	2,173	2,025	148
Fashion	751	757	– 6
Confectionery	1,141	1,097	44
Services/Holding	570	549	21
DOUGLAS Group	**24,655**	**24,190**	**465**
national	15,164	14,761	403
international	9,491	9,429	62

Transporting their customers into a world of beauty: the friendly Douglas employees – seen here Katharina Dzienisz (left) and Sibel Ok from Recklinghausen.

In the "Thalia Academy," the Books division has centralized its development programs in the areas of sales and services. The modules extend from "Active and Emotional Selling" through to its three-year "Leadership" program, on completion of which college graduates are equipped to take up management positions. In conjunction with the renowned Seckbacher Kolleg, Thalia also created an e-learning application for employees joining the company from other industries. The year 2010 also brought the introduction of the new merchandise management system "Thawis" and one of the most comprehensive training programs in Thalia's history. In 2010 and 2011 alone, some 2,300 employees from over 130 bookstores will be learning how to operate the system – by completing personal training courses followed by e-learning programs.

AppelrathCüpper also expanded its training for young employees during 2009/10. Its two-year program combines theory and practice. As part of their training, budding managers are charged with supervising apprentices in the fashion stores.

The year also saw a sales training program initiated at Hussel. Entitled "Selling with Heart and Mind," it incorporated dedicated modules for managers, store employees and service personnel. Hussel also launched its "Store Management Training" program which – given the positive feedback – is being expanded during the next fiscal year.

To give the approximately 1,200 service employees a better appreciation of their colleagues' work in the stores, many again engaged in "networking" during the 2009/10 financial year – assisting with inventories and sales in shops or supporting local promotions.

The DOUGLAS Group successfully extended its training program for top managers. At the DOUGLAS HOLDING ACADEMY, a total of 125 management personnel enhanced their skills at seminars, workshops and information events that covered topics ranging from strategy and leadership through to innovation and change management. Thanks to the Group's partnerships with top colleges such as the Leipzig Graduate School of Management, the ACADEMY curriculum is guaranteed to offer the most relevant and up-to-date topics and first-class speakers from the realms of industry and education. Thirteen Thalia managers completed a general management

Training is a top priority in the DOUGLAS Group: Dr. Henning Kreke, CEO (2nd row, 5th from left), and Anke Giesen, Chief Human Resources Officer (2nd row, 6th from left) together with apprentices who launched their careers in August 2010.

Valued for their reading tips: Maria Sander, Silvana Millstein and Bettina Dalhues (left to right) from Dortmund – representing over 5,000 Thalia employees.

The customers are not alone in feeling comfortable at Christ. Enjoying their work: Claudia Klee (store management, left) and Eda Acar from Christ on Frankfurt's Zeil boulevard.

seminar at the Zeppelin University in Friedrichshafen during 2010, learning how best to develop strategies and execute them within their teams. During a two-year period, every Thalia manager will be participating in this ten-day seminar. Digitization – a process that has specifically sparked fundamental changes in the bookselling segment – numbers among the seminars' key themes.

Diversified human resource marketing

For years, college marketing has formed the key thrust in the classical "offline" efforts to secure qualified young employees. By maintaining very close ties to selected colleges – such as the traditional universities of Münster and Cologne and the universities of applied science in Bremen and Worms – HR managers are able to engage with students personally and awaken their interest in the DOUGLAS Group. Through student placements, assessment center exercises, workshops, talks on practical aspects of retailing, seminars focusing on case studies and activities at recruiting fairs, students learn a great deal about the DOUGLAS Group and its benefits as an employer.

The redesigned career website is the hub of the Group's online marketing activities. The varied types of employment and diversified career opportunities available in the DOUGLAS Group are all detailed at http://karriere.douglas-holding.com along with adverts on open positions.

With its blogs, social networks like XING, Facebook and SchülerVZ, and online platforms like YouTube, Web 2.0 technology has ushered in a new and innovative form of human resource marketing. And these channels are being progressively integrated into the Group's personnel marketing activities. In an initial step, a corporate profile was published on XING in October 2010. Managers can also post want ads on this site and, once registered, directly contact suitably skilled subscribers. Plans to establish a brand page for the Human Resources department on Facebook are currently being evaluated with the goal of presenting an authentic picture of working in the DOUGLAS Group and highlighting the company's attractions for employees.

Preparations for blogs are already underway. Echoing the theme of "Rock the Blog!" a new blog is being launched in February 2011 – with 9 apprentices from the holding company and subsidiaries posting reports on their training. Schoolchildren interested in learning about their experiences and contacting them online can do so at www.azubi-blog.douglas-holding.de.

With heart and mind into the future

The new channels of communication are not the only major challenges facing the Group's Human Resources department. Given shifting demographic patterns, it needs to make detailed preparations now for the employment markets in five and ten years' time. In this context, the DOUGLAS Group is remaining true to its philosophy of offering abundant training opportunities. Furthermore, older members of staff are receiving additional support in the form of special programs etc. For this reason, the Group is continuing to contribute to "Experience 50+," a project jointly sponsored by the German Retail Federation (HDE) and the country's Ministry of Family Affairs which runs special training courses keyed to the needs of the over-fifties. A good mix between experienced older and curious younger employees will remain a significant key to success in the future. Blended perfectly, they can make the ideal team.

Exploring the possibilities of multi-channel retailing, and instilling enthusiasm for its potential, will be one of the main tasks facing managers and human resource development officers during 2011. One major challenge in sales training will be sensitizing employees to the idea of multi-channel retailing. This entails increasing their awareness of the Internet and demonstrating the mutual benefits of coordinating operations at stationary and online stores. To this end, the Human Resources department is providing courses that enable store employees to give the best possible advice to their customers. This might, for example, include helping a customer order an out-of-stock product from the company's Internet shop.

With some 90 percent of the workforce female, supporting women at work is naturally a key aspect of the Group's HR development activities. An array of options reconciling work and family needs – such as a "Parents' Hotline" and flexible working schedules – allow mothers to remain in their jobs and personally configure their working hours to fit their individual timetables. With the "Minifiliale" kindergarten at

Teaming up for AC's success: managers from the fashion stores – shown here Susanne Deckenbrock (Dortmund) and Oliver Lambor (Essen).

Engaging and personal service: a Hussel hallmark – shown here Pranvera Pllunci (left) and Stefanie Wörder (Store Manager) from Remscheid.

corporate headquarters in Hagen, the Group is now operating another valuable childcare service. The facility opened in August with 12 children aged up to three, with a further 15 up to six years old joining in August 2010.

Developing the specific corporate culture of the DOUGLAS Group will be another key focus. In line with the corporate motto of "Excellence in Retail," this culture reflects a desire for commercial success combined with fairness and mutual respect. The corporate values and management principles that apply to all the DOUGLAS Group companies serve as the "rules" underpinning this culture. During the 2010/11 financial year, these will be revised to ensure their continuing relevance and the accuracy of their wording – to reflect changing circumstances.

In the future the DOUGLAS Group will hold fast to its long-standing principles of decentralized decision-making, personal interaction and high satisfaction levels among the workforce. Reinterpreting these principles over the passage of time – that too is a hallmark of the DOUGLAS Group's human resources work. It is for good reason the Group's motto for the 2010/11 reads "With heart and mind into the future."

THE DOUGLAS GROUP BRANDS

The DOUGLAS Group embodies five decentralized corporate divisions with approximately 2,000 specialty stores and more than 24,000 employees spanning across 20 countries in Europe. The divisions Douglas, Thalia, Christ, AppelrathCüpper and Hussel lead the market in their respective segments. The divisions stand for excellent service, first-class products and provide a stimulating shopping experience at their specialty stores. All corporate divisions have created solid conditions to develop further in their market segments and to become leading multi-channel providers.

The DOUGLAS Group Brands

Douglas	With 1,205 perfumeries in 20 countries, Douglas, which is the market leader in Europe, stands for high expertise at both the perfumeries and the online shop in the areas of perfumes, cosmetics and skin care. www.douglas.de
Thalia	The bookselling group – Thalia – holds a leading position in German-speaking countries with their multi-channel offerings comprising of 289 bookstores, online shops and an extensive e-book product range. www.thalia.de
CHRIST	The 204 Christ jewelry stores lead the market in Germany in the mid to upper price range for jewelry and watches. With the new online shop, Christ has taken an important step towards becoming a multi-channel provider. www.christ.de
AppelrathCüpper	The 14 AppelrathCüpper fashion stores and the AC online shop are held in high esteem as an expert premium seller of high quality women's clothing. www.appelrath.de
HUSSEL Confiserie	The 261 Hussel confectionery shops have a strong market position in Germany with their innovative confectionery creations and attractive private labels and are expanding their expertise in online retailing. www.hussel.de

MANAGEMENT REPORT CONTENTS

Christ looks back on one of its most successful business years.

Douglas succeeded in expanding its market leadership particularly in Germany.

KEY RESULTS
IN THE 2009/10 FISCAL YEAR:

Group sales up 3.7 percent over the prior year (target: 0 to 2 percent)

- Sales benefit from full consolidation of buch.de
- Pleasing like-for-like sales performance delivered by Jewelry division and German perfumeries
- Lower like-for-like sales outside of Germany in some perfumeries due to challenging macroeconomic conditions
- Weak sales performance given in the Books division due to industry factors

Earnings before taxes (EBT) at 131.2 million EUR (target: 120 to 130 million EUR)

- Higher earnings contribution from Jewelry division; earnings from Douglas perfumeries at last year's level
- Earnings increase in Books division due to revaluation of buch.de shares
- Earnings negatively impacted by extraordinary write-downs

Dividend of 1.10 EUR per share in line with prior year

- Earnings per share increases to 1.93 EUR
- Dividend payout ratio at 57 percent

Solid financing and capital structure

- Free Cash Flow rises to 88.2 million EUR
- Net bank debt drops from 165.3 to 124.0 million EUR
- Financing assured via revolving credit facility

DOUGLAS Value Added (DVA) climbs to 23.7 million EUR

- Higher value contribution from Perfumeries, Jewelry and Confectionery divisions
- Significant DVA decline in Books division
- Negative value contribution from the Fashion division

GROUP MANAGEMENT REPORT

BUSINESS ACTIVITIES AND OPERATING ENVIRONMENT

A leading European specialty retailer

The DOUGLAS Group embodies five decentralized retailing divisions with more than 24,000 employees and about 2,000 specialty stores spanning across 20 countries throughout Europe. In many countries, the DOUGLAS Group with its focus on excellent service, first-class products in an attractive shopping ambiance has a leading position – particularly in German-speaking countries where a major portion of sales are generated. The DOUGLAS Group received confirmation of its retailing expertise in 2010 in its all-important home market in Germany. On the basis of a consumer survey conducted by the German Retail Association (HDE), three of the Group's subsidiaries were named "The Retailer of the Year 2010": The Douglas perfumeries in the category "Perfumeries", the Thalia bookstores for "Books and Magazines" and the Christ jewelry stores in the category "Jewelry".

The largest division is the Douglas perfumeries division with 1,205 perfumeries, which are market leaders in Europe, standing for expertise in the areas of perfume, cosmetics and skin care. With its multi-channel strategy that includes 289 bookstores, an online shop and an extensive e-book product range the book retailing group Thalia has a leading market position in German-speaking countries. The 204 Christ jewelry stores lead the market in Germany in the mid to upper price range of the jewelry and watches segment thanks to its successful product-mix strategy of private, exclusive and popular trend labels. 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 261 Hussel confectionery shops have attained an excellent market position in the German confectionery sector with its innovative confectionery creations and attractive private labels.

DOUGLAS HOLDING AG, with its head office in Hagen, Germany, is the strategic investment and management holding company responsible for the centralized management and service functions for the DOUGLAS Group. In addition, the service companies, which operate as profit centers, and the service head offices of the distribution companies incorporate important administrative tasks and support the retail stores with their day-to-day operations. A company overview of the DOUGLAS Group can be found on page U4. A list of significant shareholdings of the DOUGLAS Group can be found on pages 170 to 171 of this Annual Report.

U4
170-171

Corporate philosophy and objectives of the DOUGLAS Group

The DOUGLAS Group stands for "retail with heart and mind", which defines its corporate values and culture. With its aforementioned lifestyle philosophy comprising of expert advice, excellent service and first-class products in an attractive shopping atmosphere, the DOUGLAS Group strives to offer its customers a unique shopping experience.

All five retailing divisions combine this lifestyle philosophy and implement the mutual corporate objectives: quality and service leadership, sustained value-oriented growth and securing a leading market position – even in countries where the DOUGLAS Group has not yet achieved a key market position.

To secure further value-oriented growth, each and every planned investment is examined to determine whether it contributes to the 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 AG 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 of 16 members.

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-based component. The variable remuneration component of all Executive Board members (except for the Human Resources Director) is oriented on the DOUGLAS Group's earnings from normal business activities – less a ten percent virtual return on shareholders' Group equity. Fifty percent of the variable component for the Human Resources Director depends on the earnings from normal business activities and the other 50 percent on individually agreed target arrangements. The remuneration structure is aligned towards a sustainable business performance. The variable remuneration components are not based on the earnings of the fiscal year, but are weighted by the earnings over the past three fiscal years. And the variable component is limited, because it cannot exceed a clearly defined percentage rate of the base salary. The variable components for the Division Directors are determined in a similar manner as the earnings of the individual divisions. 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 6 to 7 and in the Notes accompanying the consolidated financial statements. 6-7

In the 2009/10 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.

Corporate controlling and strategies

As a retailer, it is very important to meet the needs of the customer and maintain a close partnership with our suppliers. With its attractive specialty retail stores and online shopping, the DOUGLAS Group offers modern and diverse shopping alternatives. This is also held in high esteem by the industry, which is an important and reliable partner for the DOUGLAS Group for the placement of products.

True to the principle of the DOUGLAS Group "as much decentralization as possible, as much centralization as necessary", decisions should be made as close to customers as possible. The local employees are allowed the greatest possible scope of entrepreneurial activity to fulfill the customer's wishes quickly and uncomplicatedly. By contrast, a centralized system 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 the significant operating companies.

For purposes of attaining measurable business controlling, the Executive Board determines annual target values for sales and earnings before taxes (EBT) as well as key performance indicators based on the DOUGLAS Value Added concept (DVA). The DOUGLAS Group's positioning in the existing markets in comparison to competitors is of particular importance for achieving the sales and earnings targets. Therefore, the focus is to further secure the market positions in existing European markets. That is why the Douglas perfumeries have ceased their operations during the past two fiscal years in Slovakia, Estonia, Denmark and in the USA. Furthermore, the Russian subsidiaries have been classified as held for sale, because their disposal is deemed to be more than likely as of the balance sheet date. Special importance will be attached in the future to the German home market, which has proven to be a crucial pillar for the DOUGLAS Group in the last two fiscal years in the wake of the challenging consumer environment. Market entry into new countries is not planned at the present time.

The Executive Board's overall assessment of business developments in the 2009/10 fiscal year

Against continuously difficult consumer conditions, the DOUGLAS Group delivered a respectable performance in the reporting period, increasing net sales by 3.7 percent to 3.3 billion EUR. Alongside the solid performance in Germany, the first time full consolidation of buch.de internetstores AG (buch.de), Münster, as of December 1, 2009, also contributed to the sales growth.

On a comparative basis (hereinafter referred to as "like-for-like"), which reflects only those stores that operated during both the reporting and the comparable prior periods, net sales saw a slight gain of 0.4 percent, thus reaching the prior year's level. In Germany, sales and like-for-like sales increased. However, like-for-like sales outside of Germany remained behind the previous year due to the continued difficult economic conditions.

In the first quarter of the 2009/10 fiscal year, which represents the all-important Christmas quarter, the DOUGLAS Group did not succeed in completely detaching itself from the challenging consumer environment in some foreign markets and the restrained sales performance in the German retail sector. Despite these factors, the first quarter performed quite satisfactory. The second quarter benefited from the earlier Easter business. Based on the half-year figures (from October to March), the Executive Board formalized the annual guidance by anticipating that the upper end of the targets for sales and earnings before taxes would be reached. The projected range for sales growth was between 0 to 2 percent and pre-tax earnings between 120 and 130 million EUR. The third quarter was negatively impacted by the shift in Easter business and the ongoing difficult business outside of Germany. Moreover, the planned investment volume of 120 million EUR was adjusted, because the projected amount would have only been exhausted by an amount of between 100 and 110 million EUR. While the fourth quarter noted a recovery in consumer demand in Germany, the sales performance delivered abroad was still unsatisfactory.

Fig. 1 · Targets and results

Targets 2009/10	Results 2009/10	Targets 2010/11
Group sales growth at upper end of target range of 0 to 2 percent	Increase of 3.7 percent to 3.3 billion EUR	Group sales increase of between 2 and 4 percent
Earnings before taxes (EBT) at upper end of target range of 120 to 130 million EUR	EBT at 131.2 million EUR	EBT at about 140 million EUR
Capital expenditure volume of 100 to 110 million EUR (formalized after initial guidance: 120 million EUR)	Capital expenditure totals 117.5 million EUR	Capital expenditure volume of about 125 million EUR
Sustainable increase in business value based on DVA	DVA climbs to 23.7 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 as in prior year corresponds to a distribution ratio of 57 percent	Continued dividend policy – about 50 percent of Group net profit intended to be distributed

The streamlining of the store network announced in the last fiscal year for the closure of about 50 stores lacking sustainable profits was executed as scheduled to a large extent in the reporting period.

Overall, the 2009/10 fiscal year of the Christ jewelry stores was marked by a particularly pleasing sales performance. The domestic perfumeries, too, delivered quite a respectable performance. As supported by the first time full consolidation of the internet book retailer, buch.de, sales climbed in the Books division.

Comparison of the targets and results of the 2009/10 fiscal year

The DOUGLAS Group achieved the sales and earnings targets set for the 2009/10 fiscal year as finalized during the course of the fiscal year. Sales growth of 3.7 percent and earnings before taxes of 131.2 million EUR surpassed the projected target ranges. On the basis of the proposed dividend payout of 43.3 million EUR (1.10 EUR per share), the dividend distribution ratio is 57 percent, and in line with the intended objective of distributing about half of the Group net profit. This dividend proposal takes into account the consistency strived for and the DOUGLAS Group's profitability. The business value of the DOUGLAS Group – measured in terms of the DVA – increased the business value again. With 23.7 million EUR, the DVA surpassed the prior year's figure by 3.2 million EUR. Fig. 1

The capital expenditure volume excluding acquisitions totaled 117.5 million EUR in the 2009/10 fiscal year, which was in line with the originally defined target figure. On the whole, a total of 72 new specialty stores opened in Germany and abroad (prior year: 104). This figure is offset by 104 store closures (prior year: 70). This mainly related to the Perfumeries and Confectionery divisions and also contained closures as part of the planned store streamlining. As of September 30, 2010, the store network comprised of 1,973 locations following 2,005 stores the year before.

Overall economic operating environment

Global economy once again grows robustly

The global economic recovery continued into the first half of 2010, which had commenced already in the preceding year. According to the predictions of the Institute for World Economy (IfW), the global economy grew substantially during this period, reaching almost the record level of the first half of 2008. An important contribution to the economic recovery came in particular from the emerging countries of Asia and Latin America. But western countries also made significant contributions towards economic recovery with high export activities and growing consumer spending. The third quarter of 2010 saw a somewhat declined momentum in the world economic recovery, which was, among others, due to the phasing out of economic stimulus packages and restrictions on fiscal consolidation in some countries. All in all, the economic outlook however remains positive. In particular, economies with strong exports will continue to profit from the Asian growth dynamic. Overall, IfW predicts economic production to grow by about 3.7 percent in 2010, thus nearly as much as in the years before the financial crisis.

Heterogeneous development in the euro zone

The economic recovery also accelerated in the euro zone in the first half of 2010. Particularly, export-oriented economies like Germany profited from the recovery of world trading. While in Germany production growth stood at 2.2 percent, the gross domestic product excluding Germany grew by only 0.6 percent. Below average production increases were posted by Portugal, Spain and Italy; while total production in Greece and Ireland dropped. On the whole, economic growth slightly cooled down in the second half of 2010. The IfW predicts an increase in the gross domestic product of 1.6 percent for the euro zone for 2010.

Rapid economic recovery in Germany

The German economy recovered in the first nine months of 2010 seemly faster than most of the other industrial nations as a result of exports. Germany benefited to a large extent from the rising demand for capital goods by expanding emerging economies. But the domestic economy developed positively, too – both private consumer spending and corporate capital expenditure increased considerably. The sharp decline in the unemployment figures, higher net salaries and the lower interest rates all supported this development. Consequently, Germany recovered rather quickly from the financial crisis compared to most of the other industrial countries. The IfW predicts a significant increase in the real gross domestic product of 3.5 percent for 2010.

Company-specific operating environment

Positive retail trading development

According to the German Retail Association (HDE), the framework conditions for retailing improved dramatically during the course of 2010. This was aided in particular by the overall economic recovery, the upwards trend on the employment market and the stable consumer mood. Between January and September, the German retailing sector was higher by a nominal 2.1 percent and a real 1.1 percent over the same period last year. Looking ahead at the positive economic outlook, the HDE raised their sales predictions at the end of September 2010 to a nominal plus of 1.5 percent for 2010.

German employment market profits from economic recovery

Above all, the employment market profited the most from the positive economic development in Germany during the reporting period. The gainful employment and mandatory socially insured numbers increased sharply in 2010; while the use of part-time work declined. In October 2010, the unemployment number dropped to below three million, translating to a rate of 7.0 percent. In the euro zone, the unemployment rate of 10.1 percent, which varies strongly among individual European countries, was considerably above this figure.

NET ASSETS, FINANCIAL POSITION AND RESULT OF OPERATIONS

Group sales increase to more than 3.3 billion EUR

In the 2009/10 fiscal year, the DOUGLAS Group recorded a 3.7 percent increase in net sales for a total of over 3.3 billion EUR, thus clearly surpassing the most recently forecasted target of about 2 percent. Adjusted for currency effects, sales rose by 3.3 percent compared to the same period last year. This overall satisfying performance was encouraged by the German subsidiaries with a sales gain of 4.7 percent and by the foreign subsidiaries with a sales plus of 2.1 percent. Accordingly, the share of foreign subsidiaries in Group sales slightly declined to 34.7 percent (prior year: 35.3 percent). Sales generated in Poland

Fig. 2
Fig. 3

Fig. 2 · Net sales by division and store network development

	Net sales (in EUR m)		Change (in %)		Stores		Change
	2009/10	2008/09	Total	Like-for-like	09/30/2010	09/30/2009	absolute
Perfumeries	1,878.7	1,853.5	1.4	–0.7	1,205	1,220	–15
national	946.7	920.0	2.9	2.3	445	452	–7
international	932.0	933.5	–0.2	–3.7	760	768	–8
Books	905.8	819.7	10.5	1.2	289	294	–5
national	689.7	628.7	9.7	1.2	232	238	–6
international	216.1	191.0	13.1	1.3	57	56	1
Jewelry	310.2	292.4	6.1	6.0	204	203	1
Fashion	124.1	131.0	–5.3	–1.2	14	14	–
Confectionery	99.4	101.0	–1.6	–0.9	261	274	–13
national	94.9	96.2	–1.3	–0.8	247	258	–11
international	4.5	4.8	–7.0	–2.7	14	16	–2
Services	2.6	3.2	–	–	–	–	–
DOUGLAS Group	3,320.8	3,200.8	3.7	0.4	1,973	2,005	–32
national	2,168.2	2,071.5	4.7	2.0	1,142	1,165	–23
international	1,152.6	1,129.3	2.1	–2.7	831	840	–9

Fig. 3 · Foreign sales of the DOUGLAS Group

	Net sales (in EUR m)		Change (in %)	
	2009/10	2008/09	absolute	currency-adj.
Austria	193.6	188.5	2.7	2.7
Netherlands	177.2	176.9	0.2	0.2
Italy	160.6	158.8	1.1	1.1
France/Monaco	134.8	135.8	–0.7	–0.7
Switzerland	132.9	112.4	18.2	11.6
Spain/Portugal	97.3	104.1	–6.6	–6.5
Poland	86.1	72.5	18.9	13.7
Russia	57.0	55.1	3.4	–0.2
Baltic States	24.2	30.2	–19.9	–19.9
Croatia	19.8	21.0	–5.5	–6.1
Hungary	19.4	21.2	–8.3	–9.8
Turkey	9.0	7.3	23.6	19.7
Others*	40.7	45.5	–4.7	–
Total	1,152.6	1,129.3	2.1	0.9

* Bulgaria, Denmark, Romania, Slovenia, Czech Republic, U.S.A.

developed on a very positive note following the dynamic expansion activities. By contrast, sales were lower in some Eastern European countries, because the macroeconomic conditions have not undergone a sustainable improvement.

On a comparative basis – this reflects only those stores that operated during both the reporting and the comparable prior period – Group sales rose fractionally by 0.4 percent compared to the preceding year. With comparative growth of 2.0 percent, the performance in Germany proved to be better than abroad, which posted a comparative sales drop of 2.7 percent.

If the sales of the online bookseller, buch.de internetstores AG (buch.de), Münster, would be fully accounted for in the previous and current years for the DOUGLAS Group, then the sales growth would amount to 1.8 percent (Germany: 2.4 percent; abroad: 0.7 percent). Not taking buch.de into account, like-for-like sales would result in a slight decrease of 0.4 percent (Germany: 1.0 percent; abroad: –2.9 percent).

The 1,205 **Douglas perfumeries** increased their sales by 1.4 percent (currency-adjusted by 0.9 percent) to nearly 1.9 billion EUR, therefore further expanding its leadership of the European market. In Germany, the 445 Douglas perfumeries generated sales of 946.7 million EUR for an increase of 2.9 percent. Like-for-like sales rose by a pleasing 2.3 percent above the prior year's figure. Subsequently, Douglas further secured its leading market position on the all-important home market notwithstanding the challenging economic conditions.

Despite the store network streamlining, the sales of the 760 Douglas perfumeries outside of Germany totaled 932.0 million EUR, which were in line with the prior year's figure (–0.2 percent). Like-for-like sales however were down 3.7 percent. Ongoing poor consumption conditions in many foreign markets had a negative impact. The respectable sales performance delivered by the Douglas perfumeries in Poland and Italy however could not offset the sales decreases posted in Spain, the Baltic States, Hungary, Croatia and Portugal.

In the fiscal year, Douglas opened a total of 48 new stores, mostly in Poland, Bulgaria and Italy. The number of perfumeries slightly declined to 1,205 as of the balance sheet date due to the store network streamlining program conducted during the reporting year. Since countries outside of Germany were impacted the most from this program, the share of foreign subsidiaries in Group perfumery sales slightly decreased to 49.6 percent.

The Books division increased sales in the 289 **Thalia bookstores** in Germany, Austria and Switzerland by 10.5 percent to 905.8 million EUR. In spite of the slightly lower store network number, Thalia further expanded its leading market position in German-speaking countries. Like-for-like sales increased by 1.2 percent. Equivalent shares in sales were contributed by both domestic and foreign subsidiaries. The pleasing performance given in Austria is again emphasized here. Like-for-like sales of the 33 Thalia bookstores climbed by 5.1 percent irrespective of the very solid prior year's figure. The performance of the 24 Thalia bookstores in Switzerland rose by 1.8 percent.

If the sales from buch.de would be fully accounted for in the prior and current years for the Thalia bookstores, a sales gain of 2.9 percent would arise (Germany: 2.3 percent; abroad: 5.0 percent). Excluding buch.de, a slight decrease of 1.6 percent in like-for-like sales would arise (Germany: –2.2 percent; foreign: 0.5 percent).

In the Jewelry division, the 204 **Christ jewelry stores** reported a sales gain of 6.1 percent to 310.2 million EUR during the fiscal year under review. Like-for-like sales surpassed the prior year's high figure by 6.0 percent. This was realized primarily from the successful implementation of the exclusive and private label strategy. Therefore, Christ once again outshined the overall stagnating market performance, securing its strong market position in the mid to upper price range in Germany. The number of Christ stores increased by only one store; however, numerous older stores were completely modernized and expanded.

Sales in the **Fashion division** stood at 124.1 million EUR, 5.3 percent behind the previous year. Adjusted for the store closed in Berlin in January 2009, the like-for-like sales decline is only 1.2 percent. The fashion stores in Bonn and Münster reopened their doors in September 2010 following extensive modernization work. In line with the restructuring program, the 14 AppelrathCüpper fashion stores focus on the mid to upper genre for women's fashion clothing with excellent expertise.

In the **Confectionery division**, Hussel further expanded its leading market position in Germany. The 261 Hussel confectionery shops in Germany and Austria generated sales of 99.4 million EUR, falling just short of the prior year's level (–1.6 percent). Like-for-like sales for German shops were down 0.8 percent, while the Austrian Hussel shops reported a drop of 2.7 percent. Following the closure of unprofitable shops, the store network number decreased as planned by 13 confectionery shops.

Additional information about strategy and figures of the individual business divisions can be found on pages 71 to 109 of this Annual Report and in the Notes accompanying the consolidated financial statements. 71–109

Earnings target slightly surpassed

Earnings before taxes (EBT) came in at 131.2 million EUR after 103.9 million EUR a year earlier. Therefore, the earnings target of nearly 130 million EUR was slightly exceeded.

Adjusted for the costs incurred for the store network streamlining, the prior year's figure stood at 127.6 million EUR. Hence, despite the weak sales increase, like-for-like earnings slightly improved. Similar to the preceding year, the return on sales – the ratio of EBT to sales – came in at 4.0 percent.

Following the majority acquisition of buch.de, a revaluation of shares already held was performed in conformity with IFRS 3. The one-off income amount of 6.1 million EUR positively impacted the earnings for the year under review. This one-off effect however was offset by additional costs incurred, because goodwill impairments for the reporting period were 10,8 million EUR more than in the preceding year.

Consequent implementation of the store network streamlining

In the preceding year, the DOUGLAS Group resolved a store network streamlining program, in which all stores generating a negative cash flow with no expectation of a sustainable improvement in earnings on the medium term were to be closed. A decisive factor was the cash-effect of costs associated with a store closure. 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 decided to close the store. In total, closing costs amounting to 23.7 million EUR were recognized in the previous year. These costs related to the divisions Perfumeries (19.2 million EUR), Fashion (3.8 million EUR) and Confectionery (0.7 million EUR). As of September 30, 2010 the planned store network streamlining program was largely completed.

Operating earnings contribution by the divisions

Fig. 5

The **Perfumeries'** earnings before taxes (EBT) reached 87.9 million EUR following 87.7 million EUR before closing costs in the same period last year. Correspondingly, the return on sales (EBT margin) remained unchanged at 4.7 percent. While the earnings contribution of the domestic perfumeries significantly exceeded the prior year's level due to the respectable sales performance, the EBT of the perfumeries outside of Germany declined further. This was caused by the ongoing challenging macroeconomic conditions in several countries, which led to lower sales and higher goodwill write-downs in some foreign subsidiaries.

Fig. 4 · EBITDA and EBITDA margins

	EBITDA (in EUR m)		Change (in %)	EBITDA margin (in %)	
	2009/10	2008/09		2009/10	2008/09
Perfumeries	186.3	181.0	2.9	9.9	9.8
Books	60.0	57.9	3.6	6.6	7.1
Jewelry	30.9	24.4	26.6	10.0	8.3
Fashion	7.4	7.3	1.4	6.0	5.6
Confectionery	5.8	6.4	–9.4	5.8	6.3
Services	–3.5	–8.6	59.3	–	–
DOUGLAS Group before closing costs	286.9	268.4	6.9	8.6	8.4
Closing costs	0.0	–13.4			
DOUGLAS Group	286.9	255.0	12.5	8.6	8.0

The operating earnings in the **Books division** climbed by 2.3 million EUR to 25.1 million EUR. The EBT margin of 2.8 percent was in line with the prior year. Excluding the one-off income amount arising from the revaluation of the buch.de shares totaling 6.1 million EUR, the earnings decreased to 19.0 million EUR. Alongside the generally weak market development in the book retailing sector, the reporting period was also impacted by special effects from the introduction of a new merchandise management system.

The **Jewelry division** posted a higher EBT from 15.1 million EUR in the preceding year to 17.4 million EUR in the year under review. The EBT margin improved to 5.6 percent after 5.2 percent a year earlier. This positive development arose from the very solid sales performance in comparison to the sector and to the further expansion of the exclusive and private labels, which also further improved Christ's gross profit margin.

The **Fashion division**'s earnings before closing costs for the Berlin store resulted in a balanced outcome just like in the previous year. Despite the slight sales decline, pre-tax earnings stabilized as a consequence of consistent cost management. In terms of costs, the restructuring has been completed. Therefore, the focus is now on communicating the new direction with the aim of attaining a sustainable sales increase.

The EBT of the **Confectionery division** of 2.8 million EUR just missed the prior year's figure by 0.5 million EUR (before costs for the store network streamlining). Correspondingly, the EBT margin dropped from 3.3 percent in the prior year to 2.8 percent in the reporting period.

The marginal earnings decrease in the Services division arose from a lower net interest result. This was caused in particular by lower interest income from loans granted to subsidiaries.

The DOUGLAS Group's cost structure (excluding the prior year's costs for the store network streamlining) in the year under review did not materially change compared to the prior year. The personnel costs rose disproportionately to sales. Accordingly, the personnel cost ratio slightly decreased to 21.7 percent. The rental and energy costs rose in proportion to sales. In addition to scheduled depreciation, which was in line with the prior year's level, extraordinary write-downs were higher by 6.2 million EUR.

Fig. 5 · EBT and EBT margins

	EBT (in EUR m)		Change (in %)	EBT margin (in %)	
	2009/10	2008/09		2009/10	2008/09
Perfumeries	87.9	87.7	0.2	4.7	4.7
Books	25.1	22.8	10.0	2.8	2.8
Jewelry	17.4	15.1	15.2	5.6	5.2
Fashion	0.1	0.0	–	0.1	0.0
Confectionery	2.8	3.3	–15.2	2.8	3.3
Services	–2.1	–1.3	–60.7	–	–
DOUGLAS Group before closing costs	131.2	127.6	2.8	4.0	4.0
Closing costs	0.0	–23.7			
DOUGLAS Group	131.2	103.9	26.3	4.0	3.2

Tax expenses stood at 55.1 million EUR in the reporting year after 41.1 million in the same period last year. In all, the Group tax rate increased by 2.4 percentage points to 42.0 percent of the pre-tax earnings. The higher tax rate is mainly the result of losses reported by some foreign subsidiaries for which no deferred tax assets had previously been recognized as well as the higher write-downs for goodwill.

The 2009/10 fiscal year closed with net income of 76.1 million EUR. The portion of net income attributable to minority interests amounted to 0.2 million EUR (prior year: 0.0 million EUR). Consequently, the portion of net income attributable to the DOUGLAS shareholders amounted to 75.9 million EUR compared to 62.8 million EUR the year before. Earnings per share rose to 1.93 EUR following 1.60 EUR in the preceding year.

The DOUGLAS Group's detailed consolidated income statement can be found on page
113 113 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
135–139 statements commencing on page 135.

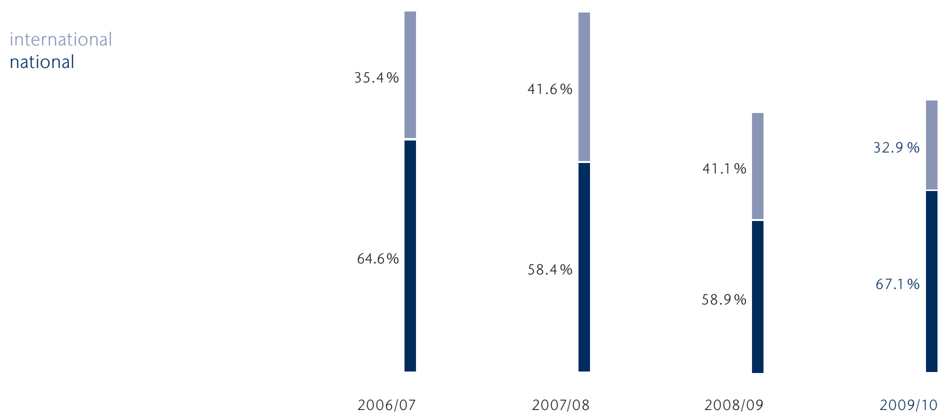
Measurement decisions applied to the accounting and valuation principles as well as important forward-looking assumptions are explained in detail in the Notes accompany-
129–134 ing the consolidated financial statements under Note 5 (commencing on page 129).

Capital expenditure slightly above the prior year's level

Fig. 6 The DOUGLAS Group invested a total of 117.5 million EUR in the 2009/10 fiscal year, mostly for the expansion and modernization of the existing store network. Capital expenditure therefore exceeded the prior year's amount by 5.2 million EUR and the adjusted capital expenditure budget earmarked at between 100 to 110 million EUR. The number of

Investing in modern shop designs – like here at Hussel in Cologne.

Fig. 6 · Development of capital expenditure in Germany and abroad



	2006/07	2007/08	2008/09	2009/10
Total (in EUR m)	155.8	155.5	112.3	117.5
Change year-on-year	+10.3	–0.2	–27.8	+4.6

stores fell by 32 to a total of 1,973 stores. Total Group sales space stood at 596,575 square meter as of the closing date compared to 590,646 square meter the year before. The lower store network figure arose from the planned store network streamlining conducted during the reporting period. In total, the 104 store closures were offset by the opening of 72 new stores. The continued moderate investment level relates to a more restrictive investment policy and the increasing demand in the quality of store location.

In the **Perfumeries division**, Douglas invested 56.3 million EUR for the opening of 48 new perfumeries as well as in the modernization of the store network (prior year: 61.1 million EUR). The focal point of new openings was placed on 41 new stores outside of Germany with an investment sum of 30.9 million EUR. The new store openings were mainly in Poland, Bulgaria and Italy. In Germany, an investment amount of 25.4 million EUR went primarily towards numerous modernization projects as well as to seven new perfumery stores. As of September 30, 2010, the retail store network stood at 1,205 perfumeries with a total sales space of 279,050 square meter following 1,220 stores with a total sales space of 277,455 square meter the year before.

A total of 30.3 million EUR was invested in the **Books division** for six new Thalia bookstores and the refurbishment of the existing store network (prior year: 24.2 million EUR); of which 22.5 million EUR related to Germany and 7.8 million EUR to Switzerland and Austria, respectively. Five new bookstores were opened in Germany and one abroad. Thus, the store network as of the balance sheet date amounted to 289 bookstores with a total sales space of 244,766 square meter compared to 294 stores and total sales space of 242,204 square meter in the prior year.

The investment increase in the **Jewelry division** from 8.0 million to 14.4 million EUR resulted from the slightly higher number of 9 new openings (prior year: 6) and diverse modernization work for the existing store network. The 204 stores (prior year: 203) had a total sales space of 21,904 square meter as of September 30, 2010. Subsequently, the year-on-year comparison of sales space was higher by 2,107 square meter.

Fig. 7 · Free Cash Flow

	2009/10 (in EUR m)	2008/09 (in EUR m)
Net cash inflow from operating activities	246.2	191.7
Investments in fixed assets	–117.3	–111.3
Inflow from the disposal of fixed assets	4.5	7.5
Outflow for the purchase of consolidated companies	–45.2	–3.4
Free Cash Flow	**88.2**	**84.5**

In the **Fashion division**, an amount of 1.8 million EUR (prior year: 5.0 million EUR) was invested in the modernization of existing fashion houses. As per the fiscal year end, AppelrathCüpper operated a total of 14 women's fashion stores with a total sales space of 35,556 square meter.

A total investment volume of 3.4 million EUR (prior year: 3.8 million EUR) was applied to the **Confectionery division** for the enlargement and modernization of the existing store network as well as for nine new openings in Germany. Hussel operated a total of 261 confectionery shops with a sales space of 15,299 square meter as of September 30, 2010 compared to 274 shops with a sales space of 15,827 square meter in the previous year.

Free Cash Flow climbs to 88.2 million EUR

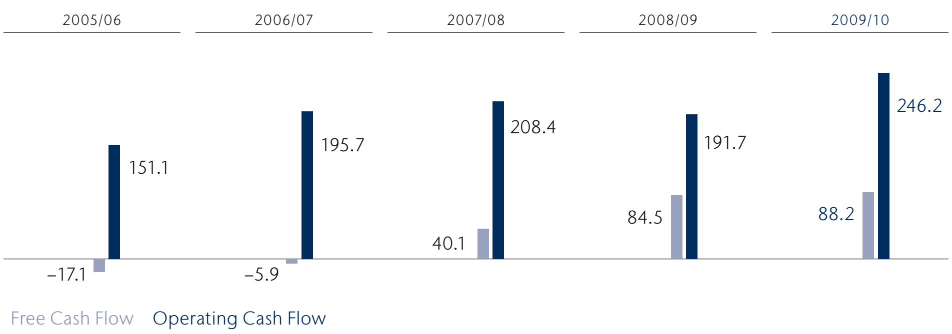
Fig. 7

At 88.2 million EUR, the Free Cash Flow – the sum of cash inflow and outflow from operating and investing activities – for the 2009/10 fiscal year was slightly above the prior year's amount of 84.5 million EUR. The year-on-year significantly higher cash flow from operating activities was offset by higher capital expenditure spending.

Fig. 8

Net cash inflow from operating activities in the 2009/10 fiscal year increased by 54.5 million EUR to 246.2 million EUR. The higher cash inflow mostly resulted from the improved EBIT, which climbed from 116.1 million EUR in the prior year to 141.7 million EUR in the year under review. Tax payments dropped by 16.8 million EUR in the reporting period following the impact on the preceding year from aperiodic tax payments. The reduction in provisions mainly related to the implementation of the planned store network stream-

Fig. 8 · Cash Flow (in EUR m)



lining, which had a liquidity effect in the reporting period. In addition, capital employed in inventories declined by 19.9 million EUR.

The net cash outflow for investing activities increased by 50.8 million EUR to 158.0 million EUR in the 2009/10 fiscal year. This was the result of the acquisition of buch.de shares and minority shareholdings in two Group companies. The acquisition-related expenditures therefore rose from 3.4 million EUR to 45.2 million EUR.

The Free Cash Flow generated in the reporting period was largely applied for the dividend payout of 43.3 million EUR and for the repayment of bank liabilities.

The detailed consolidated cash flow statement of the DOUGLAS Group can be found on page 118 of this Annual Report. 118

Improved net assets and capital structure

Total assets increased by 1.5 percent to around 1.7 billion EUR as of September 30, 2010. This was predominantly due to the first time inclusion of the assets and liabilities of buch.de in the consolidated financial statements. An offsetting effect came from a decrease in the working capital balance of 36.9 million EUR to 418.1 million EUR.

The capital structure remains balanced. Non-current assets account for 46.3 percent of total assets, with non-current capital accounting for 51.3 percent of total equity and liabilities.

Non-current assets were down 6.7 million EUR to 792.1 million EUR as a consequence of the separate presentation of assets held for sale in the reporting period. This related to the assets of the Russian subsidiaries OOO Douglas Rivoli and OOO Parfümerie International Company, each based in Moscow/Russia and Douglas Rivoli Holding B.V. based in Nijmegen/The Netherlands, which were classified as assets held for sale because the realization of assets and liabilities arising from their sale was classified as highly probable as of the balance sheet date. This effect was offset by the assets of buch.de, which were consolidated for the first time in the year under review. Fig. 9

At 886.8 million EUR, current assets almost matched the prior year's figure. As a consequence of the improved working capital management, inventories dropped by 19.9 million EUR. Accounts receivable and supplier reimbursements only slightly increased despite the first time inclusion of buch.de in the consolidated financial statements. Cash and cash equivalents increased from 35.8 million EUR to 51.6 million EUR, representing 3.0 percent of total assets.

As per September 30, 2010, equity totaled 764.8 million EUR compared to 710.9 million EUR on the previous balance sheet date. The DOUGLAS Group's equity ratio moved ahead from 42.1 to 44.6 percent. Fig. 10

Non-current liabilities fell by 15.9 million EUR to 113.8 million EUR as a result of the repayment of bilateral bank loans. The ratio of non-current liabilities to the balance sheet total decreased from 7.7 percent to 6.7 percent year-on-year.

The drop in current liabilities by 20.4 million EUR to 827.6 million EUR was predominantly due to the lower liabilities from minority options, liabilities to minority sharehold-

Fig. 9 · Consolidated balance sheet: assets

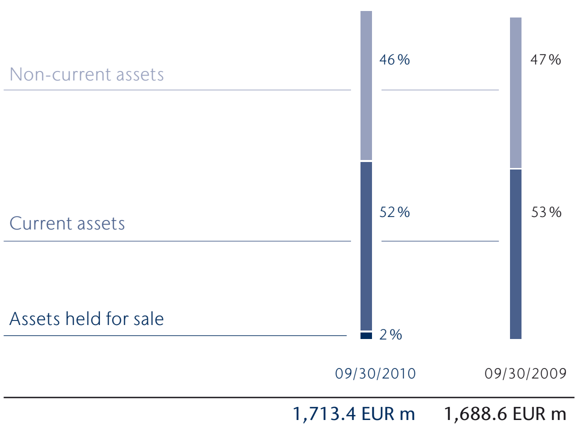
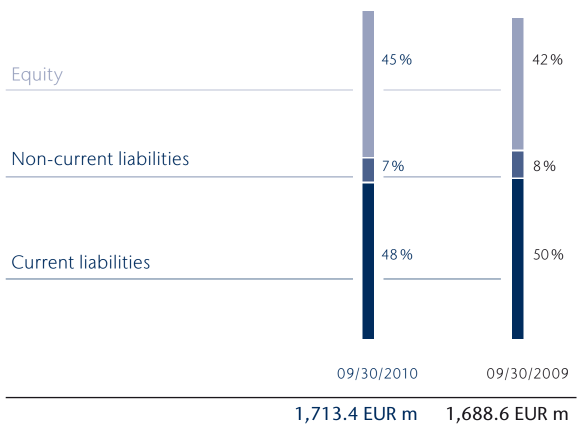


Fig. 10 · Consolidated balance sheet: equity and liabilities



ers and liabilities to buch.de. By contrast, accounts payable increased from 254.8 million EUR to 277.1 million EUR – also due to the first time inclusion of buch.de as of the balance sheet date.

Solid financing

The DOUGLAS Group's net debt – the net balance of cash and cash equivalents less bank liabilities – stood at 124.0 million EUR as of the balance sheet date following 165.3 million EUR on the same date last year. The lower net debt as of the closing date mainly relates to the higher Free Cash Flow. In the fiscal year under review, the average net debt – derived from net debt amounts as of the four quarterly closing dates – amounted to 76,0 million EUR compared to an average of 146,5 million EUR as of the preceding year.

The banks attest to a low level of debt and a solid financing structure of the DOUGLAS Group. Since September 2007, a credit facility for a term of five years has been contractually available. This syndicated credit facility that was agreed with eleven banks and matures in September 2012, allows the DOUGLAS Group to withdraw up to 500 million EUR. Drawings amounted to only 91.3 million EUR as of the balance sheet date.

Executive Board's overall assessment of the current economic situation

The DOUGLAS Group recorded a sound business development during the first quarter of the current 2010/11 fiscal year which contains the important Christmas business.

In all, the Executive Board assessed the business development as of the preparation date of this 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 report, the expectations were basically in line with the current business development.

DOUGLAS HOLDING AG

The DOUGLAS HOLDING AG, with its head office in Hagen/Germany, is the strategic investment and management holding company responsible for centralized management and service functions for the subsidiaries of the DOUGLAS Group. This embodies making all decisions concerning fundamental aspects of corporate strategy, the financing and funding of Group companies and appointment of key management positions in the Group. For purposes of supporting the financing functions, Douglas Finance B.V., Nijmegen/The Netherlands, assumed the tasks of financing the foreign subsidiaries already in the previous 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 payout; 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 2009/10 fiscal year, the DOUGLAS HOLDING AG's income statement reports investment earnings of 123.2 million EUR as compared to 111.2 million EUR in the preceding fiscal year. The main contributor to this figure was the Perfumeries division with earnings from investments of 92.3 million EUR (prior year: 85.4 million EUR). The higher year-on-year figure largely relates to higher earnings contributed by the German perfumery companies.

The investment earnings from the Jewelry division increased to 18.1 million EUR after 14.9 million EUR the year before due to the positive business performance. Because of the poor business performance and the non-distributable profit from the revaluation of the buch.de shares, the investment earnings from the Books division decreased from 12.0 million EUR to 5.8 million EUR. There were no notable investment earnings from the Fashion division.

As a result of the prior year's 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 fell by 4.6 million EUR to 8.9 million EUR. This was caused by lower interest rates that led to lower interest income from short term loans granted to subsidiaries. Particularly from the higher investment earnings, the earnings from the operating activities of DOUGLAS HOLDING AG climbed to 116.2 million EUR (prior year: 108.0 million EUR).

The increase in income taxes from 32.0 million EUR to 36.8 million EUR was due to the improved pre-tax earnings. Net income, i.e. earnings from operating activities after deducting taxes, reached 86.7 million EUR following 75.9 million EUR the year before.

As per September 30, 2010, the balance sheet total increased by 28.5 million EUR to 969.9 million EUR year-on-year. On the assets side, the investment net carrying values increased by 71.0 million EUR as a result of capital increases executed for the subsidiaries during the reporting period. An offsetting effect came from lower loans to affiliated companies, which was the result of the higher funding of foreign subsidiaries by Douglas Finance B.V., Nijmegen/The Netherlands. The liabilities side increased due to additions made to reserves in comparison to the preceding year.

An amount of 43.4 million EUR was transferred to retained earnings from the 2009/10 net income amount. Taking into account the profit carried forward from the previous year in the amount of 0.7 million EUR, net retained profits totaled 44.0 million EUR like in the preceding fiscal year. Correspondingly, the DOUGLAS HOLDING AG reported equity of 776.5 million EUR as of September 30, 2010 (prior year: 732.4 million EUR) and an equity ratio of 80.1 percent (prior year: 77.8 percent).

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

Dividend stable at 1.10 EUR

Similar to the previous year, the Executive and Supervisory Boards of DOUGLAS HOLDING AG will propose to the Annual Shareholders’ Meeting on March 23, 2011 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 57 percent. Therefore, this proposal is in line with the objective of distributing about 50 percent of Group net income.

Based on a closing share price of 36.83 EUR as of September 30, 2010, the dividend yield would be 3.0 percent. A total distribution for the dividend-bearing capital in the amount of 118.1 million EUR would result in a distribution payout of 43.3 million EUR.

SUBSEQUENT EVENTS

Effective December 30, 2010, the shareholding interests in Douglas Rivoli Holding B.V., Nijmegen/Netherlands, OOO Douglas Rivoli, Moscow/Russia and OOO Parfümerie International Company, Moscow/Russia were sold.

As a result of the capital increase to issue employee shares executed on November 23, 2010, the capital stock rose by 0.2 million EUR to 118.1 million EUR. The transactions described above do not materially 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.

INTERNAL CONTROL SYSTEM AND KEY SUCCESS FACTORS

The Group aims to raise the business value on a sustained basis, particularly for sales and earnings growth, as well as raising profitability. For purposes of value-oriented monitoring of 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 increase the business value.

Fig. 11

DVA in fiscal year 2009/10

As a consequence of the positive sales and earnings performance of the 2009/10 fiscal year, the DOUGLAS Group increased the DVA to 23.7 million EUR. Therefore, the preceding year's DVA was surpassed by 3.2 million EUR. In addition to the improved net operating profit after taxes (NOPAT), the assets in use were reduced on the average for the reporting year and consequently the capital costs were alleviated.

Fig. 12

With a DVA of 33.6 million EUR, the **Perfumeries division** significantly surpassed the prior year's figure. This increase was mainly due to the improved NOPAT. It is noted here that the substantially higher goodwill amortization year-on-year was not taken into account in the determination of the NOPAT.

The **Books division** reported a negative value contribution of 5.1 million EUR for the fiscal year. This decrease of 8.2 million EUR primarily relates to the challenging development of the stationary book trade throughout the industry and the higher assets, which

Fig. 11 · Internal control factors and key performance indicators

		2009/10	2008/09
Net sales	EUR m	3,320.8	3,200.8
Gross profit	EUR m	1,571.3	1,517.3
Margin	in %	47.3	47.4
EBITDA	EUR m	286.9	255.0
Margin	in %	8.6	8.0
EBT	EUR m	131.2	103.9
Margin	in %	4.0	3.2
DVA	EUR m	23.7	20.5
Delta-DVA	EUR m	3.2	–13.6
Equity ratio	in %	44.6	42.1
Working capital*	EUR m	418.1	455.0
Net bank debt**	EUR m	124.0	165.3

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

Fig. 12 · DVA and Delta DVA by division – Fiscal year 2009/10

	NOPAT (in EUR m)	Capital employed (in EUR m)	DVA[1] (in EUR m)	ROCE[2] (in %)	Delta DVA (in EUR m)
Perfumeries	76.6	836.6	33.6	10.5	7.3
Books	16.7	388.6	–5.1	5.2	–8.2
Jewelry	12.8	117.5	5.6	11.3	1.5
Fashion	0.8	113.0	–6.6	0.7	0.8
Confectionery	2.6	25.3	1.2	11.3	0.3
Sales subsidiaries	**109.5**	**1.481.0**	**28.7**	**8.4**	**1.7**
Other companies/consolidation	–8.7	–56.0	–5.0	–	1.5
DOUGLAS Group	**100.9**	**1.425.0**	**23.7**	**8.2**	**3.2**

[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 = (NOPAT + start-up costs) / capital employed

mainly arose from the first time full consolidation of buch.de in the fiscal year under review. The valuation effect contained in the earnings before taxes (EBT) from buch.de in the amount of 6.1 million EUR was eliminated in calculating the DVA.

The highest percentage value increase was realized in the **Jewelry division** with a DVA increase of 1.5 million EUR to 5.6 million EUR in the reporting year. Both the positive earnings performance and the improved working capital management enabled the DVA to increase. With a return on capital employed (ROCE) of 11.3 percent, the Jewelry division together with the Confectionery division were the top leaders of the DOUGLAS Group.

The **Fashion division** reduced the capital employed as a result of the closure of the fashion store in Berlin; thus, posting a slightly improved DVA over the preceding year. Nevertheless, AppelrathCüpper reported a negative value contribution of 6.6 million EUR for the reporting year.

The **Confectionery division** reached a positive DVA of 1.2 million EUR in the reporting year; thereby exceeding the prior year's DVA by 0.3 million EUR.

The **Other Companies/Consolidation division** increased the value contribution by 1.5 million EUR in the fiscal year under review. However, the absolute value contribution of the administrative companies continued to be negative at 5.0 million EUR.

DVA as a key performance indicator of corporate control

The control factor, the DOUGLAS Value Added (DVA), was introduced in 2001 together with the business consultants Stern Stewart. Based on the internationally recognized control and management system, the Economic Value Added® (EVA®) concept the DVA allows the measuring of all decision-making processes in terms of increasing the business value. 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 implemented 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 required cost of capital employed is at least covered by their earnings, the DVA is calculated by subtracting the imputed financial costs of capital employed from the net operating profit after taxes (NOPAT). The NOPAT is the operating profit before financing costs minus income taxes. Capital employed is the total of all assets minus all non-interest bearing liabilities plus the allocable 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 DOUGLAS Group's cost of capital is derived from the weighted average cost of capital (WACC) concept. As in the preceding 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. The cost of equity is calculated using the capital asset pricing model (CAPM). 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 preceding year.

Statement of Value Added

The DOUGLAS Group's statement of value added details the origin and the use of economic performance in the reporting and preceding fiscal years. Value added is calculated by deducting intermediate input – cost of materials, depreciation and amortization and other expenses – from the Group's performance. The origin and use of the valued added is then compared. The portions of value added received are shown by the individual inter-

Fig. 13

Fig. 13 · Statement of Value Added

	2009/10		2008/09		Change
	(in EUR m)	(in %)	(in EUR m)	(in %)	(in %)
Origin of Value Added					
Net sales	3,320.8	93.9	3,200.8	93.7	3.7
Other income	215.0	6.1	213.8	6.3	0.6
Group performance	**3,535.8**	**100.0**	**3,414.6**	**100.0**	**3.5**
Cost of materials	–1,749.5	–49.5	–1,683.5	–49.2	3.9
Depreciation/amortization	–145.2	–4.1	–138.9	–4.1	4.5
Other Expenses	–776.1	–21.9	–772.0	–22.6	0.5
Value Added	**865.0**	**24.5**	**820.2**	**24.0**	**5.5**
Use of Value Added					
Employees	720.3	83.2	698.3	85.1	3.2
Public sector	55.1	6.4	41.1	5.0	34.1
Shareholders	43.3	5.0	43.2	5.3	0.0
Company (retained earnings)	32.6	3.8	19.6	2.4	66.8
Creditors	13.5	1.6	18.0	2.2	–25.0
Minority interests	0.2	0.0	0.0	0.0	–
Value Added	**865.0**	**100.0**	**820.2**	**100.0**	**5.5**

est groups – employees, shareholders, creditors or the public sector. The result represents the macroeconomic performance of the DOUGLAS Group.

In the 2009/10 fiscal year, the Group's performance increased by 3.5 percent to over 3.5 billion EUR as a consequence of sales growth. Net of intermediate input, the value added generated by the DOUGLAS Group totaled 865.0 million EUR (prior year: 820.2 million EUR), translating into an increase of 5.5 percent year-on-year.

The bulk of the value added – 83.2 percent – went to the benefit of the DOUGLAS Group's employees. The public sector received 6.4 percent of value added. Based on the dividend currently being proposed, the DOUGLAS Group's shareholders account for 5.0 percent of value added with 1.6 percent going to creditors and 3.8 percent remaining within the Group.

Headcount slightly higher

Fig. 14 The DOUGLAS Group's positive performance delivered in the 2009/10 fiscal year is largely due to the high dedication of its employees. With their extraordinary enthusiasm 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, 2010, the headcount increased by 465 to 24,655 year-on-year. This includes new employees both in Germany and abroad. As of the balance sheet date, there were 15,164 employees in Germany or 403 more than the year before. Outside of Germany, the workforce number of 9,491 was slightly higher than the prior year's figure of 9,429.

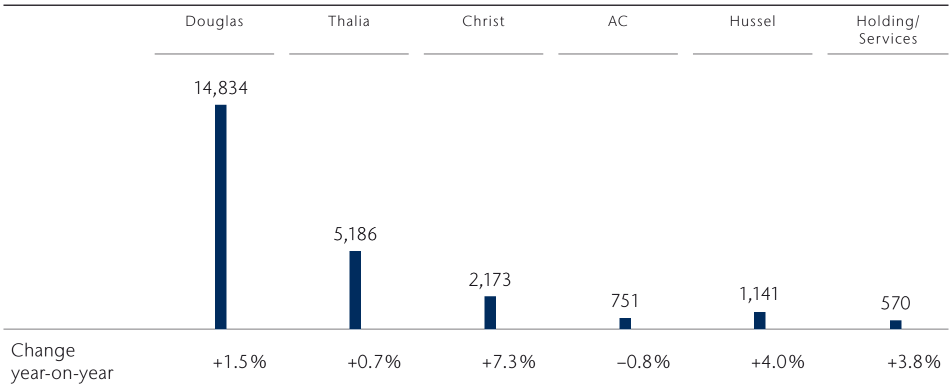
Personnel expenses in the 2009/10 fiscal year totaled 720.3 million EUR or 3.2 percent above the prior year's figure. The ratio of personnel expenses to sales of 21.7 percent matched the prior year's level.

To meet the demographic changes and increasing demands from customers, the DOUGLAS Group focuses on consistent training and continuing education of its employees. In 2010, 670 young individuals began their vocational training at a specialty retail store or at the service headquarters. This represents a trainee rate of nearly 13 percent, which once again places the Group well above the sector average of roughly eight percent. Accordingly, the DOUGLAS Group again proves its high commitment to the training of young professionals.

Another instrumental success factor is staff development, which deals with both technical and leadership issues. Specified for the requirements of the subsidiaries, special programs and courses are developed to meet the individual needs of the employees.

Continuing education is offered at the "Douglas Academy" for the German Douglas perfumeries, at the "PROMIs-Program" for the Christ jewelry stores and at the "Thalia Academy" for the Thalia bookstores. On a cross-company level, the DOUGLAS HOLDING ACADEMY creates seminars, workshops and informative events for upper management, focusing on the latest developments and trends in the strategic further development of the divisions. In addition, it supports the exchange of information across all departments

Fig. 14 · Employees by division



and makes a key contribution to improving internal knowledge at the management level and developing corporate culture.

The training courses offered to sales staff continues to focus on the key “selling” topic. The 2009/10 fiscal year kicked off with successful, new programs, which dealt with the emotional side of selling. Moreover, the potential of integrating stationary retail trade and online distribution was illustrated to convince the sales staff of the multi-channel strategy.

With the development of the store sponsorship concept, the employees at the service headquarters and the Holding have the opportunity of getting to know the sales department better. Following the positive feedback in the first year, this concept has now been permanently established. The store participation of key executives would comprise at least four days per year.

Additional information in this respect can be found in the “Human Resources” section on pages 18 to 25 of this Annual Report.

18–25

Research and development

In a retail group such as the DOUGLAS Group, there are no research and development expenses in the traditional sense. Nevertheless, consumption trends are continually monitored and all relevant markets are intensively analyzed. The knowledge gained therefrom helps in the selection of new and attractive products and in the developing of new platforms and distribution channels. Even the designing of modern store concepts and the development of marketing instruments and IT systems profit from the ongoing market analysis. It also assures the monitoring and identification of important new developments such as communication via the so-called Social Media, so that they can be profitably implemented for the DOUGLAS Group.

Procurement and logistics

Procurements and logistics play a decisive role for a retail group operating at an international level. With the increasing relevance of online distribution, the DOUGLAS Group also attaches more importance to functioning logistics. Competitive advantages can be generated by ensuring punctuality in delivery and perfect product quality. This also necessitates good supplier relationships, on which the DOUGLAS Group can rely on a partnership and a long-term basis.

In the Perfumeries division, focus was placed on the new structuring of logistics locations in Germany. The number of cross docking centers declined from eight to five sites. Based on optimum logistics criteria, the stores were regrouped to the cross docking centers with the aim of reducing transport costs. Furthermore, numerous IT systems were integrated at the Douglas perfumeries. The computer-supported system for store orders (SAF) was rolled out at the beginning of 2010. The system supports store disposition by calculating a disposition recommendation based on past figures and parameters for future events. In addition, the ATOSS SES system replaces the old staff planning system. Moreover, the Douglas perfumeries met the current safety requirements (TA 7.0) with the implementation of the new payment terminals.

The fiscal year's focus in the Books division was on further development and the roll out of the new merchandise system Thawis. The new system should assure the company's overall operations and growth potential as well as raising profitability – by means of realizing cost savings potential and optimizing business processes. A major portion of the stores was successfully converted to the new system in the 2009/10 fiscal year.

Sustainability

The DOUGLAS Group associates corporate responsibility with a clear claim: Retailing with heart and mind. This means to reconcile economic success with social and ecologic commitment. The company responds to the challenges of the future with a number of projects and initiatives. In 2008, the DOUGLAS Group established the in-house "Corporate Social Responsibility Council", comprising of representatives from the operating divisions and the Holding in an advisory capacity. In addition, employees, customers, investors and other interest groups exhibit concrete expectations of the DOUGLAS Group. Their interests are bundled and evaluated by the Council; the Council then defines key corporate responsibility topics as part of its regular meetings, such as the supplier code of conduct that is mandatory for all suppliers.

Claim to the suppliers

In choosing suppliers, the DOUGLAS Group sees it as its duty to comply with both generally accepted and local legislative rules and special features with respect to social and ecological standards. This claim is established in the supplier code of conduct throughout the entire group. It is based on the human rights declaration of the United Nations (UN) and the conventions of the International Labour Organization (ILO), and must be signed by all suppliers of the DOUGLAS Group.

Responsibility to employees

A corporation is only successful when its employees are given the opportunity for further development. Especially for the DOUGLAS Group, which relies on excellent service and expert advice, this is the key for sustainable success. With regard to the demographic change and rising competition for hiring professionals and managers, the retention and development of highly qualified employees are crucial. The aim is to make young professionals enthusiastic about starting a career in retailing. That is why the DOUGLAS Group has offered attractive training courses and diverse career opportunities within the company for many years. In August 2010, roughly 670 young people launched their careers in the DOUGLAS Group throughout Germany – more than ever before. In total, some 1,526 apprentices were employed in Germany as of September 30, 2010, which correlates to a trainee rate of nearly 13 percent and is again well above the industry average of the German retail trade of about eight percent.

The DOUGLAS Group also relies on a healthy generation-mix. Particularly, longstanding employees provide continuity and have a wealth of experience. Together with their new colleagues and junior staff, who provide impetus for changes and innovations, they form top teams. In order to stay up-to-date, the continuing education of all our employees is essential. In terms of "lifelong learning", the DOUGLAS HOLDING and all the subsidiaries offer attractive courses in technical and management areas as well as individual training. Modern human resources policies also include special offers for longstanding and experienced staff. Therefore, the DOUGLAS Group participates in the "Experience 50 plus" project initiated by the German Retail Association (HDE) and the Federal Ministry of Family. This aims to accompany participants with age-appropriate training for constantly changing requirements in sales.

The better the employees feel, the longer they remain loyal to the company. In the 2009/10 fiscal year, roughly 4,900 men and women celebrated their 10-year anniversary in the DOUGLAS Group and some 1,700 celebrated their 20th anniversary. For purposes of keeping currently informed about the working atmosphere, written and anonymous employee surveys are conducted at regular intervals – in 2010, too. The results are discussed in workshops and suggestions for improvement are created together.

The balance between work and family life for mothers and fathers is becoming of greater relevance in the DOUGLAS Group. By means of flexible work schedules, flextime and part-time work, the company allows the daily working days to be designed by the individuals. This is particularly essential in sales. Here, management can apply its decentralized decision-making powers to mutually develop individual and tailored models together with their staff. The DOUGLAS company kindergarten opened in August 2009 in Hagen named "Minifiliale" was selected among one of "365 places in Germany" in the "a place in the land of ideas" competition. The "Minifiliale" was largely awarded for the exemplary cooperation between company, municipality and the AWO (Arbeiterwohlfahrt Bundesverband e.V.). In 2010, the care of children between zero and three was extended by a group of 15 children up to six years old.

Also the staff's health is a top concern for the DOUGLAS Group. For example, the service headquarters in Hagen regularly host "Health Days" featuring optimal nutrition, proper motion at work or the topic "A Healthy Back". At the end of 2009, the DOUGLAS Group participated in the "ACTIVE Companies NRW" competition from the German Foundation for Stroke Aide and was awarded second place. The objective was to motivate staff to keep active in their daily work life, thus preventing strokes.

Responsibility to the environment

The conscious use of natural resources and energy play a central role in the DOUGLAS Group. That is why all subsidiaries in the group are encouraged to contribute to protecting the environment at their specialty retail stores. This includes the application of energy-saving techniques in air conditioning and ventilation systems for new construction and renovations. Constant room temperatures at the stores are ensured by so-called air-curtain systems. The stores test the use of alternative lighting sources to further reduce the power consumption per square meter. In April 2010, the Douglas perfumery in Frankenthal was used as a pilot store and was fully equipped with LED lighting. Through the installation of an additional system to measure energy use, the consumption will be exactly measured and the effect between air conditioning, heating, lighting, door systems and IT will be assessed.

Moreover, the DOUGLAS Group is reviewing continuous applications to minimize the impact of logistics on the environment. Therefore, Douglas fundamentally overhauled its logistics in Germany. As a consequence of the new regrouping of the perfumeries to only five locations instead of eight cross docking sites, the transport volume was significantly reduced over the previous year despite higher quantities of goods. The Thalia bookstores signed a new logistics agreement with their service providers in the 2009/10 fiscal year, which allows all national sales companies to be processed via one logistics system in the future. This minimizes the transportation routes. AppelrathCüpper also analyzed their logistics process and modified their delivery terms. Therefore, the fashion houses will now receive deliveries twice per week instead of every day. Furthermore, AppelrathCüpper focused on one provider for the delivery of goods for cost-saving and environmentally-friendly purposes.

To protect the forests, the DOUGLAS HOLDING has used FSC-certified paper for many years and has switched to using recycled paper at its service headquarters in Hagen. In January 2010, the Douglas perfumeries and the cosmetics manufacturer Origins launched a mutual project. With the purchase of an Origins product a new tree is planted by the “WikiWoods” organization. In total, 6,000 trees have been planted in the Stechlin nature reserve in Rheinsberg in Brandenburg. Hussel is also committed to protecting the forests. More than half of the packaging of the Hussel confectionery products bear the FSC seal.

Social responsibility

The DOUGLAS Group’s social commitment encompasses diverse activities. Such as in prior years, the company donated a total of 25,000 EUR on the occasion of its Annual Shareholders’ Meeting in 2010. The foundation “Evangelische Stiftung Volmarstein” received a donation of 12,500 EUR, the child protection department of the “Diakonisches Werk Ennepe-Ruhr/Hagen” and the soup kitchen (Suppenküche Hagen e.V.) each received funds of 6,250 EUR. In the new 2010/11 fiscal year, the DOUGLAS HOLDING also supported the 33rd German Protestant Church Day in Dresden in 2011 by sponsoring a sum of 10,000 EUR.

As a company in Hagen, the DOUGLAS Group is actively involved in local assistance projects. This includes active involvement since 2006 in the “Local Alliance for the Family”, an initiative established by the German Federal Ministry of Family. Support is provided both financially and through hands-on-activities as well. Moreover, the human resources department of DOUGLAS HOLDING has assisted the Employment Office in Hagen since 2006 with the job application training of long-term unemployed and mothers returning to the workforce after maternity leaves.

Corporate responsibility is also an integral component of social responsibility for the subsidiaries. Since 2008, the Douglas perfumeries, as the main sponsor, have supported the organization DKMS LIFE, a subsidiary of the German Database of Bone Marrow Donators (DKMS). DKMS LIFE offers free cosmetic seminars for the benefit of women with cancer by helping them cope better with the external consequences of their sickness and its treatment. Since the start of this cooperation back in 2008, the Douglas perfumeries have held more than 450 cosmetic seminars for DKMS LIFE and have allocated a total sum of roughly 470,000 EUR for DKMS LIFE. Furthermore, the Douglas perfumeries were again the main sponsor of the DKMS LIFE Charity Event “dreamball 2010”. The Douglas perfumeries will continue to support DKMS LIFE in 2011 as well.

The Douglas perfumeries are also engaged outside of Germany for charitable purposes. Under the slogan “La Flamme Marie Claire”, the women’s magazine “Marie Claire” launched an initiative in France to promote the schooling of girls around the world. The Douglas perfumeries in France also counted among the renowned partners.

The bookseller, Thalia, seeks to promote the fascination for literature. In the 2009/10 fiscal year, Thalia not only sponsored the international literature festival “lit.COLOGNE” in Cologne, but also displayed with its team how much fun literature can be. Nine book retailers reported about Europe’s largest literature festival – in a sketchbook specially designed by Thalia on the Internet. Also, numerous authors such as Carlos Ruiz Zafón, Martin Suter, Frank Schätzing, Mo Hayder and Wladimir Kaminer made contributions.

In Switzerland, Thalia supported the UNICEF project “School-in-a-Box”, which provides further schooling for children in war zones and crisis areas in the event of emergencies and natural disasters. Each “Box” contains basic equipment for the instructional use by one teacher and up to 40 students. Thalia donated all proceeds – totaling roughly 5,000 Swiss Francs – received from the ticket sales of the Swiss Literature Club.

And Christ also campaigns for more social responsibility. Hence, the Jewelry division purchases the diamonds used for the Christ diamond jewelry pieces exclusively from companies buying their diamonds from “Sightholders” (direct buyers) of the “Diamond Trading Company (DTC)” (De Beers Group). All diamonds correspond to the so-called Kimberley-process, which is an inspection system that stops so-called conflict-diamonds via state certificates of origination for trading. Locally, the Christ jeweler has worked closely together for two years with the “Werkstatt über den Teichen GmbH” in Dortmund, a recognized facility for disabled persons. The cooperation comprises the production of store elements and processing work of all types and is planned to be further expanded in the coming years.

The Hussel confectionery stores have been committed for more than ten years on a local level for children’s and youth sports by organizing a youth’s golf tournament and a track and field athletics sports festival in Hagen. In the 2009/10 fiscal year, Hussel was the sponsor of the Children’s Village for the second time in the context of the internationally known and top-class equestrian event “Balve Optimum” and was the promoter for the first time of the therapeutic equestrian courses offered there.

Hussel cooperated for the first time in 2010 with WWF (World Wildlife Fund) and launched a chocolate advent calendar with tigers featuring the “Year of the Tiger” based on the Chinese calendar. One Euro earned per calendar sold goes to the WWF to save the endangered predatory cat species. In addition, Hussel has presented its top private label

Social Commitment of the DOUGLAS Group

The DOUGLAS Group associates corporate responsibility with a clear claim: Retailing with heart and mind. The company's social commitment is reflected by various small and large activities and initiatives.

On the occasion of its Annual Shareholders' Meeting, the DOUGLAS HOLDING donated a total of 25,000 Euro to three institutions in and in the vicinity of Hagen (from left): Jürgen Dittrich (Board Speaker of "Evangelische Stiftung Volmarstein"), Dr. Henning Kreke (President and CEO of DOUGLAS HOLDING), Dr. Ingeborg Otto (Soup Kitchen in Hagen), Anke Giesen (Executive Board member of DOUGLAS HOLDING), Heide Alscher (Head of the children's protection ambulance in Hagen) and Thomas Haensel (Managing Director of the Social Welfare Facility).

Presented with a cheque: Sabine Riede (fifth from left), Managing Director of Sekten-Info NRW e.V., an association which informs on the issue "sects." From left to right: Kathrin Jaeger (Hussel), Eva Dörrenbach (trainee), Diana Dilmenc (Christ), Nina Heckerott (Douglas), Roland Höfer (Christ), Viviane Oberkampf (DOUGLAS HOLDING), Angelika Burger (Thalia), Oliver Lambor and Arzu Aslani (both AppelrathCüpper).

Douglas and DKMS LIFE: Since 2008 the perfumeries have organized over 450 cosmetic seminars free-of-charge to women suffering from cancer.

At Christmas time, DOUGLAS Corporate Service GmbH (DCS) and DOUGLAS Informatik & Service GmbH (DIS) made children's wishes come true.

A heart for the children: Hussel was the sponsor of the Children's Village at the equestrian tournament "Balve Optimum."

On the occasion of its 20th anniversary, the Douglas perfumery in Andernach supported "Die Tafel."

"La Margerita" in organic quality bearing the "Rainforest Alliance" seal since 2009. The products Grand Cru Chocolates "Iara" and "Bejofo" are also organically certified and are produced from cultivated high-grade cocoa beans.

OPPORTUNITIES AND RISKS SITUATION

Opportunities and risks situation unchanged

Opportunities and risk management

In principle, the DOUGLAS Group takes risks only when they are deemed controllable and the corresponding opportunities are likely to provide an appropriate increase in value.

Opportunities and risks are identified by experienced risk managers appointed for each Group company in Germany and abroad through clearly defined processes and with the assistance of a standard, centrally administered opportunities and risk management system. This system allows a monetary evaluation of opportunities and risks as well as the documentation of measures applied.

The system's effectiveness and efficiency is periodically assessed by the Group's internal auditing unit and the independent auditor. The findings therefrom are presented to the Executive Board and the Supervisory Board.

The Executive Board also receives an overview of identified opportunities and risks at regular intervals to assure that information is received in a timely manner. In the event of sudden and material risks being incurred, the Executive Board immediately receives all necessary information.

Environment and business opportunities and risks

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, a downward trend in retail sales in Europe presents a risk. By positive contrast, a significantly growing consumption demand presents an opportunity for the Group. For purposes of responding to changes in the framework conditions in a timely manner, not only are budget reports regularly updated, but scenario analyses are also prepared.

The risks from internationalization are countered by the DOUGLAS Group by adjusting the respective product lines to the country-specific characteristics. Moreover, the national political, economic and legal framework conditions are carefully monitored and evaluated by experienced local managing directors.

For purposes of optimizing the store network to the current and anticipated future framework conditions, not only were numerous openings and acquisitions carried out, but stores closed as well. In the 2008/09 fiscal year a special program was conducted to streamline the store network. This incorporated the closure of those stores that did not indicate a sustainable improvement in earnings on the medium term. The store network streamlining was completed to a large extent in the reporting period.

Sales and purchasing opportunities and risks

In order to always 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.

Rising rental and energy prices as well as growing competition necessitate intensive cost management. The opportunities and risk management system supports the search for reasonable solutions.

For an international retail group, changes in consumer habits present significant risks, especially in the changing demands of the customers. The continuous development of the Customer Relationship Management not only contributes to the further development of the exclusive and private brands concept, but also promotes customer loyalty. Furthermore, the DOUGLAS Group aims to profit from the trend towards online retailing and has accordingly developed a multi-channel strategy.

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

Financial opportunities and risks

The DOUGLAS Group displays a moderate financial risk profile. Due to its concentration in the euro zone, currency risks are insignificant. The same holds true for liquidity and interest risks due to the Group's solid capital and financial 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 economic uncertainties, large money investments will be avoided where possible or invested with only first-rated banks in Germany.

A detailed description of the financial risks and their managing tactics can be found
162–165 in the Notes accompanying the consolidated financial statements on pages 162 to 165.

Receivables default risk

The receivables default risk is only of minimum relevance for the DOUGLAS Group. The continuous evaluation and monitoring of receivables by means of an active receivables management through internal and external service providers minimized 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 dependency on the availability and quality of data in increasingly more complex IT systems and the interfacing of individual companies present a significant risk potential. In order to counter this, a group-wide IT safeguarding concept has been implemented. Comprehensive precautionary measures, such as firewall systems and daily virus protection safeguard the availability, reliability and efficiency of the systems and data.

The increasing requirements for data protection – among others, the amendment to the Federal Privacy Act of 2009 – are met by the DOUGLAS Group conducting extensive data protection training for all relevant employees and by access restrictions. Moreover, a modern processing center and constant controls and monitoring of the systems as part of emergency plans and actions assure the quality and safety of the processes concerning data processing.

The extensive standardization of the IT infrastructure within the Group, the introduction of standard cash register systems and the further development of merchandise management allow for a much more effective processing.

Furthermore, the efficient application of the information technologies provides competitive advantages. They can extend the range of the services in place to alternative distribution channels, such as via the Internet.

Human resources opportunities and risks

Key components of the lifestyle philosophy include expert advice and outstanding service. Employees who are inadequately qualified and have insufficient service orientation pose significant risks. Another risk comes from experienced employees leaving the company.

In addition to establishing a positive working atmosphere, the focus of human resources' efforts is on offering company training and continuing education and in promoting young management professionals through international management development programs. Thus, top executives have the opportunity of receiving specific training and to simultaneously exchanging their experiences across the divisions.

Opportunities arise in particular from the high attractiveness of the DOUGLAS Group as an employer and high proportion of apprentices. Consequently, this should make qualified young management professionals loyal to the company in the future.

Legal opportunities and risks

Significant legal risks could arise from possible violations against statutory requirements or internal corporate guidelines.

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

The Compliance department also provides support in keeping the DOUGLAS Group and its employees in compliance with the rules in effect. This not only includes the statutory requirements, but also those which the DOUGLAS Group has voluntarily enacted. The Compliance department coordinates all compliance issues throughout the Group and therefore further expands the corporate structure.

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 comprehensive 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 position of the DOUGLAS Group are neither pending nor is the company threatened by any such disputes at this time.

Internal control system and risk management system

The accounting-related internal control and risk management system of the DOUGLAS Group aims to prevent and minimize the risk of misstatements in accounting and in external reporting or to recognize and minimize it in a timely manner.

The DOUGLAS Group has a uniform accounting manual which is regularly updated to meet the legal framework conditions. This Group accounting manual prescribes accounting in conformity with IFRS for all Group companies in Germany and abroad to ensure the application of uniform recognition, valuation and presentation methods in the IFRS consolidated financial statements. For purposes of assuring uniform accounting within the DOUGLAS Group, the corporate accounting department of DOUGLAS HOLDING AG prepared the accounting guidelines.

The manual is made available via the Group's intranet to all employees involved in the accounting process. To assure a smooth process in the preparation of individual financial statements by the subsidiaries, complex accounting issues or accounting principles are discussed and explained well before the balance sheet date.

The individual financial statements of the Group companies are prepared with the assistance of the centralized ERP software SAP (SAP-FI). The necessary accounting steps are subject to diverse, automated and manual controls and to reasonableness tests. Key controls are, for example, the reconciliation of the general and subsidiary ledgers or the central classification and maintenance of the balance sheet structure. Other regular controls such as automated accounting controls and processes, the daily comparison of store revenues with the cash receipts on bank accounts or the examination of posting disruptions help to ensure the high quality of the individual financial statements. Once the individual financial statements have been given final approval, subsequent changes by bookkeeping are no longer possible.

Consolidation of the individual financial statements of the Group companies is performed for all companies via the Hyperion Financial Management software system (HFM). A standardized chart of accounts is established for this purpose, which is used by all companies and is defined and maintained by corporate accounting. The individual financial statements prepared in SAP are automatically transferred to HFM. Other than the financial statements, additional relevant year-end closing information regarding tax deferral, consolidation and preparation of the Notes are transferred via HFM and other supplemental systems.

The data transferred is then automatically examined for reasonableness. In the event that warning or error messages should arise, the respective company must resolve the issues before the data is submitted to corporate accounting. Manual controls with respect to quality and completeness are performed by corporate accounting.

Another example of a controlling instrument is the financial statement presentation of the individual subsidiaries. The respective managing directors of all material subsidiaries present their financial statements according to centralized, standard formats to the Executive Board, corporate accounting and the Group independent auditors. Furthermore, the managing directors can be questioned about critical issues by those bodies. In conclusion, the respective managing directors confirm that all requirements have been complied with and confirm the completeness of all data relevant to the consolidated financial statements by submitting an internal letter of representation.

The necessary accounting steps as part of the final consolidation conducted by corporate accounting are subject to various automated and manual controls and reasonableness tests. Key controls in this respect include automated reasonableness tests and manual comparisons of actual-to-budget and current-to-prior year. The preparation of the cash flow statement and changes in equity is also system-supported just like the segment reporting.

Valuations in connection with the acquisition of shares (e.g. purchase price allocation) are generally performed for material acquisitions on the basis of external expert valuations. The valuation of provisions, namely personnel provisions, is conducted by external actuaries on a regular basis for the year-end closing.

For purposes of the material processes for the individual and consolidated financial statement preparation, organization handbooks, instructions and guidelines are available in German and in English. These are regularly adjusted to conform to current conditions and are made available to all those employees involved.

As a rule, the principle of dual control is applied, which means that all material transactions are controlled by at least a second person. The principle of separation of duties is also applied to all transactions, that is, the rights and access of employees are restricted to the extent that the principle of dual control will not be defeated. In certain Group companies, such a separation of duties control is not possible due to the low staff number. In this respect, compensating control mechanisms are in place that would prevent or detect possible violations.

The compliance and execution of these controls are regularly reviewed both operationally and technically by the Group Internal Audit & Risk Management division. Accordingly, the Group Internal Audit & Risk Management division prepares, together with the Executive Board and the managing directors of the Group companies, an annual risk-oriented audit plan, which is supplemented during the current year by special audits. The findings therefrom are presented to the CFO and the Chairman of the Executive Board as well as the managing directors of the companies audited and actions are resolved to minimize the risks discovered.

In addition to the contextual and technical risks, risks could arise from failing to meet deadlines. To prevent such risks, corporate accounting monitors the processes in place for the individual and consolidated financial statements in conformity with IFRS

AppelrathCüpper: always presenting itself with top fashion – like here in Münster.

both in terms of content and time. The financial statement preparation process is also presented in detail in a scheduling plan that contains the single steps by due date and responsibility.

To assure the reliability, confidentiality and availability of the data, clear access rules are defined in the accounting-related IT systems. Each Group company in Germany and abroad is subject to these rules, which are summarized in an IT safeguarding manual and its compliance is monitored across the Group by the corporate internal audit division. This ensures that the user of the systems only has access to the information and systems required to fulfill the user's duties.

As part of the year-end audit, the independent auditor examines selected internal controls and assesses their effectiveness. In addition, the financial statements of all material companies are audited by local independent auditors. The compliance of accounting standards and the accuracy and completeness of all other decentralized documents that are of relevance to the consolidated financial statements are examined.

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

The basis of assessing the risk situation is the DOUGLAS Group's regular discussions about the risks and opportunities management system with the internal management of the subsidiaries at the Board Meetings.

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 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 existing risks both as individual risks and in connection with other risks are limited and from today's standpoint are immaterial to the going concern of the DOUGLAS Group. 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 financial 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 stipulated under attractive conditions and necessitated 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 165. 165

STATUTORY DISCLOSURES

Information required under the Takeover Law pursuant to § 289 (4) together with § 315 (4) HGB

The company's share capital amounted to 117.962.676 EUR as of the balance sheet date on September 30, 2010. It was divided into 39,320,892 no-par value shares. The shares have a theoretical par value of 3.00 EUR per share.

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

A 25.81 percent direct interest in the company's equity (which exceeds ten percent of the voting rights) 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 appointment 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 conformity with Section 5 (1) of the 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 Boards' remuneration structure can be found in the Notes accompanying the consolidated financial statements on pages 167 to 168. 167–168

Amendments to the company's Articles of Incorporation 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 24, 2010, the Executive Board is authorized until September 23, 2011 to acquire no-par value shares for treasury stock up to ten 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 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 1,246,260 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 issuance of compensation in the event of a takeover bid.

Declaration of Corporate Governance pursuant to Section 289 a HGB

The declaration of corporate governance pursuant to Section 289 a of the German Commercial Code (HGB) comprises the declaration of compliance in conformity with Section 161 of the German Stock Corporation Law (AktG), disclosures concerning corporate governance principles and a description of the duties of the Executive and Supervisory Boards. The declaration is publicized on DOUGLAS HOLDING AG's homepage under "Investor Relations/Corporate Governance".

FORECAST AND THE EXECUTIVE BOARD'S OVERALL ASSESSMENT OF THE DOUGLAS GROUP

Expansion of the world economy slows down

According the predictions of the IfW, the economic recovery of the world economy will proceed into 2011. However, the economic pace, especially in the developed economies, will slow down. This is impacted by the phasing-out of the economic stimulus programs in most industrial countries, the stricter measures to consolidate deficit countries and the tightening of monetary and economic policies in emerging countries. Nonetheless, the IfW still predicts a rise of 2.8 percent in global production for 2011.

Slight growth continues in the euro zone

The economic development in the euro zone is expected to remain highly heterogeneous in 2011, too. On one side, some countries, such as Germany, will most likely benefit and have good developments in 2011 from the low interest rates and demand from emerging economies. On the other side, the economic outlook of some countries in the European Union will continue to be restrained. On the whole, the IfW predicts growth of 1.3 percent in the gross domestic product for the euro zone in 2011.

Higher domestic demand in Germany

The upwards trend of the German economy is likely to continue into 2011. While the economic upswing was mostly supported by exports in 2010, growth in domestic demand is additionally predicted for 2011. In particular, the drop in the unemployment figure and higher salaries in 2010 with simultaneously higher price stability are anticipated to have a positive impact on domestic spending. All in all, the IfW projects a rise of 2.0 percent in overall economic production.

Retail segment satisfied with Christmas business

According to surveys conducted by the German Retail Association (HDE), retailers were satisfied with their Christmas sales. Compared to the previous year's period, HDE had anticipated a nominal sales increase of 2.5 percent for November-December 2010. Overall sales are projected to have risen by a nominal 1.5 percent during the 2010 year as a whole.

Impact of proposed tax and legislative enactments in Germany

The proposed trade tax reform prescribed in the 2009 Growth Acceleration Act, which was to provide a reduction in the trade tax add-back in real estate rents and a permanent increase in the exemption limit for tax-deductible interests expenses will probably not be implemented in 2011.Therefore, the proposed tax relief requested by the HDE will not take place in the coming year.

No change in the DOUGLAS Group's strategic direction

The DOUGLAS Group will continue to pursue its strategic direction. The aim is for all corporate divisions to gain market share to reach or secure a leading market position in their branch sector. The sales markets of the Group remain in Europe. From today's standpoint, new markets are not expected to be entered in the current and next fiscal years . The DOUGLAS Group aims to expand and modernize its sales network. The store network streamlining resolved in the 2008/09 fiscal year was implemented to a major extent in the fiscal year under review. A substantial rise in consumer demand, in particular, from the recovery of foreign markets, would have a direct positive impact on earnings.

Opportunities for the DOUGLAS Group are expected to come from the growing demands from customers for diverse selling channels. The exclusive option of making purchases only at the specialty retail stores is no longer sufficient for many consumers. The customer wants to shop at both stationary stores and online, too. The interlinking of both alternatives into a multi-channel strategy offered by the DOUGLAS Group not only provides its customers with both selling channels, but also generates additional advantages for the customer, such as online orders with the option of product pick-up at the store. The process optimization steps undertaken in the areas of logistics and IT have already paved the way for a successful implementation of the multi-channel strategy. Even the development in the field of Web 2.0 is seen as an opportunity by the DOUGLAS Group in actively communicating with the customer.

Moreover, the business group sees key opportunities from vertical integration. The Jewelry division will be testing new sales channels by opening stores in the areas of monolabel and multi-label. In addition, all corporate divisions except for the Books division attach great importance to exclusive and private labels. Through the use of exclusive and private labels, customer loyalty is intended to be raised, with a stronger differentiation among competitors. Decisive for the further success of the DOUGLAS Group will be the steps taken towards the correct direction of the product-mix strategy.

Following the lower capital expenditure budgets of the last two fiscal years, the investment volume is estimated at approximately 125 million EUR for the 2010/11 fiscal year, with the aim of again reaching a level of roughly 150 million EUR on a medium-term. In addition to new store openings, the DOUGLAS Group intends to grow further by means of acquisitions. That is why acquisition opportunities are 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 also available in the amount of 37.2 million EUR as of the balance sheet date on September 30, 2010. As of the balance sheet date, the Group had at its disposal borrowing headroom in the amount of 409 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 material changes are anticipated in the cost structure in the current and fiscal years ahead. The personnel cost ratio is expected to remain at about 22 percent of net sales. Even the rental expense ratio is expected to remain relatively stable due to the long-term nature of these agreements. Energy costs of nearly one percent of net sales are also expected in the future.

Economic outlook of the business divisions in the fiscal years 2010/11 and 2011/12

The multi-channel strategy is gaining in importance for the DOUGLAS Group. The integration of the Internet platform with stationary retailing is becoming of more relevance in all corporate divisions. In this respect, the DOUGLAS Group deems this to be a key advantage over its competitors. The store network with almost 2,000 highly-qualified specialty retail stores forms a solid base to now link new media and sales channels. In the second half of 2010, three top-modern shops went "online" with the Internet platforms www.christ.de, www.appelrath.com and www.hussel.de. The Perfumeries division with www.douglas.de and the Books division with www.thalia.de and www.buch.de have been successful in internet selling for a number of years. Consequently, solid prerequisites have now been created in all selling divisions to further develop the DOUGLAS Group into a leading multi-channel provider.

In the current and coming fiscal years, the focal point of the investment activities will continue to be on the Douglas perfumeries. Up to 65 million EUR is planned to be invested in the opening of 50 to 60 new perfumeries, the modernization of the existing store network and the expansion of online selling. The Douglas perfumeries aim to strengthen their leading market position for selective cosmetics on the Internet as well.

Now that the store network streamlining program is nearly complete, Douglas can further focus on increasing market share in the existing European markets. Therefore, new markets are not planned to be entered in the next two fiscal years. The all-important market is still Germany, where the stable sales and earnings performance constitute an important pillar for the Douglas perfumeries. Since a weak performance from some foreign markets is still likely to continue, the home market will remain a key market in the future, too.

Douglas will become even more a "place to experience." Here, the shopping experience will not only count at the specialty store, but in Internet as well. By offering both alternatives, Douglas makes the shopping experience possible around the clock and flexibly adjusted to the respective needs of the customer. Key success factors are still the excellent service quality offered by its employees and the first-class and exclusive product range. Being a trendsetter, the Douglas perfumeries in Germany are considered a partner for cosmetic manufacturers in launching new perfumery products. This cooperation is also planned to be expanded outside of Germany.

In an ongoing price-sensitive competitive background, Douglas sees a decisive success factor to come from increasing customer loyalty. With the Douglas Card, the company has already established a very successful customer loyalty program, which is currently being offered in ten countries. As part of the so-called "social media", Douglas is already conducting intensive online dialogs with its customers. The introduction of an "App" for the mobile phone further enables Douglas to inform its customers about current events, services and offers on-the-go. Moreover, the exclusive and private labels, which will be increased even more in the coming years, strengthen customer loyalty and improve competitive differentiation. All in all, the Douglas perfumeries are on a solid path towards a sustained expansion of its market leadership in Europe and its presence and expertise in the Internet in the areas of perfume, cosmetics and skin care.

The Thalia bookstores will continue to concentrate their activities on Germany, Austria and Switzerland in the two fiscal years ahead. The focal point is still on expanding its leading market position in German-speaking countries, to consistently move ahead with the multi-channel strategy and to increase profitability. Correspondingly, an investment budget of about 30 million EUR has been set aside in the 2010/11 fiscal year for the opening of more than ten bookstores, modernizing the store network and the further implementation of the multi-channel concept. The introduction of a new merchandise management and information system initiated in 2009 establishes the important prerequisites for the

Thalia builds further on its multi-channel strategy – like here in Göttingen.

earnings-oriented realization of the strategy. The implementation of the system will be pushed ahead further at Thalia in the current and coming fiscal years.

The Thalia Group will continue to work on interlinking its expertise from the stationary business with those of the Internet business and the offering of e-books. In addition to its own e-book shop established in the autumn 2010, Thalia also launched an eReader – an electronic reading gadget – named "OYO" on the market. In so doing, Thalia is attaching importance to the increasing relevance of the digital content of books in the years ahead.

The dynamic development in the area of social media is being applied by Thalia to set-up and expand its direct ongoing communication with its customers. Thus, more and more multimedia elements are being integrated at the bookstores. Moreover, the services are rounded out by top-qualified book retailers and the atmosphere of the shopping experience at the bookstores with the concept of the Thalia book universes.

The Christ jewelry stores will continue to concentrate its efforts in Germany in the current and coming fiscal years and will not enter any new markets. An investment budget of roughly 4 million EUR for the 2010/11 fiscal year has been earmarked for five to ten new stores openings and various renovation and modernization work.

The product-mix strategy of private and exclusive labels has proven to a decisive success factor for Christ. The product range will be rounded out in the future with additional fashionable labels. Christ constantly observes the market to identify trends in the jewelry sector early on. Furthermore, Christ continuously works on sharpening its image with customers as a highly-qualified jeweler. Customer loyalty will be secured with the enlarged range of service offers and the exclusive and private labels. This is decisive for the trend towards verticalization in the jewelry retail business and the associated growing fierce competition. In addition, Christ will test other distribution concepts in the areas of both multi-label and mono-label.

By relaunching its online presentation in autumn 2010, Christ has completed another step towards the direction of the multi-channel concept. The aim is to secure its solid position attained in stationary retailing and to expand its expertise as an online retailer in the jewelry and watches segment.

In the Fashion division, AppelrathCüpper will focus on the further, consequent implementation of its new direction for women's fashion stores in the areas of marketing and store design in the fiscal years ahead. The first signs of success are already evident from gaining new suppliers. Moreover, the product line and accessories have been broadened. The challenge now for AppelrathCüpper is to make the new strategy known to the customer – through the support of intensive marketing measures.

With the launch of the AC online shop www.appelrath.com in autumn 2010, AppelrathCüpper tapped into the Internet business as a distribution channel. The aim is to improve both sales and earnings and to successfully establish "AC" as a profiled premium brands seller in the mid to upper genre for women's fashion clothing at attractive prices.

The Hussel confectionery shops will focus on its home market in Germany in the next two fiscal years. Entry in new markets is not planned at this time. The focus of the 2010/11 fiscal year will particularly be set on the scheduled numerous modernization work and implementing the new shop design concept. An investment budget of about 4 million EUR has been set aside.

Together with the new shop concept, which has been successfully tested at the pilot shop in Aschaffenburg, Hussel has introduced a new logo in 2010, modified the presentation of products and packaging and offers additional services. The objective of the new concept is to highlight Hussel's expertise in the area of high-quality chocolates. Hussel aims to profit from the current trend of a more conscious consumption and to establish itself as a qualitative and innovative leader in the confectionery market.

The target is to fascinate existing customers for the new Hussel concept and to win new customers. Moreover, Hussel will secure its leading market position on the German confectionery market and expand its expertise in the confectionery segment on the Internet.

Positive overall assessment of the DOUGLAS Group

The DOUGLAS HOLDING AG's Executive Board continues to assess the situation of the DOUGLAS Group as being positive. The Group has once again demonstrated a successful performance and has increased both sales and earnings in the year under review. Pleasingly, the positive performance of the all-important home market in Germany could offset the adverse sales performance delivered in some foreign markets.

The DOUGLAS Group is well-positioned in all corporate divisions and has available solid net assets, financial position and result of operations positions. It will continue to carryforward its investment portfolio from today's standpoint and will continuously examine and use the optimization potential. Decisive for corporate success in the future is the commitment of its employees, the first-class products and a modern store network. Furthermore, with the group-wide introduction of the multi-channel concept, a forward-looking strategy has been developed for all five of the corporate divisions.

Given the improvement in consumer confidence, the Group's sales proved sound at the start of the new 2010/11 fiscal year. During the first quarter of the 2010/11 fiscal year – which includes the important Christmas business – sales were up about 4 percent. Like-for-like, Group sales were almost 2 percent higher than in the previous year's quarter.

The German Retail Association HDE is projecting an overall increase in turnover of 1.5 percent for 2010. While yet to issue a concrete forecast for 2011, it is expecting a steady development. Similarly, the various industries had yet to publish specific projections for the new year by the start of 2011. However, the mood in the perfumery market appears to be brightening, according to a fall 2010 survey by the German Perfumeries Association, with the trend for 2011 holding steady. Sales at Germany's stationary bookstores were down approximately 3 percent during 2010, according to the industry's BuchReport magazine. No estimate has been provided as yet for 2011. The German Federation of Jewelry and Watch Retailers is anticipating that sales will have increased by some 6 percent in 2010, although this is largely due to higher material costs. Industry analysts project that the watch and jewelry market should develop steadily during 2011, provided the general economic climate does not change significantly. According to the magazine Textilwirtschaft, the German fashion industry posted a 3 to 4 percent gain in sales during 2010; prospects for 2011 are optimistic. The market research institute IRI concluded that confectionery segment sales had declined slightly as at the end of October 2010; the industry's professional associations have yet to venture forecasts for 2011.

From today's standpoint, the Executive Board predicts a sales increase of between 2 and 4 percent and earnings before taxes of about 140 million EUR. For purposes of promoting further growth of the DOUGLAS Group, a capital expenditure volume of about 125 million EUR is available. The shareholder-friendly dividend policy will be continued. Therefore, a payout 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 2011
DOUGLAS HOLDING AG

The Executive Board

Dr. Henning Kreke Dr. Burkhard Bamberger Anke Giesen

DIVISIONS CONTENTS

"I always find something awesome at Douglas."

*Did you know …
that almost 60 million customers shop at
Douglas perfumeries across Europe every year?
Given 300 shopping days, that is equivalent
to some 200,000 a day.*

Douglas

THE WORLD OF BEAUTY

First, the good news: during the 2009/10 financial year Douglas was able to increase its sales by 1.4 percent to approximately EUR 1.9 billion, despite the undeniable effects of the economic crisis which most impacted operations outside Germany. Notwithstanding the crisis, the Douglas perfumeries remained true to their lifestyle strategy and continued to win over customers with outstanding service, first-rate product ranges and a sophisticated store ambiance. Yet again, some 15,000 dedicated employees played a key role in this success. With their friendly and enthusiastic attitudes, they turn shopping at Douglas into a truly unique experience for customers – day after day, at each store, in every single country.

Douglas invested some EUR 56 million in opening 48 new perfumeries and modernizing existing locations during the 2009/10 financial year. During the same period a total of 63 stores were closed for lack of long-term profitability potential. The year therefore saw a net decline in the number of Douglas perfumeries to 1,205; sales at Douglas nonetheless rose.

Berlin's "beauty spot": the new Douglas perfumery on Tauentzienstrasse.

*Did you know ...
that, on the average, more than 70,000 Internet users open the douglas.de homepage every day? At peak times like the pre-Christmas period, up to 150,000 Douglas fans visit our online shop in a single day.*

Developments in the company's key domestic market of Germany proved especially positive. Although the number of perfumeries declined overall by seven to 445, turnover was up by 2.9 percent to approximately EUR 947 million, enabling Douglas to successfully cement its market leadership. Douglas Germany also profited from the numerous promotions surrounding the centenary of its first-ever perfumery on Hamburg's Neuer Wall in 1910 (see also pages 82 and 83). The standout among the seven new venues was the redesigned Douglas perfumery on Tauentzienstrasse in the German capital: Berlin's new beauty hotspot opened its doors in September 2010. Its customers will experience a flagship store worthy of any world-class city, with almost 10,000 square feet of sales area spanning two floors and sporting a dramatically new shop design. The ground level's "World of Color" hosts brands like "MAC," "O.P.I." and "Benefit" and the American label "Kiehl's since 1851" – which boasts a large counter for the first time ever in a Douglas perfumery. Care and fragrance products predominate upstairs, where customers will also find Germany's first and only "Clinique Treatment Center," a space that exists in this form to date only in New York and Copenhagen. Interactive services such as touchscreen terminals for skin analyses and styling tips round out the high-appeal offerings of Berlin's new "beauty."

Events outside Germany varied considerably from region to region. Douglas was confronted by daunting challenges resulting from the global economic downturn and – at the very start of the crisis in 2008 – initiated a consolidation program focusing on countries where it is already the market leader or can secure this status within the foreseeable future. As a consequence, Douglas discontinued operations in Denmark and the United States during 2010, and also closed a number of unprofitable locations, particularly in Spain and the Baltic States.

Futuristic and colorful: the cosmetics section at Douglas in Berlin.

Beaming smiles at …

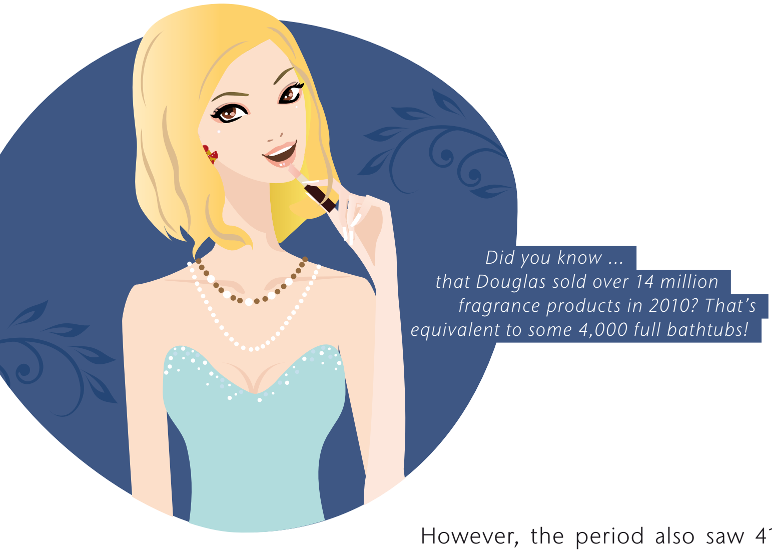
OVER 40 GRAND OPENINGS

Nowy Sącz, Poland, October 2009

Leverkusen, Rathaus-Galerie, February 2010

Hamm, Allee-Center, April 2010

Hilden, Mittelstrasse, July 2010



However, the period also saw 41 new perfumeries opening their doors, the majority of them in Poland (17), Bulgaria (5) and Italy (4). All in all, sales at the 760 Douglas perfumeries outside Germany exceeded EUR 930 million, almost matching the previous year's figure. Italy, Poland and Turkey in particular posted strong gains. They were ably supported by the perfumeries in the Netherlands and Austria, where Douglas – despite facing strong competition – has led the market for years.

At home and abroad, Douglas is still placing its faith in an unwavering customer orientation, excellent product ranges and above all dedicated and professional personnel who offer first-class service and outstanding shopping experiences every single day. The customers have honored this commitment with high sales – and by voting Douglas "Retailer of the Year" for the second time running in 2010: Douglas came in first in the "Perfumery" category of a major survey conducted by the independent "Q&A Research & Consultancy" institute in conjunction with the German Retail Federation and the "Handelsblatt" newspaper. An accolade of this stature both represents praise and recognition for Douglas and its employees and provides an incentive to remain "Germany's best perfumery" in the eyes of its customers.

In merchandising, Douglas continued to expand the share of own and exclusive brands in Germany and beyond. Numerous trend brands such as the cult fragrances from "Ed Hardy," "True Religion" and "Dsquared²" are available exclusively from Douglas in many European countries, as are nail varnish by Essie and natural cosmetics from Mádara. The partnership with the jewelry designer Thomas Sabo is also auguring well: his debut fragrance "Charm Rose" numbered among the most successful launches of 2010. An unusual partnership between Douglas and Tommy Hilfiger has also proved a great success. Douglas employees from across Germany helped to design the new Hilfiger fragrance – including the packaging and marketing. The result was a true

The Douglas beauty professionals do everything to make their customers feel good; shown here, Wolfgang Zühlke from Hilden.

Parties, perfumes and personalities

BERLIN'S MOST BEAUTIFUL NEW STORE

Natalia Wörner and Michael Michalsky

In party mood: the great team from the Tauentzienstrasse store.

Empowered women at Douglas: Bettina Plasa, Iris Zeidler and Martina Thoms

Minh-Khai Phan-Thi and Friederike Kempter

Gesine Cukrowski

"If we have more than 5,000 pre-Christmas shoppers, it will get my retail heart pumping!"

Melanie Sidiras
Store Manager, Zeil Frankfurt

Sabine Wittenbecher
Regional Manager,
Douglas North

"I've never regretted a single day during more than 30 years at Douglas. For me, nothing beats working in a team for joint success."

Marion Schreiber
Regional Manager,
Douglas North-West

"I'm always impressed to find everyone so generous and friendly in a company the size of Douglas!"

Fabian Siek
Store Manager, Hamburg,
Mönckebergstrasse

"It's great that Douglas has stuck by its principles even in difficult times, and shared its trust and confidence with all of its employees."

Hanna Arntzen
Regional management assistant, Douglas North-West

"Our decentralized organization allows me to configure shops for local customers' needs. That's why no two perfumeries ever look alike!"

showpiece: “Hilfiger Woman” – available only at Douglas – instantly captured customers’ hearts and senses.

In addition to expanding its exclusive and own brands, Douglas remains a first-class showcase for all the premium global brands from the bodycare, fragrance, cosmetics, boutiques and accessories segments. The organic cosmetics concept “Naturally Beautifully” has also been well received, with Douglas cosmeticians offering certified natural, organic and botanical cosmetics and expert advice in selected stores. Other features such as the “Douglas Hairdesign” salons, beauty cubicles and nail spas add the finishing touches to the perfumeries’ services.

The “virtual perfumery” at www.douglas.de continued to prosper during the 2009/10 financial year. With a million registered customers and sales up by a good 30 percent to EUR over 50 million, the online shop is now the biggest Douglas “branch” – and easily Germany’s largest online vendor of beauty products. This success has been powered by comprehensive ranges, an exceptionally user-friendly portal, and a fast and dependable delivery service, with added extras like competitions, newsletters and online TV adding the spice. As part of the international rollout, France, Poland and Switzerland followed the Netherlands and Austria by opening online shops during the 2009/10 financial year.

The Douglas Card was a key factor in the marketing mix, as it has been for the past 15 years. With 2.4 million Cards issued in Germany alone and some eight million abroad, over 10 million customers now enjoy the benefits of this “ticket to the world of beauty.” And as the progressive rise in Card sales demonstrates, this payment facility is still very popular among customers.

In logistics, the optimization of processes produced significant cuts in transport costs and new environmental benefits: an excellent example of synchronizing economic and ecological goals. The construction of the new central warehouse in Zossen outside Berlin reflects the strong growth of the exclusive and own brands Douglas carries.

Among its charitable activities, Douglas has now been the lead sponsor of DKMS LIFE for several years; the organization provides support to women undergoing treatment for cancer. During 2010 alone, specially trained Douglas employees ran upwards of 200 cosmetics seminars free of charge in clinics and therapy

*Did you know ...
that the Douglas Cards issued
to date would extend more than
400 miles if laid out end to end?*

centers. In these seminars, the patients learn how to retain an attractive appearance despite their illness, hopefully boosting their confidence and helping them to enjoy life more. During 2010 the Douglas teams also collected over EUR 160,000 in stores to finance the valuable work performed by DKMS LIFE.

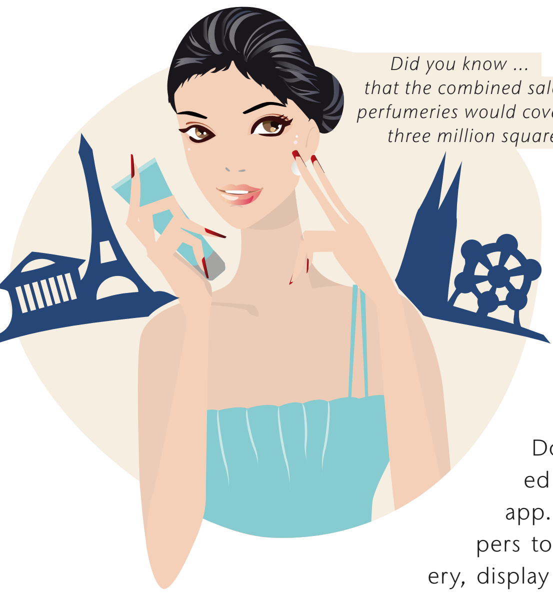
Douglas will be focusing on two strategic challenges during the 2010/11 financial year: generating value-oriented growth in the fixed-location network on the one hand and expanding its online services on the other. “Multi-channel retailing” is the name of the game: by forging a professional and intelligent interface between the twin sales channels – fixed-location perfumeries and the online shop – Douglas can secure the loyalty of customers in every age and target group. One example: if a product is out of stock at a perfumery, the customer can order it from the online shop at a terminal – and have it conveniently delivered to his or her home.

The first Douglas multi-channel perfumery, opened in Mainz during October 2010, demonstrates how this integration process works. This store with its futuristic design features state-of-the-art information and communication technology in addition to the traditionally comprehensive range of products. Using the store’s numerous computer terminals and touchscreens, customers can perform skin analyses, have their make-up designed by a “virtual visagiste,” post photos on Facebook after a make-up session, or choose a perfume that enhances their natural aura. Touchscreens in the window displays update passersby on the most popular fragrances. The mix of modern store design, youthful brands and varied promotions make this “beauty terminal” especially appealing to young customers.

Douglas in Figures

	Net sales in EUR m		Stores		Employees	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
Germany	946.7	920.0	445	452	6,725	6,541
Southern and Western Europe	607.0	613.9	427	440	4,492	4,551
Central and Eastern Europe	315.8	307.1	328	317	3,575	3,436
Total	1,869.5	1,841.0	1,200	1,209	14,792	14,528

Sales adjusted by EUR 9.2 m (previous year: EUR 12.5 m) from the U.S. company sold in the interim.
Southern and Western Europe: Denmark, France, Italy, Monaco, the Netherlands, Portugal, Spain, Switzerland
Central and Eastern Europe: Austria, Bulgaria, Croatia, Czech Republic, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Slovenia, Turkey



*Did you know ...
that the combined sales areas of all the Douglas perfumeries would cover almost three million square feet or 39 soccer fields?*

Since the fall of 2010 Douglas has even boasted its own Smartphone app. It will direct shoppers to the nearest perfumery, display information on store events, ascertain what skin type they have, and download product recommendations and the latest special offers. An array of features on platforms such as Facebook and Youtube also intensify the interaction with younger customers who value Douglas as a beauty trendsetter.

But despite the growing influence of the Internet, the fixed-location segment will remain the Douglas mainstay. Following a consolidation phase in 2009, Douglas is now looking ahead to renewed growth. It will be focusing on those countries where Douglas is already the market leader, or can aspire to be within the foreseeable future. Across Europe some 50 to 60 new perfumeries are due to open their doors, with numerous existing locations being updated to reflect their specific locations or target groups. Several new flagship stores are scheduled in major German cities such as Munich and Stuttgart. Farther afield, new stores are planned for top locations like Paris and Warsaw, where – with some 11,000 square feet of sales space – one of the largest perfumeries in eastern Europe will be welcoming its first customers.

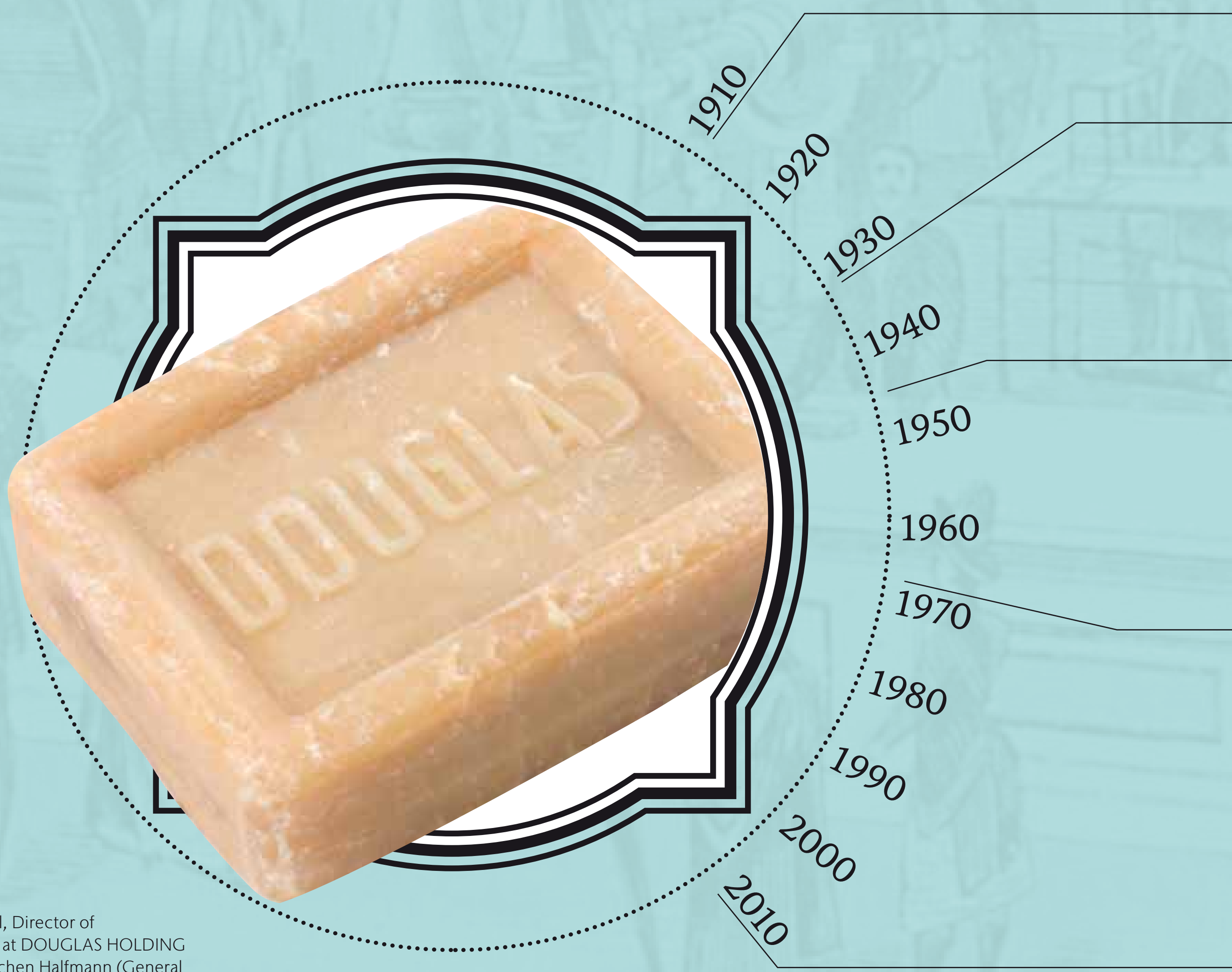
The Group's exclusive and own brands are being regularly augmented with additional top-quality lines. In 2011 the innovative haircare and styling line "HerCut" will be among the new launches, while the latest scent from the luxury shoe brand "Jimmy Choo" and the association with Michael Förster and Walter Johnsen will add new highlights to the fragrance segment. These two passionate perfumers have already achieved international renown with numerous legendary scents. Now, under the label "Förster & Johnsen," they have created "emotion fragrances" exclusively for Douglas: scents that capture feelings such as happiness, confidence, composure, courage, love and energy. The premium care cosmetics from the Swiss brand "Artemis" will also be bolstering Douglas care competence. These products will be sold exclusively at Douglas starting January 2011.

Douglas is well equipped for the future – thanks to its focus on customer orientation, new and outstanding product ranges, state-of-the-art store designs, innovative technologies and first-class services. Thanks to attractive perfumeries that offer the perfect products for every target group, wherever the location. Thanks to professional visual merchandising that ensures marketing strategies are tailored to individual stores' requirements. And above all thanks to the passion for creating unique shopping experiences that infuses its almost 15,000 capable and dedicated employees. Day after day, at each store, in every country. This should ensure that Douglas can continue to extend its already healthy position in the European market on a sustained basis.

Stress-free shopping: Douglas – here in Apeldoorn, Holland – combines an upbeat, feel-good ambiance with attractive lines.

THE DOUGLAS PERFUMERIES TURN 100

On May 20, 2010, Parfümerie Douglas celebrated its centenary at the famous Landing Stages in Hamburg. It was at this very location, back in the nineteenth century, that the history of today's Douglas perfumeries began. It was here in Hamburg that John Sharp Douglas, an immigrant from Scotland, established his soap factory in 1821, revolutionizing the market with creations like coconut oil & soda soap! It was also here that the sisters Maria and Anna Carstens opened the first perfumery to bear the name Douglas in 1910. Prior to this they had signed a contract with the soap company "J. S. Douglas Söhne" which allowed them to name their shop – located on the city's Neuer Wall street – "Parfümerie Douglas." Five more perfumeries were subsequently added before all six were acquired by today's company DOUGLAS HOLDING in 1969. The rest is history – and a success story of rare proportions ...



Reiner Unkel, Director of Perfumeries at DOUGLAS HOLDING (left) and Jochen Halfmann (General Manager, Douglas Germany) transported their guests back in time to the era of John Sharp Douglas.

The internationally acclaimed window dresser Douglas Little created a unique window display. It narrated the story of the soap and perfume factory "J. S. Douglas Söhne" and the opening of the first Douglas perfumery – providing lavish spectacles at both the Douglas flagship store on Hamburg's Mönckebergstrasse and the oldest Douglas perfumery at the corner of Neuer Wall and Jungfernstieg.

Douglas scented soap from its "Delila Rose" line (1915).

Established the first-ever Douglas perfumery: the sisters Maria (left) and Anna Carstens.

As early as 1919, the area bounded by Jungfernstieg and Neuer Wall ranked among Hamburg's most exclusive shopping districts, making it an ideal location for the first Douglas perfumery.

1910

1930

In the 1930s Parfümerie Douglas – seen here: the venue at Neuer Wall – became one of the first to sell selective cosmetics. Carrying brands such as Elizabeth Arden and Elise Bock, it led its segment in Germany.

1945

On December 3, 1945, the Parfümerie Neuer Wall reopened its doors in Hamburg after the war. The customers could purchase cream and soap here – and take it home in their own containers.

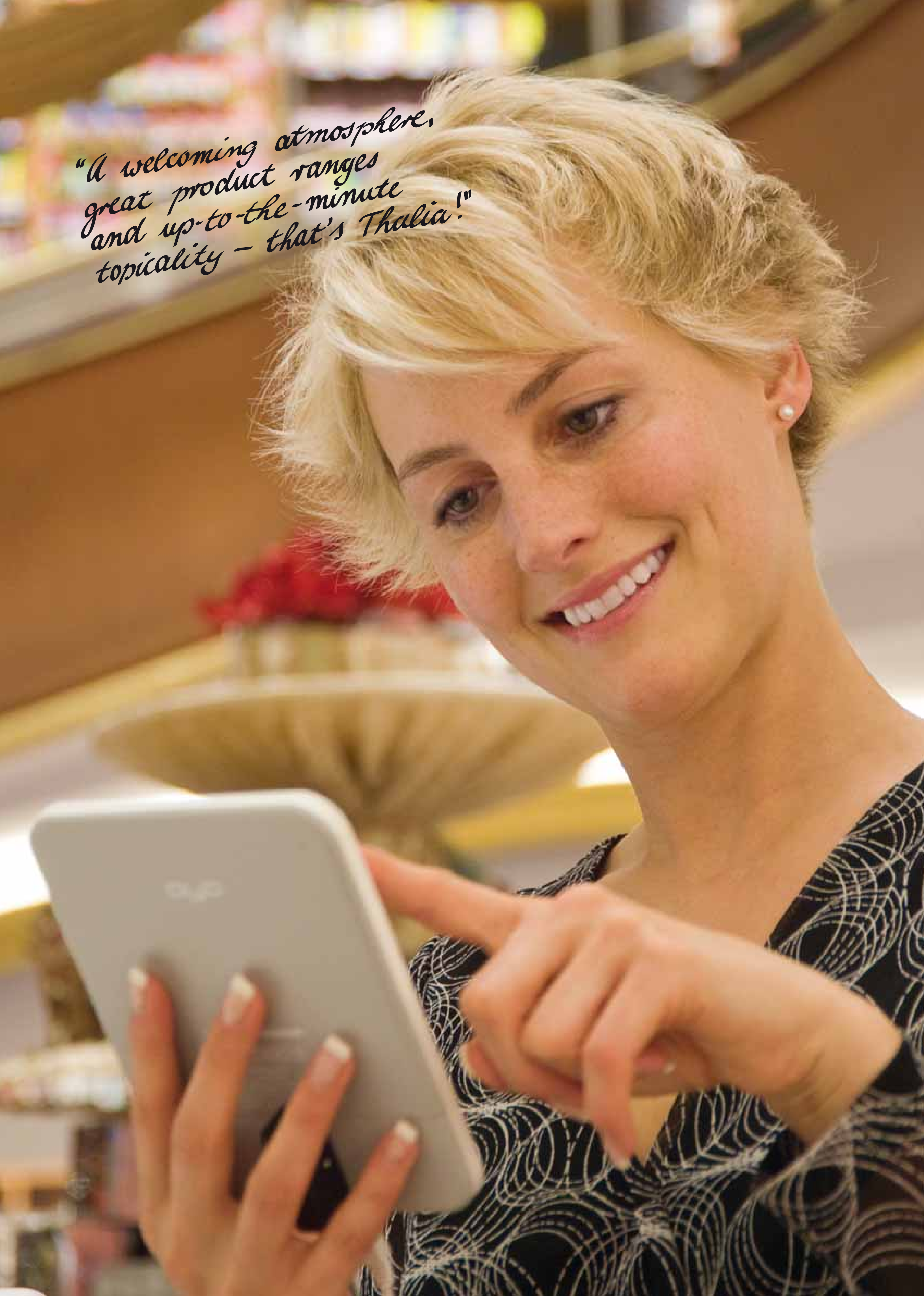
DOUGLAS HOLDING acquired the six Douglas perfumeries in Hamburg and simultaneously opened the first of its own. Customers thronged to all of the stores, as seen here at the new location in Braunschweig.

1969

Back for the jubilee: the fabled coconut oil soap – the product that made John Sharp Douglas famous.

2010

Today Douglas has become synonymous with beauty and rewarding shopping experiences in Germany and 20 other countries across Europe. The spacious and contemporary perfumeries – shown here, the Tauentzienstrasse store in Berlin – attract customers who want to browse and shop in the best traditions of the Carstens sisters.


"A welcoming atmosphere,
great product ranges
and up-to-the-minute
topicality – that's Thalia!"

Austria's first multi-channel bookstore: Thalia at the "Varena" shopping center in Vöcklabruck.

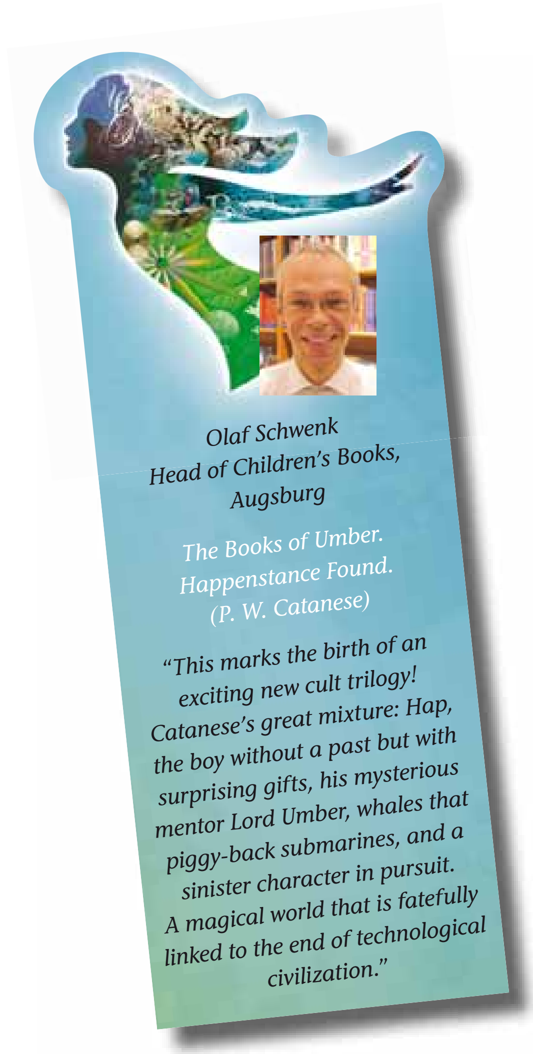
Thalia

BOOKS, MEDIA AND MORE

The shadow of digitalization is looming large over the bookselling industry, prompting major changes in purchasing behavior. While sales at traditional booksellers are stagnating in many places, online bookstores are enjoying a boom. The Thalia Group has responded by systematically developing its multi-channel strategy – with the highlight to date being the launch of its own eReader "OYO" in October 2010. However, the Group's key success factor remains the exceptionally helpful 5,000+ Thalia personnel who – by providing professional advice on literature and communicating the exciting potential of multi-channel bookselling – have successfully infected customers with their enthusiasm.

As a result, the Thalia Group once again defended its leading position in the book retailing markets in German-speaking Europe during the 2009/10 financial year: sales were up by 10.5 percent to approximately EUR 906 million. Fully consolidated since December 2009, the online bookseller buch.de internetstores AG contributed an outstanding EUR 88 million to this figure. Turnover at the 289 Thalia bookstores in Germany, Austria and Switzerland remained steady at EUR 818 million.

Total sales in Germany increased by 9.7 percent to almost EUR 690 million. Here too turnover of some EUR 70 million from the online store buch.de proved a key



driver. By contrast, the 232 fixed-location bookstores in Germany saw sales decline by 1.4 percent to about EUR 619 million, although they extended their position overall in a generally lackluster market environment. Thanks particularly to the additional revenues from buch.ch, turnover outside Germany was up by 13.1 percent to over EUR 216 million. But the fixed-location bookstores in Austria (33) and Switzerland (24) also posted a 3.8 percent sales gain for a total topping EUR 198 million. In Austria Thalia clearly outperformed the market once again, cementing its status as the country's most popular retail brand. In Switzerland Thalia successfully secured its leading position in a market where prices are not regulated.

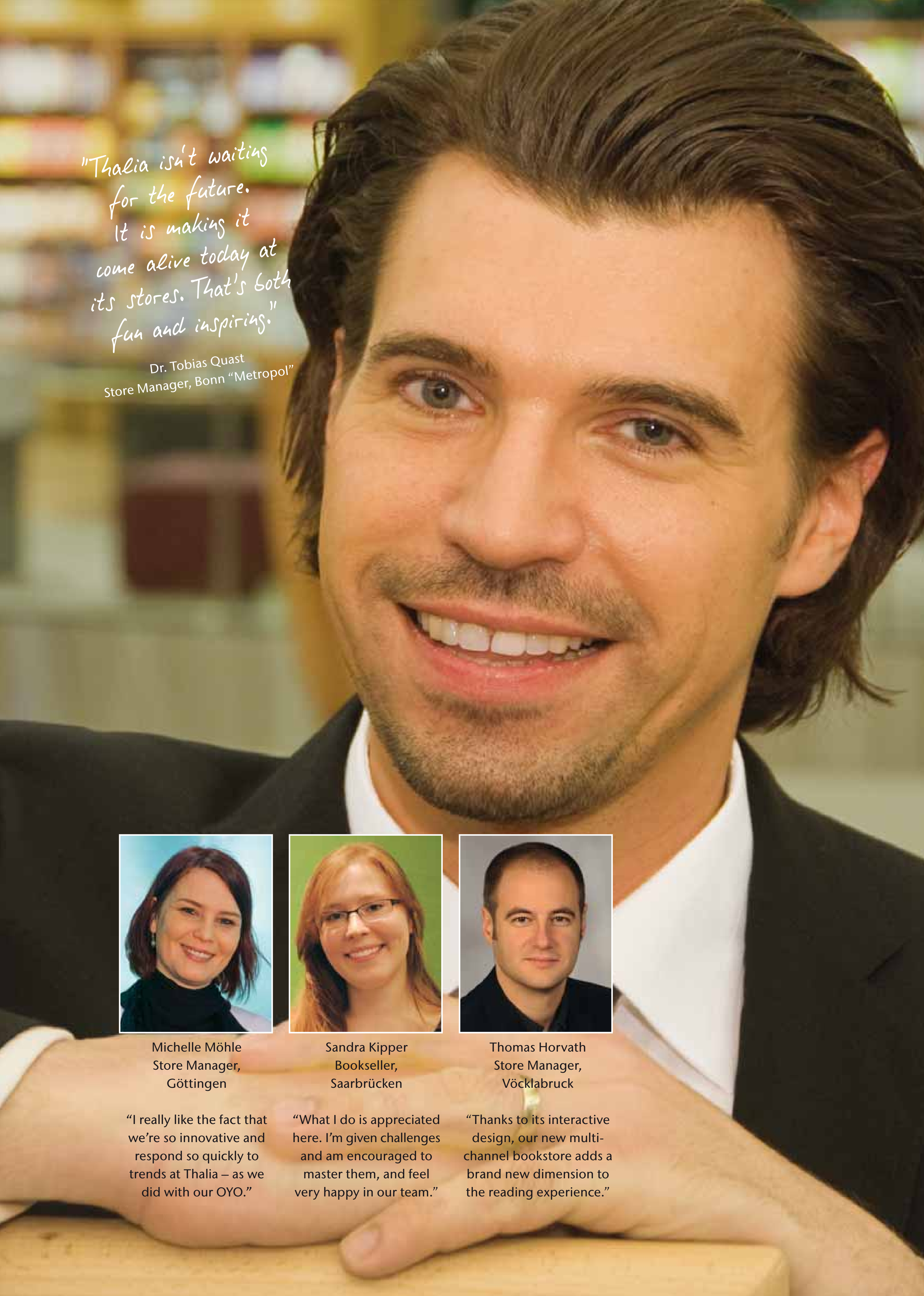
In Germany Thalia opened five new bookstores in the 2009/10 financial year; eleven unprofitable locations were closed. In October 2009 Thalia had launched a new era in shop design by opening its first multi-channel bookstore in the "Loop5" shopping mall in Weiterstadt. The venues which opened during 2010 – at Leverkusen's "Rathaus-Galerie" (February), in the university town of Goettingen (March) and on Westenhellweg in Dortmund (May) – already represent the second generation of multi-channel bookstores. With every new location that it opens, Thalia is gathering useful experience on what customers like most – insights that are systematically incorporated into plans for the next new venue.

Thalia also set new benchmarks in the fields of sales training, product displays, and merchandise configuration and management. In the area of shop design, emphasis was placed on investing venues with a local flavor. In Goettingen, for example, pillars recalling birch trees allude to the city university's science faculties. The Dortmund bookstore not only echoes the unique character of Germany's traditional industrial hub but also features numerous regional works from the areas of literature, history and the arts. For Thalia Austria, the August 2010 opening of its first multi-channel bookstore at the "Varena" shopping center in Vöcklabruck proved a major highlight. Thalia also launched Austria's very first interactive theme world – covering some 6,500 square feet and dedicated exclusively to the delights of reading.


Colorful reading for budding bookworms – as here in Dortmund.

In the area of marketing, the Group's advertising during 2010 produced a significant leap in brand awareness – as affirmed by the "2010 Brand and Advertising Tracking" study. It found that the Thalia brand's aided recall score is 73 percent, while some 80 percent of customers are satisfied with their local Thalia bookstore. Other representative surveys among book buyers also showed that awareness of both the fixed-location stores and online shops is rising quickly. The sharp increase in awareness of the online shops was especially noteworthy. Over 50 percent of respondents who knew the Thalia brand are also familiar with thalia.de and thalia.at – a year ago the figure was appreciably lower. This surge was powered above all by the extreme dedication of the

Tradition meets innovation in an historical setting: Thalia at the former "Metropol" movie theater in Bonn.



"Thalia isn't waiting for the future. It is making it come alive today at its stores. That's both fun and inspiring."

Dr. Tobias Quast
Store Manager, Bonn "Metropol"

Michelle Möhle
Store Manager,
Göttingen

"I really like the fact that we're so innovative and respond so quickly to trends at Thalia – as we did with our OYO."

Sandra Kipper
Bookseller,
Saarbrücken

"What I do is appreciated here. I'm given challenges and am encouraged to master them, and feel very happy in our team."

Thomas Horvath
Store Manager,
Vöcklabruck

"Thanks to its interactive design, our new multi-channel bookstore adds a brand new dimension to the reading experience."

Thalia in Figures

	Net sales in EUR m		Stores		Employees	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
Germany	689.7	628.7	232	238	3,890	3,886
Austria	118.7	112.9	33	32	756	710
Switzerland	97.4	78.1	24	24	540	555
Total	905.8	819.7	289	294	5,186	5,151

employees, who successfully instilled their passion for Thalia's virtual world in their customers. Over and beyond this, the Thalia teams please customers with personal – and always up-to-date – book reviews in the online shop, as they do recounting their experiences at the "lit.COLOGNE," Europe's largest literature festival for which Thalia is the lead sponsor.

In stores and online alike, customers and their wishes always come first at Thalia. The "2010 Retailer of the Year Award" supplies eloquent testimony to this absolute customer orientation, with Thalia topping its "Books and Magazines" category for the third year in succession. The jury particularly commended the attractive range of merchandise, the professional and friendly personnel, the service, and the inviting store ambiance.

In the traditional bookselling segment, works such as "The Lost Symbol" by Dan Brown and "Limit" by Frank Schätzing ranked among 2010's best-sellers. "Millennium Trilogy" by the Swedish author Stieg Larsson was the top-selling eBook. In the non-books segment, gifts – seasonal and otherwise – proved increasingly popular, as did reading accessories and trend items. With its rollout of "Thawis" during 2009/10, Thalia also laid the foundations for a standardized merchandise management system. "Thawis" is scheduled to replace the various existing systems with a single, highly efficient platform.

Thalia rang in the 2010/11 financial year with a true showstopper. At the end of October 2010 the Group launched its own eReader "OYO." The "OYO" – so to speak "Thalia for your pocket" – allows users to access books at all times, wherever they may be. It has capacity for some 1,000 eBooks – and purchasing them could scarcely be easier. The digital works are downloaded using the integrated WLAN function, with the device's menu guiding customers directly to the Thalia eBookshop where they can buy, download and read digital books. Thalia also initiated a unique partnership in Europe during the year: the "OYO Alliance," a joint venture between four of the continent's leading multi-channel booksellers. In addition to Thalia, "Chapitre.com" from France, "Selexyz" of the Netherlands and "Empik" from Poland will be selling the "OYO" in their domestic markets. With these initiatives Thalia is once again demonstrating its status as one of the industry's innovation leaders and bolstering its market position as a multichannel vendor in the German-speaking countries.

Thalia demonstrates its local links with custom store designs, seen here in Goettingen.

While digitalization is bound to continue, the bookstores remain the central pillar of the Thalia concept. All in all, Thalia is planning to add more than 10 retail stores to its network during the 2010/11 financial year. One impressive curtain-raiser was the November 2010 opening of the new multi-channel bookstore in the former "Metropol" movie theater in Bonn. The standout architectural features of this historical cinema were preserved during the construction work, investing this Thalia bookstore with a truly unique flair.

All in all, the Thalia Group is well positioned to master the major challenges awaiting the book retailing industry. The "OYO" eReader has created a promising bridge between traditional and online bookselling. However, whether they are working in fixed-location stores, online sales or the Group's Service Division, Thalia's employees are its guarantors of success. Every single day, their knowledge and helpfulness enthuse our customers for the comprehensive and contemporary Thalia ranges. To maintain this momentum, Thalia attaches great importance to training – with the main focuses on "Active and Emotional Selling" and the various courses at the "Thalia Academy," which was launched in 2008. These will enable Thalia to further extend its leading market position as a multi-channel bookseller in German-speaking Europe.

Capturing the imaginations of Dortmund's bibliophiles: the Thalia team at the opening of their store on Dortmund's Westenhellweg in May 2010.

Fun and excitement are guaranteed in the Thalia games shop.

The best of many worlds – united in the 289 Thalia bookstores.

Multi-channel: traditional and virtual bookselling form the twin prongs of Thalia's strategy.


"The symbol of our love -
a magical moment
of pure poetry."

CHRIST

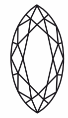
ENJOYING MOMENTS OF HAPPINESS

Christ can look back on one of the most successful years in its history. The 204 jewelry stores generated turnover of EUR 310 million during the 2009/10 financial year. This represents an increase of 6.1 percent compared to the previous year. As a result Christ was able to further extend its good position on the German market. The more than 2,000 friendly and dedicated employees played a key role in this achievement.

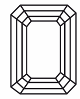
Ongoing improvements to the product ranges, store designs, service and marketing added further accents to the success. Christ opened nine new stores during the 2009/10 financial year at a total investment of over EUR 14 million. Moreover a further 18 venues were updated and outfitted with a new, contemporary look. Sales areas were expanded at those locations where it was viable and appropriate. New features were also introduced, ensuring that the latest collections can be showcased to perfection. The additions also included shop-in-shops and atmospheric wedding ring lounges where couples can make their dream of a uniquely personal wedding ring come true. By using the Wedding Ring Configurator – now a fixture of every Christ store – customers can enter their individual wishes and preferences directly at a terminal.

Within the stores, the various merchandise segments have their own dedicated sales areas. For example, com-

Christ epitomizes modern design, appealing window displays and fashionable product ranges – as here on Frankfurt‘s Zeil boulevard.



Marquise shape



Emerald shape

Christ in Figures

Net sales in EUR m		Stores		Employees	
2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
310.2	292.4	204	203	2,173	2,025

fortable seating arrangements now encourage customers to linger in the diamonds section, creating an environment of relaxed exclusivity where they can select from an exquisite range. The mood contrasts powerfully with the highly frequented section featuring fashion jewelry and the latest watch trends. Key-brand shop-in-shops dominate here and offer ample space for spotlighting brand philosophies. Within this setting, watch brands such as Armani and Fossil can be presented just as impactfully as the exclusive Jette Joop collections and popular fashion jewelry labels like Pandora, Thomas Sabo and Giorgio Martello with their rich array of chic charms. On the other hand, a tasteful ambiance with warm colors has been created for classic watches, and enhanced by selected shop-in-shop concepts offering brands such as Longines, Tag Heuer and Breitling.

The marketing featuring the slogan "Moments of Happiness" forms the cornerstone of the entire Christ presentation – and as such is the foundation for its progressive and successful emotionalization. The goals are to communicate how enjoyable and rewarding purchasing jewelry and watches can be, and to spark desires for and memories of unforgettable once-in-a-lifetime moments. Over 6,000 city light posters across Germany created a high profile for the new Christ "feel" during the past holiday season.

The ongoing emotionalization of Christ will remain a focus of 2010/11 with the goal of further improving customer orientation. In this context the women and men working at Christ will play a crucial part. Ultimately their enthusiasm and expertise are what make shopping at Christ a truly unique moment of happiness for their clientele – day after day after day. It is partly for this reason that Christ devotes so much time and money to training its personnel. In August and September 2010 alone, 119 young women and men began apprenticeships at

Pleasant people: the Christ trio of Hakan Akyüz (deputy manager), Claudia Klee (store manager) and Leona Metschke in Frankfurt.

"Christ offers me an inspiring environment that lets me live up to my full personal and creative potential."

Nadia Iram
Christ, Frankfurt (Zeil)

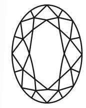
Silvia Röth
Regional Manager, Hessen

"Meeting challenges as a team and making a real difference – that's what motivates me every day."

Raimonda Rasimaite
Christ, Frankfurt (Zeil)

"It is always a fantastic feeling when that gleam comes into my customers' eyes."

The sophisticated yet futuristic Christ store in the heart of Frankfurt.



Oval shape

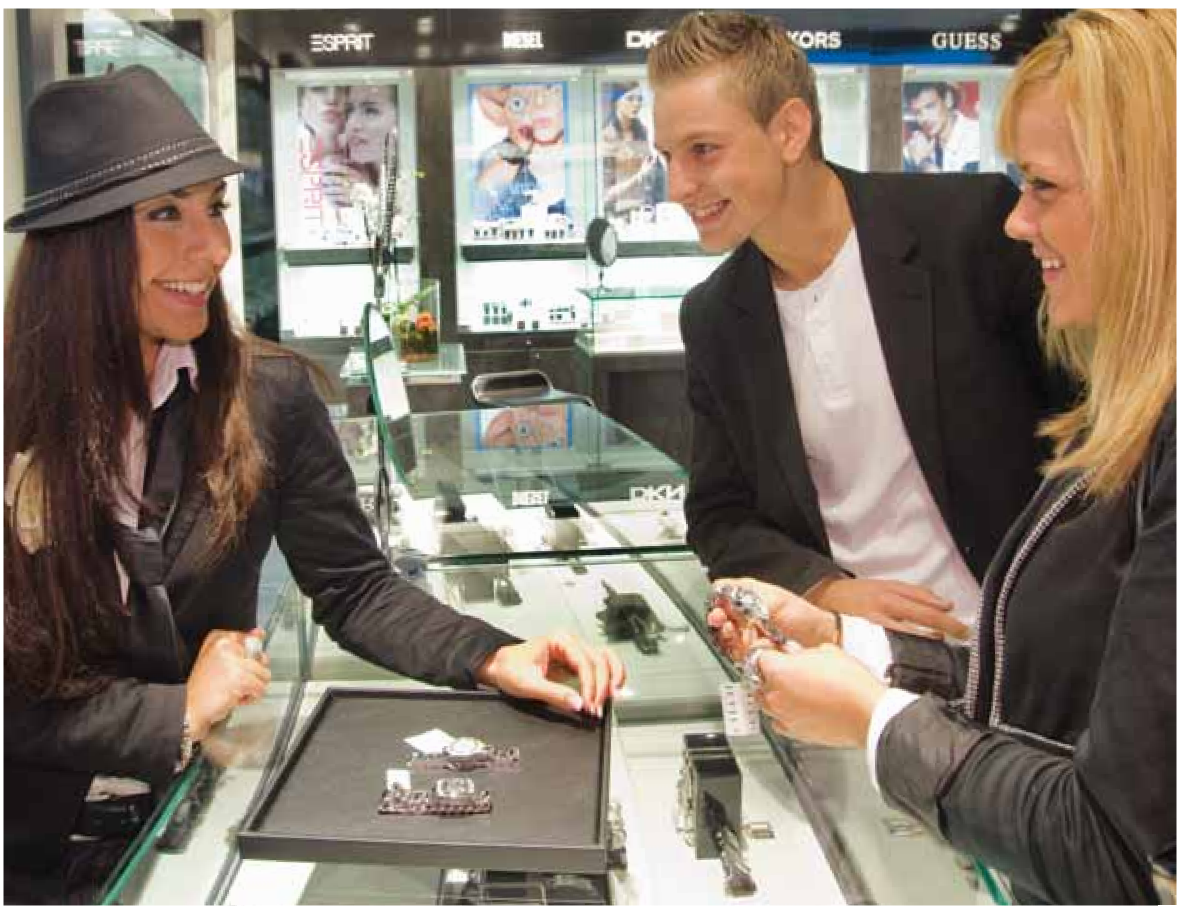
Heart shape

Christ: more than ever before. Employees can also extend their skills at a special seminar tailored to the world of Christ. Purchasing operations at the Service headquarters in Hagen have been reorganized and all of the processes optimized.

The same also applies to the repair services offered by the jewelry stores. Thanks to an IT-based tracking system, employees and customers alike now know the exact status of repairs at any time. A test with a workshop was well received by customers; thus the repair service is now due to be expanded beyond the 30 stores already participating.

Between five and 10 new venues will be opening during the 2010/11 financial year, with another 25 existing locations being modernized and – where appropriate – enlarged. Simultaneously Christ will be testing additional sales concepts in both the mono- and multi-label segments.

Christ is also responding to the increasing digitalization of society and the consequent growth of Internet shopping. At its online shop www.christ.de – which was completely revamped in the fall of 2010 – the Christ brand with its diverse range of jewelry and watches is now being presented to perfection on the Web as well. In the next phase, the strengths of the fixed-location stores are due to be linked to those of the online business. Wherever customers may wish to shop – on the Internet or at a Christ jewelry venue – they can always expect to experience the very same Christ philosophy: “Moments of Happiness.”



Christ’s 2,100+ employees create moments of happiness for their customers – seen here, Serpil Celik from the Frankfurt (Zeil) store.


AC
"And then
I suddenly realized:
That's it!"

Cardigan by Maison Scotch

Bag by Liebeskind

AppelrathCüpper

FASHIONS, TOP BRANDS, MULTI-CHANNEL

Pants by Maison Scotch

Shirt by Maison Scotch

AppelrathCüpper performed well during the 2009/10 financial year. While sales at the company's 14 womenswear stores declined by 5.3 percent to EUR 124 million, turnover was down by just 1.2 percent (excluding the Berlin store, which was closed in January 2009). Customers have been increasingly receptive

AppelrathCüpper invites customers to shop the latest looks in style; seen here in Münster.

AppelrathCüpper in Figures

Net sales in EUR m		Stores		Employees	
2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
124.1	131.0	14	14	751	757

Helpful advice – Johanna Faust from AC Aachen.

Skirt by LTB Jeans

Shirt by Marc O'Polo

Blazer by Marc O'Polo

Jacket by Gaastra

to the fashion company's new identity: the private label "AC" offering a comprehensive selection of attractive, strong brands within a modern shop design. The re-alignment program has been implemented consistently ever since its initiation in 2008.

The highlights of the year included the reopenings of the remodeled stores in Bonn and Münster during September 2010. Following comprehensive updating, these have now been synchronized with the new AC shop concept. It revolves around merchandise presentation featuring an array of "mix & match" sales areas which spotlight the individual brands while offering customers ample freedom to assemble their own outfits.

AC is synonymous with top brand and fashion competence. The "Exquisit" segment – now enhanced by successful labels like Armani, Burberry, Boss and Marc Cain – is a case in point. Of the trend-oriented fashions, Marc O'Polo, Maison Scotch, Arqueonautas and Desigual all proved top sellers. At the same time, sophisticated premium labels such as Brax, Gerry Weber and Basler are also being developed. AC's own brands such as Rena Marx form a further mainstay in the range, and their share of total merchandise is growing steadily. With its new accessories concept, which incorporates contemporary names such as Liebeskind and Chi Chi Fan, AppelrathCüpper has established an up-to-date image in this segment.

In the area of marketing, AppelrathCüpper focuses on seasonal campaign concepts such as "Russian Romance" for the Fall/Winter 2010/11 collection and "Endless Summer" for Spring/Summer 2011. These themes thread through the entire marketing mix, appearing as supplements in daily newspapers, online advertising and multi-page spreads in national fashion magazines such as "Cosmopolitan," "InStyle," "Vogue" and "Joy." The campaign visuals also feature in window displays and store decorations through the company's visual

Whether her style is casual or classic chic – AC has a fashion fit for every woman.

"People plus fashion! I've discovered my dream job here!"

Anita Stumpf
AC Dortmund

Elisabeth Balzereit
Departmental Manager,
AC Münster

"We prefer working as a team – and achieving our goals by a joint effort."

Sadina Grgic
Trainee,
AC Münster

"I love helping customers and working at a store that puts such a premium on service!"

merchandising program, enabling AppelrathCüpper to forge an impactful and clear-cut public profile. Following successful campaigns with models like Toni Garrn and Katrin Thormann, the French supermodel Constance Jablonski will be the face of AppelrathCüpper in 2011.

The reliably good advice and excellent service people have come to expect from the helpful and capable AC employees is highly appreciated by customers, not least because honesty and professionalism are so important in the fashion world. With carefully tailored courses, a seminar for budding managers and an apprenticeship program that accepted a total of 38 new recruits in August and September 2010, AppelrathCüpper is laying the foundations for continued quality of advice and service.

During the 2010/11 financial year, AppelrathCüpper will continue to hone its new brand image. Following the closure of the Solingen venue in January 2011, its network now comprises 13 stores. All of the other locations are being successively strengthened with the aim of establishing them among the leading stores at their respective locations. To this end, the medium- to upper-level merchandise is being strategically modernized, augmented by innovative brand-names and collections, and supplemented by attractively priced lines. The key challenge here lies in retaining the loyalty of long-standing customers while turning the newly acquired youthful target groups into devoted AC "regulars."

With the online shop – launched at the redesigned website www.appelrath.com in September 2010 – the company is affirming the twin pillars of its multi-channel strategy: fixed-location and e-commerce sales. Customers are now able to order individual items or complete outfits online from any of the advertising campaigns, catalogs and promotions – allowing them to enjoy hallmark AppelrathCüpper service from the comfort of their own homes. The website also provides comprehensive information on the brands and services available from AC; trend-tracking customers can subscribe to a newsletter and keep on top of the latest looks. Thanks to the dynamic expansion of its online sales, AppelrathCüpper is in pole position to benefit from a revival in the fashion segment – and to regain its former dynamism.

Friendly service is the AppelrathCüpper trademark – seen here Karina Wacker, Münster.


Chinos by Marc O'Polo


Shirt by Donnell

Belt by Napapijri


"HUSSEL SIMPLY TASTES GREAT!"

HUSSEL
Confiserie

ONLY THE FINEST

During the 2009/10 financial year Hussel maintained a firm focus on investing in quality and innovation when it came to shop design, merchandising and service. Although the number of stores declined from 274 to 261, the company posted sales of just under EUR 100 million in Germany and Austria, all but matching the previous year's figure.

In Germany Hussel opened nine new confectioneries and updated a further 16 in line with its customers' latest wishes. During the same period 22 venues were closed as part of the network optimization program, some of them due to expiring leases. While sales in Germany fell by a marginal 1.3 percent to EUR 95 million, Hussel maintained its leadership of the pure confectionery segment, partly because industry sales declined across the board due to weather conditions. In Austria turnover at the 14 (previous year: 16) confectionery shops was EUR 4.5 million, down 7 percent on the year.

The highlights of the 2009/10 financial year included the Hussel website relaunch and a new confectionery cum

"Chocolate Bar" in Aschaffenburg. Dubbed the "Confectionery of the Future," the pilot venue opened at the town's "City Galerie" shopping center in June 2010, premiering a brand new look and novel product range. The store design includes a modern lounge area, surfaces in a velvety chocolate-colored finish, and suspended display tables. The merchandise extends to themed collections such as "Bestsellers," "Tradition," and "Chocolate Art" – along with the innovative line "Save the World" introducing sustainably cultivated and manufactured products. The first Hussel "Chocolate Bar" serving chocolate and coffee specialties numbers among the other store standouts.

Hussel is also whetting customers' appetites with a fresh logo in a fitting color: chocolate brown. The logo not only features in all of the newly opened and modernized confectionery shops. It also graces the new Internet presence at www.hussel.de: an eye-catching site with instant appeal and a logical, user-friendly structure. The "My Chocolate" concept represents another absolute premiere. Created exclusively for the Hussel online shop, this app allows customers to create their own chocolate – to match their own personal tastes. Needless to say, the online store also offers cherished Hussel classics such as truffles, cookies and marzipan, while dependable, professional delivery rounds out the store's service package.

Hussel will be rolling out this fresh, new and younger look at its remaining locations during the current 2010/11 fiscal year. The promising shop concept piloted in

The Hussel confectionery stores tempt passersby with tasty treats – as here in Aschaffenburg's "City Galerie."

Impeccably showcased products: the new Hussel theme worlds, for example "Fruity & more."

Simone Schmalz
Deputy Store Manager,
Berlin-Köpenick

"I really enjoy working in a team in which mutual support and ambition play such a big part."

Alessandro Delle-Grottaglie
Hussel,
Aschaffenburg

"The great career prospects are what attracted me to Hussel."

"I love my job. I love selling, of course, but also the opportunity to work so creatively as a team."

Stefanie Wörder
Store Manager, Remscheid

Hussel in Figures

	Net sales in EUR m		Stores		Employees	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
Germany	94.9	96.2	247	258	1,094	1,040
Austria	4.5	4.8	14	16	47	57
Total	99.4	101.0	261	274	1,141	1,097

Sparking new trends in shop design and product presentation: Hussel in the Bavarian city of Aschaffenburg.

Aschaffenburg is also due to be tested at other venues. It is hoped that "Hussel refreshed" also appeals to a younger, "sweet-toothed" target group. Hussel is gearing up for the future with a policy of "attracting the young and keeping the regulars." In the area of merchandising, the number of different articles will again be significantly reduced. At the same time, new brands will be added with the goal of establishing Hussel as a purveyor of exclusive confectionery. In just one example, Hussel will be extending its selection of sustainable, resource-saving products – in its "Organic Confectionery" line.

Hussel will continue to focus keenly on quality of service. To further boost its associates' expertise, the company is offering a range of specialist sales training and other relevant courses to its staff. With high-quality products, first-class service and a fresh and up-to-date shop environment, Hussel is aiming to secure new customers while cementing its bonds with existing fans.

SERVICE DIVISIONS AND COMPANIES

The DOUGLAS Group employs some 1,200 women and men at its administrative headquarters in Hagen – in the holding company's service divisions, the subsidiaries' service centers and the independently managed service companies. Their functions and areas of responsibility are as follows:

DOUGLAS HOLDING Service Divisions

The Controlling department promotes the DOUGLAS Group's value-oriented development by making contributions to the planning process, issuing monthly forecasts and providing financial oversight of the Group's investment activities.

The Finance section is charged with drawing up the Group's annual accounts. It also ensures adherence to – and the implementation of – the International Financial Reporting Standards (IFRS), while securing the resources needed by the Group and the liquidity of its subsidiaries.

The Investor Relations and Communication sections actively supply shareholders, the media and the financial markets with the accurate and up-to-date information that they require.

Group Development advises the Executive Board and subsidiary managers on commercial strategy, methods of optimizing corporate processes, and marketing and merchandising concepts.

Group Auditing & Risk Management 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 domestic and international divisions.

Mergers & Acquisitions supports the Executive Board and subsidiary managements in the fields of investment and disinvestment.

Human Resources & Administration coordinates core issues relating to personnel strategy and group-wide projects such as staff surveys and employee share issues.

Legal & Corporate Affairs is responsible for all legal affairs – extending from acquisitions through to trademark law.

The Taxes & Consulting unit provides comprehensive advice to consolidated companies on taxation matters.

Service Centers

The service centers of the subsidiaries pool functions such as marketing, purchasing, controlling and logistics to support the subsidiaries in their day-to-day operations.

Service Companies

DOUGLAS Corporate Service GmbH (DCS) is an in-house provider of financial, accounting and payroll services to many of the Group's companies. It is also responsible for the standardization of the Group's financial accounts and their compliance with IFRS. It optimizes the systems used in finance and accounting, and manages their processes efficiently.

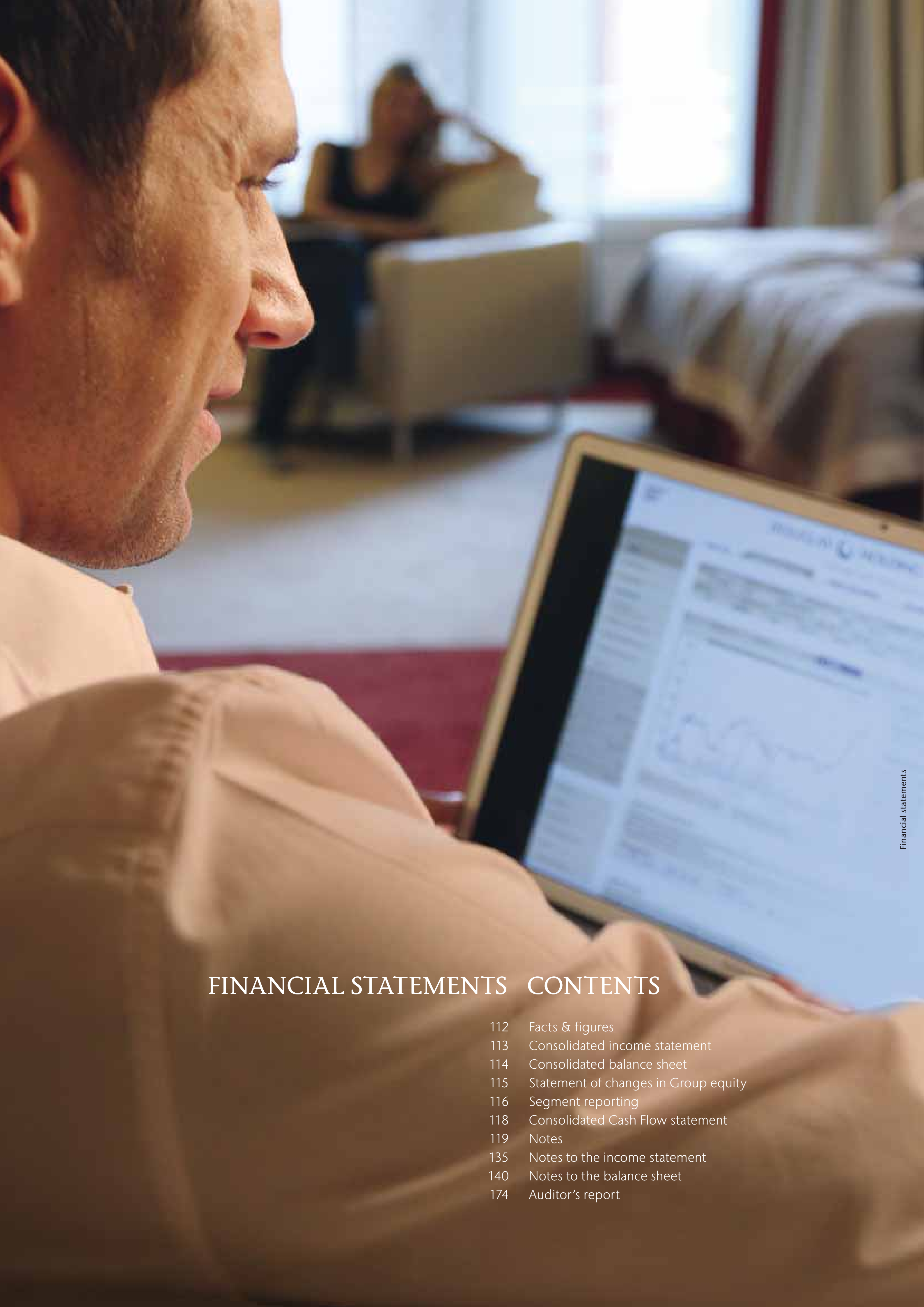
DOUGLAS Informatik & Service GmbH (DIS) ensures the effective use of information technology in the DOUGLAS Group's business processes. Moreover it is responsible for tapping any potential synergies – particularly those in the areas of enterprise resource planning and information, finances and customer relationship management. It also operates the IT center and telecommunications systems and runs a service center providing computing support to Group stores around the world.

DOUGLAS Immobilien GmbH & Co. KG acquires rental properties in Germany and beyond for the Group. It also manages and optimizes its real estate portfolio including the 2,000+ current property agreements. Finally it handles all financial transactions relevant to real estate and is responsible for project supervision on major investments.

EKV Einkaufsverbund GMBH and EEG Energie-Einkaufsverbund GMBH generate cost benefits for the DOUGLAS Group by pooling orders for non-merchandise goods and negotiating service agreements for multiple divisions. Its activities are focused on utilities (in the German-speaking countries), telecommunications, office supplies and maintenance work. It also manages the office building at the Group's service headquarters in Hagen.

DOUGLAS Versicherungsvermittlung GmbH (DVV) is the Group's go-to agency for all insurance issues. It negotiates all the policies for the German subsidiaries and handles any claims centrally. It also offers optional advisory services to the foreign subsidiaries.

DOUGLAS Leasing GmbH manages the vehicle fleet with the purpose of optimizing costs and generating synergistic benefits for the Group.



FINANCIAL STATEMENTS CONTENTS

FACTS & FIGURES

Facts & figures

		2009/10	2008/09	Change (in %)
Sales	EUR m	3,320.8	3,200.8	3.7
National	EUR m	2,168.2	2,071.5	4.7
International	EUR m	1,152.6	1,129.3	2.1
EBITDA	EUR m	286.9	255.0	12.5
Margin	in %	8.6	8.0	–
EBT before closing costs [1]	EUR m	131.2	127.6	2.8
Margin	in %	4.0	4.0	–
EBT	EUR m	131.2	103.9	26.3
Margin	in %	4.0	3.2	–
Net income for the year	EUR m	76.1	62.8	21.2
		09/30/2010	09/30/2009	
Non-current assets	EUR m	792.1	798.8	–0.8
Current assets	EUR m	886.8	889.8	–0.3
Equity	EUR m	764.8	710.9	7.6
Non-current liabilities	EUR m	113.8	129.7	–12.3
Current liabilities	EUR m	827.6	848.0	–2.4
Balance sheet total	EUR m	1,713.4	1,688.6	1.5
Free Cash Flow	EUR m	88.2	84.5	–
Capital expenditure	EUR m	117.5	112.3	4.6
Working Capital	EUR m	418.1	455.0	–8.1
Net bank debt	EUR m	124.0	165.3	–25.0

1) 2008/09: closing costs of 23.7 EUR m

CONSOLIDATED INCOME STATEMENT

for the period from October 1, 2009 to September 30, 2010

Income statement

		Notes	10/01/2009 to 09/30/2010 (in EUR m)	10/01/2008 to 09/30/2009 (in EUR m)
1.	Sales	6	3,320.8	3,200.8
2.	Cost of raw materials, consumables and supplies and merchandise		–1,749.5	–1,683.5
3.	**Gross profit from retail business**	7	**1,571.3**	**1,517.3**
4.	Other operating income	8	211.7	207.5
5.	Personnel expenses	9	–720.3	–698.3
6.	Other operating expenses	10	–776.1	–772.0
7.	Income from other investments in associates	11	0.0	0.3
8.	Income from other investments	11	0.3	0.2
9.	**EBITDA**		**286.9**	**255.0**
10.	Amortization/depreciation	12	–145.2	–138.9
11.	**EBIT**		**141.7**	**116.1**
12.	Financial income		3.0	5.8
13.	Financial expenses		–13.5	–18.0
14.	Financial results	13	–10.5	–12.2
15.	**Earnings before taxes (EBT)**		**131.2**	**103.9**
16.	Income taxes	15	–55.1	–41.1
17.	**Net income for the year**		**76.1**	**62.8**
18.	Profit attributable to non-controlling interests		–0.2	0.0
19.	**Profit attributable to the Group shareholders**		**75.9**	**62.8**
			(in EUR)	(in EUR)
	Earnings per share	24	1.93	1.60

STATEMENT OF COMPREHENSIVE INCOME

Statement of comprehensive income

	10/01/2009 to 09/30/2010 (in EUR m)	10/01/2008 to 09/30/2009 (in EUR m)
Net income for the year	**76.1**	**62.8**
Foreign currency translation differences arising from translating the financial statements of a foreign operation	1.8	–12.0
Effective portion of net investment hedges	3.1	1.0
Effective portion of Cash Flow hedges	0.3	–1.5
Total comprehensive income	**81.3**	**50.3**
Total comprehensive income attributable to Group shareholders	81.0	50.3
Total comprehensive income attributable to non-controlling interests	0.3	0.0

CONSOLIDATED BALANCE SHEET

Assets

		Notes	09/30/2010 (in EUR m)	09/30/2009 (in EUR m)
A.	**Non-current assets**			
I.	Intangible assets	16	269.1	265.5
II.	Property, plant and equipment	16	470.6	478.6
III.	Tax receivables	15	8.0	7.7
IV.	Financial assets	20	5.1	5.8
V.	Investments in associates		0.0	7.9
VI.	Deferred tax assets	17	39.3	33.3
			792.1	**798.8**
B.	**Current assets**			
I.	Inventories	18	647.2	667.1
II.	Trade accounts receivable	19	48.0	42.7
III.	Tax receivables	15	17.9	24.3
IV.	Financial assets	20	96.7	94.9
V.	Other assets	21	25.4	25.0
VI.	Cash and cash equivalents	22	51.6	35.8
			886.8	**889.8**
C.	**Assets held for sale**	23	**34.5**	**0.0**
			1,713.4	**1,688.6**

Equity and liabilities

		Notes	09/30/2010 (in EUR m)	09/30/2009 (in EUR m)
A.	**Equity**	24		
I.	Capital stock		118.0	117.8
II.	Additional paid-in capital		220.2	218.9
III.	Retained earnings		411.7	374.0
IV.	Minority interests		14.9	0.2
			764.8	**710.9**
B.	**Non-current liabilities**			
I.	Provisions for pensions	25	31.5	29.6
II.	Other non-current provisions	26	23.1	22.8
III.	Financial liabilities	27	41.6	65.1
IV.	Other liabilities	28	5.0	5.3
V.	Deferred tax liabilities	17	12.6	6.9
			113.8	**129.7**
C.	**Current liabilities**			
I.	Current provisions	26	133.2	133.3
II.	Trade accounts payable		277.1	254.8
III.	Tax liabilities		55.4	50.6
IV.	Financial liabilities	27	239.8	296.2
V.	Other liabilities	28	122.1	113.1
			827.6	**848.0**
D.	**Assets held for sale**	23	**7.2**	**0.0**
			1,713.4	**1,688.6**

STATEMENT OF CHANGES IN GROUP EQUITY

Statement of changes in Group equity

	Capital stock (in EUR m)	Additional paid-in capital (in EUR m)	Retained earnings: Other retained earnings (in EUR m)	Retained earnings: Results from Cash Flow hedges (in EUR m)	Retained earnings: Differences from currency translation (in EUR m)	Minority interests (in EUR m)	Total (in EUR m)
10/01/2008	**117.7**	**217.8**	**361.1**	**0.1**	**0.1**	**0.2**	**697.0**
Currency translation					–12.0		–12.0
IAS 39 Hedge Accounting				–1.5	1.0		–0.5
Net income for the year			62.8				62.8
Total comprehensive income	**0.0**	**0.0**	**62.8**	**–1.5**	**–11.0**	**0.0**	**50.3**
Capital increase	0.1	1.1					1.2
IAS 32			5.6				5.6
Dividend			–43.2				–43.2
Transactions with shareholders	0.1	1.1	–37.6	0.0	0.0	0.0	–36.4
09/30/2009	**117.8**	**218.9**	**386.3**	**–1.4**	**–10.9**	**0.2**	**710.9**
10/01/2009	**117.8**	**218.9**	**386.3**	**–1.4**	**–10.9**	**0.2**	**710.9**
Currency translation					1.7	0.1	1.8
IAS 39 Hedge Accounting				0.3	3.1		3.4
Net income for the year			75.9			0.2	76.1
Total comprehensive income	0.0	0.0	75.9	0.3	4.8	0.3	81.3
Capital increase	0.2	1.3					1.5
IAS 32							0.0
Dividend			–43.3			–0.2	–43.5
Transactions with shareholders	0.0	0.0	–43.3	0.0	0.0	–0.2	–42.0
Change in scope of consolidation						14.6	14.6
09/30/2010	**118.0**	**220.2**	**418.9**	**–1.1**	**–6.1**	**14.9**	**764.8**

SEGMENT REPORTING

Segmentation by divisions

		Perfumeries		Books		Jewelry	
		2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
Sales (net)	EUR m	1,878.7	1,853.5	905.8	819.7	310.2	292.4
Intersegment sales	EUR m	0.0	0.0	0.0	0.0	0.0	0.1
Sales	EUR m	1,878.7	1.853.5	905.8	819.7	310.2	292.5
Earnings from investments in associates	EUR m	0.0	0.0	0.0	0.3	0.0	0.0
Earnings from other investments	EUR m	0.0	0.0	0.0	0.0	0.0	0.0
Reversal of impairments	EUR m	–2.0	–0.7	–0.3	–0.3	0.0	–0.1
EBITDA	EUR m	186.3	171.8	60.0	57.9	30.9	24.4
EBITDA margin	in %	9.9	9.3	6.6	7.1	9.9	8.3
Scheduled amortization	EUR m	62.3	66.1	27.8	25.1	7.6	7.2
Impairments	EUR m	24.1	22.2	0.7	0.1	3.9	0.1
EBIT	EUR m	99.9	83.5	31.5	32.7	19.4	17.1
Interest expense	EUR m	13.4	20.3	7.3	10.4	2.2	2.2
Interest income	EUR m	1.4	5.3	0.9	0.5	0.2	0.2
EBT	EUR m	87.9	68.5	25.1	22.8	17.4	15.1
Capital expenditure	EUR m	56.3	61.1	30.3	24.2	14.4	8.0
Average annual number of employees (FTEs)		12,185	12,266	4,254	4,119	1,761	1,709
Sales area	1,000 m²	279	274	243	240	21	20
Number of stores (Sept. 30)		1,205	1,220	289	294	204	203

Segmentation by geographic region

	Perfumeries		Books		Jewelry		Other	
	2009/10 (in EUR m)	2008/09 (in EUR m)	2009/10 (in EUR m)	2008/09 (in EUR m)	2009/10 (in EUR m)	2008/09 (in EUR m)	2009/10 (in EUR m)	2008/09 (in EUR m)
Sales								
Germany	945.6	920.0	689.7	628.7	310.2	292.4	221.6	230.4
International	933.1	933.5	216.1	191.0	0.0	0.0	4.5	4.8
	1,878.7	**1,853.5**	**905.8**	**819.7**	**310.2**	**292.4**	**226.1**	**235.2**
Non-current assets								
Germany	111.3	110.7	211.0	184.3	29.9	27.3	121.3	123.4
International	234.6	278.8	30.3	25.8	0.0	0.0	1.3	1.7
	345.9	**389.5**	**241.3**	**210.1**	**29.9**	**27.3**	**122.6**	**125.1**
Capital expenditure								
Germany	25.4	19.2	22.5	19.9	14.4	8.0	16.5	19.0
International	30.9	41.9	7.8	4.3	0.0	0.0	0.0	0.0
	56.3	**61.1**	**30.3**	**24.2**	**14.4**	**8.0**	**16.5**	**19.0**

	Fashion		Confectionery		Services		Consolidation		DOUGLAS Group	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
	124.1	131.0	99.4	101.0	2.6	3.2	0.0	0.0	3,320.8	3,200.8
	0.0	0.0	1.6	1.3	32.8	28.0	–34.4	–29.4	0.0	0.0
	124.1	131.0	101.0	102.3	35.4	31.2	–34.4	–29.4	3,320.8	3,200.8
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3
	0.0	0.0	0.2	0.1	0.1	0.1	0.0	0.0	0.3	0.2
	0.0	0.0	–0.2	0.0	0.0	0.0	0.0	0.0	–2.5	–1.1
	7.4	3.5	5.8	6.0	–3.5	–8.6	0.0	0.0	286.9	255.0
	6.0	2.7	5.7	5.9	–	–	0.0	0.0	8.6	8.0
	6.1	6.6	2.8	2.7	9.7	8.5	0.0	0.0	116.3	116.2
	0.2	0.0	0.0	0.3	0.0	0.0	0.0	0.0	28.9	22.7
	1.1	–3.1	3.0	3.0	–13.2	–17.1	0.0	0.0	141.7	116.1
	1.2	1.8	0.2	0.4	9.0	11.0	–19.8	–28.1	13.5	18.0
	0.2	1.1	0.0	0.0	20.1	26.8	–19.8	–28.1	3.0	5.8
	0.1	–3.8	2.8	2.6	–2.1	–1.3	0.0	0.0	131.2	103.9
	1.8	5.0	3.4	3.8	11.3	10.2	0.0	0.0	117.5	112.3
	604	643	765	791	495	487	0	0	20,064	20,015
	37	37	15	16	0	0	0	0	595	587
	14	14	261	274	0	0	0	0	1,973	2,005

CONSOLIDATED CASH FLOW STATEMENT

Consolidated Cash Flow statement

			10/01/2009 to 09/30/2010 (in EUR m)	10/01/2008 to 09/30/2009 (in EUR m)
1.		EBIT	141.7	116.1
2.	+	Amortization/depreciation of non-current assets	145.2	138.9
3.	+/–	Increase in provisions	–0.7	20.7
4.	+/–	Other non-cash income/expense	–12.9	–4.4
5.	+/–	Profit/loss on the disposal of non-current assets	2.4	0.0
6.	+/–	Changes in inventories, trade receivables and other assets not classifiable to investing or financing activities	2.1	7.2
7.	+/–	Changes in trade payables and other liabilities not classifiable to investing or financing activities	21.9	–8.9
8.	–	Interest paid	–5.6	–15.6
9.	+	Interest received	1.2	3.6
10.	–	Taxes paid	–49.1	–65.9
11.	**=**	**Net Cash Flow from operating activities**	**246.2**	**191.7**
12.	+	Proceeds from the disposal of non-current assets and disposal of stores	4.5	7.5
13.	–	Investments in non-current assets	–117.3	–111.3
14.	–	Payments for acquisition and disposal of consolidated companies and other business units	–45.2	–3.4
15.	**=**	**Net Cash Flow for investing activities**	**–158.0**	**–107.2**
16.		**Free Cash Flow (sum of 11 and 15)**	**88.2**	**84.5**
17.	+	Receipts from appropriations to equity	0.6	0.6
18.	–	Dividends paid to DOUGLAS shareholders	–43.3	–43.2
19.	–	Dividends paid to minority interests	–0.2	0.0
20.	–	Payments for the repayment of financial liabilities	–87.1	–93.9
21.	+	Proceeds from borrowings	61.1	35.7
22.	–/+	Other financial changes	–3.2	0.7
23.	**=**	**Net Cash Flow for financing activities**	**–72.1**	**–100.1**
24.	=	Net change in cash and cash equivalents (total of rows 11, 15 and 23)	16.1	–15.6
25.	+/–	Net change in cash and cash equivalents due to currency translation	0.5	–0.9
26.	+	Cash and cash equivalents at beginning of year	36.7	53.2
27.	**=**	**Cash and cash equivalents as of September 30, 2010**	**53.3**	**36.7**
28.	–	Thereof for assets held for sale	1.6	0.0
29.	**=**	**Cash and cash equivalents for continuing operations as of September 30, 2010**	**51.7**	**36.7**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF DOUGLAS HOLDING AG FOR THE FISCAL YEAR 2009/10

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, 2010 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 and as adopted by the European Union.

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).

The prior year's figures shown are fully comparable to those figures of the reporting year.

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 2009/10. Earlier application of the new standards in the accompanying consolidated financial statements was not conducted by the Group, except for the amendments to IAS 36 and IFRS 8 made as part of the Improvement Project for 2009.

In comparison with the consolidated financial statements as of September 30, 2009, the following standards and interpretations have been revised and/or are mandatory for the first time:

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.

IFRS 3 "Business Combinations"

As part of the revisions made to IFRS 3, the rules for the accounting of business combinations were amended. The amended Standard gives companies an election to measure the shares of non-controlling shareholders at Fair Value or the allocable net assets. Depending on the method applied, the goodwill arising from the initial consolidation of the newly acquired business is recognized either fully or according to the allocable majority shareholder's share. Moreover, the rules for step acquisition have been modified. These new regulations have already been applied for the purchase of the shares of buch.de internetstores AG. 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 were endorsed by the EU Commission in November 2008.

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. IFRS 8 follows the management approach, which means that segment reporting must be based on the information used internally by management. The DOUGLAS Group applied the rules under IFRS 8 for the first time in the fiscal year 2009/10. Reaching beyond the current presentation of the segments, the Services division of the DOUGLAS Group is presented separately from the reconciliation column. The Segment Assets shown contain non-current assets that are neither attributable to tax positions or to financial assets. The relevant segment values for the 2008/09 fiscal year were accordingly adjusted to assure comparability.

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. As a consequence of the amendments to IAS 1, the income statement was supplemented by a reconciliation for other comprehensive income. As part of this reconciliation, components shown directly to equity are listed and combined with the net income for the period to arrive at total comprehensive income.

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: Disclosure" 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 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement"

The amendments to this Standard relate to the reassessment of embedded derivatives in connection with hybrid financial instruments. These amendments are to be applied for annual periods beginning on or after July 1, 2009. The EU Commission endorsed the amendments in December 2009 as part of the Endorsement proceedings.

IFRIC 12 "Service Concession Arrangements"

IFRIC 12 regulates the financial reporting of rights and obligations under service arrangements and is to be applied for annual periods beginning on or after March 30, 2009. The EU Commission recognized this interpretation on March 25, 2009.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"

IFRIC 16 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 July 1, 2009. The EU Commission endorsed this IFRIC in June 2009.

Since the new or revised standards and interpretations relevant to DOUGLAS HOLDING AG did not lead to a retrospective adjustment of prior year figures, the presentation of a third balance sheet column has been waived.

In addition to the mandatory standards and interpretations to be adopted in the consolidated financial statements as of September 30, 2010, there are other new and/or revised standards and interpretations that are not yet applicable to annual periods beginning on October 1, 2009.

IFRS 1 "First Time Adoption of International Financial Reporting Standards"

For purposes of reducing costs and additional burdens, additional simplifications were agreed to for the first time adoption of this IFRS. The simplifications are to be applied for annual periods beginning on or after January 1, 2010. These revisions were recognized by the EU Commission in July 2010.

IFRS 1 "First Time Adoption of International Financial Reporting Standards" and IFRS 7 "Financial Instruments: Disclosures"

The amendments made to IFRS 7 in connection with IFRS 1 provide simplifications for first time adoption with respect to the presentation of prior year comparative information for financial instruments. The simplifications are to be applied for annual periods beginning on or after July 1, 2010. These revisions have already 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 to be applied for annual periods beginning on or after January 1, 2009. The EU Commission recognized these amendments in January 2009.

IFRS 2 "Share based-Payment – Vesting Conditions and Cancellations"

IFRS 2 has been modified for the presentation of share based-payment in the financial statements of subsidiaries. The amendments are to be applied for annual periods beginning on or after January 1, 2010. The EU Commission recognized this amendment as part of the Endorsement proceedings.

IFRS 9 "Financial Instruments"

IFRS 9 is the first standard that will replace IAS 39 in the future, as part of the new accounting rules for financial instruments. According to IFRS 9, financial instruments shall be generally classified into two categories and depending on this classification, will be measured either at amortized cost or Fair Value. IFRS 9 is to be applied for annual periods beginning on or after January 1, 2013. This amendment has not yet been recognized by the EU Commission as part of the Endorsement proceedings.

IAS 24 "Related Party Disclosures"

As part of the revisions made to IAS 24, the definition of related companies and persons has been modified. In addition, the disclosure requirements for companies in the public sector have been expanded. These amendments are to be applied for annual periods beginning on or after January 1, 2011. The EU Commission already recognized these revisions in July 2010.

IAS 32 "Financial Instruments: Presentation"

As part of the amendments made to IAS 32, special requirements were established for puttable instruments. The amended IAS 32 is to be applied for annual periods beginning on or after February 1, 2010. The EU Commission recognized this amendment in December 2009.

IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

As part of these amendments, unintended consequences incurred from the accounting advance payments related to minimum funding requirements have been eliminated. This amended interpretation is to be applied for annual periods beginning on or after January 1, 2011. The EU Commission recognized this amendment in July 2010.

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, 2010. The EU Commission recognized 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 November 1, 2009. The EU Commission recognized this interpretation in November 2009 as part of the Endorsement proceedings.

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 November 1, 2009. The EU Commission has not yet endorsed this interpretation in November 2009 as part of the Endorsement proceedings.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

This new interpretation presents detailed accounting treatment by an entity that issues equity instruments in order to settle, in full or in part, a financial liability in relation to the rules stipulated under IAS 39. This interpretation is to be applied for annual periods beginning on or after July 1, 2010. The EU Commission recognized this interpretation in July 2010.

Furthermore, the IASB made minor changes to the standards shown below as part of the Annual Improvement Process for 2009. These changes are almost all to be applied for annual periods beginning on or after January 1, 2010. The changes resulting from the Improvement Process for 2009 have already been endorsed by the EU Commission.

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"

The IASB also made minor changes to the standards and interpretations shown below as part of the Annual Improvement Process for 2010; 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, 2011.

IFRS 1 "First Time Adoption of International Financial Reporting Standards"
IFRS 3 "Business Combinations"
IFRS 7 "Financial Instruments: Disclosures"
IAS 1 "Presentation of Financial Statements"
IAS 27 "Consolidated and Separate Financial Statements"
IAS 24 "Related Party Disclosures"
IFRIC 13 "Customer Loyalty Programmes"

With exception of the revised IAS 36 and IFRS 8, 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.

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, 2009	47	35	82
Companies consolidated for the first time	1	2	3
Merged companies	1	2	3
As of September 30, 2010	47	35	82

With effect from December 1, 2009, the Books division acquired a further 24.7 percent shareholding in buch.de internetstores AG, Münster, which operates diverse Internet domains for the selling of books and media products. Thus, the shareholding interest increased from 35.5 percent to a total of 60.2 percent of capital stock. Accordingly, buch.de internetstores AG and its subsidiary, buch.ch AG based in Winterthur/Switzerland, have been included in full for the first time in the consolidated financial statements. The remaining non-controlling minority share is recognized in DOUGLAS HOLDING AG's consolidated financial statements in the amount of 5.7 million Euro, which corresponds to the allocable net assets including hidden reserves and liabilities attributable to the minority shareholder. Moreover, the remaining 0.5 percent interest in Thalia Bücher AG, based in Basel/Switzerland, was acquired with effect from December 17, 2009.

In the Fashion division, the remaining 25.0 percent interest in Reiner Appelrath-Cüpper Nachfolge GmbH, Cologne, was acquired with effect from October 1, 2009.

In total, 8.4 million Euro was paid for the purchase of shares in buch.de internetstores AG in the past fiscal year and a total of 24.5 million Euro was paid for the purchase of the aforementioned acquisition of the minority share. The purchase prices were settled in cash.

The acquisition of the additional shareholding interests in buch.de internetstores AG resulted in the capitalization of Internet domain names totaling 26.0 million Euro in the fiscal year under review as well as repurchased rights in the amount of 1.1 million Euro. Deferred tax liabilities were incurred in the amount of 8.7 million Euro. Furthermore, goodwill was recognized in the amount of 0.2 million Euro in the balance sheet. Goodwill arises from assets that are not capable of being individually identified and separately recognized from the acquired company. As part of the first time full consolidation of buch.de internetstores AG, income was incurred in the amount of 6.1 million Euro due to the revaluation of old shares held in buch.de internetstores AG and has been reported under other operating income.

During the period in which the buch.de internetstores AG belonged to the Group, sales totaling 88.0 million Euro and earnings totaling 0.8 million Euro were recorded. Since October 1, 2009, buch.de internetstores AG generated sales of 104.1 million Euro and earnings of 0.9 million Euro.

In the year under review, Buch Kaiser GmbH based in Karlsruhe was merged to Thalia Universitätsbuchhandlung GmbH with effect from October 1, 2009. In addition, Meissner Bücher AG based in Aarau/Switzerland, was merged to Thalia Bücher AG, Basel/Switzerland, with effect from July 1, 2010.

As of March 31, 2010, the newly formed company, OOO Parfümerie International Company based in Moscow/Russia was included for the first time in the consolidated financial statements. The Estonian subsidiary, OU Douglas Estonia, was liquidated in February 2010 and was removed from the scope of consolidation.

Changes to the consolidated Group

	Additions (in EUR m)	Disposals (in EUR m)	Net amount (in EUR m)
Intangible assets	31.7	0.0	31.7
Fixed assets	0.8	0.0	0.8
Deferred Taxes	4.5	0.0	4.5
Inventories and other assets	20.2	0.0	20.2
Cash and cash equivalents	3.0	0.0	3.0
Provisions	3.0	0.0	3.0
Deferred Taxes	9.3	0.0	9.3
Liabilities	8.5	0.0	8.5

The gross value of the contractual receivables acquired amounted to 20.6 million Euro, with a Fair Value of 19.5 million Euro. An amount of 1.1 million Euro will most probably be uncollectible and was not recognized in the consolidated financial statement of DOUGLAS.

As of the prior year's balance sheet date, only a 35.5 percent stake was held in buch.de internetstores AG. Therefore, buch.de was included At-equity on the basis of the interim financial report as of September 30, 2009 in the consolidated financial statements on that date. Based on the share price as of September 30, 2009, there was an allocable Fair Value of 14.8 million Euro as of the prior year's balance date.

The equity method was not applied for six companies (including one foreign company) as these are of minor importance for the DOUGLAS Group's net assets, financial position and result 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

	09/30/2010 (in EUR m)	09/30/2009 (in EUR m)
Non-current assets	0.0	10.6
Current assets	0.0	22.3
Non-current liabilities	0.0	0.6
Current liabilities	0.0	11.2
Net assets	0.0	21.1
	2009	2008
Income	16.4	73.1
Expenses	16.4	72.2
Net income	**0.0**	**0.9**

Consolidation methods

The financial statements of the companies included in consolidation have been prepared as of September 30, 2010. 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 allocable net assets including 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.

In preparing the opening IFRS balance sheet as of October 1, 2004, retrospective 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

			Average exchange rate (in EUR)		Closing rate (in EUR)	
			2009/10	2008/09	09/30/2010	09/30/2009
1	US dollar	USD	0.737	0.739	0.732	0.682
100	Swiss franc	CHF	69.993	66.059	75.267	66.287
100	Polish zloty	PLN	24.673	23.602	25.042	23.642
100	Hungarian Forint	HUF	0.365	0.359	0.362	0.371
100	Russian rouble	RUB	2.455	2.368	2.395	2.272
100	Danish crown	DKK	13.434	13.426	13.419	13.433
100	Turkish lira	TRY	48.699	47.169	50.378	45.977
100	Czech crown	CZK	3.915	3.804	4.064	3.980
100	Slowakian crown	SKK	3.319	3.319	3.319	3.319
100	Estonian kroon	EEK	6.403	6.404	6.402	6.406
100	Lithuanian litas	LTL	28.885	28.772	28.950	28.936
100	Latvia's lats	LVL	140.558	140.513	140.637	141.183
100	Romanian leu	RON	23.703	24.168	23.342	23.729
100	Croatian kuna	HRK	13.730	13.643	13.678	13.712
100	Bulgarian lev	BGN	51.072	51.063	51.117	51.078

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 2.1 million EUR (previous year: 2.0 million EUR) and corresponding expenses totaling 2.4 million EUR (previous year: 4.2 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. The ceiling for the allocation is generally the respective operations of the subsidiaries as the operating segment in conformity with IFRS 8.5. 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.

Other intangible assets are carried at cost. Borrowing costs are not included when calculating acquisition costs, because there are no qualifying assets in the DOUGLAS Group. 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, because there are no qualifying assets in the DOUGLAS Group. 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

Leasing

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. In classifying lease agreements, consideration is given to the basic lease term and the exercise of any renewal options on the basis of knowledge acquired in the past, which means that these agreements regularly 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 their acquisition costs.

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. A major portion of receivables that is more than 60 days overdue is transferred to a collection agency and written-down in this connection. 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, 2010, non-current provisions were discounted using an interest rate of 4.7 percent (previous year: 5.9 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 (plan assets) and liabilities from pension plans are presented in a net amount. Plan assets are maintained in qualified policies that are pledged to the employee. 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 and net investment 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 addition, non-derivative financial liabilities as part of a net investment hedge are implemented to hedge against currency rate risks arising from net investments in non-Group foreign currencies. 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 purpose of capital management is to maintain equity in conformity with IFRS. 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. Thus, the DOUGLAS Group aims at a Group equity ratio of more than 35 percent. 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 47-49.

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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

		09/30/2010	09/30/2009
Equity	EUR m	764.8	710.9
Debt	EUR m	949.6	977.7
Net Debt	EUR m	124.0	165.3
Working Capital	EUR m	418.1	455.0
Equity ratio	in %	44.6	42.1

NOTES TO THE INCOME STATEMENT

6. Sales

(Net) sales totaling 3,320.8 million Euro were recorded in the 2009/10 fiscal year. Of this amount, 34.7 percent was recorded outside of Germany following 35.3 percent in the 2008/09 fiscal year.

Sales

	2009/10 (in EUR m)	2008/09 (in EUR m)
Perfumeries	1,878.7	1,853.5
International	932.0	933.5
Books	905.8	819.7
International	216.1	191.0
Jewelry	310.2	292.4
Fashion	124.1	131.0
Confectionery	99.4	101.0
International	4.5	4.8
Services	2.6	3.2
Total	**3,320.8**	**3,200.8**

7. Gross profit from retail business

Gross profit from retail business amounted to 1,571.3 million Euro in the 2009/10 fiscal year (previous year: 1,517.3 million Euro). The sales margin (ratio of gross profits to net sales) stood at 47.3 percent, which was just behind the prior year's figure.

8. Other operating income

Other operating income

	2009/10 (in EUR m)	2008/09 (in EUR m)
Income from costs passed on to third parties	121,6	125.5
Income from leasing and subleasing	17.4	17.8
Income from reversal of provisions	16.9	11.9
Income from customer card	9.3	9.3
Income from commissions	4.7	8.5
Income from casualty	1.4	5.4
Income from disposal of non-current assets	0.6	5.2
Income from currency translation	2.1	2.0
Income from derecognition of liabilities	4.0	1.8
Income from reversal of impairment	2.5	1.1
Other non-operating income	8.9	1.9
Refunds from sales taxes from prior years	3.5	0.0
Other income	18.8	17.1
Total	**211.7**	**207.5**

Income from costs passed on to third parties includes refunds for marketing costs and other costs charged further. Other on-operating income contains an amount of 6.1 million EUR due to the the revaluation of old shares held in buch.de internetstores AG. Furthermore other income includes, for example, income from pension plans. In fiscal Year 2008/09 the line item for insurance casualty contained an amount of 1.2 million EUR paid for damaged tangible fixed assets. Income from leasing and subleasing mainly relates to stores leased that are not used by the company, but are subleased.

9. Personnel expenses

Personnel expenses

	2009/10 (in EUR m)	2008/09 (in EUR m)
Wages and salaries	595.6	578.6
Social security, pension and other benefit costs	124.7	119.7
Of which for pensions	5.4	4.3
Total	**720.3**	**698.3**

10. Other operating expenses

Other operating expenses are broken down as follows:

Other operating expenses

	2009/10 (in EUR m)	2008/09 (in EUR m)
Rent and energy costs	368.7	365.6
Advertisement in newspapers	20.5	23.8
Advertisement in other media	14.8	17.8
Direct mailing and customer loyalty card	26.4	27.4
Other marketing and advertisement costs	70.9	66.1
Costs of transferring merchandise	57.1	47.4
Other services	60.6	56.2
Repair costs	15.7	16.2
Credit card commission	11.8	11.4
Office and postal costs	13.9	14.3
Travel and vehicle costs	12.6	12.0
Consumables and supplies	11.3	10.8
Expenses from sublease	14.8	23.3
IT costs	17.7	16.0
Insurance premiums	4.6	4.4
Fees and dues	13.0	11.1
Other expenses	41.7	48.2
Total	**776.1**	**772.0**

11. Investment result

In the previous year, income from investments in associates amounted to 0.3 million EUR. In the 2009/10 fiscal year, there was no income from the measurement of associated companies, because of the acquisition of a majority shareholding interest in buch.de internetstores AG, Münster, which resulted in the full consolidation of the company.

12. Amortization/depreciation

Amortization/depreciation

	2009/10 (in EUR m)	2008/09 (in EUR m)
Scheduled amortization of intangible assets and depreciation of property, plant and equipment	116.3	116.2
Impairment losses on intangible assets and property, plant and equipment	28.9	22.7
Total	**145.2**	**138.9**

13. Financial result

Financial result

	2009/10 (in EUR m)	2008/09 (in EUR m)
Interest from loans and receivables	3.0	3.2
Income from financial instruments: Held-to-maturity	0.0	0.0
Income from financial instruments: Trading	0.0	0.1
Income from financial instruments: Available-for-sale	0.0	0.0
Income from minority options	0.0	2.5
Total financial income	**3.0**	**5.8**
Interest expense for discounting non-current provisions	–1.9	–1.8
Financing expense for minority options	–1.9	–6.0
Expense for financial instruments: Trading	–0.1	0.0
Financial expense for financial assets at amortized cost	–9.6	–10.2
Total financial expense	**–13.5**	**–18.0**
Financial result	**–10.5**	**–12.2**

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 were incurred during the fiscal year under review (previous year: 0.5 million EUR). In all, fees in the form of compensation incurred in conjunction with financial instruments amounted to 5.1 million EUR for the fiscal year 2009/10 (previous year: 4.7 million EUR). 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 2009/10

	Income/expense from Fair Value measurement (in EUR m)	Impairment (in EUR m)	Interest income (in EUR m)	Interest expense (in EUR m)	Net profit/loss (in EUR m)
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	–1.3	3.0	–9.6	–7.9
Liabilities measured at Fair Value	–0.1	0.0	0.0	0.0	–0.1
Minority options	0.0	0.0	0.0	–1.9	–1.9
Net profit by measurement category	–0.1	–1.3	3.0	–11.5	–9.9
Income/expenses, not included in the interest result	0.0	1.3	0.0	0.0	1.3
Interest income/expenses of assets, which are not financial instruments	0.0	0.0	0.0	–1.9	–1.9
Financial result	**–0.1**	**0.0**	**3.0**	**–13.4**	**–10.5**

Net results by valuation category – Fiscal year 2008/09

	Income/expense from Fair Value measurement (in EUR m)	Impairment (in EUR m)	Interest income (in EUR m)	Interest expense (in EUR m)	Net profit/loss (in EUR m)
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**

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

	2009/10 (in EUR m)	2008/09 (in EUR m)
Income taxes	58.5	54.0
National	41.1	41.4
International	17.4	12.6
Deferred taxes	–3.4	–12.9
From temporary differences	4.7	–10.6
From loss carryforwards	–8.1	–2.3
Total	**55.1**	**41.1**

The statutory corporate income tax rate in Germany for the assessment period 2009/10 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, 2010 the corporate income tax credit amounted to 9.3 million EUR (previous year: 8.4 million EUR). The corporate income credit is shown in the balance sheet under non-current tax receivables.

An amount of -0.1 million EUR (previous year: 0.7 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 24.5 million EUR (previous year: 27.9 million EUR). Of this amount, none was used in the fiscal year under review (previous year: nil).

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

Tax reconciliation

		2009/10	2008/09
Earnings before taxes	EUR m	131.2	103.9
Consolidated income tax rate (national incl. trade tax)	in %	32.0	32.0
Expected tax expense	EUR m	42.0	33.2
Impact of different national tax rates	EUR m	–4.7	–4.3
Non-period tax income/expense	EUR m	8.5	1.0
Tax-exempt income	EUR m	0.0	–1.8
Non-deductible tax operating expenses	EUR m	1.7	3.0
Financial expenses – minority options	EUR m	0.6	1.1
Unreported deferred tax assets due to operating losses	EUR m	2.1	4.8
Unreported deferred tax assets due to goodwill impairment	EUR m	5.4	1.6
Write-ups on deferred taxes/use of unrecognized loss carryforwards	EUR m	0.0	0.0
Trade tax (additions/deductions)	EUR m	0.5	2.7
Other	EUR m	–1.0	–0.2
Effective tax expense	**EUR m**	**55.1**	**41.1**

NOTES TO THE BALANCE SHEET

16. Intangible assets and property, plant and equipment

Intangible assets – Fiscal year 2009/10

	Leasehold interests and similar rights and assets (in EUR m)	Goodwill (in EUR m)	Advance payments for intangible assets (in EUR m)	Total (in EUR m)
Acquisition costs				
As of October 1, 2009	**119.7**	**216.6**	**0.6**	**336.9**
Currency adjustments	0.4	0.3	0.0	0.7
Changes due to business combinations	29.3	0.4	1.0	30.7
Additions	10.2	–0.3	0.8	10.7
IAS 32	0.0	3.9	0.0	3.9
Disposals	–4.5	–1.9	–0.1	–6.5
Reclassifications IFRS 5	–7.7	–3.7	0.0	–11.4
Reclassifications	1.5	0.0	–1.5	0.0
As of September 30, 2010	**148.9**	**215.3**	**0.8**	**365.0**
Accumulated amortization				
As of October 1, 2009	**60.2**	**11.2**	**0.0**	**71.4**
Currency adjustments	0.3	0.1	0.0	0.4
Changes due to business combinations	1.6	0.0	0.0	1.6
Additions	12.9	0.0	0.0	12.9
IAS 36	3.8	16.5	0.0	20.3
Write-ups	–0.6	0.0	0.0	–0.6
Disposals	–3.4	–0.9	0.0	–4.3
Reclassifications IFRS 5	–4.2	–1.6	0.0	–5.8
Reclassifications	0.0	0.0	0.0	0.0
As of September 30, 2010	**70.6**	**25.3**	**0.0**	**95.9**
Net				
As of September 30, 2010	**78.3**	**190.0**	**0.8**	**269.1**
As of September 30, 2009	**59.5**	**205.4**	**0.6**	**265.5**

Intangible assets – Fiscal year 2008/09

	Leasehold interests and similar rights and assets (in EUR m)	Goodwill (in EUR m)	Advance payments for intangible assets (in EUR m)	Total (in EUR m)
Acquisition costs				
As of 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, 2009	**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**

Property, plant and equipment – Fiscal year 2009/10

	Land and buildings (in EUR m)	Other equipment, operating and office equipment (in EUR m)	Payments on account and assets under construction (in EUR m)	Total (in EUR m)
Acquisition costs				
As of October 1, 2009	**639.5**	**774.4**	**7.9**	**1,421.8**
Currency adjustments	5.0	5.6	0.2	10.8
Changes due to business combinations	0.0	2.4	0.0	2.4
Additions	33.9	65.9	7.0	106.8
Disposals	–27.7	–52.7	0.1	–80.3
Reclassifications IFRS 5	–3.1	–6.5	0.0	–9.6
Reclassifications	–2.7	8.5	–5.8	0.0
As of September 30, 2010	**644.9**	**797.6**	**9.4**	**1,451.9**
Accumulated depreciation				
As of October 1, 2009	**374.7**	**568.5**	**0.0**	**943.2**
Currency adjustments	3.2	3.9	0.0	7.1
Changes due to business combinations	0.0	1.7	0.0	1.7
Additions	37.9	65.5	0.0	103.4
IAS 36	5.3	3.3	0.0	8.6
Write-ups	–1.0	–1.9	0.0	–2.9
Disposals	–25.7	–50.3	0.0	–76.0
Reclassifications IFRS 5	–0.8	–3.0	0.0	–3.8
Reclassifications	–2.7	2.7	0.0	0.0
As of September 30, 2010	**390.9**	**590.4**	**0.0**	**981.3**
Net				
As of September 30, 2010	**254.0**	**207.2**	**9.4**	**470.6**
As of September 30, 2009	**264.8**	**205.9**	**7.9**	**478.6**

Property, plant and equipment – Fiscal year 2008/09

	Land and buildings (in EUR m)	Other equipment, operating and office equipment (in EUR m)	Payments on account and assets under construction (in EUR m)	Total (in EUR m)
Acquisition costs				
As of 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**

A) Intangible assets and property, plant and equipment

The capital expenditure of the 2009/10 fiscal year is broken down by divisions as follows:

Capital expenditure

	2009/10 (in EUR m)	2008/09 (in EUR m)
Perfumeries	56.3	61.1
Books	30.3	24.2
Jewelry	14.4	8.0
Fashion	1.8	5.0
Confectionery	3.4	3.8
DOUGLAS HOLDING AG, Services	11.3	10.2
Total	**117.5**	**112.3**

Of this total, 38.7 million EUR is attributable to foreign subsidiaries (fiscal year 2008/09: 46.2 million EUR).

The additions to intangible assets mostly relate to acquired Internet domains in connection with the business acquisition of buch.de internetstores AG.

Capital expenditure in property, plant and equipment primarily relates to the opening and acquisition of 30 stores in Germany and 42 stores abroad. In addition, continual investments were made in designing and re-designing existing stores.

Scheduled amortization/depreciation for the fiscal year totaled 116.3 million EUR (previous year: 116.2 million EUR).

Impairment tests for property, plant and equipment and intangible assets at store level, as cash-generating units, led to write-downs totaling 12.4 million EUR in the fiscal year under review (previous year: 16.7 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 3.4 million EUR in fiscal year 2009/10 (previous year: 2.5 million EUR) and are shown under other operating income. In general, single cash-generating units are written-up due to increases in income following a previous write-down.

As part of impairment testing, the carrying amount of the cash-generating unit is compared to its recoverable amount. The recoverable amount is calculated as being the value in use of the future Cash Flows based on internal forecasts. Sensitivity planning assumptions include sales growth, gross profit forecasts, estimates of replacement investments in the store network and the ratio of personnel expenses to sales on the basis individual stores. The forecasts are based on the fixed term of the respective lease agreements. The forecast term is between one and ten years. 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 leased assets mostly comprised of vehicles, which were shown with a carrying value of nil as of September 30, 2010 (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 contain 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 amounted to 280.7 million EUR in the 2009/10 fiscal year (previous year: 281.1 million EUR). Contingent rent payments amounted to 3.0 million Euro.

Operating leases

	Up to 1 year (in EUR m)		1 to 5 years (in EUR m)		More than 5 years (in EUR m)		Total (in EUR m)	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
Obligations from operating leases	275.1	245.8	671.6	565.9	250.2	214.0	1,196.9	1,025.7
Income from subleases	9.6	15.8	25.2	42.8	12.9	23.8	47.7	82.4

B) Goodwill

Goodwill in the amount of 155.3 million EUR (previous year: 167.1 million EUR) is due to differences from capital consolidation and 34.7 million EUR (previous year: 38.3 million EUR) is due to goodwill arising from asset deals at the level of the individual financial statements.

According to the amendments made to IFRS 8.5 in conjunction with IAS 36.80b, goodwill is to be reallocated to the operating segments. As a consequence, the goodwill of Douglas Iberia Holding S.A. in the amount of 13.9 million Euro was reallocated in the amount of 7.0 million Euro to Douglas Spain S.A. and 6.9 million Euro to Douglas Portugal Lda.. Secondly, the goodwill of S.I.A. Douglas Baltic in the amount of 7.0 million Euro was reallocated in the amount of 5.2 million Euro to the Latvian subsidiary and 1.8 million to the Lithuanian subsidiary. This reallocation of goodwill was conducted prospectively as per October 1, 2009.

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 at 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 store network and the ratio of personnel expenses to sales. The forecasts are based on both internal company estimates and experience values as well as external macroeconomic data. The forecasts are developed on the basis of actual past values and take into account an additional rise in profitability for individual foreign Perfumery companies from the increase in the share of private and exclusive labels.

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 1 percent (previous year: 0 to 2 percent) before adjustments for future market saturation effects depending on the expected ROCE. For discounting purposes, an interest rate is applied of between 7.5 and 11.0 percent before taxes (prior year: 9 to 13 percent).

Material goodwill amounts exist for Douglas France, Thalia Holding and the Buch und Kunst Group. A write-down requirement for Thalia Holding and the Buch und Kunst Group following the change in key planning assumptions is not currently thought to be possible.

Impairment testing applied to goodwill led to write-downs totaling 16.5 million EUR for the fiscal year under review (previous year: 5.7 million EUR). Of which, 7.0 million EUR relates to the operating segment in Spain, 4.6 million Euro to the operating segment in France, 3.1 million Euro to the operating segment in Croatia and 1.8 million Euro to the operating segment in Lithuania. The write-downs mainly arose from the economically strained situation in the aforementioned countries and to falling consumer spending. All goodwill of these cash-generating units are attributable 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. The ramaining amounts equal the value in use per cash-generating unit.

In addition to the impairment tests, a sensitivity analysis was performed. Based on a lower growth rate of 0.5 percent and a declining gross profit ratio by 0.5 percentage points, an additional write-down amount would arise in the amount of 16.7 million Euro and 11.5 million Euro, respectively, for Douglas France. In respect of Croatia and Lithuania and based on the same sensitivity parameters, a write-down amount of 2.6 and 1.4 million Euro, respectively, and 0.0 million Euro and 0.0 million Euro for Lithuania would arise.

Location advantages associated with the leasehold interests that were purchased 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. In addition, the Internet domains of buch.de internetstores AG and buch.ch AG have been capitalized.

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

	09/30/2010			09/30/2009		
Company	Goodwill: Individual financial statements (in EUR m)	Goodwill: capital consolidation (in EUR m)	Intangible assets with indefinite useful lives (in EUR m)	Goodwill: Individual financial statements (in EUR m)	Goodwill: capital consolidation (in EUR m)	Intangible assets with indefinite useful lives (in EUR m)
Parfümerie Douglas Deutschland GmbH, Hagen	5.2	6.5		5.2	6.6	
HELA Kosmetik Handels GmbH & Co. Parfümerie KG, Hagen		4.1			4.1	
Parfümerie Douglas Ges.m.b.H., Vienna			2.4			2.4
Parfumerie Douglas France S.A., Lille	21.1	26.6	11.9	22.4	30.4	13.7
Douglas Spain S.A., Madrid		0.0			13.9	
Profumerie Douglas S.P.A., Bologna		4.8			4.8	
Douglas Portugal Lda., Lisbon		6.9				
OOO Douglas Rivoli, Moscow				2.0		
S.I.A. Douglas Baltic, Riga					7.3	
S.I.A. Douglas Latvia, Riga		5.2				
Parfümerie Douglas Bulgarien ood, Sofia		6.4			7.7	
IRIS d.d., Zagreb		8.0			12.5	
Thalia Holding GmbH, Hamburg		42.9			38.4	
Thalia Universitätsbuchhandlung GmbH, Hagen	5.8	3.2		5.9	0.7	
Reinhold Gondrom GmbH & Co. KG, Kaiserslautern	0.5	14.0		0.5	14.0	
Buch und Kunst Gruppe, Dresden		19.5			20.0	
Grüttefien GmbH, Varel		4.5			2.7	
buch.de internetstores AG, Münster		0.2	19.2			
buch.ch AG, Winterthur			6.8			
Buch Kaiser GmbH, Karlsruhe		0.0			2.5	
Other	2.1	2.5		2.3	1.5	
Total	**34.7**	**155.3**	**40.3**	**38.3**	**167.1**	**16.1**

17. Deferred taxes

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

Deferred taxes

	09/30/2010		09/30/2009	
	Asset (in EUR m)	Liability (in EUR m)	Asset (in EUR m)	Liability (in EUR m)
Intangible assets	3.0	10.4	4.6	1.0
Property, plant and equipment	9.9	9.4	9.4	9.5
Inventories	5.5	0.7	5.9	0.8
Financial assets	1.0	1.7	0.4	1.6
Other assets	0.2	0.0	0.1	0.0
Provisions	13.8	0.0	13.0	0.0
Financial liabilities	5.3	1.2	3.8	1.5
Other liabilities	0.0	4.5	0.3	4.5
Additional paid-in capital	0.0	0.3	0.0	0.3
Tax loss carryforwards	16.2	0.0	8.1	0.0
Total	54.9	28.2	45.6	19.2
Offsetting	–15.6	–15.6	–12.3	–12.3
Carrying amount	**39.3**	**12.6**	**33.3**	**6.9**

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

Based on a lower sales growth rate of 0.5 percent and a declining gross profit ratio of 0.5 percentage points, a write-down amount of 0.4 million Euro and 0.0 million Euro respectively would arise for Douglas Spain S.A..

18. Inventories

Inventories

	09/30/2010 (in EUR m)	09/30/2009 (in EUR m)
Finished goods and merchandise	635.3	655.3
Raw materials, consumables and supplies	9.4	11.3
Advances to suppliers for merchandise	2.5	0.5
Total	**647.2**	**667.1**

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

19. Trade accounts receivable

Trade accounts receivable primarily include settlement receivables from credit card organizations as well as from Douglas Card customers. Of this amount, 1.3 million EUR (previous year: 0.9 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 are basically equivalent to their Fair Values. The maximum default risk corresponded to the carrying value as of the balance sheet date.

20. Financial assets

Financial assets

	09/30/2010 With a remaining term of		09/30/2009 With a remaining term of	
	Up to 1 year (in EUR m)	More than 1 year (in EUR m)	Up to 1 year (in EUR m)	More than 1 year (in EUR m)
Bonuses	72.1		65.1	
Other equity participations		2.4		2.5
Other loans and advances		2.6		3.0
Securities	0.1		0.9	
Derivative financial instruments	0.0		0.0	
Other financial assets	24.5	0.1	28.9	0.3
Total	**96.7**	**5.1**	**94.9**	**5.8**

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

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, in which other investments are held, in the amount of 0.3 million EUR (previous year: 0.8 million EUR). Furthermore, the item contains balances owed in supplier accounts of 6.9 million EUR (previous year: 4.9 million EUR) and receivables from rental agreements of 7.0 million EUR (previous year: 5.4 million EUR). In addition, a short-term loan of 8.6 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

	Past due < 30 days (in EUR m)	Past due > 30 days (in EUR m)
Trade accounts receivable		
09/30/2010	45.8	2.2
09/30/2009	40.7	2.0
Other receivables		
09/30/2010	3.2	99.7
09/30/2009	5.4	95.3

Other receivables with an amount of 99,7 million EUR (previous year: 95,3 million EUR) are not due yet.

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. In total, there was no amount recorded for direct write-downs of receivables for which previous write-downs were not recognized (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 nor in the previous year.

Write-downs on capitalized financial instruments

	Loans and receivables (in EUR m)	
	2009/10	2008/09
As of October 1	4.2	3.7
Additions	3.1	1.0
Reversal	–1.1	–0.2
Utilization	–0.7	–0.3
Currency translation adjustments	0.0	0.0
Changes in the consolidated group	1.1	0.0
As of September 30	6.6	4.2

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. Assets and liabilities held for sale

This item contains the following major group of the Russian subsidiaries, OOO Douglas Rivoli and OOO Parfümerie International Company, each based in Moscow/Russia, and Douglas Rivoli Holding B.V., based in Nijmegen/The Netherlands.

The aforementioned companies were sold on December 30, 2010. The assets and liabilities held for sale are fully attributable to the Perfumeries Division.

Assets and liabilities held for sale

	09/30/2010
Intangible assets	4.3
Property, plant and equipment	5.8
Inventories	18.0
Cash and cash equivalents	1.7
Other assets	4.7
Financial assets	6.7
Provisions	0.5

24. Equity

Capital stock

Issued capital totaled 117,962,676.00 EUR on the balance sheet date and comprises 39,320,892 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 2009/10, 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, 2009	
EUR m	117.8
Shares	39,279,312
Issue of employee shares	
EUR m	0.2
Shares	41,580
As of September 30, 2010	
EUR m	118.0
Shares	39,320,892

The Shareholders' Meeting on March 24, 2010 authorized the Executive Board pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act (AktG), with the approval of the Supervisory Board, to acquire own shares of up to 10 percent of the share capital up to September 23, 2011. 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 2009/10 through the issue of 39,315,424 employee shares (previous year: 39,273,539).

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 41,580 shares issued to employees during the year under review (is equivalent to capital stock of 124,740.00 EUR), authorized capital II has to date been utilized in the amount of 0.3 million EUR. A further 56,330 employee shares were issued in November 2010 at a price of 20.00 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 36.83 EUR as of the balance sheet date (previous year: 31.25 EUR). The benefit of 0.8 million EUR granted to employees for the difference between the issue price and stock price is recognized under personnel expenses in the 2009/10 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

	09/30/2010 (in EUR m)	09/30/2009 (in EUR m)
Other revenue reserves	409.7	377.5
Statutory reserve	0.3	0.3
Reserve for the valuation of minority options (IAS 32)	8.6	8.6
Reserve for the valuation of hedging instruments	–1.5	–2.0
Reserve pursuant to deferred tax directly charged to equity	0.4	0.6
Reserve for currency translation differences	–5.8	–11.0
Total	411.7	374.0

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 0.4 million EUR (previous year: decrease of 2.2 million EUR) increased the retained earnings. Correspondingly, deferred taxes as of the balance sheet date decreased by 0.1 million EUR (previous year: increase 0.6 million EUR) and were also recognized directly to equity. 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, such hedging instruments did not exist in the DOUGLAS Group. In the 2008/09 fiscal year, an amount of 0.1 million Euro was recognized under the financial result.

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 mainly attributable to the first time fully consolidated company, buch.de internetstores AG, Münster, in the amount of 14.7 million Euro and to Douglas Expansion, Clermont-Ferrand/France in the amount of 0.2 million Euro.

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 24, 2010, a dividend of 1.10 EUR per share, or a total amount of 43.3 million EUR was distributed to the shareholders from the net retained earnings of 44.0 million EUR from the fiscal year 2008/09. The remaining amount of 0.7 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 totaling 44.0 million EUR for the fiscal year 2009/10, 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.

25. 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. The pension entitlements usually relate to a payment for contractually agreed old-age pension as a monthly amount. 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:

Calculation parameters

	09/30/2010 (in %)	09/30/2009 (in %)
Interest rate	4.70	5.90
Pension-benefit increase rate during expectancy period	2.5	2.5
Increase in consumer price index	1.5	2.0

The expected return on plan assets is between two and four percent.

The interest rates for the foreign subsidiaries are between 2.75 percent to 4.10 percent, with a pension-benefit rate during the expectancy period of between 1.2 percent and 2.0 percent and an increase in consumer price index of 0.5 percent to 2.5 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.

The perfumery, 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 1.8 million EUR for the 2009/10 fiscal year (previous year: 1.3 million EUR). Payments of about the same amount are expected for the coming fiscal year.

Reconciliation Defined Benefit Obligation (DBO)

	09/30/2010		09/30/2009	
	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)
DBO	27.0	30.2	24.7	24.0
Actuarial gains/losses – not included –	0.3	0.3	2.2	1.2
Fair Value of plan assets	0.0	26.3	0.0	22.5
Liability	**27.3**	**4.2**	**26.9**	**2.7**

DBO reconciliation

	2009/10		2008/09	
	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)
DBO as of October 1	24.7	24.0	25.8	24.5
Actuarial gains/losses	2.0	1.2	–1.3	–1.2
Service cost	0.2	2.6	0.3	0.2
Interest cost	1.4	1.1	1.4	0.6
Past service costs	0.0	0.0	0.0	–0.3
Curtailments/settlements	0.2	0.0	0.0	0.0
Insurance premium	0.0	0.0	0.0	0.0
Contributions	0.0	–0.2	0.0	0.2
Pension payments	–1.6	–0.1	–1.5	0.0
Currency translation adjustments	0.1	1.6	0.0	0.0
Changes in the consolidated group	0.0	0.0	0.0	0.0
DBO as of September 30	**27.0**	**30.2**	**24.7**	**24.0**

Pension expenses

	2009/10		2008/09	
	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)
Service cost	0.2	2.6	0.3	0.2
Interest cost	1.4	1.1	1.4	0.6
Amortization of actuarial gains/losses	0.1	0.0	0.1	0.0
Expected return on plan assets	0.0	0.3	0.0	0.1
Past service costs	0.2	0.0	0.0	0.0
Gains/losses from curtailments/settlements	0.0	0.0	0.0	0.0
Period pension expense	**1.9**	**3.4**	**1.8**	**0.7**

Pension payments in the amount of 1.8 million EUR are expected for the 2010/11 fiscal year.

Development of plan assets

	2009/10 (in EUR m)	2008/09 (in EUR m)
Plan assets as of October 1	22.5	20.3
Expected return on plan assets	0.5	0.1
Actuarial gains/losses	2.4	0.0
Contributions	1.7	2.3
Currency translation adjustments	0.1	0.0
Costs	0.0	0.0
Payments	–0.9	–0.2
Changes in the consolidated group	0.0	0.0
Plan assets as of September 30	**26.3**	**22.5**

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

	09/30/2010 (in EUR m)	09/30/2009 (in EUR m)	09/30/2008 (in EUR m)	09/30/2007 (in EUR m)	09/30/2006 (in EUR m)
DBO	57.2	48.7	50.3	35.1	39.1
Plan assets	26.3	22.5	20.3	8.1	9.1
Net	**–30.9**	**–26.2**	**–30.0**	**–27.0**	**–30.0**

26. Provisions

Statement of changes in non-current provisions

	Human resources commitments (in EUR m)	Provision for purchase price annuities (in EUR m)	Real estate commitments (in EUR m)	Other provistions (in EUR m)	Total (in EUR m)
10/01/2009	16.3	0.7	5.3	0.5	22.8
Utilization	–0.9	0.0	–0.8	0.0	–1.7
Reversal	–0.2	0.0	–1.0	0.0	–1.2
Additions	2.6	0.0	0.3	0.1	3.0
Reclassifications	0.1	0.0	0.1	0.0	0.2
Change to the consolidated group	0.0	0.0	0.0	0.0	0.0
Currency translation	0.0	0.0	0.0	0.0	0.0
09/30/2010	**17.9**	**0.7**	**3.9**	**0.6**	**23.1**

Statement of changes in current provisions

	Human resources commitments (in EUR m)	Real estate commitments (in EUR m)	Other provisions (in EUR m)	Total (in EUR m)
10/01/2009	66.6	15.4	51.3	133.3
Utilization	–54.0	–8.3	–37.7	–100.0
Reversal	–5.1	–1.9	–7.9	–14.9
Additions	62.2	6.7	43.2	112.1
Reclassifications	–0.5	–0.1	–0.2	–0.8
Change to the consolidated group	0.2	0.0	2.5	2.7
Currency translation	0.3	0.3	0.2	0.8
09/30/2010	**69.7**	**12.1**	**51.4**	**133.2**

Other current provisions are comprised as follows:

Other current provisions

	09/30/2010 (in EUR m)	09/30/2009 (in EUR m)
Deliveries and services not yet invoiced	31.2	34.7
Litigation costs	2.9	2.4
Supervisory Board remuneration	0.8	0.8
Onerous contracts	1.0	0.8
Costs for annual financial statements	0.6	0.6
Customer bonus programs	0.0	0.1
Interest	0.1	0.0
Other	14.8	11.9
Total	**51.4**	**51.3**

27. Financial liabilities

Financial liabilities

	09/30/2010 (in EUR m)	Remaining term up to 1 year (in EUR m)	Remaining term between 1 and 5 years (in EUR m)	Remaining term more than 5 years (in EUR m)	09/30/2009 (in EUR m)	Remaining term up to 1 year (in EUR m)	Remaining term between 1 and 5 years (in EUR m)	Remaining term more than 5 years (in EUR m)
Liabilities to banks	175.6	141.6	34.0		201.1	144.8	41.6	14.7
Advance payments received	1.3	1.3			1.1	1.1		
Bills accepted	0.1	0.1			1.0	1.0		
Liabilities to affiliated companies	0.0	0.0			11.7	11.7		
Derivative financial instruments	1.7	1.7			2.0	2.0		
Financial liabilities from the valuation of options from minority interests	89.1	81.6	5.6	1.9	110.8	102.0	6.2	2.6
Other liabilities	13.5	13.5			33.6	33.6		
Total	281.3	239.8	39.6	1.9	361.3	296.2	47.8	17.3

Financial liabilities from valuation of options from minority interests are related to minority interests with cancellation and rights of disposal. As of October 1, 2009, one of these options was exercised in the Fashion division.

During the fiscal year, income from the derecognition of trade accounts payable was recognized in the amount of 0.1 million EUR (previous year: none). None of the liabilities were secured by pledged rights or similar rights.

28. Other liabilities

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

29. 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. The cash and cash equivalents relating to the Russian companies held for sale are shown separately.

Cash and cash equivalents are comprised as follows:

Cash and cash equivalents

	09/30/2010 (in EUR m)	09/30/2009 (in EUR m)
Marketable securities	0.1	0.9
Cash and cash equivalents	51.6	35.8
Total	51.7	36.7

The effect of the sale and purchase of consolidated companies is presented under the notes regarding consolidation.

30. Notes on segment reporting

In the 2009/10 fiscal year, segment reporting has been prepared for the first time in line with the provisions of IFRS 8. The preceding year's figures have been adjusted accordingly to assure comparability.

The segments comply with the DOUGLAS Group's internal reporting and controlling structure. Internal reporting and controlling is generally performed according to the individual geographic companies of the corporate divisions. The operative business segments are combined into reporting segments in the segment reporting, which correspond to the individual corporate divisions of DOUGLAS HOLDING AG. Due to the first time adoption of IFRS 8, the Services division is also shown separately from the reconciliation column, although this segment is not predominantly geared for generating external sales.

Alongside the information about the individual business segments, additional information is given about geographical regions. As part of this presentation, a distinction is generally made between Germany and all other countries.

The earnings of the operative business segments are determined in compliance with the accounting and valuation methods applied to the consolidated financial statements. Transfers between segments are at the same prices that would apply between third parties (arm's length transactions).

Perfumeries

The largest reporting segment is the Perfumeries division with a total of 1,205 Douglas Perfumeries, which are the market leaders in Europe, standing for expertise in the areas of perfumes, cosmetics and skin care. The Douglas Perfumeries are present in 20 countries.

Books

The 289 Thalia bookstores combine stationary and online bookselling services and are the market leaders in German-speaking countries. In the 2009/10 fiscal year, a non-cash income amount was incurred in the amount of 6.1 million Euro as part of the first time full consolidation of buch.de internetstores AG.

Jewelry

The 204 Christ jewelry stores lead the market in Germany in the mid to upper price range for jewelry and watches.

Fashion

The 14 AppelrathCüpper fashion stores are held in high esteem as an expert premium seller of high quality women's clothing.

Confectionery

The confectionery division leads the market in the German confectionery sector with 261 Hussel shops and is also present on the Austrian market.

Segment revenues

External sales represent the sales of the business segments generated from Group third parties. Intersegment sales represent sales from other business segments of the DOUGLAS Group.

Segment earnings

In addition to earnings before taxes (EBT), the key performance indicators, EBITDA and EBIT, are also provided for the individual segments.

Segment investments

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

Segment assets

Segment assets generally comprise of non-current assets. As a rule, segment assets do not include non-current financial assets and tax positions.

31. Fair Values of financial instruments

Fair Values 09/30/2010

	Carrying amount (in EUR m)	Amortized cost (in EUR m)	Fair Value through profit or loss (in EUR m)	Fair Value changes recognized directly in equity (in EUR m)	Fair Value (in EUR m)
Assets					
Loans and receivables					
Loans and advances	2.6	2.6			2.6
Trade accounts receivable	48.0	48.0			48.0
Other financial assets	51.2	51.2			51.2
Financial instruments: Held-for-trading					
Derivative financial instruments	0.0				0.0
Financial instruments: Available-for-sale					
Equity participations	2.4	2.4			2.4
Securities	0.1			0.1	0.1
Equity and liabilities					
Financial instruments: Held-for-trading					
Derivative financial instruments	1.7		0.1	1.6	1.7
Other financial liabilities					
Trade accounts payable	277.1	277.1			277.1
Financial liabilities from the valuation of options from minority interests	89.1				89.1
Liabilities due to banks	175.6	175.6			177.2
Other financial liabilities	15.2	15.2			15.2

Fair Values 09/30/2009

	Carrying amount (in EUR m)	Amortized cost (in EUR m)	Fair Value through profit or loss (in EUR m)	Fair Value changes recognized directly in equity (in EUR m)	Fair Value (in EUR m)
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

32. 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 risk

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 500.0 million EUR undertaken in the 2006/07 fiscal year, the DOUGLAS Group's provision of credit is assured for a period at the minimum for the next two 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

	Carrying amount (in EUR m)	Payment due within the next 30 days (in EUR m)		Payment due within 30 to 90 days (in EUR m)		Payment due within 90 to 360 days (in EUR m)		Payment due over a period of 1 to 5 years (in EUR m)		Payment due after more than 5 years (in EUR m)	
Liability		Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest
Liabilities to banks	175.6	129.6		1.1		10.9	1.6	34.0	3.1		
Trade accounts payable	277.1	153.3		111.8		12.0					
Financial liabilities from the valuation of options from minority interests	89.1					81.6		5.6		1.9	
Derivative financial instruments	1.7		0.1		0.2		0.8		0.8		
Advance payments received	1.3	1.3									
Liabilities on bills accepted and drawn	0.1	0.1									
Other financial liabilities	13.5	13.5									

All financial liabilities existing as of September 30, 2010 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, 2010. 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 DOUGLAS 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 therefore 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 hedging instruments.

Interest rate swaps

	09/30/2010			09/30/2009		
	Reference amount (in EUR m)	Fair Values: financial assets (in EUR m)	Fair Values: financial liabilities (in EUR m)	Reference amount (in EUR m)	Fair Values: financial assets (in EUR m)	Fair Values: financial liabilities (in EUR m)
Interest rate swaps	28.0	0.0	1.6	31.0	0.0	2.0
Of which within Cash Flow hedges	28.0	0.0	1.6	31.0	0.0	2.0

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 50 base points would lead to an increase in the interest expense for the liabilities with variable rates by 0.1 million EUR (previous year: 0.1 million EUR). A drop in the interest rate by the same base points, would have a contrary effect of 0.0 million EUR (previous year: 0.1 million EUR).

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: 0.5 million EUR). According to a corresponding reduction in the interest rate, equity would change by –0.5 million EUR (previous year: –0.4 million Euro).

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 approximately 89 percent of the Group's sales were effected in euros in fiscal year 2009/10, 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.

Currency rate risks involving net investments in the Swiss subsidiaries are hedged via Swiss Franc drawings from the revolving credit facility (net investment hedge). Drawings from the syndicated credit facility amounted to 35.0 million CHF as per the balance sheet date.

In order to hedge the residual currency risks, DOUGLAS HOLDING AG's financial management regularly reviews the DOUGLAS Group's currency items and analyzes the pros and cons of implementing derivative financial instruments.

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 0.1 million EUR (previous year: 0.7 million EUR) based on an appreciation in value of the euro currency of 5 percent and – 0.1 million EUR (previous year: –2.3 million EUR) based on a devaluation of 5 percent. The largest amounts encompass the Russian Rouble (+/– 0.2 million EUR) and the Polish Zloty (+/– 0.2 million EUR).

Default risks

A default risk could exist if a banking partner should default, in particular for the 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 up to a maximum amount of 500 million EUR from an international banking syndicate. The residual term of this revolving credit facility is two 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 91.3 million EUR. The aim of this revolving credit facility is to reduce cash and cash equivalents as well as to create flexible financing possibilities. The unused portion of the revolving credit facility is not subject to any restrictions.

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 37.2 million EUR (previous year: 45.5 million EUR) and under the revolving credit facility to 91.3 million EUR (previous year: 84.2 million EUR).

Liabilities to banks (without current accounts and revolving credit facility) as of September 30, 2010

Original amount (in million currency units)	Nominal amount (in EUR m)	Carrying amounts (in EUR m)	Fair Values (in EUR m)
EUR 105.7	105.7	46.6	48.2
CHF 13.6	10.2	0.5	0.5

Liabilities to banks (without current accounts and revolving credit facility) as of September 30, 2009

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

33. 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 90.1 million EUR as of the balance sheet date compared to 110.8 million EUR last year.

As a consequence of the acquisition of the remaining shares in Reiner Appelrath-Cüpper Nachf. GmbH, Cologne, in the year under review, liabilities decreased. On the other side, valuation-related adjustments in the amount of 3.6 million EUR increased the extent of commitments (previous year: -3.3 million EUR). Proportionate earnings and disbursements in the year under review in the amount of 1.5 million EUR also reduced these commitments.

34. Other explanatory notes

Other financial commitments

Purchase commitments for approved capital expenditure for property, plant and equipment totaled around 39.0 million EUR (previous year: 25.5 million EUR). Contingent liabilities in the amount of 0.6 million EUR exist for one foreign subsidiary. Contingent assets from eco-tax refunds amounted to 3.1 million Euro.

Average number of employees

The average number of persons employed was:

Average number of employees

	2009/10	2008/09
Salaried employees and wage earners	22,820	22,681
Apprentices	1,586	1,676
Total	**24,406**	**24,357**

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 2009/10 and 2008/09, respectively, from delivery and supply relationships concluded in the past:

Related companies and related persons

	Deliveries and services received (in EUR m)		Deliveries and services provided (in EUR m)	
	2009/10	2008/09	2009/10	2008/09
Related companies	0.5	3.4	1.2	6.8
Related persons	4.5	6.9	0.0	0.0
Total	**5.0**	**10.3**	**1.2**	**6.8**

There were no receivables from related companies/parties on the balance sheet date (09/30/09: 0.2 million EUR), the corresponding liabilities totaled 0.6 million EUR (09/30/09: 12.6 million EUR). Deliveries and supplies incurred in connection with buch.de internetstores AG are contained in the figures shown up through December 1, 2009. Since December 1, 2009, buch.de internetstores AG was fully consolidated in the consolidated financial statements. 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

	2009/10		
	Fixed (in EUR '000)	Variable (in EUR '000)	Total (in EUR '000)
Dr. Henning Kreke, President and CEO	536.5	824.5	1,361.0
Dr. Burkhard Bamberger	457.1	412.2	869.3
Anke Giesen	332.5	258.4	590.9
Total	**1,326.1**	**1,495.1**	**2,821.2**

The total remuneration of the Executive Board in fiscal year 2008/09 amounted to 2,512.6 thousand EUR. The provisions for pensions for members of the Executive Board totaled 1,418 thousand EUR compared to 1,245 thousand EUR last year. Provisions in the amount of 1,495 thousand EUR were formed as of September 30, 2010 for the variable salary components of members of the Executive Board (previous year: 1,210 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 and 3,000.00 EUR for Dr. Bamberger. This amount increases by 5.0 percent for each pensionable year of service depending on the general development of the cost of living. Furthermore, the amounts are adjusted index-based for the development in the cost of living. Additional commitments like severance payments, bridge money and leave benefits etc. do not exist.

Remuneration totaling 903 thousand EUR (previous year: 902 thousand EUR) was paid to former members of the Executive Board and their surviving dependants. The pension provisions for former members of the Executive Board and their surviving dependants totaled 13,061 thousand EUR following 12,022 thousand EUR the year before.

Total remuneration for other key executives within the DOUGLAS Group amounted to 5,393 thousand EUR in fiscal year 2009/10 (previous year: 4,945 thousand EUR). Provisions for pensions for these management members totaled 350 thousand EUR compared to 593 thousand EUR in the previous year; provisions totaling 2,499 thousand EUR have been recognized for variable salary components as of September 30, 2010 (previous year: 3,621 thousand EUR).

Supervisory Board remuneration

The total remuneration paid to the Supervisory Board of DOUGLAS HOLDING AG is as follows:

Supervisory Board remuneration

	2009/10			2008/09		
	Fixed (in EUR '000)	Variable (in EUR '000)	Total (in EUR '000)	Fixed (in EUR '000)	Variable (in EUR '000)	Total (in EUR '000)
Dr. Dr. h.c. Jörn Kreke, Chairman	80.8	23.2	104.0	81.6	26.4	108.0
Margarete Pinkowski, Vice-Chairwoman	55.4	17.4	72.8	55.8	19.8	75.6
Detlef Bierbaum	40.4	11.6	52.0	40.8	13.2	54.0
Ulrike Grabe	30.0	11.6	41.6	30.0	13.2	43.2
Isabelle Harth	30.0	11.6	41.6	30.0	13.2	43.2
Solveig Hasse	30.0	11.6	41.6	30.0	13.2	43.2
Henning R. Kreke	30.0	11.6	41.6	30.0	13.2	43.2
Petra Lügger	30.0	11.6	41.6	30.0	13.2	43.2
Bernd M. Michael	30.0	11.6	41.6	30.0	13.2	43.2
Dr. h.c. August Oetker	40.4	11.6	52.0	40.8	13.2	54.0
Johann Rösch (from April 28, 2010)	15.0	5.8	20.8	0.0	0.0	0.0
Dr. Ernst F. Schröder	50.8	11.6	62.4	51.6	13.2	64.8
Malene Volkers (until March 24, 2010)	15.0	5.8	20.8	30.0	13.2	43.2
Dr. Ulrich Wolters	40.4	11.6	52.0	40.8	13.2	54.0
Prof. Dr. Mark Wössner	30.0	11.6	41.6	30.0	13.2	43.2
Christine Wrobel	30.0	11.6	41.6	30.0	13.2	43.2
Sabine Zimmer	30.0	11.6	41.6	30.0	13.2	43.2
Total	608.2	203.0	811.2	611.4	231.0	842.4

Provisions totaling 811 thousand EUR (fiscal year 2008/09: 842 thousand EUR) were formed for remuneration for the Supervisory Board; of this amount, 608 thousand EUR are fixed and 203 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 15 a of the German WpHG (securities trading act)

Mr Henning R. Kreke, member of the Supervisory Board, sold a total of 50,000 DOUGLAS shares at prices ranging between 31.40 and 34.95 EUR per share during the fiscal year under review.

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

	2009/10 (in EUR m)	2008/09 (in EUR m)
Audit of the financial statements	0.8	0.8
Other confirmation 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 compliance pursuant to section 161 of the German AktG

The DOUGLAS HOLDING AG issued an updated declaration of compliance in accordance with section 161 of the German Stock Corporation Law (AktG) in December 2010. 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
Perfumeries	Douglas Einkaufs- und Service Gesellschaft mbH & Co. KG	Zossen
Perfumeries	HELA Kosmetik Handels GmbH & Co. Parfümerie KG	Hagen
Perfumeries	Parfümerie Douglas International GmbH	Hagen
Perfumeries	Parfümerie Douglas GmbH	Hagen
Perfumeries	Parfümerie Douglas Deutschland GmbH	Hagen
Books	Buch & Medien GmbH	Hagen
Books	Thalia Holding GmbH	Hamburg
Books	Kober & Thalia Buchhandelsgruppe GmbH & Co. KG	Mannheim
Books	Reinhold Gondrom GmbH & Co. KG	Kaiserslautern
Books	Thalia Buchhandlung Erich Könnecke GmbH & Co. KG Boysen & Maasch	Hamburg
Books	Thalia Medienservice GmbH	Hagen
Books	Thalia Universitätsbuchhandlung GmbH	Hagen
Jewelry	Christ Juweliere und Uhrmacher seit 1863 GmbH	Hagen
Fashion	inter-moda GmbH	Hagen
Confectionery	Cerrini Confiserie GmbH	Hagen
Confectionery	Hussel Geschenkstudio GmbH	Hagen
Confectionery	Hussel Süßwarenfachgeschäfte GmbH	Hagen
Services	Douglas Corporate Service GmbH	Hagen
Services	Douglas GmbH & Co. Objekt Zeil KG	Pullach i. Isartal
Services	Douglas Immobilien GmbH & Co. KG	Hagen
Services	Douglas Informatik & Service GmbH	Hagen
Services	Douglas Versicherungsvermittlung GmbH	Hagen
Services	Douglas Grundstücks- und Verwaltungsgesellschaft mbH & Co. KG	Zossen

Significant shareholdings

No.	Name and registered office		Group interest (in %)	Equity (in EUR '000 or in '000 foreign currency)	Net revenues (in EUR '000 or in '000 foreign currency)	Employees
	DOUGLAS HOLDING AG			776.491	0	100
	Perfumeries					
1.	Parfümerie Douglas GmbH, Hagen		100	288,282	54,779	250
2.	Parfümerie Douglas Deutschland GmbH, Hagen		100	39,874	875,414	6,243
3.	HELA Kosmetik Handels GmbH & Co. Parfümerie KG, Hagen		100	566	20,980	99
4.	Parfümerie Douglas International GmbH, Hagen		100	247,068	0	39
5.	Parfümerie Douglas Ges.m.b.H., Vienna/Austria		100	24,929	70,437	559
6.	Parfumerie Douglas Nederland B.V., Nijmegen/The Netherlands		100	35,294	177,242	1,371
7.	Parfumerie Douglas France S.A., Lille/France		100	24,547	130,945	988
8.	Profumerie Douglas S.P.A., Bologna/Italy		100	36,618	161,238	1,085
9.	Parfümerie Douglas S.A., Baar/Switzerland	CHF	100	8,214	50,706	196
10.	Douglas Spain S.A., Madrid/Spain		100	–9,053	71,863	640
11.	Douglas Portugal Lda., Lisbon/Portugal		100	11,978	25,458	195
12.	Douglas Ungarn Kft., Budapest/Hungary	HUF	100	2,529,693	5,330,873	232
13.	Douglas Polska SP.z.o.o., Warsaw/Poland	PLN	100	68,432	349,130	1,026
14.	Parfumerie Douglas Monaco S.A.M., Monaco/Monaco		100	1,727	2,897	12
15.	OOO Douglas Rivoli, Moscow/Russia	RUB	100	764,698	2,312,406	626
16.	Parfumerija Douglas d.o.o., Maribor/Slovenia		100	264	1,891	22
17.	Parfumerie Douglas s.r.o., Prague/Czech Republic	CZK	100	–60,165	293,156	120
18.	Parfümerie Douglas Limited Sirketi, Istanbul/Turkey	TRY	100	10,974	18,439	91
19.	SIA "Douglas Latvia," Riga/Latvia	LVL	51	1,389	8,793	217
20.	UAB "Douglas Lithuania," Vilnius/Lithuania	LTL	51	20,442	40,706	197
21.	Parf. Douglas S.R.L., Bucharest/Romania	RON	100	3,546	27,633	72
22.	Parfumerie Douglas Bulgaria ood, Sofia/Bulgaria	BGN	51	9,046	19,605	138
23.	IRIS dd, Zagreb/Croatia	HRK	51	26,737	144,426	274

Significant shareholdings

No.	Name and registered office		Group interest (in %)	Equity (in EUR '000 or in '000 foreign currency)	Net revenues (in EUR '000 or in '000 foreign currency)	Employees
	Books					
24.	Thalia Holding GmbH, Hamburg		75	69,498	159,002	184
25.	Thalia Universitätsbuchhandlung GmbH, Hagen		100	21,024	274,006	1,528
26.	Thalia Buchh. Erich Könnecke GmbH & Co. KG, Hamburg		100	7,937	143,882	857
27.	Kober & Thalia Buchhandelsgruppe GmbH & Co. KG, Mannheim		75	267	19,202	107
28.	Reinhold Gondrom GmbH & Co. KG, Kaiserslautern		100	5,551	66,233	420
29.	Grüttefien GmbH, Varel		50	5,373	27,145	198
30.	Buch und Kunst GmbH & Co. KG, Dresden		100	2,167	59,846	380
31.	G.D. Baedeker GmbH, Dresden		100	5,930	5,913	38
32.	Thalia Buch & Medien GmbH, Linz/Austria		100	21,631	118,460	756
33.	Thalia Bücher AG, Basel/Switzerland	CHF	100	16,554	94,372	457
34.	ZAP*Zur Alten Post AG, Brig/Switzerland	CHF	67	1,844	11,428	50
35.	buch.de internetstores AG, Münster		60	16,020	57,944	99
36.	buch.ch AG, Winterthur/Switzerland	CHF	100	1,957	22,112	33
	Jewelry					
37.	Christ Juweliere und Uhrmacher seit 1863 GmbH, Hagen		100	51,969	310,217	2,173
	Fashion					
38.	Reiner Appelrath-Cüpper Nachf. GmbH, Cologne		100	9,927	124,105	751
	Confectionery					
39.	Hussel Süßwarenfachgeschäfte GmbH, Hagen		100	3,856	89,323	981
40.	Cerrini Confiserie GmbH, Hagen		100	26	11,709	105

a) Membership of supervisory board required by law
b) 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
a) Deutsche EuroShop AG, Hamburg
Capital Stage AG, Hamburg
b) 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
a) Sal. Oppenheim jr. & Cie. AG, Vienna/Austria
IVG Immobilien AG, Bonn (Chairman)
IVG Institutional Funds GmbH, Wiesbaden (Chairman)
General Reinsurance 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)
b) 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 Handelsbeteiligungsges. 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/Nuremberg

Petra Lügger*

Administration, Münster
Thalia Universitätsbuchhandlung GmbH, Hagen

Bernd M. Michael

Merchant, Düsseldorf
a) Loyalty Partner Holding GmbH, Munich
12snap AG, Munich (Chairman)
b) Duisport AG, Duisburg (Advisory Board)
Board of Directors WE Marketing Company Limited, Hong Kong

Dr. h.c. August Oetker

Chairman of Advisory Board of Dr. August Oetker KG, Bielefeld
a) Damm S. A., Barcelona/Spain
B. Braun AG, Melsungen
Ebro Foods S.A., Madrid/Spain (since June 1, 2010)
b) Dr. August Oetker KG, Bielefeld (Advisory Board)

Johann Rösch* (since April 28, 2010)

Trade union secretary, Nuremberg
ver.di Bundesverwaltung, Berlin

Dr. Ernst F. Schröder

General Partner at Dr. August Oetker KG, Bielefeld
a) Gerry Weber International AG, Halle (Chairman)
S. A. S. Chateau du Domaine St. Martin, Vence/France (Chairman)
S. A. S. Hôtel du Cap Eden Roc, Antibes/France (Chairman)
S. A. S. Hôtel Le Bristol, Paris/France (Chairman)
Damm S.A., Barcelona/Spain
b) Bankhaus Lampe KG, Düsseldorf (Chairman)

Malene Volkers* (until March 24, 2010)

Trade union secretary, Berlin
ver.di Bundesverwaltung, Berlin
a) Danzas Deutschland Holding, Frankfurt/Main

Dr. Ulrich Wolters

Corporate consultant, Mülheim a. d. Ruhr
a) Bunzl PLC, London/Great Britain
Lenze SE, Hameln (Chairman)
Preventicum GmbH, Essen (Chairman)
Novotergum AG, Mülheim a. d. Ruhr
b) Heinrich Deichmann-Schuhe GmbH & Co. KG, Essen

Prof. Dr. Mark Wössner

Entrepreneur, Member of Supervisory Boards, Munich

a) AEG Power Solutions BV, AH Zwanenburg/The Netherlands (Vice-Chairman)
Heidelberger Druckmaschinen AG, Heidelberg (Chairman)
Loewe AG, Kronach (Vice-Chairman)

b) 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

a) real,- SB Warenhaus-GmbH, Mönchengladbach

EXECUTIVE BOARD

Dr. Henning Kreke (President and CEO)
Dr. Burkhard Bamberger
Anke Giesen

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 Committee

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 by a circular resolution of the Superviory 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, December 30, 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, 2009 to September 30, 2010. 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, 2011

Susat & Partner oHG
Wirtschaftsprüfungsgesellschaft

Driesch	Schulz-Danso
German Accountant	German Accountant

FURTHER INFORMATION CONTENTS

Overview of the past several years

		IFRS						HGB				
		2009/10	2008/09	2007/08[1]	2006/07	2005/06	2004/05	2004/05	2003/04	2003 abbrev.	2002	2001
Sales	EUR m	3,320.8	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
National	EUR m	2,168.2	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
International	EUR m	1,152.6	1,129.3	1,097.5	968.0	864.7	693.3	694.4	691.6	425.7	579.3	523.1
EBITDA	EUR m	286.9	255.0	276.9	266.0	242.9	228.6	219.5	213.1	81.3	206.4	222.5
EBITDA margin	in %	8.6	8.0	8.8	8.9	9.1	9.5	9.1	9.3	5.6	9.2	10.2
EBIT	EUR m	141.7	116.1	159.9	157.2	142.1	136.1	122.4	112.2	7.0	105.9	125.2
EBIT margin	in %	4.3	3.6	5.1	5.2	5.3	5.6	5.1	4.9	0.5	4.7	5.7
EBT	EUR m	131.2	103.9	149.3	143.1	129.4	119.4	119.5	110.3	3.6	95.1	118.3
EBT margin	in %	4.0	3.2	4.8	4.8	4.8	4.9	4.9	4.8	0.2	4.3	5.4
Net income for the year	EUR m	76.1	62.8	97.1	88.4	76.0	57.3	74.5	64.5	–11.4	58.9	81.5
Non-current assets[2]	EUR m	792.1	798.8	808.4	734.9	636.4	540.7	501.9	437.4	420.1	435.2	447.7
Current assets[3]	EUR m	886.8	889.8	935.4	993.2	957.9	873.2	868.0	779.9	759.9	895.8	839.4
Working Capital[4]	EUR m	418.1	455.0	459.8	400.0	381.4	343.6	574.4	504.3	487.5	507.6	479.6
Equity	EUR m	764.8	710.9	697.0	639.2	591.0	537.8	602.1	564.5	531.2	582.3	571.3
Equity ratio	in %	44.6	42.1	39.9	36.9	37.1	38.0	43.3	45.9	44.5	43.4	44.0
Non-current liabilities[5]	EUR m	113.8	129.7	148.1	294.0	278.2	212.7	214.1	152.6	169.1	173.4	164.4
Current liabilities[6]	EUR m	827.6	848.0	898.7	794.9	725.1	663.4	573.4	509.4	487.3	576.6	557.4
Net-debt[7]	EUR m	124.0	165.3	220.6	206.8	145.2	74.0	74.0	40.6	80.7	4.5	74.3
Total assets	EUR m	1,713.4	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
Cash Flow from operative activities	EUR m	246.2	191.7	208.4	195.7	151.1	158.3	178.7	170.2	37.6	202.3	162.3
Cash Flow from investing activities	EUR m	–158.0	–107.2	–168.3	–201.6	–168.2	–133.5	–140.8	–100.4	–70.0	–98.2	–134.0
Free Cash Flow	EUR m	88.2	84.5	40.1	–5.9	–17.1	24.8	37.9	69.7	–32.4	104.1	28.3
Cash Flow from financing activities	EUR m	–72.1	–100.1	–154.6	–52.9	12.4	35.2	21.2	–42.9	–43.3	–40.7	–60.5
Capital expenditure	EUR m	117.5	112.3	155.5	155.8	141.2	121.6	120.9	118.3	65.5	98.1	144.7
Amortization/depreciation	EUR m	145.2	138.9	117.0	108.8	100.8	92.5	97.1	101.1	74.6	105.5	97.7
Number of shares	m shares	39.3	39.3	39.2	39.2	39.2	39.1	39.1	39.1	39.0	39.0	39.0
Market capitalization	EUR m	1,447.4	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

Overview of the past several years

		IFRS						HGB				
		2009/10	2008/09	2007/08[1]	2006/07	2005/06	2004/05	2004/05	2003/04	2003 abbrev.	2002	2001
Per no-par value share												
Share price – end of fiscal year	EUR	36.83	31.25	32.24	43.81	36.90	31.60	31.60	23.80	24.40	16.83	31.00
EBITDA	EUR	7.30	6.49	7.06	6.79	6.23	5.90	5.62	5.50	2.08	5.29	5.71
Earnings[8]	EUR	1.93	1.60	2.47	2.25	1.94	1.47	1.56	1.53	–0.69	1.48	1.80
Dividend	EUR	1.10	1.10	1.10	1.10	1.10	1.00	1.00	1.00	0.75	0.90	0.90
Dividend yield	in %	3.0	3.5	3.4	2.5	3.0	3.2	3.2	4.2	3.1	5.3	2.9
Employees		24,655	24,190	24,521	23,265	21,002	19,588	19,588	18,698	18,039	18,967	18,698
National		15,164	14,761	15,110	14,746	13,521	12,952	12,952	12,333	12,071	13,391	13,808
International		9,491	9,429	9,411	8,519	7,481	6,636	6,636	6,365	5,968	5,576	4,890
Stores		1,973	2,005	1,966	1,840	1,549	1,599	1,599	1,573	1,558	1,574	1,544
National		1,142	1,165	1,169	1,155	995	1,102	1,102	1,084	1,105	1,153	1,173
International		831	840	797	685	554	497	497	489	453	421	371
Sales space	1,000 m²	596.6	590.6	574.1	528.5	458.8	407.3	407.3	358.5	331.2	328.4	316.8
National	1,000 m²	384.6	381.1	378.6	354.1	308.9	271.2	271.2	237.8	221.3	225.6	247.4
International	1,000 m²	212.0	209.5	195.5	174.4	149.9	136.1	136.1	120.7	109.9	102.8	69.4

1) Restatement of figures due to change in accounting for customer loyalty programs according to IFRIC 13
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
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.

Comprehensive income
Comprehensive income is the change in equity, which comprises of the profit and loss for the period in the income statement plus components of earnings recognized directly to equity.

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, Slovakia, Slovenia, 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 share-holders, 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).

Full consolidation
Method to prepare consolidated financial statements, in which all assets and liabilities as well as income and expense items are included in the consolidated financial statements regardless of the shareholding interest held in the resprective subsidiary.

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).

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 per-cent during the period under review.

Market capitalization
The market price of a listed company; calculated by multi-plying 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).

Multi-channel
Integration of stationary and online distribution.

Net realizable value
Value that would be realized from sale in normal business less the estimated production and marketing costs which are still due.

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-Lease-Back-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 12, 2011	Press Conference on annual results, Düsseldorf Publication of the Annual Report for the fiscal year 2009/10 (10/01/2009 – 09/30/2010)
January 13, 2011	Analysts' Conference, Frankfurt/Main
February 9, 2011	Interim Report Q1 2010/11
March 23, 2011	Annual Shareholders' Meeting, Hagen
March 24, 2011	Dividend Distribution
May 11, 2011	Mid-year Report H1 2010/11
August 10, 2011	Interim Report 9M 2010/11
October 10, 2011	Trading Statement for the fiscal year 2010/11 (10/01/2010 – 09/30/2011)

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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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