Annual Report 2010/11

DOUGLAS HOLDING

Excellence in Retailing

The DOUGLAS Group
Facts & Figures

Facts & Figures

		2010/11	2009/10	Change (in %)
Sales	EUR m	3,378.8	3,320.8	1.7
National	EUR m	2,255.4	2,168.2	4.0
International	EUR m	1,123.4	1,152.6	–2.5
EBITDA	EUR m	292.9	286.9	2.1
Margin	in %	8.7	8.6	–
EBT	EUR m	137.8	131.2	5.0
Margin	in %	4.1	4.0	–
Net income	EUR m	87.0	76.1	14.3
Share price (September 30)	EUR	29.52	36.83	–19.8
EBITDA per share	EUR	7.43	7.30	1.8
Earnings per share	EUR	2.20	1.93	14.0
Dividend per share	EUR	1.10	1.10	–
DVA	EUR m	11.8	23.7	–50.2
Free Cash Flow	EUR m	126.6	127.9	–1.0
Capital expenditure	EUR m	116.9	117.5	–0.5

		09/30/2011	09/30/2010	Change (in %)
Non-current assets	EUR m	751.9	792.1	–5.1
Current assets	EUR m	907.3	886.8	2.3
Equity	EUR m	803.0	764.8	5.0
Non-current liabilities	EUR m	98.6	113.8	–13.4
Current liabilities	EUR m	760.1	827.6	–8.2
Balance sheet total	EUR m	1,661.7	1,713.4	–3.0
Working capital	EUR m	438.0	418.1	4.8
Net bank debt	EUR m	49.6	124.0	–60.0
Employees		24,323	24,655	–
Stores		1,928	1,973	–
Sales area	1,000 m²	594.9	596.6	–

Contents

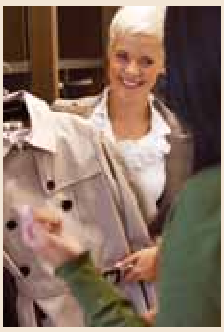
1
DOUGLAS HOLDING AG

26
Management Report

73
Divisions

113
Financial Statements

175
Further Information



The DOUGLAS Group

The DOUGLAS Group represents "Excellence in Retailing." This applies equally to all subsidiaries and service divisions. The five retail divisions Douglas, Thalia, Christ, AppelrathCüpper, and Hussel define the profile of the DOUGLAS Group. They are among the market leaders and trend setters in their segments—both in their brick-and-mortar stores and their online shops.

The service companies and service divisions of the DOUGLAS Group also contribute to the company's success, bundling essential administrative functions and assisting the Executive Board and the management of the subsidiaries. Everyone is working together to link the sales channels intelligently and efficiently. The objective is to provide customers with the flexibility—whether online, by smart phone, or in a brick-and-mortar store—that they expect from a leading multi-channel retailer.

Financial calendar	
January 11, 2012	Balance Sheet Press Conference, Düsseldorf Publication of the Annual Report for the fiscal year 2010/11 (10/01/2010–09/30/2011)
January 12, 2012	Analysts' Conference, Frankfurt/Main
February 8, 2012	Interim Report Q1 2011/12
March 21, 2012	Annual Shareholders' Meeting, Hagen
March 22, 2012	Dividend Distribution
May 9, 2012	Interim Report H1 2011/12
August 8, 2012	Interim Report 9M 2011/12
October 9, 2012	Trading Statement for the fiscal year 2011/12 (10/01/2011–09/30/2012)

Contact

Communications
Phone (+49) 23 31/690–466
Fax (+49) 23 31/690–690
pr@douglas-holding.com

Investor Relations
Phone (+49) 23 31/690–5301
Fax (+49) 23 31/690–8760
ir-info@douglas-holding.com

Credits

Publisher
DOUGLAS HOLDING AG
Kabeler Strasse 4
58099 Hagen, Germany
Phone (+49) 23 31/690–0
Fax (+49) 23 31/690–271
info@douglas-holding.com

Concept/Editing
DOUGLAS HOLDING AG, Hagen

Design
ensemble»design, Soest

Cover photography
Thomas Grimm, Werl

Lithography
dateam, Dortmund

Printing
bellmann druck gmbh, Hagen

Bookbinding
Schomaker GmbH & Co. KG, Menden

English
Ammon & Rousseau Translations, New York
Business translations, Wülfrath

The Annual Report is published in German (original version) and English (non-binding translation) and is subject to German law.

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 news can be found 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.

The paper used for this Annual Report was produced from cellulose sourced from certified forestry companies that operate responsibly and comply with the regulations of the Forest Stewardship Council. Cert no. FSC mix. Cred. GFA-COC-001203.

Mission Statement

Our customers' satisfaction is our primary goal. In both our brick-and-mortar stores and our online shops, we create a shopping environment to appeal to our customers' senses. We are committed to providing the best advice and service to fulfill our customers' expectations, gain their trust, and make their lives more pleasant—day in and day out, at each location, in every country, via cell phones, and on the Internet. Each and every day, we endeavor to provide outstanding service, top quality products, and a stimulating shopping environment in all areas of our company. Our employees are among the best in the specialty retail sector. Their friendliness, enthusiasm, commitment, and willingness to learn, combined with their mutual respect for each other, are the foundation on which we build.

The DOUGLAS Group represents "Excellence in Retailing"—with outstanding service, top quality products, an experiential store ambiance, and the friendliest employees in the business.

DOUGLAS Group management is decentralized because we deliberately rely on the strength of our local decision makers. By encouraging and challenging local entrepreneurs, we have become a leading European retailer. Our five retail divisions—Douglas perfumeries, Thalia bookstores, Christ jewelry stores, AppelrathCüpper fashion stores, and Hussel confectioneries—with both their brick-and-mortar and virtual stores—are among the market leaders and trendsetters in their respective sectors.

As a forward-looking, listed company with a tradition of family ownership, we are equally committed to our shareholders, employees, customers, and business partners as well as our environment. Therefore, we foster a corporate culture where everyone is treated as a partner. This culture is reflected in our philosophy of "Excellence in Retailing," a principle that will remain fundamental to our values so that the DOUGLAS Group will continue its profitable journey into the future.

Dr. Henning Kreke
President and CEO

Executive Board and Directors

Dr. Burkhard Bamberger
CFO
since 2006

Anke Giesen
Chief Human Resources Officer
since 2009

Michael Busch
Director of the Books Division
since 2003

Dr. Henning Kreke
President and CEO
since 2001

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

Reiner Unkel
Director of the Perfumeries Division
since 2007

Dear Shareholders and Friends of the DOUGLAS Group:

The year 2011 was quite eventful for the DOUGLAS Group as well as for many other retailers. In a number of European countries, the focus was primarily on how to handle the continuing effects of the Euro debt crisis. Just like lots of other operators in the retail sector, the DOUGLAS Group did not remain completely unaffected by this development.

Nevertheless, our Group again performed well in the 2010/11 fiscal year. The Group's consolidated sales revenue rose by 1.7 percent to around EUR 3.4 billion, while earnings before taxes (EBT) reached EUR 137.8 million. Our goal had been to increase our sales revenue by 2 to 4 percent and earnings before taxes (EBT) to about EUR 140 million.

The reasons for the slight underperformance compared to our revenue forecasts can be found in the weak economic environment in some foreign markets and—most notably—in our books division. This sector is currently undergoing major structural changes on a global basis, resulting in a downward sales trend also experienced by Thalia. As a result, the figures for our books division fell significantly short of our budgeted target.

Nevertheless, all things considered, the DOUGLAS Group as a whole held its ground very well. Therefore, we are quite pleased with our overall performance. As in the previous years, it was our more than 24,000 employees who played the most important role in this strong performance. With their friendliness, their professional competence, and their willingness to always provide a high level of service, they have once again created a convenient, competent, and pleasant shopping experience for our customers—both in our attractive specialty stores and in our online shops. I would like to express my heartfelt thanks—on behalf of my colleagues on the Executive Board as well—to each and every employee for their outstanding commitment and dedication.

The performance of the individual corporate divisions of the DOUGLAS Group during the past fiscal year varied widely both in Germany and abroad. On one hand, there was the solid 4.0 percent increase in sales in our most important home market in Germany. Here, our German Douglas perfumeries and Christ jewelry stores registered a sharp upswing and were successful in gaining market share. On the other hand, our books division faced major challenges. While the Thalia Group was able to almost completely compensate the decline in sales in its brick-and-mortar stores by satisfactory growth in its online shops, earnings still fell substantially because the margins of our online book sales are considerably lower than the margins in our traditional book stores. Our Hussel confectioneries also experienced a slight downturn in sales, while sales were somewhat higher at the AppelrathCüpper fashion stores.

Although sales figures in Germany were positive overall, foreign sales in the DOUGLAS Group were 2.5 percent below last year's figures. This decline is due in particular to Douglas's exits from the Russian, US, and Danish markets. Adjusted for the effects of these exits, foreign sales rose by 1.9 percent, an early indication that we have made the proper adaptations and seem to be on the right track in our international markets.

At EUR 11.8 million, DOUGLAS Value Added (DVA) was only half of last year's impressive figure due primarily to the lower earnings in the books division.

Free cash flow, the total of cash inflows and outflows from current operating and investment activities, was EUR 126.6 million compared to EUR 127.9 million in the previous year. Lower cash flow from current operating activities during the period under review was almost fully compensated by net cash inflows from the sale of the Russian subsidiaries in the amount of EUR 50.6 million.

At EUR 117 million, capital expenditures in the 2010/11 fiscal year approximately equaled those made in the previous year. We invested in the opening of 64 new stores, the expansion and remodeling of the existing store network as well as in the development of our e-commerce activities. Due to the sale of the 32 perfumeries in Russia and the closure of 72 branch stores, the total number of our stores in Germany and abroad decreased slightly from 1,973 to 1,928.

The holiday season, which is so important for the DOUGLAS Group, started off the new fiscal year 2011/12 quite successfully with a positive performance that generated sales growth of 1.4 percent in the first quarter (October to December 2011). This gives us a solid foundation for the rest of the 2011/12 fiscal year.

Nevertheless, it is still difficult to assess the effects of the ongoing Euro debt crisis on the consumer climate in many European countries. However, if current forecasts for low unemployment along with rising wages are correct, these factors should have a positive effect on consumer behavior, especially in our home market here in Germany. The DOUGLAS Group should be in a good position to benefit from this expected development.

With an equity capital ratio of almost 50 percent, we are in excellent shape financially and well equipped to continue generating value-oriented growth. To implement our plans, we have an investment budget for the 2011/12 fiscal year of around EUR 120 million. In the brick-and-mortar segment, this budget will cover both the opening of about 50 new stores and the remodeling and updating of our existing store network both in Germany and abroad. Additionally, the DOUGLAS Group will make significant investments to implement its multi-channel strategy and continue to develop and expand its online shopping venues.

In the perfumery division, the opening of approximately 40 new stores is planned, with an emphasis in those countries where Douglas is already a market leader or can expect to achieve market leadership in the foreseeable future. Additionally, five store openings are planned in each of the books, jewelry, and confectionery divisions, while there are no plans for new store openings in the fashion division.

For the next several years the greatest challenge as well as the biggest opportunity lies in finding the optimum integration of stationary and online retailing for our customers. In this respect, the DOUGLAS Group does have a definite edge over retailers with only an online presence because, in addition to our state-of-the-art online shops, we have approximately 2,000 outstanding specialty stores. Nevertheless, it is essential that we develop our multi-channel strategy quickly in all of our divisions if we want to be at the forefront of this dynamic growth market. This priority is expressed and emphasized by our motto for 2012, “Successful retailing—across all channels.”

This strategy applies particularly to our books division as the Thalia Group is still facing the major challenge of compensating lower sales in its brick-and-mortar bookstores as quickly as possible by offering additional attractive product lines. Furthermore, we must find the right mix of stationary book sales, online book sales and the new megatrend, the sale of e-books. Only if we achieve operational excellence in all three sectors can we keep up with the extremely rapid development of Amazon, the market leader, and build and retain customer loyalty to the “Thalia” brand.

Despite these significant challenges in the books division, the Supervisory and Executive Boards of DOUGLAS HOLDING AG will again recommend payment of a dividend of EUR 1.10 per dividend-bearing share to the Annual General Meeting on March 21, 2012, based on quite satisfactory growth in the past fiscal year and cautiously optimistic prospects for the 2011/12 fiscal year. This dividend payment corresponds to a distribution ratio of exactly 50 percent of the consolidated net income, which is precisely our long-term target. With this dividend payment recommendation, we would like to enable you, our esteemed shareholders, to duly participate in the performance of the DOUGLAS Group over the past fiscal year.

Finally, I would like to assure you that we will do our utmost in the 2011/12 fiscal year to ensure that your Group remains a leading retailer as we move into the future.

Hagen, January 2012

With best regards,

Corporate Governance

DOUGLAS HOLDING AG's principles of corporate governance, which were first established in 2000 and updated several times since, along with the requirements, recommendations, and suggestions for responsible corporate governance specified in the German Corporate Governance Code [DCGK], are an integral part of the Group's corporate culture.

The corporate governance principles of DOUGLAS HOLDING AG with the objective of creating value are a vital component of the conscientious management and supervisory system of the DOUGLAS Group. Corporate governance emphasizes transparency and openness, respect for the interests of shareholders, fairness to customers and employees, and efficient collaboration built on trust between the Executive and Supervisory Boards with the goal of producing a sustainable increase in the value of the DOUGLAS Group. Compliance with the current applicable versions of the DOUGLAS principles of corporate governance and the German Corporate Governance Code [DCGK] is monitored by a corporate governance officer appointed by the Supervisory Board.

With regard to the composition of the Executive Board, the Supervisory Board has moved towards inclusion of female executives on the Executive Board with the first woman appointed to the Board in 2000. The same holds true for the Supervisory Board, where women have served for decades. Moreover, close attention is paid to ensure that the members possess the necessary knowledge, skills, and professional experience to properly perform the duties that are so crucial for a specialty retail business such as DOUGLAS HOLDING AG. These capabilities range from international marketing expertise to real estate management and capital market experience. The objective is to provide the Executive Board with the best possible expertise, experience, and advice to deal with its challenging responsibilities. This applies in particular to issues arising from new developments where one cannot draw on prior personal experience.

During the 2010/11 fiscal year, the Executive and Supervisory Boards of DOUGLAS HOLDING AG again followed the recommendations and suggestions of the German Corporate Governance Code [DCGK] with the sole exception of two of the recommendations:

1. Although the DOUGLAS HOLDING AG's fiscal year ends on September 30, its consolidated financial statements are not published prior to the close of that calendar year (12/31), but rather in January of the following year. This ensures greater attention from investors and increased public awareness than could be achieved by publication at the end of December (German Corporate Governance Code, No. 7.1.2. sentence 4). Each year, DOUGLAS HOLDING AG releases a trading statement a few days after the close of the fiscal year.

2. Pursuant to statutory provisions, DOUGLAS HOLDING AG discloses the DOUGLAS HOLDING AG shares held by the members of the Executive and Supervisory Boards to the extent that the shareholding exceeds or falls short of the statutory reporting limits stipulated in Section 21 of the German Securities Trading Act [WpHG] as well as all transactions of DOUGLAS HOLDING shares involving these members. To protect their privacy, no further details of the Executive and Supervisory Board members' shareholdings are disclosed (German Corporate Governance Code, No. 6.6. (2)).

In accordance with the most current version of the German Corporate Governance Code [DCGK] dated May 26, 2010, and pursuant to Section 161 of the German Stock Corporation Act [AktG], the Executive and Supervisory Boards of DOUGLAS HOLDING AG have issued a declaration of compliance that can be found online at www.douglas-holding.com/en/cg.

Remuneration of the Executive Board

The remuneration system for Executive Board members was resolved by the plenary Supervisory Board. The amount of the remuneration of DOUGLAS HOLDING AG Executive Board members is proposed by the Supervisory Board's Executive Committee and defined by the plenary Supervisory Board. In the 2010/11 fiscal year, a total of EUR 3,173,900 was paid to the members of the Executive Board for performing their duties at DOUGLAS HOLDING AG and its subsidiaries, with non-performance related income totaling EUR 1,350,800, while performance related income came to EUR 1,823,100. The variable pay of all Executive Board members consists of quantitative and qualitative components and is limited to a percentage of the base salary that is clearly defined individually. Remuneration paid on the basis of quantitative criteria is based on the weighted result from ordinary business activities of the DOUGLAS Group less a 10 percent virtual return on the Group's equity capital. As far as the division directors are concerned, remuneration paid on the basis of quantitative criteria is similarly based on the results of the individual divisions. Pay on the basis of qualitative criteria is based on an individual performance evaluation of the respective members by the Executive Board. The remuneration structure is designed to promote sustainable corporate development.

There are no stock option programs for Executive Board members. A D & O insurance for the Executive and Supervisory Boards with a reasonable deductible was first taken out in the 2007/08 fiscal year. Since July 2010, the deductible has conformed to statutory provisions.

Further details regarding remuneration paid to the Executive Board members, including pensions and provisions for pensions, are disclosed at www.douglas-holding.com/en/cg. A breakdown by
167 Executive Board members can be found on page 167 of the Notes to the consolidated financial statements.

Remuneration of the Supervisory Board

The remuneration of the Supervisory Board is determined by the Annual Shareholders' Meeting and is governed by Section 14 of the Articles of Incorporation of DOUGLAS HOLDING AG. It contains a fixed as well as a variable performance-related component that is tied to earnings per share. The time spent chairing and performing committee work is appropriately reflected in the remuneration. In the 2010/11 fiscal year, a total of EUR 794,700 was paid to the members of the Supervisory Board, with fixed remuneration totaling EUR 618,900, while variable remuneration came to EUR 175,800. The individual remuneration of the members of the Supervisory Board can be found in the Notes to
168 the consolidated financial statements on page 168 of this Annual Report.

No conflicts of interest

No conflicts of interest, which must be disclosed without delay to the Supervisory Board, were reported by the members of the Executive and Supervisory Boards.

The Supervisory Board believes that it has an adequate number of independent members. Within the scope of the regular efficiency audit, the Supervisory Board determined that its work is organized efficiently and cooperation between the Executive and Supervisory Boards is excellent.

Directors' dealings

During the 2010/11 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 [WpHG] with regard to transactions involving DOUGLAS shares. This also applies to transactions with derivatives. Securities transactions (directors' dealings) can be found in the Notes to the consolidated financial statements on page 168 of this 168
Annual Report.

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 Act [AktG]
Principles governing the remuneration system for members of the Executive Board

Independence of the auditor

Prior to the submission of the proposal for the vote of the auditor of the annual financial statements for the 2010/11 fiscal year to the Annual Shareholders' Meeting, the Supervisory Board obtained a statement from the auditor, Susat & Partner, to the effect that there were no business, financial, personal, or other ties between the auditor, members of its executive bodies, and its audit managers, on one hand, and the company and the members of its executive bodies, on the other, which could constitute grounds to doubt the auditor's independence. The statement also includes the confirmation that no significant consulting services were rendered by Susat & Partner during the year under review or agreed for the 2011/12 fiscal year.

Compliance in the DOUGLAS Group

Compliance is the voluntary commitment by a company and its management to rules mandated by lawmakers as well as to rules set forth by the company itself. With the implementation of a compliance system, companies generate additional confidence on the part of their shareholders, their customers, and their employees.

The DOUGLAS Group attaches great importance to compliance. In 2007, it set up a Compliance Office and determined the compliance priorities for the company based on a general risk assessment. In addition to the typical compliance risks, the company's internal values and leadership principles were defined as essential compliance issues.

Top-down communication company-wide

A sustainable compliance culture can be created within a company only if all executives are committed to unconditional, lawful action and morally impeccable conduct. Another important requirement for a functional compliance system is a well-thought-out, goal-oriented, and company-wide campaign to raise awareness of the subject and its implementation in appropriate communications measures.

Group-wide communication in the DOUGLAS Group is undertaken in accordance with the hierarchical company structure. It begins with the Executive Board of DOUGLAS HOLDING AG and the management of the subsidiaries.

Presentations in this regard were made in the 2009/10 fiscal year for the Executive Board, the division directors, and the general managers of the Douglas perfumeries. During the period under review, these compliance training initiatives were ongoing for general managers and national and international sales managers of Douglas Perfumery as well as general mangers of the Thalia Group. Dates have already been scheduled for appropriate informational events for the 2011/12 fiscal year with the general managers of the Christ and AppelrathCüpper subsidiaries and the general managers of the service companies.

In addition to general compliance workshops, in which the intent and purpose of compliance and its importance for the DOUGLAS Group are introduced and discussed, workshops on more specialized topics, such as antitrust law, have also been offered.

Articles in the employee magazine and on the intranet have also brought the idea of compliance to the forefront for many employees. Various training courses across companies and hierarchies have also raised awareness.

Structural expansion—internationalization

The successful expansion of the compliance structure at the international level has also been gratifying. During the period under review, five new compliance officers were appointed. Therefore, the international compliance system now comprises nine compliance officers. The first international compliance meeting took place in September 2011, with the representatives of the individual countries discussing the implementation of compliance in their respective countries. Furthermore, the meeting provided the opportunity to compare notes and experiences and to define goals that should be attained by all participants during the current fiscal year.

This includes the set up of a compliance hotline and a compliance e-mail address that will provide local employees with the opportunity to confidentially contact their compliance officer in their native language. To the extent that this has not already occurred, the compliance officer shall be officially introduced in his or her country. It will be the responsibility of the international delegates to facilitate the dissemination of the new leadership principles and the company values because it is a significant success factor of the DOUGLAS Group and an essential component of compliance that the DOUGLAS corporate culture be authentically and sustainably communicated abroad as well.

Notifications of non-compliance

Since the introduction of the compliance system, the employees of the DOUGLAS Group have been able to contact the compliance officer in complete confidentiality. The compliance officer can be reached through the dedicated compliance hotline and e-mail address

Always ready to listen: Daniela Jäger, Chief Compliance Officer of the DOUGLAS Group.

and provides employees with the opportunity to obtain information about legal topics, inquire regarding training in certain topic categories, and report violations.

The compliance officer receives these reports and, if necessary, will arrange for further investigation. The reports will be handled confidentially and can also be submitted anonymously. Because awareness of the subject has been raised throughout the company, especially through the employee magazine WIR [We], employees have been actively using the compliance hotline.

They have also increasingly availed themselves of the opportunity to consult the compliance officer in the event of legal uncertainties. There have been frequent questions about statutory provisions as well as internal rules, such as the policy regarding acceptance of gifts, data protection rules, the power of representation pursuant to the Commercial Register, or the dual control principle when signing agreements.

Other compliance measures

In the 2011/12 fiscal year, further development of compliance on the international level will be a priority.

Another major challenge will be the coordination of processes and responsibilities of the individual compliance officers. The questions received from them have shown that there is a huge demand for uniformly applicable standards and procedures.

Furthermore, the current fiscal year should be utilized to prepare the implementation of generally applicable compliance guidelines. It has become apparent that such ethical guidelines are essential and beneficial for the creation of a compliance culture.

During this preparatory phase, data based on past experience will be obtained from other successful, exchange-listed companies and their compliance departments in order to be able to develop a concept for ethical guidelines.

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

Supervisory Board and Committees

Honorary Chairman

Dr. Dr. h.c. Guido Sandler

Supervisory Board

Dr. Dr. h.c. Jörn Kreke
Chairman
Merchant, Hagen

Margarete Pinkowski*
Vice Chairwoman
Commercial employee, Hagen
Parfümerie Douglas GmbH, Hagen

Claus-Matthias Böge
Speaker of Management Board of Deutsche EuroShop AG, Hamburg

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

Karen Heumann
Advertising consultant, Hamburg

Dr. Michael Hinderer
Merchant, Munich

Petra Lügger*
Administration, Münster
Thalia Universitätsbuchhandlung GmbH, Hagen

Dr. h.c. August Oetker
Chairman of the Advisory Board at Dr. August Oetker KG, Bielefeld

Johann Rösch*
Trade union secretary, Nuremberg
ver.di Bundesverwaltung, Berlin

Dr. Ernst F. Schröder
Personally liable Partner at Dr. August Oetker KG,
Bielefeld

Dr. Ulrich Wolters
Corporate consultant, Mülheim a. d. Ruhr

Prof. Dr. Mark Wössner
Entrepreneur, Munich

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

Supervisory Board Committees

Executive Committee
Dr. Jörn Kreke (Chairman)
Margarete Pinkowski (Vice Chairwoman)
Dr. h.c. August Oetker (Assessor)

Audit & Finance Committee
Dr. Ernst F. Schröder (Chairman)
Claus-Matthias Böge
Dr. Michael Hinderer
Dr. Ulrich Wolters

Arbitration Committee
Dr. Jörn Kreke
Petra Lügger
Dr. h.c. August Oetker
Margarete Pinkowski

Nomination Committee
Dr. Jörn Kreke
Dr. h.c. August Oetker
Dr. Ernst F. Schröder

Detailed information on the mandates can be found on
pages 172 and 173 of the Notes to the financial statements.

* Employee representative

Report of the Supervisory Board

Dear Shareholders:

During the past fiscal year, the Supervisory Board of DOUGLAS HOLDING AG dealt comprehensively with the business and strategic development of our Group. In the 2010/11 fiscal year, the Supervisory Board fulfilled its duties in accordance with statutory requirements, the company's statutes and rules of procedure, and the DOUGLAS Group's principles of corporate governance.

Collaboration between the Executive Board and the Supervisory Board

The Supervisory Board advised the Executive Board regarding its management of the company and provided oversight. The Executive Board reported to the Supervisory Board regularly, comprehensively, and in a timely manner both orally and in written form concerning business performance, the economic and financial situation, as well as the company's strategy and planning. The Chairmen of the Supervisory and Executive Boards also maintained close contact outside of scheduled meetings in order to review strategic options and current policy issues.

Key topics of discussion

The Supervisory and Executive Boards held four regularly scheduled meetings to discuss business trends in the European retail sector and the economic situation of the DOUGLAS Group's individual corporate divisions. The Executive Board submitted detailed reports to the Supervisory Board members prior to each Supervisory Board meeting. Numerous issues were discussed and resolved. They included:

a) operational planning for the 2011/12 fiscal year
b) business transactions requiring approval, such as the sale of the Russian perfumery business and the acquisition of additional shares of buch.de internetstores AG by Thalia
c) changes in the bookselling business resulting from digitalization
d) strategic considerations and measures relative to the Douglas perfumeries in certain countries
e) medium-term financing strategies
f) various measures to protect earnings in a challenging economic environment

Against the backdrop of the marked effects of digitalization throughout the entire book sector, it was a priority—especially at Thalia—to analyze the effects on the bookselling business and to enact measures to ensure the profitability in this sector to the greatest extent possible. This included investing in a new enterprise planning system and reinforcing the Internet-based e-book segment by acquiring textunes GmbH. The Supervisory Board addressed the topics of corporate values and management principles and was briefed about the status of the company's compliance activities.

Corporate Governance

The declaration of compliance with the Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act [AktG] was updated and can be viewed on the Internet, together with the DOUGLAS HOLDING AG Principles of Corporate Governance, at www.douglas-holding.com.

The next regular efficiency audit of the Supervisory Board's work will be performed during the 2011/12 fiscal year.

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, it discussed the further strategic development of the DOUGLAS Group in Germany and abroad, important leases, a range of acquisition and divestment 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. Both were found to be appropriate and effective by the Executive Committee and the plenary Supervisory Board.

The **Audit Committee** met three times during the 2010/11 fiscal year. The main focal points of its deliberations were the DOUGLAS HOLDING AG's annual financial statements 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 statements for the past fiscal year. The plenary Supervisory Board was kept fully informed of the outcome of all the discussions held at the committee meetings. There was no need to convene the Arbitration Committee (pursuant to Section 27 (3) of the German Codetermination Act [Mitbestimmungsgesetz]).

Human resources announcements

1. During the 2010/11 fiscal year, Dr. Henning Kreke's contract as President and CEO of the Executive Board was renewed for five years. The contracts with Michael Busch, Director of the Books Division, and Manfred Kroneder, Director of the Jewelry, Fashion, and Confectionery Divisions, were both extended for three years.
2. Bernd Michael was unable to attend the meetings of the Supervisory Board and he resigned due to illness effective as of the end of the Annual Shareholders' Meeting on March 23, 2011.
3. As of the end of the Annual Shareholders' Meeting on March 23, 2011, the tenure of the following shareholder representatives ended: Detlef Bierbaum, Henning Kreke (Schwaig), Dr. h.c. August Oetker, and Dr. Ernst F. Schröder.
4. Karen Heumann, Claus-Matthias Böge, and Dr. Michael Hinderer were elected during the ordinary Annual Shareholders' Meeting on March 23, 2011, as the new shareholder representatives on the Supervisory Board. Dr. h.c. August Oetker and Dr. Ernst F. Schröder were reelected.

Auditor

In accordance with the vote of the Annual Shareholders' Meeting, the Supervisory Board appointed Susat & Partner oHG Wirtschaftsprüfungsgesellschaft (now RBS Roever-BroennerSusat GmbH & Co. KG), Hamburg, in August 2011 to audit the annual financial statements and the consolidated annual financial statements for the 2010/11 fiscal year. Prior thereto, the extent and focus of the audit had been defined by the Audit Committee.

The accounting and annual financial statements of DOUGLAS HOLDING AG, the consolidated financial statements for the 2010/11 fiscal year, as well as the consolidated management report covering both the Group and DOUGLAS HOLDING AG were audited and found to be in compliance with the law and the company's Articles of Incorporation; an unqualified audit report was issued.

On December 6, 2011, the Audit Committee and the Executive Board held in-depth discussions with the auditors regarding the audit findings, the risk management system, and organizational matters relative to the Group's subsidiaries. At the Supervisory Board's financial statements meeting on December 7, 2011, the auditors were party to the discussions on the agenda items relating to their work; they reported on the principal findings of the audit and answered questions. Prior to the meeting, the auditor's reports were made available 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 statutory provisions, the Supervisory Board conducted a review of the company's annual financial statements and the consolidated annual financial statements, the consolidated management report of the Group and DOUGLAS HOLDING AG, as well as the proposed appropriation of earnings and, subsequently, gave its approval in writing. The annual financial statements are therefore deemed approved pursuant to Section 172 of the German Stock Corporation Act [AktG]. The release of the consolidated financial statements was approved on January 9, 2012. The Supervisory Board endorsed the Executive Board's proposal for the appropriation of profits that stipulates a dividend of EUR 1.10 per dividend-bearing share for the 2010/11 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 the success they achieved under the difficult economic conditions that prevailed during the 2010/11 fiscal year. They faced challenges in problematic markets in Southern Europe and the far-reaching changes in the German book market with great perseverance and dedication and impressive commitment.

Hagen, January 2012
On behalf of the Supervisory Board

Jörn Kreke

Dr. Jörn Kreke
Chairman

The DOUGLAS Share

In fiscal year 2010/11 the international stock markets could not carry forward with their pleasing performance of the previous year. Positive business figures and hopes of stable growth in the global economy in the first nine months of fiscal year 2010/11 initially led to cautious optimism on the global capital markets and rising stock prices. However, the sharply deteriorating EU State debt crisis in southern Europe and growing uncertainty about the stability of the international bank system caused a share price slide on the international security exchanges starting in mid-2011. The global economic outlook significantly clouded over. The world economy did not receive any positive impetus in this environment from the US, where the economic performance remained well behind expectations despite expansionary monetary and fiscal policy.

The domestic economy in Germany detached itself to a large extent from the economic cool down in Europe during the reporting period as a result of a favorable and persistently high demand for German products from abroad and particularly from emerging economies. Private consumption developed better than in other European countries due to low unemployment rates and expected wage growth. The projected growth weakening in the emerging markets, persistent recessionary fears in the Euro-crisis countries as well as the confidence crisis in the financial system, however, dampen the further economic outlook for Germany, too.

The German stock index, DAX, stood at 6,244 points at the beginning of DOUGLAS HOLDING AG's 2010/11 fiscal year on October 1, 2010, sharply rising to 7,528 points until early May 2011. In the following months the DAX suffered high share price fluctuations and substantial losses, closing at 5,502 points as of the balance sheet date on September 30, 2011. This corresponded to a minus of 11.9 percent based on the fiscal year. The MDAX, which lists the DOUGLAS shares, also delivered a negative performance. Based on a very volatile share price movement during the same period, the index remained 5.1 percent behind the same date last year, closing at 8,341 points after hitting the highest level of the year of 11,187 points on July 7, 2011. The performance of the German retail stocks is tracked in the DAXsector Retail index. This sector index also fell sharply by 21.1 percent to 254 points during the period under review. The weak performances delivered by the German stock indices reflect the stability crisis in the Euro region and the anticipated economic slowdown. These risks were weighted more heavily by the financial market participants than the positive economic fundamental data in Germany.

Fig. 1

Fig. 1 · Indexed price of the DOUGLAS share in the 2010/11 fiscal year

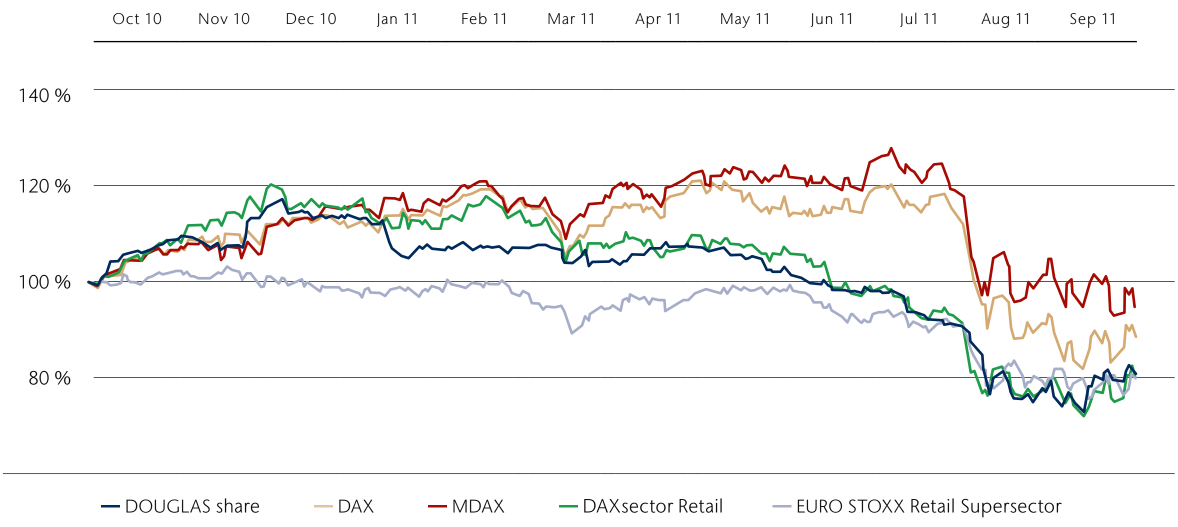
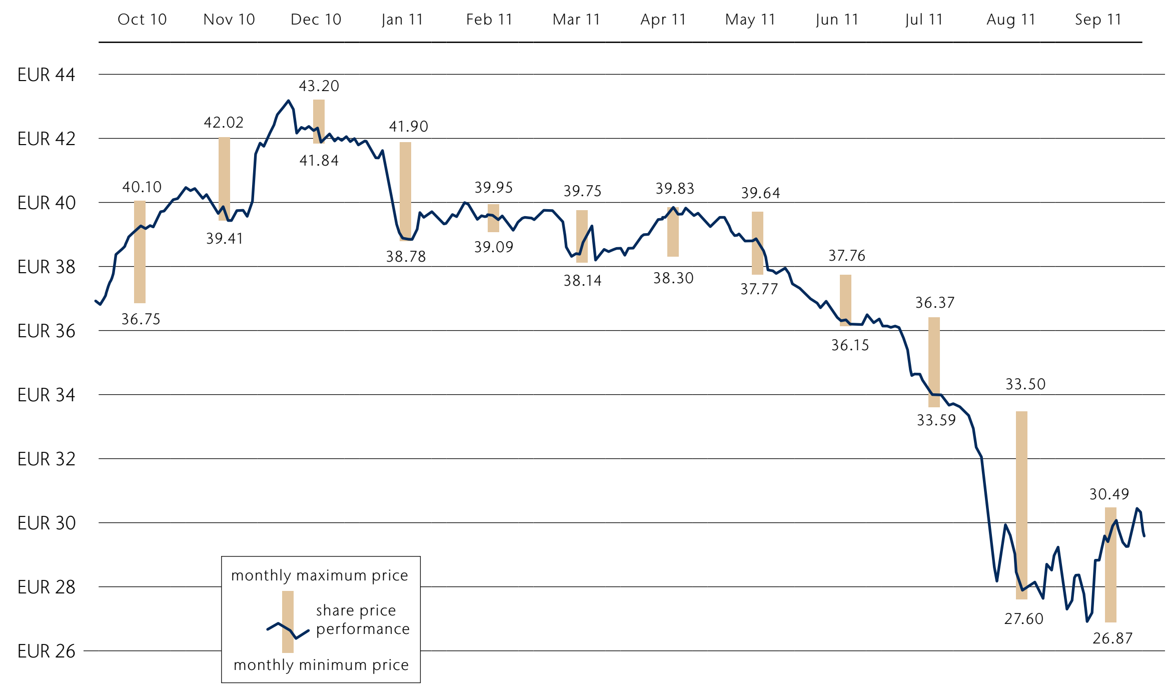


Fig. 2 · Maximum and minimum price of the DOUGLAS share in the 2010/11 fiscal year



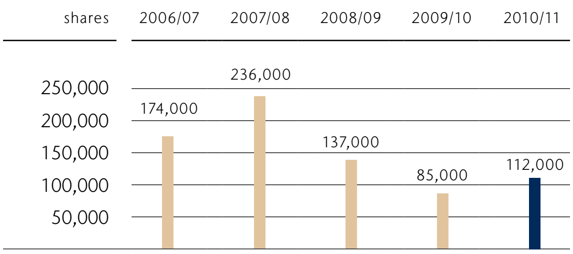
Declining share price performance

Fig. 2 The DOUGLAS share did not manage to uphold the prior year's share price level in a turbulent capital market environment. The DOUGLAS share closed on XETRA at EUR 29.52 on September 30, 2011, after starting at EUR 36.70 at the beginning of the fiscal year; this represented a significant drop of 19.6 percent. Taking into account the 2009/10 dividend of EUR 1.10 per share, this translates into a negative performance of 16.6 percent. On December 7, 2010, the DOUGLAS share reached its yearly high of EUR 43.20 for the 2010/11 fiscal year as boosted by positive expectations for a dynamic economic development in Germany and recorded its yearly low at EUR 26.87 on September 12, 2011. The share price responded in line with the critical opinions given by analysts at the beginning of 2011. Due to the economic risks in the Euro region, analysts feared lasting growth weaknesses abroad and a drop in private consumption demand in Germany. The accelerated global structural shifts in the book industry and the associated uncertainties about the further development of the bookselling subsidiary, Thalia, also contributed to the reserved assessment of the DOUGLAS share on the capital market.

Higher trading volume

The European State debt crisis and the confidence crisis on the financial market led to a high volatility of share prices in Europe in the fiscal year, which is demonstrated in the significantly higher trading volume. The trading of DOUGLAS shares also grew substantially in the 2010/11 fiscal year. The average daily turnover on the electronic platform, XETRA, which is where nearly 82 percent of all trading in DOUGLAS shares took place, jumped by 32 percent to 112,000 shares (fiscal year 2009/10: 85,000 shares). At peak times, more than 740,000 shares changed hands in a single day. Fig. 3

Fig. 3 · DOUGLAS share—Trading volume[1)]



[1)] daily average

Fig. 4 · DOUGLAS share—Market overview

		2010/11	2009/10
Shares issued as of balance sheet date	m	39.4	39.3
Shares issued as of balance sheet date, not including treasury shares	m	39.4	39.3
Capital stock	EUR m	118.1	118.0
Highest stock quotation (XETRA)	EUR	43.20	36.83
Lowest stock quotation (XETRA)	EUR	26.87	29.95
Stock quotation as of end of fiscal year (XETRA)	EUR	29.52	36.83
Market capitalization as of end of fiscal year	EUR m	1,162.4	1,448.2
Earnings per share	EUR	2.20	1.93
Dividend per share	EUR	1.10	1.10

Fig. 4 The DOUGLAS share posted a market capitalization of EUR 1.16 billion as of September 30, 2011 (9/30/2010: EUR 1.45 billion). According to Deutsche Börse AG's index system, which only takes free float into account when calculating market capitalization, the DOUGLAS HOLDING AG shares were ranked 35th in the MDAX (9/30/2010: 34th), with an index-weighting of around 0.9 percent as of the close of the fiscal year (9/30/2010: 1.2 percent).

Intensive dialog with the capital market

Good financial ratios are not the only building blocks for a convincing performance on the capital market. The communication of the DOUGLAS Group's corporate strategy, geared towards generating a sustainable increase in value, is also a focus of the activities of the Investor Relations Team. Maintaining ongoing and transparent dialogs with the capital market features strongly in the DOUGLAS Group, especially in difficult stock market times. The objective is to clarify the corporate strategy and the corresponding action for its implementation as well as the DOUGLAS Group's potential, thus achieving an objective and fair valuation of the DOUGLAS share.

Also, in the 2010/11 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 DOUGLAS HOLDING AG provided a detailed insight into the DOUGLAS Group and answered investors' inquiries in the course of 25 road shows and investor conferences as well as 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 discussions with the capital markets. For instance, an "Investors' Day" in Vienna gave analysts and investors an opportunity to take a first-hand look at the DOUGLAS Group's operations and to convince themselves of the consistent manner in which lifestyle demands are being met and the multi-channel strategy is being implemented at the specialty retail stores.

The annual Analysts' Conference is a fixed component of financial communications. At the Analysts' Conference in Frankfurt on the Main in January 2011, the Executive Board gave a full report to around 70 analysts and investors on the past 2009/10 fiscal year and on the sales and earnings guidance for 2010/11. In three telephone conferences with an average of 40 participants, business developments in the first three quarters of fiscal year 2010/11 were discussed in detail. The sales and earnings guidance was

Fig. 5 · DOUGLAS share—Key information

Type of share/denomination	Non-par value share
Admission segment	Prime standard
Industry	Retail
Index	MDAX
ISIN	DE0006099005
Stock exchanges	Frankfurt on the Main, Dusseldorf, Berlin, Hamburg, Stuttgart, Hanover und Munich
Symbol	DOU.ETR
Ticker symbol Bloomberg	DOU GR
Ticker symbol Reuters	DOHG.DE
Designated Sponsor	WestLB AG

confirmed over the entire reporting period and further specified during the fiscal year.

The DOUGLAS Group also maintains a continuous dialog with private investors, many of whom took advantage of the Shareholders' Meeting held at the civic center in Hagen on March 23, 2011, to obtain a thorough understanding from the DOUGLAS HOLDING AG's Executive Board about business developments. The roughly 1,200 shareholders attending the Shareholders' Meeting represented 71 percent of the capital stock (prior year: 58 percent) and approved all agenda topics. In order to meet the informational needs of private investors, the Investor Relations Team also addressed issues at the 20th Annual Shares Forum from the Deutsche Schutzvereinigung für Wertpapierbesitz (DSW) in Cologne.

Apart from personal talks, DOUGLAS HOLDING AG's Internet website—which was launched in a new look at the beginning of 2011—presents a good opportunity to shareholders and all interested potential investors to gain extensive information about the Company and the DOUGLAS share. Under www.douglas-holding.com, financial reports, analysts' recommendations, presentations, and scripts of Executive Board speeches as well as diverse stock information can be accessed. In addition, major portions of the Shareholders' Meeting are broadcast live on the Internet every year. Information provided on the website during the course of the current fiscal year will continue to improve in terms of content and to expand on a user-oriented basis.

The Investor Relations Department's activities will be intensified even further in the 2011/12 fiscal year. The idea is to strengthen communications with the capital market 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 coverage by analysts

In the 2010/11 fiscal year, 23 analysts from renowned investment firms—mainly from Germany, the United Kingdom, and the US—regularly published studies and commentaries of current developments of the DOUGLAS Group and made their recommendations. As of September 30, 2011, seven analysts recommended buying DOUGLAS shares, twelve categorized them as "hold" and four recommended selling them. The overall heterogeneous expectations in the future performance of the DOUGLAS share are expressions of varying valuations of the medium-term trend in private consumption in the Euro countries as well as portraying the opportunities and risks of the structural shifts in the book industry.

Dividend at prior year's level

The Executive and Supervisory Boards of DOUGLAS HOLDING AG will propose to the Shareholders' Meeting on March 21, 2012, to approve a dividend of EUR 1.10 per no-par value share for the 2010/11 fiscal year just like in the preceding year. This corresponds to a payout ratio of 50 percent of the consolidated net income allocated to DOUGLAS shareholders. Therefore, the objective of a dividend distribution ratio of about half of consolidated net income has been achieved. If the dividend is viewed in relation to the market price of EUR 29.52 for DOUGLAS shares as of the end of the 2010/11 fiscal year, this would result in a dividend yield of some 3.7 percent. Fig. 6

On the basis of a stable dividend payout year-on-year—even against an uncertain economic environment—the Executive and Supervisory Boards want to uphold their shareholder-friendly dividend policy, thus allowing shareholders to participate in corporate development in an appropriate manner. Fig. 7

Fig. 6 · Dividend performance of the DOUGLAS share

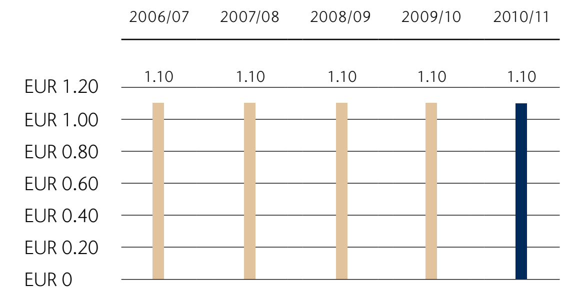
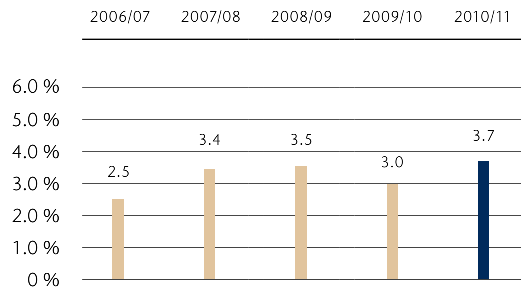


Fig. 7 · Dividend yield of the DOUGLAS share



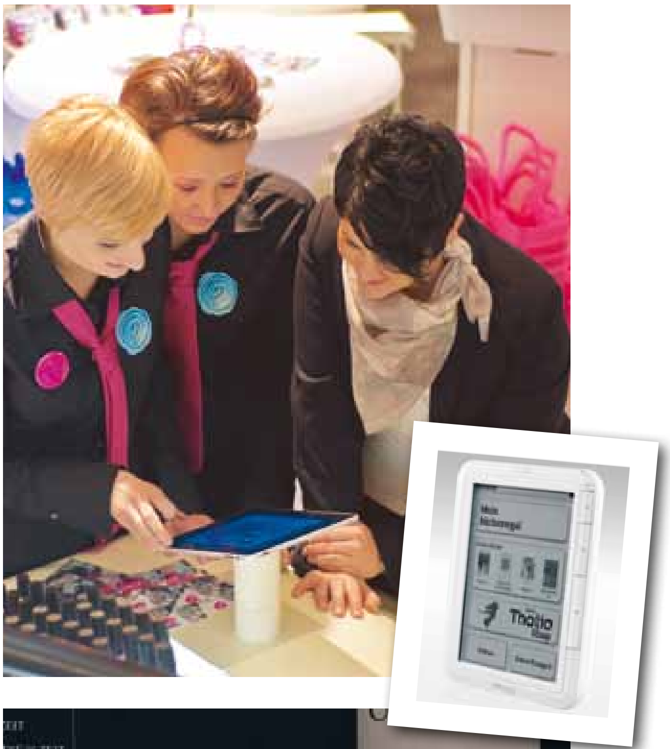
It's not only new creations that arouse people's curiosity, exciting corporate news also attracts attention.

Highlights

October 2010

Douglas opens its first “Beauty Terminal” in Mainz—a perfumery that uses interactive terminals, such as the “virtual makeup artist,” to plug into the multi-channel retail concept.

Thalia launches its own e-reader, the OYO, in Germany, Austria, and Switzerland.



November 2010

Thalia opens a bookstore in Bonn on the premises of the former Metropol Cinema with almost 2,500 square meters of floor space.

December 2010

A Douglas trainee in Frankfurt is named one of the three best trainees in Germany. She is honored by Labor Minister Ursula von der Leyen for having achieved a top score.

The presentation of “Unser Schmidt—Der Staatsmann und der Publizist” (Our Schmidt—The Statesman and Journalist) launches the series “Thalia bookstore presents … in the Thalia Theater.”

January 2011

Douglas is one of the first companies to participate in the new “Facebook® deals” and gives Facebook users 2,000 bottles of a new Tommy Hilfiger perfume or a one-time discount of 15 percent.

February 2011

Douglas perfumeries receive one of the European Retail Institute’s Retail Technology Awards Europe in the category “Best Customer Experience” for their interactive store concept.

More than 600,000 customers polled by Service Value GmbH choose Douglas as the service winner in the “Perfumeries” category.

March 2011

In Cologne, US singing sensation Katy Perry presents her first perfume "Purr" available exclusively at Douglas.

On the occasion of its Annual General Meeting, DOUGLAS HOLDING AG donates EUR 25,000 to three non-profit organizations in Hagen and the surrounding region.

After extensive remodeling, Christ opens its first store in Freiburg, implementing the Christ energy efficiency concept that saves about 30 percent in energy costs.

Thalia Holding GmbH increases its stake in the buch.de internetstores AG from 60.2 percent to 75.6 percent.

In 2011, Thalia is once again a supporting partner for lit.COLOGNE, the largest literature festival in Europe.

April 2011

After being extensively remodeled, the Douglas perfumery at the main train station in Cologne reopens as a multi-channel perfumery with a virtual makeup artist, interactive monitors, and a fragrance lounge, where customers can try fragrances without any contact to skin or clothing.

At the "Co-Brands Awards," second place goes to Christ for its Bottle Cap Sweepstakes, a marketing collaboration with Coca-Cola light.

May 2011

After six weeks of remodeling, the flagship store of Douglas perfumeries on the Ku'Damm in Berlin reopens with a fabulous new look and more than 400 square meters of floor space.

Launch of the "Douglas Box of Beauty," a monthly surprise package of beauty products for subscribers, attractively priced at EUR 10.

DOUGLAS HOLDING is ranked third in the "Best Employer Brand Award 2011."

buch.de wins the "Best Marketing Company Award 2011" in the category of small- and medium-sized businesses (50 to 250 employees).

The 22 winning teams of the in-house sales competition "Top Team 2010" redeem their winnings with 360 employees travelling to Dubai, Lisbon, and Berlin.

June 2011

The DOUGLAS Group supports the 33rd German Protestant Church Day in Dresden with in-kind donations and EUR 10,000 in cash.

Douglas Poland is celebrating its 10-year anniversary. The first perfumery opened in Wrocław in 2001. Today, Douglas has 90 stores in 48 Polish cities and since 2010, an online shop as well.

Christ opens a boutique outlet in the "Wertheim Village" that carries top-quality brands.

July 2011

AppelrathCüpper launches the new AC Premium Club Card that offers exclusive benefits to its cardholders.

Teresa Scanlan, Miss America 2011, presents fashions by Joseph Ribkoff at AppelrathCüpper in Frankfurt.

August 2011

In Germany, a record number of 720 new trainees start their training in the DOUGLAS Group.

On August 1, Thalia acquires the Berlin-based textunes GmbH, a leading provider of cross-platform e-book apps since its creation in 2009.

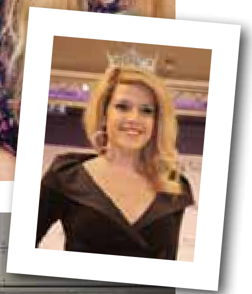
Hussel launches its Facebook fan page, and DOUGLAS HOLDING begins to tweet.

September 2011

As the main sponsor of DKMS LIFE, Douglas perfumery presents a check for EUR 150,000 to the non-profit organization at the 2011 Dream Ball.

Christ opens a new store in Neu-Isenburg combining two new concepts, "JETTE by Christ" and "24 Passion," which focus on youthful, trendy brands for the young fashion generation.

Hussel opens a new confectionery in Thier Gallery in Dortmund creating a lot of buzz with its ultra-modern store design. Douglas, Thalia, and Christ also celebrate new store openings at the Thier Gallery.



Employee teams with an international flair. Here, a Christ team with (from left to right) Christiane Werner, Desmond Owusu (Assistant Store Manager), Özlem Aldirmaz, and Martin Heppner (Store Manager).

Success Based on Strong Values and Outstanding Leadership Skills

The DOUGLAS Group stands for customer enthusiasm and service orientation. It attaches great importance not only to the professional expertise of its more than 24,000 employees but also to employee satisfaction. Its Department of Human Resources develops well-rounded training and personnel development programs that were a vital focal point in the 2010/11 fiscal year. A crucial part of the strategy of the DOUGLAS Group is to prepare itself for the challenges of the future in order to continue to flourish.

The DOUGLAS Group has long been one of Germany's retailers with the highest vocational training rate. And there are two good reasons why. On one hand, the company takes its societal responsibility very seriously, and, on the other, it has always been a key element of its HR strategy to create a new generation of executives from its own ranks. Therefore, the DOUGLAS Group again increased the number of trainees in the fall of 2011. At the start of the new training year, 720 young men and women started their professional training in a total of eleven skilled vocational careers. The previous year's record was thus surpassed by 50 trainees.

Vocational training rate at a record level

All of the subsidiaries ramped up their training efforts. With more than 350 new trainees, Douglas perfumeries again enrolled the largest number. Christ jewelry stores had a substantial increase with 170 new trainees (previous year: 125), and the Hussel confectionery shops recruited 46 trainees (previous year: 25). However, the AppelrathCüpper fashion stores and the bookselling group Thalia also increased their trainee numbers. As of September 30, 2011, the DOUGLAS Group had a total of 1,783 trainees, most of whom were on the retail sales associate track. The Group's vocational training rate of 14 percent continues to be significantly higher than the average of eight percent in the German retail sector.

Along with the mandated training content, additional activities are frequently initiated in the subsidiaries and in the holding company. For example, trainees may autonomously manage a branch store for one or two weeks, organize events, dedicate themselves to community service for a week, or accept the challenge of proving their marketing talent in a store abroad.

Our trainees perform outstandingly in exams on a regular basis and are often honored by the relevant Chambers of Industry and Commerce. For example, a trainee from Douglas in Frankfurt was commended for her extraordinary performance in 2010 and 2011, and a trainee from Hussel in Karlsruhe was also honored for her performance. They completed their training as retail sales associates with the maximum number of 100 points and are thus among the best trainees in Germany. The DOUGLAS Group generally hires about 70 percent of its former trainees as permanent employees who are then integrated into educational programs that support them on their career path.

Attractive continuing education programs

In the 2010/11 fiscal year, many of our employees took part in a host of attractive personnel development offerings on topics relating to specialist, leadership, and interpersonal skills. For example, more than 70 participants in the perfumery sector completed the Douglas Academy, a 12–18-month educational program that teaches the responsibilities of a sales executive. Furthermore, around 3,000 employees benefited from the opportunity to complete the Douglas College. Similarly to a distance learning course, participants can refresh and expand their specialist knowledge. New topics that have been added include e-commerce and the importance of social media for retail.

At Christ, 26 young staff members completed the proven "PROMIs" program during the past fiscal year; 22 of them are already in executive positions. The projects that the executive potentials had to complete were focused on the topic of multi-channel strategies. At the end of the program, there were special training sessions for important multipliers, such as store managers, assistant store managers, and junior staff, on the topic of online orders to enable them to bring new ideas about the opportunities provided by a multi-channel approach back to their stores.

Thalia has concentrated its personnel development programs under the umbrella of the Thalia Academy. Offerings range from programs such as “Active and Emotional Selling” to the three-year leadership program that enables university graduates to take over management positions. The Thalia Academy also offers the “Program for Junior Management.” The fourth year of the program began in July 2011 and is focusing on an intensive exploration of the subject of multi-channel marketing, primarily from the customers’ point of view.

AppelrathCüpper expanded its training for junior staff with a two-year program, which links theory and practice, with prospective managers mentoring trainees in the fashion stores. As of the end of the 2010/11 fiscal year, the first group successfully completed the program and a second group of junior staff members began the training.

In 2010, Hussel launched a sales training program entitled “Sales Excellence—Excellence in Retailing,” which has specific training units for management, store sales associates, and service center staff. By the end of the 2010/11 fiscal year, more than 400 staff members had completed this training. Concurrently, Hussel is also educating employees to become in-house trainers who will then carry out “Sales Excellence” training sessions locally. In addition, Hussel has beefed up its project “Leadership Training for Store Managers” and has also organized coaching sessions for other executives focusing on conflict management, communication, and leadership.

A new program has been added to train junior staff at subsidiary service centers of the holding company. A total of 17 young men and women began this program during the 2010/11 fiscal year. They will be preparing for careers as professional specialists or for future challenges as executives. The modules of this program include project management, leadership, presentation and moderation, management simulation games, and presentations on specialist topics.

The DOUGLAS Group has successfully maintained the continuing education of its top executives. Within the scope of programs offered at DOUGLAS HOLDING ACADEMY, 140 executives from all companies of the DOUGLAS Group expanded their knowledge in the 2010/11 fiscal year in seminars and workshops dealing with the topics of strategy, leadership, innovation, and handling negotiations. A particular focus was on communicating and enhancing the in-depth understanding of the revised company values and leadership principles. All corporate managers of the DOUGLAS Group, both in Germany and abroad, attended two-day workshops in order to discuss the revised company values and leadership principles and to develop concrete approaches for their own day-to-day leadership responsibilities. The Executive Board actively participated in this process and, in discussions, emphasized the great significance of the values and principles for the Group’s continued positive development. By the end of the 2011/12 fiscal year, the executives will have passed on the knowledge and experience gained in these workshops to members of their staff—both national and international—working together to make any necessary changes or improvements.

Number of employees

	09/30/11	09/30/10	Change
Perfumeries[1]	14,284	14,166	118
Books	5,274	5,186	88
Jewelry	2,312	2,173	139
Fashion	772	751	21
Confectionery	1,062	1,141	–79
Services/Holding	619	570	49
DOUGLAS Group[1]	24,323	23,987	336
National	15,325	15,164	161
International[1]	8,998	8,823	175

[1] Russia and the U.S.A. not included.

Highly employee-oriented

The DOUGLAS Group takes its responsibility for its employees very seriously. In addition to excellent leadership skills, topics such as compliance and health are of major significance.

More information is available in the section “Compliance in the DOUGLAS Group” on pages 6 and 7 dealing with the compliance priorities the company is currently focusing on. 6–7

Activities to maintain and/or improve the health of our employees were expanded in the 2010/11 fiscal year. In addition to the regular wellness exams for executives, six Health Days were held at the headquarters in Hagen with workshops on how to avoid back problems or on the warning signs of cardiovas-

Successful generational mix, here, at Hussel (from left to right) Beate Gantenbrinker (Store Manager), Helga Zierdt, and Christiane Ewers.

cular disease. The subject of stress prevention will also have even greater importance in the DOUGLAS Group.

HR staff aims to be a dependable point of contact for all employees regarding any questions that may arise about their professional lives. The parents' hotline, which was set up in 2009, has already established itself as an important point of contact for all topics concerning parenthood and parental leave.

Compatibility of family and professional life

In the DOUGLAS Group, 90 percent of the employees are women, and at the management level (Regional Managers and higher), 50 percent of all managers are women, placing DOUGLAS far above the average. Many of these women want to continue their careers after they have decided to start a family, and corporate management has deliberately committed itself to supporting them. In order to retain these qualified staff members and executives and to provide them with perspectives on the issues that affect them, the DOUGLAS Group gives women—and naturally men as well—many possibilities to make their professional and their family life compatible, for example, by a more flexible work schedule. This is particularly important in sales. Here, managers can utilize their decentralized decision-making discretion and develop individual models jointly with their staff. At the "Mini Branch Store,"["Minifiliale"] the DOUGLAS company daycare center, 34 children are being cared for in two groups of seven children up to three years old and one group of 20 children aged three to six.

Employees who want to inspire their customers. Here, Domenika Schüfer, Swetlana Lammert, Anita Greune (Assistant Store Manager), and Gabriele Zawieja from Douglas (from left to right).

Healthy generational mix

The DOUGLAS Group also highly values a healthy generational mix. Especially longstanding employees provide continuity and have a wealth of experience. They create top teams together with their new co-workers and junior staff who generate many new initiatives for change and innovation. As of the 2010/11 fiscal year, around 7,000 DOUGLAS Group employees have been working here for more than ten years and 2,000 have passed their 20-year anniversary.

The DOUGLAS Group provides special offers to longstanding and experienced employees and has participated for a number of years in the "Experience 50 plus" project, which was initiated by the German Retail Federation [Handelsverband Deutschland—HDE] and the Federal Ministry for Families. The object is to provide age-appropriate training that will enable participants to acquire the skills necessary for the ever-changing requirements in sales.

Attractive employer award

As an internationally active retail company, the DOUGLAS Group offers many attractive job and career opportunities and undertakes many activities to enhance its positive image as an employer even further in order to attract potential new recruits.

For the DOUGLAS Group, personnel marketing in the Web 2.0 era means not only having a trendy career website (http://karriere.douglas-holding.de) but also to be able to reach young people through social networks, such as XING or Facebook, the video platform YouTube, or by way of blogs ["Online-Tagebücher"].

The DOUGLAS Group has a presence on various social networks:

In May 2011, a DOUGLAS career fan page was launched on Facebook (www.facebook.com/douglaskarriere). Currently with 3,000 fans, it provides an excellent opportunity to dialogue directly with a younger target group and to spark their enthusiasm for a career in the DOUGLAS Group. On this page, potential employees can exchange information across all of the Group's divisions about educational and career opportunities, trade fair schedules, and university deadlines and they can inquire specifically about positions open in the company. The primary focus here is dialog. The DOUGLAS Group can communicate openly as an employer and can utilize both positive and critical feedback to measure the success of its own work and use it to make improvements. Since May 2011, interested Twitter users can receive tweets with up-to-date information on careers in the DOUGLAS Group. On a dedicated YouTube channel, clips are available of employees from various company divisions talking about the focal points of their work and their experience.

In February 2011, "Rock the blog!" was launched as a platform for nine trainees from a number of subsidiaries and the holding company to talk about their training independently and authentically (azubi-blog.douglas-holding.de). The objective is to show students who are in the process of vocational orientation how diverse and challenging training in the DOUGLAS Group is.

As far as university recruiting is concerned, in June 2011, the DOUGLAS Group blazed new trails with the first "5-Star Day." The focus of this event was to interest students, who were looking for an internship lasting several months, in opportunities at the DOUGLAS Group. Lectures aroused the participants' interest in the company, and they were then able to attend topic-specific workshops where they could show their suitability for an internship in their preferred area. The DOUGLAS Group was able to fill 30 internships successfully at this event. Every year, about 200 internships are available in the service center alone. Additionally, about 80 percent of the university graduates who were later hired as permanent employees were recruited from those who had either completed an internship in the DOUGLAS Group or who had been a student trainee in the company. Furthermore, Thalia has collaborated with Zeppelin University in Friedrichshafen to initiate a scholarship fund for the Master's program "Communication and Culture Management."

In the spring of 2011, the diverse and cutting-edge activities and communications efforts that the DOUGLAS Group has undertaken to demonstrate its attractive employer brand drew the attention of the management consulting firm Batten & Company. At the "Best Employer Brand Award 2011," which it presented for the first time and which evaluated the excellence and holistic leadership of an employer brand, the DOUGLAS

HOLDING took third place and also received the "Careers Best Recruiters Award 2011" in the retail category.

Successful together—utilizing all communication channels

One of the priorities for the 2011/12 fiscal year will be to continue utilizing the new communication and information channels for the DOUGLAS Group's HR efforts. Looking at demographic change, it is necessary to prepare today in order to be ready for the labor market situation in five or ten years. And the DOUGLAS Group will continue to invest significant effort in training a new generation of employees. All subsidiaries will expand their training activities even more.

An important task in the 2011/12 fiscal year will be to convey, jointly with our management staff, the revised company values and leadership principles to every single company employee.

A key component of training in all our subsidiaries in 2012 will be to fuel enthusiasm for multi-channel marketing and to increase awareness of all the opportunities it offers. The motto of the new fiscal year 2011/12 is not a coincidence: "Successful together—utilizing all communication channels."

Despite the euphoria surrounding online sales, the DOUGLAS Group will remain faithful to its tried and true principles and will continue to be committed to being the "local entrepreneur" and maintaining personal contact with the customer and a high level of employee satisfaction. These principles will continue to be the foundation of the DOUGLAS Group's HR activities. Proven programs and initiatives for training and continuing education will be sustained and—where necessary—updated, and training content that is specific to the issues of the individual subsidiaries will be implemented. The DOUGLAS Group will continue to develop and live up to its motto "Excellence in Retailing" with future-directed content.

Trainees ensure qualified junior staff. Here, Michael Lebar (Store Manager) from Thalia with trainees Janine Kahn and Christine Kienolt (from left to right).

Mit Herz und Verstand: Wie Firdevs Inan (links) und Elma Abaza von AppelrathCüpper sind alle Mitarbeiterinnen und Mitarbeiter mit Kompetenz und Charme im Einsatz.

The DOUGLAS Group Brands

The DOUGLAS Group Brands

Douglas	Douglas is represented in Europe with 1,168 perfumeries in 17 countries. The Douglas brand stands for high expertise at both the perfumery stores and the online shop in the areas of perfumes, cosmetics and skincare. www.douglas.de
Thalia	The bookselling group—Thalia—holds a leading position in German-speaking countries with their multi-channel offerings comprising of 295 bookstores, online shops and an extensive e-book product range. www.thalia.de
CHRIST	The 207 Christ jewelry stores leads 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 13 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 245 Hussel confectionery shops have an excellent 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

At a prime city location: The Douglas perfumery at Berliner Ku'Damm 33.

Dazzling store: The jeweler Christ at the popular Bahnhofstraße in Augsburg.

Key results in the fiscal year 2010/11:

Group sales 1.7 percent above the prior year (target: approx. 2 to 4 percent)

- Pleasing sales performance in Germany delivered by Douglas and Christ
- Like-for-like sales at Thalia below the prior year's level
- Foreign sales decline due to the divestiture of Douglas Russia and the weak economy in some perfumery markets
- Dynamic boost in Internet sales by approx. 27 percent

Earnings before taxes (EBT) at 137.8 million EUR (target: approx. 140 million EUR)

- Higher earnings contributed by Douglas and Christ
- Significant earnings decline at Thalia from sales shift to the Internet
- Positive one-off effect from the disposal of the perfumery stores in Russia
- Earnings negatively impacted by extraordinary write-downs

Dividend of 1.10 EUR per share in line with prior year

- Earnings per share jumps to 2.20 EUR
- Dividend payout ratio at 50 percent

Solid financing and capital structure

- Free Cash Flow reaches 126.6 million EUR
- Net bank debt reduced from 124.0 million EUR to 49.6 million EUR
- Equity ratio increases to 48 percent

DOUGLAS Value Added (DVA) drops to 11.8 million EUR

- Value contribution from the Perfumeries division slightly below the prior year
- Substantial DVA drop in the Books division due to declining earnings performance
- Higher value contribution from the Jewelry division
- Negative DVA in the Fashion division

Group Management Report

Business activities and operating environment

A leading European specialty retailer

The DOUGLAS Group is a leading European retail group. With some 24,323 employees and 1,928 specialty stores, the DOUGLAS Group holds an important market position in Germany and in many European countries. The operations embody five decentralized retailing divisions that are all combined within DOUGLAS HOLDING AG.

The largest division is the Douglas perfumeries division, which with 1,168 perfumeries in Europe spanning across 17 countries hold a market leading position. Douglas stands for expertise in the areas of perfume, cosmetics and skincare at both the perfumery stores and its online shops. As a multi-channel provider, the bookselling group Thalia combines stationary, online and digital distribution channels. With 295 bookstores, online shops and a comprehensive e-book product range, Thalia is a market leader in German-speaking regions. The 207 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 13 AppelrathCüpper women's fashion stores are held in high esteem by its customers as an expert premium seller of high quality clothing. The 245 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, is a corporation based on German law. As an investment and management Holding, it is responsible for the centralized management and service functions of the DOUGLAS Group. Moreover, the service companies, which operate as profit centers, and the service centers of the distribution companies incorporate important administrative tasks and support the retail stores with their day-to-day operations. The main operations of the service companies and the service centers are described in more detail on page 112 of this Annual Report. A company overview of the DOUGLAS Group is illustrated on page U4; a list of shareholdings can be found on pages 170 to 171.

112
U4
170–171

Corporate objectives of the DOUGLAS Group

The slogan "Excellence in Retailing" defines the DOUGLAS Group's corporate culture and embodies the four cornerstones of the target system, which binds all five operative divisions: lifestyle philosophy, leading market position, value creation and multi-channel. The lifestyle philosophy is based on consistent customer orientation that is shown through outstanding service, first-class products and in an attractive shopping atmosphere. Achieving or securing and expanding the leading market position define the second cornerstone. With the strong brands of Douglas, Thalia and Christ, the DOUGLAS Group strives to be a leader in their respective target markets. These markets present excellent opportunities for further value-driven growth of the corporate group. In order to assure this, all investments are 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. The fourth cornerstone– multi-channel—stands for the DOUGLAS Group's efforts to best combine stationary retailing with alternative distribution channels, especially the online business. By integrating different distribution channels, DOUGLAS can profit from the large growth potential in the multi-channel business.

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 amounts contain a fixed as well as a variable, performance-based component. The performance-based compensation of all Executive Board members encompass quantitative and qualitative components and is limited to individually, clearly-defined percentage rates of the base salary. The quantitative compensation is based on the DOUGLAS Group's weighted earnings from ordinary business activities over the past three years—less a ten percent virtual return on shareholders' group equity. The quantitative compensation of the Division Directors is based in a similar manner on the earnings of the individual divisions. The qualitative component is based on individual performance assessments of the Executive Board members. The remuneration structure is aligned towards a sustainable business development. There are no stock option programs. Further details concerning the remuneration paid to the Executive and Supervisory Boards can be found in the Corporate Governance report on pages 4 to 5 and in the Notes accompanying the consolidated financial statements. In the 2010/11 fiscal year, the Executive and Supervisory Boards of DOUGLAS HOLDING AG again demonstrated compliance with the recommendations of the German Corporate Governance Code (DCGK) except for two 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 homepage.

4–5

Corporate controlling

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 quickly and simply fulfill the customers' wishes. 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 or tax departments. Even supportive services such as bookkeeping or payroll accounting are bundled in one company and centrally rendered for the significant operating companies.

The Executive Board determines annual target values for sales and earnings as well as key 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. Special importance will again be attached in the future to the German home market, which has proven to be a crucial pillar for the DOUGLAS Group in the past fiscal years given the challenging consumer environment in some foreign markets. Market entry into new countries is not planned at the present time.

The Executive Board's overall assessment of business developments in the 2010/11 fiscal year

The DOUGLAS Group developed respectably on the whole in the 2010/11 fiscal year, with a sales increase of 1.7 percent and earnings before taxes (EBT) of 137.8 million EUR. The main drivers of this positive development throughout the entire reporting period were the Douglas perfumeries in Germany and the Christ jewelry stores. In this way, the declining sales and earnings contribution of the Thalia group were partly offset.

The first quarter of the 2010/11 fiscal year—containing the all-important Christmas holiday business—gave an overall pleasing sales performance in Germany, thus compensating the slight drop in like-for-like sales in the Books division and in some foreign markets. Furthermore, the one-off income from the divestiture of the Russian business was offset by the goodwill write-downs in France. The second quarter sales—also impacted by the calendar shift in the Easter business—did not quite match the prior year's figure. Moreover, the industry-caused sales decline in the stationary bookselling business of Thalia continued; and the persistently, difficult macroeconomic conditions in certain foreign markets adversely impacted the sales development on a lasting basis. The third quarter benefited from the prolonged positive consumer mood in Germany as well as from the Easter business. However, Thalia's sales and, particularly, the earnings were significantly affected by the additional sales shift from the stationary bookselling business to the Internet. Due to the weak performance given in the Books division, the Executive Board formalized the annual guidance as part of publishing the interim financial report for the period ending June 30, 2011 with the expectation of narrowly reaching the lower end of the target ranges with respect to the sales increase and the earnings before taxes (EBT). The target range for the projected sales growth was between 2 to 4 percent, with pre-tax earnings anticipated at approximately 140 million EUR. The fourth quarter of the fiscal year matched the like-for-like sales of the previous year. This quarter also saw a positive development in Douglas and Christ in Germany, but was offset by an unsatisfactory performance abroad and a negative overall performance of the Thalia group. Even the sales development in the Fashion division was behind projections in the fourth quarter.

In the reporting period, the DOUGLAS Group consequently pushed forward its multi-channel strategy in all business divisions. Correspondingly, Internet sales demonstrated overall dynamic growth.

Comparison of the targets and results of the 2010/11 fiscal year

Fig. 1 The DOUGLAS Group narrowly achieved the sales and earnings targets set for the 2010/11 fiscal year. The sales gain of 1.7 percent and earnings before taxes (EBT) of 137.8 million EUR were both at the lower end of the projected target ranges. On the basis of the proposed dividend payout of 43.4 million EUR (1.10 EUR per share), the dividend distribution ratio would be 50 percent, and in line with the intended objective of distributing about half of the Group net income. 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—could not be further raised. With 11.8 million EUR, the DVA was behind the prior year's figure by 11.9 million EUR.

The capital expenditure volume excluding acquisitions totaled 116.9 million EUR in the period under review, which was below the originally defined target figure and behind the preceding year. On the whole, a total of 64 new specialty stores opened in Germany

Fig. 1 · Targets and results

Targets 2010/11	Results 2010/11	Targets 2011/12
Group sales gain of between 2 to 4 percent	Increase of 1.7 percent to 3.4 billion EUR	Slight Group sales increase to more than 3.4 billion EUR
EBT at approx. 140 million EUR	EBT at 137.8 million EUR	EBITDA at between 200 and 250 million EUR
Capital expenditure volume at approx. 125 million EUR	Capital expenditures total 116.9 million EUR	Capital expenditure volume of approx. 120 million EUR
Sustainable increase in business value based on DVA	DVA drops to 11.8 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 payout ratio of 50 percent	Continued dividend policy—about 50 percent of Group net profit intended to be distributed

and abroad (prior year: 72). This figure was offset by 72 store closures and 37 disposals (prior year: 104 closures). This largely related to the Perfumeries and Confectionery divisions. Overall, the store network decreased to 1,928 as of September 30, 2011 following 1,973 stores the year before.

Overall economic operating environment

Global economic growth loses tempo

Following the economic recovery in 2010, the global economic expansion initially continued into the beginning of 2011. According to the predictions of the Institute for World Economy (IfW) in Kiel, the price-adjusted global gross domestic product (GDP) during the first half of the year increased by 3.1 percent versus the prior year's period. The growth was chiefly driven by the positive development in the Asian emerging countries. Starting mid–2011, the economic outlook however clearly deteriorated, while at the same time there were struggles in the US to extend the upper limit on public debt and in the European Union as part of the debt crisis for a new aid package to Greece and a reform of the rescue fund to support EU member countries. In addition, the sharp increase in energy and commodity prices had a negative impact. Against this background, the German economic research institutes[1)] predicted growth of only 1.4 percent for the so-called advanced economies[2)] for the entire calendar year 2011. These institutes now expect an overall rise in the GDP of 2.6 percent for the global economy for the same period, as supported by continued growth in the emerging countries in Asia, Latin America and Central and Eastern Europe.

Euro zone hit by debt crisis

Following strong growth in the first quarter of 2011, the economy in the Euro zone cooled down substantially during the remainder of the year. This was principally caused by the sovereign debt crisis and falling corporate and consumer confidence as well as weaker external demand. According to the EU Commission's projections, the real gross domestic product (GDP) will only achieve a slight rise of 1.5 percent in 2011. The EU Commission anticipates only moderate growth in the European marketing regions important for the

1) Ifo Institut, Institute of World Economy (IfW), Institute for Economic Research Halle (IWH), Rhine Westphalia Institute for Economic Research (RWI)
2) European Union, Switzerland, Norway, South Korea, USA, Japan, Canada

DOUGLAS Group for the full year 2011: Marginal growth rates are predicted for the Netherlands and France of 1.8 percent and 1.6 percent, respectively. In both countries the diminishing consumer confidence dampened private consumption during the course of the year. According to the predictions of the EU Commission, Italy is expected to attain growth of 0.5 percent in 2011 versus 1.5 percent the year before. In Spain, a moderate increase in the real GDP of 0.7 percent is projected for 2011. High unemployment, the continuing indebtedness of private households and the government's austerity measures hampered domestic demand in 2011. In contrast, a high growth rate of 4.0 percent is projected for Poland.

Upswing in Germany weakens

Up until the middle of 2011, Germany was in an economic upswing, which was primarily driven by a strong expansion in foreign trade and the high investment willingness of companies. The private consumer demand, which has continuously increased since the beginning of 2010, however, developed only modestly in the second quarter of 2011. This was caused by uncertainties surrounding the European sovereign debt crisis and growing inflationary pressure. In its autumn survey, the German economic research institutes (Ifo Institut, IfW, IWH, RWI) project an opposite trend for the second half of 2011: Whereas exports will clearly lose momentum due to an economic slowdown in major customer countries, private consumer demand should benefit from higher net wages. Overall, the institutes expect a gain in the real GDP of 2.9 percent for the full year 2011 due to the strong economic performance at the beginning of the year.

Company-specific operating environment

Pleasing retail trading development

As stated by the Federal Statistical Office, for the period from January to September 2011, the German retailing sector was higher by a nominal 2.7 percent and a real 1.2 percent over the same period last year. According to the German Retail Association (HDE), the sector therefore surpassed the projections. Consumer behavior in Germany was favorably influenced mainly from the development of the employment market and personal income. Given this positive performance, the Retail Association slightly raised its annual sales projection for the retailing sector in November 2011 from a nominal 1.5 percent to 2 percent. Price-adjusted, this would correspond to a gain of 0.5 percent. Nonetheless, from the Retail Association's perspective there are still substantial risks—especially from the escalation of the debt crisis in Europe—that might deteriorate the consumer sentiment by the end of the year.

Further recovery on the German employment market

Based on the predictions of the Ifo, IfW, IWH and RWI institutes, the unemployment rate in the Euro zone stabilized on the whole to 10.0 percent in 2011, which was in line with the prior year. However, the individual countries developed very differently: While the unemployment rate in most of the Western European countries was steady to slightly declining, this rate continued to rise in particular in the highly indebted countries of southern Europe. The Central and Eastern European countries recorded an unemployment rate of an average of 9.5 percent.

In Germany, the employment market profited from the overall positive economic situation during the reporting period. The gainful employment and mandatory socially insured numbers increased significantly. In October 2011, the unemployment number fell to 2.7 million; translating to a rate of 6.5 percent. At the same time, the job index of the Federal Employment Agency, which is an indicator of labor demand, remained at a high level.

Legal operating environment

There were no significant changes in legal factors at home or abroad during the period under review.

Net assets, financial position and result of operations

Slight sales growth

In the 2010/11 fiscal year, the DOUGLAS Group recorded a 1.7 percent increase in net sales for a total of some 3.4 billion EUR. Whereas domestic sales gained a pleasing 4.0 percent overall, the foreign sales were behind the prior year's figure by 2.5 percent. Correspondingly, the share of foreign subsidiaries in Group sales decreased to 33.2 percent (prior year: 34.7 percent). This sales decline is mainly due to the divestiture of the Russian stores as of December 30, 2010 and the market exit from the US and Denmark. Adjusted for these countries, foreign sales increased by 1.9 percent.

Fig. 2
Fig. 3

The online sales continued to deliver a dynamic performance, soaring 27 percent year-on-year. Its share in Group sales reached about 6 percent in the reporting period.

On a like-for-like basis—this reflects only those stores that operated during both the reporting and the comparable prior period and the Internet business—Group sales were up 1.5 percent against the prior year. With like-for-like growth of 3.0 percent, the performance

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

	Net sales (in EUR m)		Change (in %)		Stores		Change
	2010/11	2009/10	Total	Like-for-like	09/30/2011	09/30/2010	Absolute
Perfumeries	1,878.6	1,878.7	0.0	1.8	1,168	1,205	–37
National	990.4	946.7	4.6	4.5	446	445	1
International	888.2	932.0	–4.7	–1.1	722	760	–38
Books	934.5	905.8	3.2	–1.0	295	289	6
National	703.7	689.7	2.0	–0.1	236	232	4
International	230.8	216.1	6.8	–3.5	59	57	2
Jewelry	340.4	310.2	9.7	8.5	207	204	3
Fashion	124.5	124.1	0.3	1.4	13	14	–1
Confectionery	98.1	99.4	–1.3	0.1	245	261	–16
National	93.7	94.9	–1.2	0.0	232	247	–15
International	4.4	4.5	–3.5	1.3	13	14	–1
Services	2.7	2.6	–	–	–	–	–
DOUGLAS Group	3,378.8	3,320.8	1.7	1.5	1,928	1,973	–45
National	2,255.4	2,168.2	4.0	3.0	1,134	1,142	–8
International	1,123.4	1,152.6	–2.5	–1.7	794	831	–37

Fig. 3 · Foreign sales of the DOUGLAS Group

	Net sales (in EUR m)		Change (in %)	
	2010/11	2009/10	Absolute	Currency-adj.
Austria	200.1	193.6	3.4	3.4
Netherlands	181.6	177.2	2.4	2.4
Italy	156.4	160.6	–2.6	–2.6
Switzerland	147.3	132.9	10.8	–2.4
France/Monaco	130.4	134.8	–3.3	–3.3
Poland	96.1	86.1	11.6	10.5
Spain/Portugal	89.1	97.3	–8.4	–8.4
Baltic States	23.9	24.2	–1.2	–1.6
Hungary	20.4	19.4	5.1	4.6
Croatia	18.7	19.8	–5.6	–4.1
Russia[1]	17.7	57.0	–68.9	–68.2
Turkey	10.2	9.0	13.6	22.9
Others[2]	31.5	40.7	–22.6	–23.1
Total	**1,123.4**	**1,152.6**	**–2.5**	**1.2**

[1] Market exit in December 2010
[2] Bulgaria, Romania, Czech Republic, Denmark (until 2010), U.S.A. (until 2010), Slovenia (until June 2011)

in Germany proved to be better than abroad, which posted a like-for-like sales decline of 1.7 percent. Adjusted for currency-effects, Group sales rose by 1.2 percent over the prior year.

With almost 1.9 billion EUR, the 1,168 **Douglas perfumeries** exactly matched the previous year's figure (currency-adjusted: –0.2 percent). In Germany, the 446 perfumeries accounted for sales of 990.4 million EUR for a very pleasing increase of 4.6 percent. Like-for-like sales were a good 4.5 percent above the preceding year's figure. In this way, Douglas further extended its leading market position on the all-important home market.

The 722 Douglas perfumeries abroad did not succeed in matching the prior year's sales, chiefly because of the market exits from Russia, the US and Denmark. In addition, sales were negatively impacted by the ongoing challenging consumption environment in many foreign markets. With net sales of 888.2 million EUR, the prior year's figure was missed by about 44 million EUR. Adjusted for the market exits, foreign sales were up 0.7 percent. Like-for-like sales were down 1.1 percent. The respectable sales performance of the Douglas perfumeries in the Netherlands, Austria and Turkey were offset by lower sales reported in Spain, Portugal, Croatia, France and Italy. A stable sales performance was again achieved for the first time in the Baltic States following several years of generating declining sales.

In fiscal year 2010/11, Douglas opened a total of 41 new perfumeries, mostly in Germany, Poland, Croatia and Italy. Due to the market withdrawal from Russia and several store closures, the number of perfumeries fell by 37 to 1,168 stores as of the balance sheet date. That is why the share of foreign subsidiaries in Group perfumery sales dropped to 47.3 percent (prior year: 49.6 percent).

The **Books division** increased sales in the 295 Thalia bookstores in Germany, Austria and Switzerland by 3.2 percent to 934.5 million EUR. Thus, Thalia succeeded in further securing its leading market position in German-speaking countries. The 236 domestic bookstores accounted for a sales increase of 2.0 percent and the 59 bookstores in Switzerland and Austria accounted for an increase of 6.8 percent. Currency-adjusted, the sales increase of the foreign bookselling business reached 0.7 percent.

On a like-for-like basis, sales decreased by 1.0 percent. Whereas like-for-like sales in Germany were at about the prior year's level, foreign sales recorded a decrease of 3.5 percent due to the declining performance in Switzerland.

Overall, it is noted that the sales of the online book retailer buch.de were first consolidated starting December 2009. Had the October and November sales been included pro forma in the prior year's figure, the increase would have been 1.3 percent (Germany: 0.2 percent; foreign: 5.0 percent).

The Internet business continued to perform dynamically with a sales gain of around 20 percent. In fiscal year 2010/11, the Thalia group accounted for about 14 percent of total sales from the Internet. As a consequence of the further growing shift in book purchases to the Internet, the sales from stationary bookselling steadily declined across the industry. On a like-for-like basis, Thalia had to cope with a 3.9 percent sales decrease at its stores. To stabilize the productivity at the bookstores, additional products were introduced and the sales space optimized.

In the Jewelry division, the 207 **Christ jewelry stores** posted a remarkable sales gain of 9.7 percent to 340.4 million EUR. Like-for-like sales surpassed the prior year's high figure by 8.5 percent. This was realized primarily from the successful implementation of the exclusive brand and trend label strategy. Subsequently, Christ again outperformed the market development and expanded its strong market position in the mid to upper price range in Germany. The number of Christ jewelry stores increased by three stores in the reporting period. Furthermore, a number of older stores were completely modernized and enlargened.

With sales of 124.5 million EUR, the **Fashion division** remained at about the prior year's level (+0.3 percent); although the fashion house in Solingen was closed in January 2011. On a like-for-like basis, a sales gain could once again be generated (+1.4 percent). The fashion stores in Mannheim and Essen reopened their doors during the reporting period following extensive modernization work. The 13 AppelrathCüpper fashion stores focus on the mid to upper genre for women's fashion clothing with excellent expertise.

In the **Confectionery division**, the 245 Hussel confectionery shops in Germany and Austria generated sales of 98.1 million EUR, falling just short of the prior year's level by 1.3 percent. Like-for-like sales for German shops were in line with the same period last year, while the Austrian Hussel shops reported a gain of 1.3 percent. Following the closure of unprofitable shops, the store network number decreased as planned by 16 confectionery shops.

Additional information about strategy and figures of the individual business divisions can be found on pages 73 to 112 of this Annual Report and in the Notes accompanying the consolidated financial statements. 73–112

Earnings target narrowly reached

Earnings before taxes (EBT) came in at 137.8 million EUR after 131.2 million EUR the year before. Thus, the projected earnings target of about 140 million EUR was narrowly reached. The EBT margin stood at 4.1 percent (prior year: 4.0 percent). This year's one-off income amount of 22.3 million EUR from the divestiture of the perfumery activities in Russia was Fig. 5

offset by extraordinary write-downs of 29.4 million EUR. The preceding year's earnings were also similarly impacted by high extraordinary write-downs. With the elimination of the impairments in both years and the sales proceeds from the Russian business, the 2010/11 fiscal year earnings declined significantly. This resulted chiefly from the lower earnings contribution of the Books division that could not be offset by the higher earnings of the Jewelry division.

Operating earnings contribution by the corporate divisions

The **Perfumeries'** earnings before taxes (EBT) reached 107.7 million EUR following 87.9 million EUR in the same period last year. Accordingly, the EBT margin increased from 4.7 percent to 5.7 percent. This was largely due to the one-off income from the disposal of the perfumery activities in Russia. Similar to the preceding year, high impairment losses were recorded in the reporting period, too. Thereof, 22.9 million EUR related to goodwill write-downs in France.

The EBT of the **Books division** of 5.2 million EUR fell substantially short of the prior year's figure by 19.9 million EUR. Correspondingly, the EBT margin dropped from 2.8 percent to 0.6 percent. Even after elimination of the one-off income amount from the revaluation of the buch.de shares in the previous year, the Book division's EBT decreased by 13.8 million EUR. This decrease is the consequence of a sales shift from stationary bookselling to the Internet as observed across the book retailing sector. It has not yet been able to compensate the sales-related decline in earnings at the bookstores through the growing, but lower-margin Internet business.

The **Jewelry division** posted a substantial jump in operating earnings (EBT) from 17.4 million EUR to 25.6 million EUR in the year under review. The EBT margin improved to 7.5 percent after 5.6 percent the year before. Hence, the Jewelry division is the most profitable division of the DOUGLAS Group. This exceptionally positive development arose from the very solid sales performance in comparison to the sector and to the focus on exclusive brands and private labels.

The **Fashion division** generated earnings of 0.7 million EUR, thus outperforming the prior year's figure by 0.6 million EUR. In the context of the realignment of the AppelrathCüpper fashion stores, it has succeeded in appealing to additional target groups, thus increasing sales on a like-for-like basis. The focus is still on communicating the new alignment with the aim of attaining a sustainable sales increase.

Fig. 4 · EBITDA and EBITDA margins

	EBITDA (in EUR m)		Change (in %)	EBITDA margin (in %)	
	2010/11	2009/10		2010/11	2009/10
Perfumeries	207.1	186.3	11.2	11.0	9.9
Books	40.0	60.0	–33.3	4.3	6.6
Jewelry	36.8	30.9	19.1	10.8	10.0
Fashion	7.9	7.4	6.8	6.3	6.0
Confectionery	5.0	5.8	–13.8	5.0	5.8
Services	–3.9	–3.5	11.4	–	–
DOUGLAS Group	**292.9**	**286.9**	**2.1**	**8.7**	**8.6**

The EBT of the **Confectionery division** of 1.6 million EUR fell short of the prior year's result by 1.2 million EUR. Accordingly, the EBT margin dropped from 2.8 percent in the preceding year to 1.6 percent in the reporting period. This was caused by higher costs, largely in the personnel area, which could not be offset due to the weak sales performance.

The marginal earnings decrease in the **services division** resulted from higher reimbursements to the subsidiaries and higher write-downs.

Cost structure largely unaltered

The DOUGLAS Group's cost structure did not materially change in the year under review. **The gross profit from the retailing business** improved from 47.3 percent to 47.6 percent. This was mainly due to the better margin of the foreign perfumery companies based on a higher share of private labels and exclusive brands.

As a consequence of the divestiture of the companies in Russia, income was generated in the amount of 22.3 million EUR, which increased **other operating income**.

The **personnel costs** rose proportionately to sales. The personnel cost ratio stood at 21.9 percent. Similar figures resulted in prior years as well.

Other operating expenses amounted to 801.5 million EUR in the reporting period. At 23.7 percent of sales, the expenses were fractionally above the prior year's figure due to higher advertising and logistics costs (23.4 percent). Costs for rent and utilities developed in proportion to revenue growth.

In addition to scheduled **depreciation and amortization**, which was 3.8 million above the prior year's amount, impairment write-downs were recognized similar to the previous year in an amount of about 29 million EUR. In the reporting year, this mainly related to goodwill in France.

The **financial result** improved from –10.5 million EUR to –5.6 million EUR. The lower share of earnings attributable to minority interests, which are reported as finance costs pursuant to IAS 32, and the improved net liquidity contributed to this development.

Tax expenses amounted to 50.8 million EUR in the reporting year following 55.1 million EUR in the same period last year. All in all, the Group tax rate improved by 5.1 percentage

Fig. 5 · EBT and EBT margins

	EBT (in EUR m)		Change (in %)	EBT margin (in %)	
	2010/11	2009/10		2010/11	2009/10
Perfumeries	107.7	87.9	22.5	5.7	4.7
Books	5.2	25.1	–79.3	0.6	2.8
Jewelry	25.6	17.4	47.5	7.5	5.6
Fashion	0.7	0.1	–	0.6	0.1
Confectionery	1.6	2.8	–43.4	1.6	2.8
Services	–3.0	–2.1	–44.3	–	–
DOUGLAS Group	137.8	131.2	5.0	4.1	4.0

points to 36.9 percent of the pre-tax earnings. The lower tax rate is primarily the result of tax-exempt divestiture proceeds from the sale of the Russian business.

The 2010/11 fiscal year closed with **net income** of 87.0 million EUR. The portion of net income attributable to minority interests amounted to 0.3 million EUR (prior year: 0.2 million EUR). Therefore, the portion of net income attributable to the DOUGLAS shareholders totaled 86.7 million EUR versus 75.9 million EUR the year before. **Earnings per share** increased to 2.20 EUR after 1.93 EUR last year.

114 The DOUGLAS Group's detailed consolidated income statement can be found on page 114 of this Annual Report. Further explanations of the development of individual income and expense items can be found in the Notes accompanying the consolidated financial statements starting on page 133. 133

Discretionary decisions applied to the accounting and valuation principles as well as important forward-looking assumptions are explained in detail in the Notes accompanying the consolidated financial statements under Note 5 (see page 127). 127

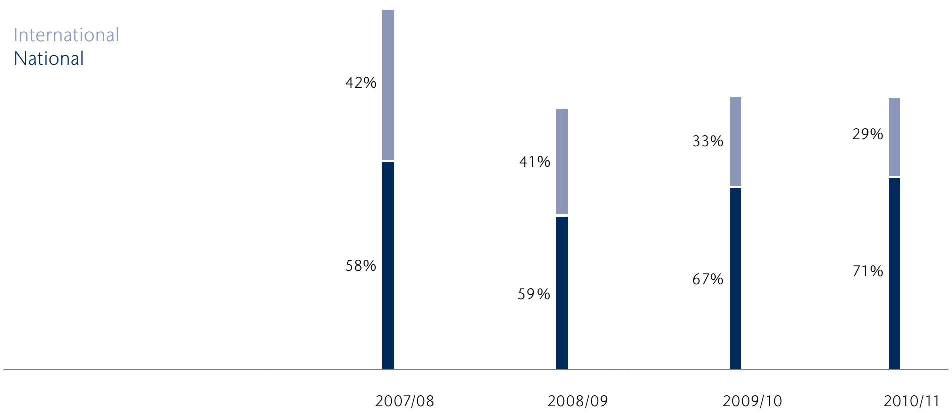
Capital expenditure in line with the previous year

Fig. 6 The DOUGLAS Group invested a total of 116.9 million EUR in the 2010/11 fiscal year, mostly for the opening of 64 new stores and the expansion and modernization of the existing store network. This corresponded to about the prior year's figure of 117.5 million EUR. The originally earmarked investment budget of 125 million EUR was not fully exhausted. The number of stores dropped by 45 to a total of 1,928 stores, mainly because of the sale of the Russian store network. Total Group sales space stood at 594,863 square meters as of the closing date compared to 596,575 square meters the year before. In total, the 72 store closures were offset by the opening of 64 new stores. The continuous moderate investment level still relates to a more restrictive investment policy and the increasing demand in the quality of store locations.

In the **Perfumeries division**, Douglas invested 61.6 million EUR for the opening of 41 new perfumeries as well as in the modernization of the store network (prior year: 56.3 million EUR). The main focus was on opening 31 new stores outside of Germany with an investment

Books and more across 1,300 square meters: Thalia at the Rheinparkcenter in Neuss.

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



	2007/08	2008/09	2009/10	2010/11
Total (in EUR m)	155.5	112.3	117.5	116.9
Change year-on-year	–0.2%	–27.8%	+4.6%	–0.5%

sum of 27.3 million EUR. The new stores primarily opened in Poland, Croatia and Italy. In Germany, an investment amount of 34.3 million EUR largely went towards numerous upgrading projects as well as to 10 new perfumery stores. As of September 30, 2011, the retail store network totaled 1,168 perfumeries with a total sales space of 275,048 square meters compared to 1,205 stores with 279,050 square meters the year before.

A total of 26.2 million EUR was invested in the **Books division** for 13 new Thalia bookstores and the refurbishment of the existing store network (prior year: 30.3 million EUR); of which 19.4 million EUR related to Germany and 6.8 million EUR to Switzerland and Austria, respectively. Ten new bookstores opened in Germany and three outside of Germany. Hence, the store network as of the balance sheet date amounted to 295 bookstores with a total sales space of 248,064 square meters versus 289 stores with 244,766 square meters one year earlier.

The investment increase in the **Jewelry division** of 1.4 million EUR to 15.8 million EUR resulted from nine new openings and diverse modernization work. The 207 stores (prior year: 204) comprised of total sales space of 22,719 square meters as of September 30, 2011. Therefore, the year-on-year comparison of sales space was higher by 815 square meters.

In the **Fashion division**, an amount of 2.1 million EUR was invested in the reporting period (prior year: 1.8 million EUR); particularly for the existing fashion stores in Mannheim and Essen. As per the fiscal year end, AppelrathCüpper operated a total of 13 fashion stores with a total sales space of 34,566 square meters (prior year: 35,556 square meters).

A total investment volume of 3.3 million EUR (prior year: 3.4 million EUR) was applied to the **Confectionery division** for the expansion and modernization of the existing store network. Hussel operated a total of 245 confectionery shops with a total sales space of 14,466 square meters as of September 30, 2011 compared to 261 shops with a total sales space of 15,299 square meters in the previous year.

High Free Cash Flow at 126.6 million EUR

The Free Cash Flow—the sum of cash inflow and outflow from operating and investing activities—for the 2010/11 fiscal year stood at 126.6 million EUR after 127.9 million Fig. 7

Fig. 7 · Free Cash Flow

	2010/11 (in EUR m)	2009/10 (in EUR m)
Net cash inflow from operating activities	190.8	246.2
Investments in fixed assets	–116.9	–117.3
Inflow from the disposal of fixed assets	5.0	4.5
Outflow for the purchase of consolidated companies	–2.9	–5.5
Inflow from the disposal of consolidated companies	50.6	0.0
Free Cash Flow	**126.6**	**127.9**

EUR the year before. The significant decrease in Cash Flow from operating activities was almost fully offset by the net proceeds from the divestiture of the Russian subsidiaries in the amount of 50.6 million EUR.

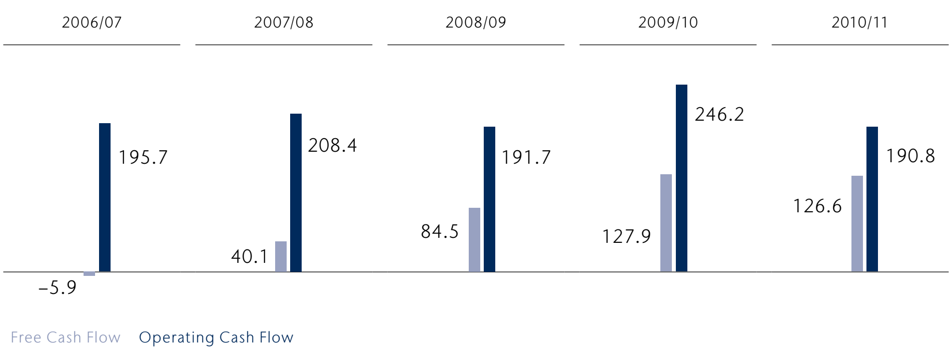
Fig. 8 Net cash inflow from operating activities in the 2010/11 fiscal year decreased by 55.4 million EUR to 190.8 million EUR. This drop resulted from 28.2 million EUR of higher capital employed in inventories, higher tax payments and lower provisions.

The net cash outflow for investing activities dropped by 54.1 million EUR to 64.2 million EUR in the 2010/11 fiscal year. Based on the nearly unaltered investments made to non-current assets, a decrease resulted from the purchase price payment for the Russian companies. The net proceeds from this amounted to 50.6 million EUR. In addition, the company textunes GmbH, Berlin, was acquired for 2.9 million EUR in the 2010/11 fiscal year. In contrast, acquisition-related expenditures arose in the previous year for the acquisition of buch.de shares.

The Free Cash Flow generated in the reporting period was chiefly applied for the dividend payout of 43.3 million EUR and for the repayment of bank liabilities. Furthermore, the shareholding of buch.de shares was stepped up to 77.6 percent of capital stock. In all, an amount of 8.4 million EUR was paid for this. In the preceding year, an amount of 39.7 million EUR was paid for two minority shareholdings in two group companies[3].

The detailed consolidated Cash Flow statement of the DOUGLAS Group can be found on 117 page 117 of this Annual Report.

Fig. 8 · Cash Flow (in EUR m)



[3] *For better comparability according to IAS 7, these payments were transferred from the Cash Flow for investing activities to the Cash Flow from financing activities*

Improved net assets and capital structure

Total assets decreased by 3.0 percent to around 1.7 billion EUR as of September 30, 2011. This decline was largely due to the deconsolidation of the assets and liabilities of the Russian subsidiaries OOO Douglas Rivoli and OOO Parfümerie International Company, each based in Moscow/Russia, and Douglas Rivoli Holding BV based in Nijmegen/The Netherlands, as well as goodwill impairment write-downs of the French companies in the amount of 22.9 million EUR. An opposite effect came from the higher working capital of 19.9 million EUR to 438.0 million EUR.

The capital structure continued to improve. Non-current assets accounted for 45.3 percent of total assets, with non-current capital accounting for 54.2 percent of total equity and liabilities.

Non-current assets reduced by 40.2 million EUR to 751.9 million EUR as a consequence of extraordinary write-downs.

Fig. 9

Current assets increased by 20.5 million EUR to 907.3 million EUR year-on-year. Inventories rose from 647.2 million EUR to 675.4 million EUR in the year under review. This increase was mainly due to the expansion of merchandise inventories for exclusive brands and private labels, Thalia's larger central warehouse and the higher jewelry prices. Trade accounts receivable and supplier reimbursements just slightly increased. Cash and cash equivalents dropped from 51.6 million EUR to 43.3 million EUR as a result of the improved cash management.

As per September 30, 2011, equity totaled 803.0 million EUR compared to 764.8 million EUR on the previous balance sheet date. The DOUGLAS Group's equity ratio climbed from 44.6 to 48.3 percent.

Fig. 10

Non-current liabilities fell by 15.2 million EUR to 98.6 million EUR mainly as a result of the scheduled repayment of bilateral bank loans and lower non-current liabilities from a put option for minority interests. Accordingly, the ratio of non-current liabilities to the balance sheet total decreased from 6.6 percent in the prior year to 5.9 percent as of September 30, 2011.

Fig. 9 · Consolidated balance sheet: assets

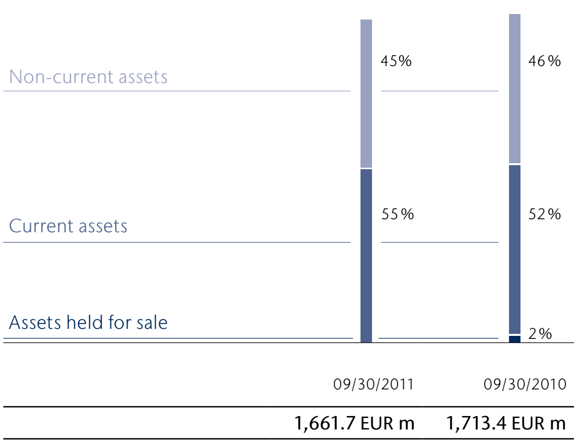
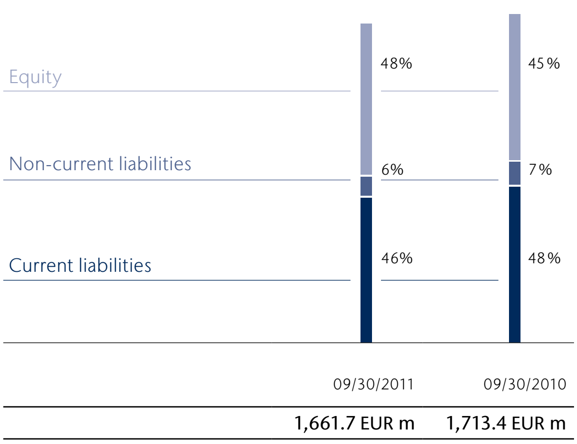


Fig. 10 · Consolidated balance sheet: equity and liabilities



The decline in current liabilities by 67.5 million EUR to 760.1 million EUR relates to lower liabilities due to banks, which were repaid from the sales proceeds generated from the Russian business. By contrast, trade accounts payable increased from 277.1 million EUR to 288.2 million EUR year-on-year.

Solid financing

The DOUGLAS Group's net debt—the net balance of cash and cash equivalents less bank liabilities—stood at 49.6 million EUR as of the balance sheet date following 124.0 million EUR on the same date last year. The lower net debt is the consequence of 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 9.1 million EUR versus 76.0 million EUR the year before.

The banks attest to a solid financing structure of the DOUGLAS Group. Since September 2007, a credit facility for a term of five years has been contractually available to DOUGLAS HOLDING AG and Douglas Finance B.V. 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 48.8 million EUR as of the balance sheet date. Through the inclusion of domestic and major foreign subsidiaries, this credit facility as well as short-term liquidity surpluses of individual companies can be applied to fund other companies.

Upon expiration of the syndicated credit facility, but at the latest commencing September 2012, the Group has available contractually agreed credit lines totaling 350 million EUR until October 2014; of which 225 million EUR is available until September 2016.

The Executive Board's overall assessment of the current economic situation

The business performance of the DOUGLAS Group in the first quarter of the current fiscal year 2011/12—which includes the DOUGLAS Group's important Christmas holiday business—was satisfactory on the whole.

The Executive Board continued to assess the business performance as being positive at the time this Annual Report was prepared. From today's standpoint, the Executive Board is assuming that the sales and earnings will develop as projected and that the planned financial key indicators will be reached. As of the printing date, the expectations largely agreed 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, assumes the tasks of medium and long term financing of the foreign subsidiaries.

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 earnings recorded are received in the same fiscal year.

For the 2010/11 fiscal year, the DOUGLAS HOLDING AG's income statement reports investment earnings of 98.1 million EUR as compared to 123.2 million EUR in the preceding fiscal year. The main contributor to this figure was the Perfumeries division with earnings from investments of 59.0 million EUR (prior year: 92.3 million EUR). The lower year-on-year figure largely relates to the write-downs on financial assets. As a consequence of the positive business performance, the investment earnings from the Jewelry division climbed to 25.5 million EUR after 18.1 million EUR the year before. Because of the poor business performance, the Books division reported an investment loss of 7.3 million EUR. In the preceding year, investment earnings were achieved in the amount of 5.8 million EUR. There were no notable investment earnings from the Fashion division. The Confectionery division contributed investment earnings of 5.0 million EUR as a result of an intercompany sale (prior year: 3.8 million EUR). The Services division contributed 15.5 million EUR mainly due to a profit distribution of Douglas Finance B.V., Nijmegen/The Netherlands, (prior year: 3.1 million EUR).

In the previous year, other operating income increased by 5.6 million EUR due to the reversal of special reserves with an equity portion.

The net interest result fell by 2.4 million EUR to 6.5 million EUR. This was caused by lower finance needs of the subsidiaries. Particularly arising from the lower investment earnings, the earnings from the operating activities of DOUGLAS HOLDING AG decreased to 87.9 million EUR (prior year: 116.2 million EUR).

The decrease in income taxes from 36.8 million EUR to 29.7 million EUR relates to the lower pre-tax earnings. Net income, i.e. earnings from operating activities after deducting taxes and extraordinary expenses, reached 57.7 million EUR following 86.7 million EUR the year before.

As of September 30, 2011, the balance sheet total decreased by 14.5 million EUR to 955.4 million EUR year-on-year. The investment carrying values increased by 81.7 million EUR as a result of the capital increases executed for the subsidiaries during the reporting period. Receivables due from affiliated companies correspondingly lessened. As a consequence of lower capital employed, the bank liabilities also decreased.

An amount of 14.4 million EUR was transferred to retained earnings from the 2010/11 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 amounted to 44.0 million EUR like in the preceding year. The DOUGLAS HOLDING AG's equity totaled 792.0 million EUR as of September 30, 2011 (prior year: 776.5 million EUR) and the equity ratio stood at 82.9 percent (prior year: 80.1 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 electronic Federal Gazette (elektronischer Bundesanzeiger). 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 preceding year, the Executive and Supervisory Boards of DOUGLAS HOLDING AG will propose to the Annual Shareholders' Meeting on March 21, 2012 to approve a dividend distribution from the net retained profits of 1.10 EUR per dividend-bearing share. This distribution ratio of 50 percent is in line with the objective of distributing about half of the Group net income.

Based on a closing share price of 29.52 EUR as of September 30, 2011, the dividend yield would be 3.7 percent. A total distribution for the dividend-bearing capital in the amount of 118.3 million EUR would result in a distribution payout of 43.4 million EUR.

Subsequent events

As a result of the capital increase to issue employee shares executed on November 24, 2011, the capital stock increased by 0.2 million EUR to 118.3 million EUR. This transaction did not materially impact the net assets, financial position and result of operations of the DOUGLAS Group.

There were no other important events occurring subsequent to the balance sheet date.

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 2010/11

The DOUGLAS Group generated a DVA of 11.8 million EUR in the fiscal year 2010/11 or 11.9 million EUR behind the prior year's figure. The main cause for this was the lower DVA net operating profit after taxes (NOPAT). The earnings development was adjusted for special effects, such as the disposal of the perfumery business in Russia and goodwill write-downs. Based on largely unaltered capital costs, the lower NOPAT led to a significantly reduced DVA of 11.8 million EUR in the year under review.

Fig. 12

The Perfumeries division improved the NOPAT and reduced the average capital employed so that a value contribution of 30.6 million EUR could be realized. Due to low start-up losses, which are neutralized in the DVA concept, the DVA nonetheless fell by 3.0 million EUR.

The Books division did not succeed in making a positive value contribution. The Thalia group reported significantly lower operating earnings, which is reflected with a DVA of –17.9 million EUR. In the previous year, the DVA reached –5.1 million EUR.

Fig. 11 · Internal control factors and key performance indicators

		2010/11	2009/10
Net sales	in EUR m	3,378.8	3,320.8
Gross profit	in EUR m	1,608.9	1,571.3
Margin	in %	47.6	47.3
EBITDA	in EUR m	292.9	286.9
Margin	in %	8.7	8.6
EBT	in EUR m	137.8	131.2
Margin	in %	4.1	4.0
DVA	in EUR m	11.8	23.7
Delta-DVA	in EUR m	–11.9	3.2
Equity ratio	in %	48.3	44.6
Working Capital [1]	in EUR m	438.0	418.1
Net bank debt [2]	in EUR m	49.6	124.0

[1] Inventories and trade accounts receivable less trade accounts payable
[2] Liabilities to banks less cash and cash equivalents

Fig. 12 · DVA and Delta-DVA by division—Fiscal year 2010/11

	NOPAT (in EUR m)	Capital employed (in EUR m)	DVA [1] (in EUR m)	ROCE [2] (in %)	Delta-DVA (in EUR m)
Perfumeries	78.5	835.3	30.6	10.2	–3.0
Books	5.9	409.3	–17.9	2.1	–12.8
Jewelry	18.0	123.9	10.4	14.9	4.8
Fashion	1.2	109.6	–5.9	1.1	0.7
Confectionery	1.4	27.2	0.0	6.3	–1.3
Sales subsidiaries	**105.0**	**1,505.2**	**17.2**	**7.6**	**–11.5**
Other companies/consolidation	–9.4	–61.2	–5.4	–	–0.4
DOUGLAS Group	**95.6**	**1,444.0**	**11.8**	**7.3**	**–11.9**

[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 costs of capital
[2] ROCE = (NOPAT + start-up-costs) / capital employed

Through the substantially higher sales and earnings, the Jewelry division increased its DVA by 4.8 million EUR to 10.4 million EUR year-on-year. With a return on capital employed (ROCE) of 14.9 percent, the Jewelry division achieved the highest return in the 2010/11 fiscal year within the DOUGLAS Group.

With the closure of a fashion store in Solingen, the Fashion division reduced the capital employed. In combination with an earnings increase, a slightly improved DVA was reached, but at –5.9 million EUR still represented a negative value contribution.

Despite a year-on-year weaker earnings performance, the Confectionery division almost earned the cost of capital. Compared to the prior year, the DVA however resulted in a lower value contribution of 1.3 million EUR.

The DVA of the Other Companies/Consolidation division stood at –5.4 million EUR in the reporting period. This translates to a decline of 0.4 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) and is derived from a risk-free base interest rate, the company-specific beta-factor and the market risk premium. In general, the risk-free base interest rate is 3.5 percent and is approximated by the yield on a long-running federal bond. The adjustment for risk components takes into account a beta-factor of 0.6 and a market risk premium of 6 percent. The borrowing costs rate comprises the risk-free base interest rate plus a risk mark-up of 0.6 percent and is determined after taxes. To depict the tax deductibility of borrowing costs, a marginal tax rate of 35 percent was assumed. The final weighting of the cost of capital rate for the DOUGLAS Group corresponds to a market-price valued target capital structure of 80 percent for equity and 20 percent for debt.

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.

Fig. 13 · Statement of value added

	2010/11		2009/10		Change
	(in EUR m)	(in %)	(in EUR m)	(in %)	(in %)
Origin of value added					
Net sales	3,378.8	93.7	3,320.8	93.9	1.7
Other income	229.1	6.3	215.0	6.1	6.3
Group performance	**3,607.9**	**100.0**	**3,535.8**	**100.0**	**2.0**
Cost of materials	−1,769.9	−49.1	−1,749.5	−49.5	1.2
Depreciation/amortization	−149.5	−4.1	−145.2	−4.1	3.0
Other expenses	−801.5	−22.2	−776.1	−21.9	3.2
Value added	**887.0**	**24.6**	**865.0**	**24.5**	**2.5**
Use of value added					
Employees	740.7	83.5	720.3	83.2	2.8
Public sector	50.8	5.7	55.1	6.4	−7.8
Shareholders	43.4	4.9	43.3	5.0	0.2
Company (retained earning)	43.3	4.9	32.6	3.8	32.8
Creditors	8.5	1.0	13.5	1.6	−37.0
Minority interests	0.3	0.0	0.2	0.0	50.0
Value added	**887.0**	**100.0**	**865.0**	**100.0**	**2.5**

Statement of value added

Fig. 13 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 interest groups—employees, shareholders, creditors or the public sector. The result represents the macroeconomic performance of the DOUGLAS Group.

In the 2010/11 fiscal year, the Group's performance climbed by 2.0 percent to over 3.6 billion EUR as a consequence of sales growth and the proceeds from the sale of the Russian business. Net of intermediate input, the value added generated by the DOUGLAS Group totaled 887.0 million EUR (prior year: 865.0 million EUR), translating into an increase of 2.5 percent year-on-year.

The bulk of the value added—83.5 percent—went to the benefit of the DOUGLAS Group's employees. The public sector received 5.7 percent of value added. Based on the dividend currently being proposed, the DOUGLAS Group's shareholders account for 4.9 percent of value added with 1.0 percent going to creditors and 4.9 percent remaining within the Group.

Headcount slightly below prior year

Fig. 14 With their expertise, friendliness and service orientation, the DOUGLAS Group's employees once again made a major contribution to the Group's corporate success in the 2010/11 fiscal year.

Although the headcount dropped by 332 to 24,323 as of the end of the fiscal year (prior year: 24,655), there were 161 more employees in Germany than the year before, thus totaling 15,325 as of the balance sheet date. Outside of Germany, the workforce number of 8,998 was 493 less than in the preceding year. This is largely due to the divestiture of the Russian store network.

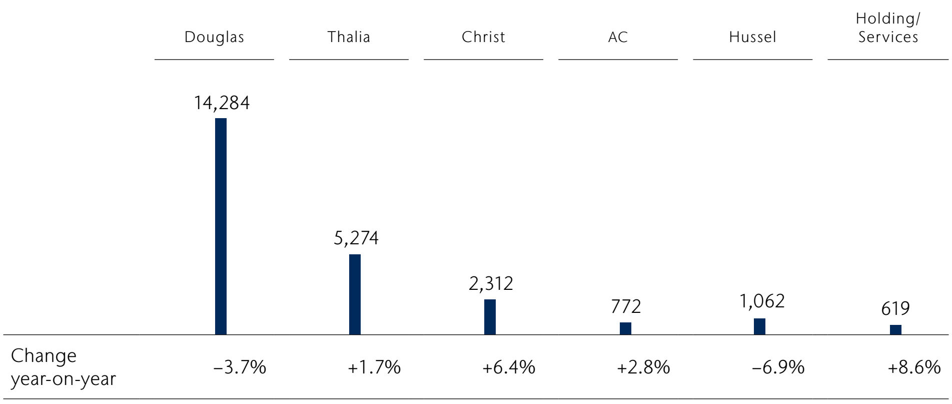
Personnel expenses in the 2010/11 fiscal year amounted to 740.7 million EUR or 2.8 percent above the prior year's figure. The ratio of personnel expenses to sales of 21.9 percent nearly matched the prior year's level.

Another instrumental success factor for the DOUGLAS Group is focusing on the consistent training and continuing education of its employees. In Germany alone, 720 young professionals began their vocational training in 2011 at a specialty retail store or at the service centers. This represents a trainee rate of nearly 14 percent, which is again well above the sector average of roughly 8 percent. Therefore, the DOUGLAS Group once more underscores its high commitment to the training of young professionals in the 2010/11 fiscal year.

In fiscal year 2010/11 a support program for young employees who are not on the sales force was set up for the first time. In this program young professionals are prepared for future challenges whether as a manager or looking ahead to a professional career.

Alongside training, the DOUGLAS Group attaches great importance to personnel development. In this way, the DOUGLAS HOLDING ACADEMY offers seminars, workshops and

Fig. 14 · Employees by division—Fiscal year 2010/11



informative events for top executive on a cross-company level, focusing on the latest developments and trends in the strategic further development of the divisions. At the same time, it grasps the opportunity to create an exchange of information across all departments. The program content also takes into account strengthening corporate values and management guidelines, thus making a key contribution to promoting the corporate culture within the DOUGLAS Group.

Moreover, specific continuing education courses are offered to the German Douglas perfumeries at the "Douglas Academy", to the Thalia book retailers at the "Thalia-Academy" and to the Christ jewelry stores as part of the "PROMIs-Program". The training courses offered to sales staff continues to focus on the key topic of "selling".

With the establishment of the store sponsorship concept and marketing efforts, a number of employees at the service headquarters and DOUGLAS HOLDING have the opportunity to gain a deeper insight of the sales department and a better understanding of the store processes. Through the direct exchange, the cooperation between the sales and central service departments is further optimized.

Additional information in this respect can be found in the "Sustainability" section on pages 52 to 59 and the "Human Resources" section on pages 18 to 25 of this Annual Report.

52–59
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, consumer trends are continually monitored and all relevant markets are intensively analyzed. The knowledge gained therefrom helps in the selection of the range of products and in the development 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 network, so that they can be profitably implemented for the DOUGLAS Group.

Procurement and logistics

The continuous optimization of the procurement and logistics processes presents a key factor of success for the DOUGLAS Group. The demands on logistics have continued to rise, especially with the growing Internet business and the increasing coalescence of stores and online shops.

The Douglas perfumeries bundled all logistics and organizational tasks into a newly created Supply Chain Management department in the fiscal year. The prior year's new allocation of stores to Cross Docking locations, the Electronic Data Interchange (EDI) and the IT-supported merchandise disposition with the system for store orders SAF built the core elements in defining the optimized supply chain strategy. Furthermore, the restructuring of the logistics network in Germany with additional locations in Hamburg and Unna/Dortmund was completed in the 2010/11 fiscal year.

Regarding the logistics of private labels and exclusive brands, the Douglas perfumeries have been using reusable containers for the first time since the beginning of 2011. The use of these reusable containers is planned to be extended to include other suppliers in the future. Moreover, Douglas further developed its IT systems during the reporting period. In this way, a pilot test of exchanging master data via a master data pool was successfully accomplished. The pilot test is planned to be expanded in the coming fiscal year.

This fiscal year's focus of the Thalia group was on expanding the central warehouse in Hörselgau (Thuringia). For the stationary business, the central warehouse assures the delivery to all Thalia bookstores in Germany and the delivery of DVD products to the Austrian stores.

The rollout of the merchandise and information system Thawis initiated in prior years remains a key instrument in supporting the business processes at Thalia. In fiscal year 2010/11, a vast majority of the bookstores in Germany and Switzerland were successfully integrated. Furthermore, the Books division participated in an industry-wide project to optimize the ordering processes.

The respective logistics concept will also be adjusted to meet the growing demands at the other business divisions of the DOUGLAS Group, especially in view of the increasing integration with the online business.

Sustainability

Corporate responsibility

The DOUGLAS Group associates corporate responsibility with a clear claim: Retailing with heart and mind. This means, reconciling the desired economic success from all sides with social and economic commitment. This also becomes clear in affixing the sustainability mentality to corporate values. This was revised in the 2010/11 fiscal year and sustainability was included as an important principle in the DOUGLAS Group's canon of values: "We are a reliable and responsible partner, who saves resources"—this is how the DOUGLAS

Group describes its responsibility for sustainable action. The company responds to this challenge with many individual projects and initiatives. In 2008, the DOUGLAS Group had already established the in-house "Corporate Social Responsibility Council", comprising of representatives from the operating divisions and the DOUGLAS HOLDING. Employees, customers, investors and other interest groups also exhibit concrete expectations of the DOUGLAS Group. The demands of these interest groups are bundled and evaluated by the Council, it defines key corporate responsibility topics as part of its regular meetings.

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). In particular, it prescribes:

- the prohibition of child labor and forced labor
- the right to freedom of assembly and collective bargaining
- the assurance of health and safety at the workplace
- the guarantee of bare living wages
- the compliance with pre-defined working hours
- the prohibition of any discrimination
- the existence of employment contracts
- the consideration of environmental aspects in production

The DOUGLAS Group's supplier code of conduct is valid for all subsidiaries. It is an integral component of all supplier contracts. Therefore, all suppliers are obligated to comply with the supplier code of conduct or a corresponding own code.

Compliance is checked upon the first business contact, but also for existing business relations by rotation and without prior notice. In general, only those companies are accepted as partners who comply with the standards or their compliance is assured within a defined period. A contractual partner of the DOUGLAS Group must assure on their part that the code is also respected by its suppliers. If the standards set forth in supplier code of conduct are not fulfilled despite requests or compliance therewith is not likely within a pre-defined period, this will result in sanctions, including contract termination.

Focus on employee orientation

A corporation is only successful when its employees are satisfied with their working conditions and are given the opportunity for further development. Especially for the DOUGLAS Group, which relies on excellent service, expert advice and self-responsibility, continuing education is the key for sustainable success. 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. That is why great emphasis is placed on the development of young professionals for the sales force. Young employees can attain a broad know-how in specially conceptualized programs such as the "Douglas Academy" for purposes of assuming responsibility for store management early on. Basically, staff development is not broadly dispersed, but individually applied to meet the targets of the respective fiscal year.

In this way, for example, management staff can use the in-house offers of the "DOUGLAS HOLDING ACADEMY", which are compiled in special seminars and events covering the current challenges of the DOUGLAS Group, such as multi-channel or strategy development.

A prerequisite for the employee-oriented implementation of the strategic corporate goals is high management competence across all management levels of the company. Therefore, as part of the revised business value, this fiscal year's focus was also on the timely and sustainable further development of the management guidelines. In this respect, valuable information is provided from written and anonymous employee surveys conducted at regular intervals every other year in either the sales department or the service headquarters. Other valuable information was obtained from a questionnaire of the Top 500 key executives in the DOUGLAS Group.

With regard to the demographic change and rising competition for hiring professionals and managers, the retention and development of highly qualified employees is crucial for sustainable corporate management. The aim is to make young professionals enthusiastic about starting a career in retailing and keeping them loyal to the company. That is why the DOUGLAS Group has offered attractive training courses and diverse career opportunities within the company for many years. In August 2011, some 720 young people launched their careers in the DOUGLAS Group throughout Germany—more than ever before. In total, 1,783 apprentices were employed in Germany as of September 30, 2011, which correlates to a trainee rate of about 14 percent and is again well above the industry average of the German retailing trade of about eight percent. On an annual basis, approximately 70 percent of the trainees are hired. The DOUGLAS Group is consistently pursuing the direction of being a training-intensive company.

An innovative idea to make young people enthusiastic about starting a career with the DOUGLAS Group is the "5 Star Day", which was launched for the first time in June 2011. This initiative is aimed at students looking for an internship. So far, the DOUGLAS Group could later permanently recruit about 80 percent of graduating students who had either conducted an internship or had been student-trainees in the company.

At the same time, the DOUGLAS Group relies on a healthy generation mix. In particular, employees of many years provide continuity and have a wealth of experience. Together with their new colleagues and junior staff, who provide impetus for changes and innovations, they shape top teams. In the 2010/11 fiscal year, roughly 7,000 men and women celebrated their 10-year anniversary in the DOUGLAS Group; of which some 2,000 celebrated their 20th anniversary. Modern human resources policies in the DOUGLAS Group also include special offers for longstanding and experienced staff. In this context, the DOUGLAS Group has participated for several years in the "Experience 50 plus" project, initiated by the German Retail Association (HDE) and Federal Ministry of Family. This aims to accompany participants with age-appropriate training for the constantly changing demands in sales.

The DOUGLAS Group also exhibits responsibility in the area of compliance. Where uncertainties arise as to whether a certain behavior is right or wrong, all staff members are given the opportunity to speak confidentially with the respective local supervisor or the Compliance director of the DOUGLAS Group. In the 2010/11 fiscal year, the Compliance organization was extended on an international scale and five additional Compliance directors were appointed. With a total of nine Compliance directors the employees have been given more opportunities of confiding in someone trusted in their own language.

The staff's health has also become a top concern. In the 2010/11 fiscal year, the DOUGLAS Group further expanded its measures to uphold and promote physical health. For example, the Hagen location hosted six health days and events as well as conducting regular health checks for managers. In addition, the staff members are offered information and assistance about the topic “stress prevention”. Here, preventive measures and the concept of “Work-Life-Balance” will be discussed, which is given high priority throughout the company.

The ratio of female employees to the total workforce number is 90 percent in the DOUGLAS Group. At over 50 percent, the proportion of females in senior management (starting at the divisional head level) is well above the average. Many of whom want to continue with their careers after they have decided to start a family. Which is why the DOUGLAS Group offers its employees diverse opportunities to combine work and family life. By means of flexible work schedules, flextime and part-time work, the company allows the daily working days to be arranged by the staff. Individual models can also be agreed. The DOUGLAS company kindergarten, which opened in Hagen in August 2009, now takes care of more than 30 children.

Additional informational offers, such as on increasingly important issues like retirement and health are planned to be enhanced in the coming years.

Responsibility to the environment

The efficient use of natural resources and energy play a central role in the DOUGLAS Group. Being a retailing company with more than 1,900 specialty stores in 17 countries and a decentralized management structure, the DOUGLAS Group collects detailed data in major companies concerning energy consumption, greenhouse gas emissions and other relevant environmental key indicators. However, all subsidiaries in the group are encouraged to contribute to protecting the environment at their specialty retail stores, thus continuously improving energy efficiency and preventing the unnecessary use of energy and materials. Energy-saving techniques in air conditioning and ventilation systems are applied for new constructions and renovations. 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. The findings from this pilot store and the major technical advance in LED lighting will be considered in future new openings and upgrades. The Christ jewelry business created an energy-savings concept, which was implemented for the first time when renovations were made to the store in Freiburg. Here, 30 percent of energy costs were saved through this new lighting concept.

Moreover, the DOUGLAS Group is reviewing continuous applications to optimize logistics activities, thus making a positive contribution to the environment. Also with this in mind, the Douglas perfumeries fundamentally overhauled its logistics in Germany in 2010. By means of reducing the cross docking sites from eight to five and the implementation of an IT-supported ordering system, Douglas succeeded in significantly decreasing the transport volume despite higher quantities of goods. In the 2010/11 fiscal year, the Douglas perfumeries also replaced the carton packaging used previously for the private and exclusive label logistics to reusable boxes.

The Thalia bookselling group signed a new logistics agreement with their service providers, which allows all national sales companies to be processed via one logistics center. All ingoing and outgoing merchandise are centrally monitored there. AppelrathCüpper optimized its logistics structure, too. Thus, the fashion houses now receive deliveries twice per week instead of every day and only by one provider. For several years, Hussel has been delivering a major portion of products to its more than 200 confectionery shops via a central warehouse. This portion is now already over 90 percent, with a higher percentage planned to be reached in the future.

On the occasion of its Annual Shareholders' Meeting, the DOUGLAS HOLDING once again donated funds to three charities in and around Hagen.

For a good cause at the "dreamball 2011" from DKMS LIFE: The Douglas perfumeries, as the main sponsor, and a lot of celebrities, like Barbara Schöneberger and the singer Milow (left) or Sylvie van der Vaart.

Initiative against cults: With a charitable donation of 500 EUR DOUGLAS HOLDING supports "Sekten-Info NRW".

Work and family balance: While the parents are at work, DOUGLAS and AWO cared for the children at a holiday camp.

To protect the forests, the DOUGLAS HOLDING has used FSC-certified paper for many years—also when printing the Annual Report. Since 2011, the service headquarters of the DOUGLAS Group in Hagen has completely switched to using recycled paper.

With the installation of a photovoltaic-device at the administrative site in Hagen, the DOUGLAS Group has been making a contribution to generating electricity from renewable energy sources since spring 2011.

Additionally, a catalog with tips for saving energy was prepared and made available to all employees at the headquarters in Hagen. The focus is predominantly on the energy-saving use of PCs and printers.

Social responsibility

The DOUGLAS Group‘s corporate and social commitment encompasses a number of projects. In particular, education has a high priority. With its high trainee figures, the corporate group, for example, makes a valuable contribution by giving young people a qualified start in their professional careers.

Furthermore, the DOUGLAS Group supports various organizations and projects actively involved in helping disadvantaged or deprived persons. Such as in prior years, the DOUGLAS HOLDING donated a total of 25,000 EUR on occasion of its Annual Shareholders' Meeting in 2011. The foundation Evangelische Stiftung Volmarstein received a donation of 12,500 EUR, which is a social welfare work giving care to the disabled, sick and elderly. The soup kitchen (Suppenküche Hagen e.V.) and the German Child Protection Association (Deutscher Kinderschutzbund, Ortsverband Hagen e.V.) in Hagen each received funds of 6,250 EUR. Other charitable amounts went to the Hagen children's food table.

To promote corporate and political dialogue and religions among each other, the DOUGLAS Group sponsored the 33rd German Protestant Church Day in Dresden in June 2011 with donations in kind and a sum of 10,000 EUR.

Being a company in Hagen, the DOUGLAS Group is proactively 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 through funding, staff and hands-on-activities. In addition, the human resources of DOUGLAS HOLDING has assisted the Employment Office in Hagen since 2006 with the job application training of long-term unemployed persons and mothers returning to the workforce after leave of absences.

In 2011 the DOUGLAS HOLDING counted among the sponsors of the Hagen Project "Sponsoren & Kunst für Soziales" („Spunk"), which intermingles art and social commitment. The DOUGLAS HOLDING sponsored a sum of 1,500 EUR to the association "Wildwasser e.V.", which works against sexual assault on children and the project "Integration through Sport".

Since 2008, the Douglas perfumeries, as a main sponsor, have been supporting 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, the Douglas perfumeries have held more than 600 cosmetic seminars and allocated a total sum of roughly 620,000 EUR for DKMS LIFE. Furthermore, the Douglas perfumeries were yet again the main sponsor of the DKMS LIFE Charity Event “dreamball 2011”. The Douglas perfumeries will continue to support DKMS LIFE in 2012 as well.

In addition, Douglas Germany is engaged in the worldwide campaign “Acqua for Life”, initiated by Giorgio Armani and the non-governmental organization “Green Cross International”. The aim of this campaign was to make 40 million liters of drinking water available to families in Ghana, who so far had no access to safe drinking water. Upon the purchase of a Giorgio Armani fragrance, the customer symbolically donated 100 liters of drinking water. Of the four million liters of drinking water that were generated in Germany for this campaign, Douglas customers contributed about one-quarter of the total sum. Overall, roughly 44 million liters of water were collected worldwide. Douglas plans to support this initiative again in 2012.

Douglas Germany is also the official partner of the project “Germany rounds off”. This initiative aims to persuade customers to round-off their receipt to the nearest 10 cent amount. The funds collected will go to charitable projects.

In France, Douglas supports the initiative “La Flamme Marie-Claire”, which promotes the schooling of girls around the world. In the fiscal year, the Douglas perfumeries in Austria were engaged for the fourth consecutive time as a partner of the Austrian cancer care program.

The bookselling group Thalia seeks to promote the fascination for literature through its corporate commitment. In 2011 and for the third time, Thalia sponsored the internatioal literature fesitival “lit.COLOGNE” and “lit.COLOGNE Spezial” in Cologne. Fourteen book retailers reported about Europe’s largest literature festival—in a specially designed culture blog “Thalia’s Sketchbook”.

Thalia demonstrated particular engagement in promoting reading, too. In Germany, Austria and Switzerland, reading sponsorships have been created with schools at many locations, local libraries have been supported and they have brought the pleasure of reading to the attention of customers by means of smaller local events at the Thalia bookstores. Similarly, the Thalia group strengthened the cultural heritage of the book with numerous activities on occasion of the annual “World Book Day” on April 23, 2011.

Corporate and social responsibility also feature strongly at Christ. 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 several years with the “Werkstatt über den Teichen GmbH” in Dortmund, a recognized facility for disabled persons. This 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 shops 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.

Additionally, Hussel has presented its top private label "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. This fiscal year, Hussel also sold fair-trade Christmas confectionery merchandise.

Additional information regarding sustainability can be found on the DOUGLAS Group's website www.douglas-holding.com under "Our Company/Sustainability".

Opportunities and risks situation

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.

The DOUGLAS Group sees a risk as being a negative impact on a subsidiary or the corporate group and its economic situation from the occurrence of an undesired event at a future date. A positive impact from future developments is seen as an opportunity.

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 (DOUGLAS Risk Radar). This system allows a monetary evaluation of opportunities and risks as well as the documentation of measures applied. The DOUGLAS Risk Radar complies with the law on control and transparency in corporations (KonTraG).

The efficiency of the opportunities and risk management process is continuously assessed by the Group's internal auditing unit as part of its compliance checks. The identified opportunities and risks are regularly processed and presented to the Executive Board of the DOUGLAS HOLDING, which assures that information is received in a timely manner. In the event of sudden and material opportunities and risks being incurred, the Executive Board immediately receives all necessary information regardless of the reporting cycle.

Environment opportunities and risks

The macroeconomic developments in the all-important markets of the DOUGLAS Group and the inherent changes on consumer habits have a material impact on the net assets, financial position and result of operations of the Group. The DOUGLAS Group regularly evaluates macroeconomic studies and projections to gain an insight of the probable economic development in countries of relevance. The economic and income expectations of the consumer largely impact consumer demand and therefore the sales development of the DOUGLAS Group on a like-for-like basis and, consequently, the Group earnings. The dependency on individual national markets is reduced through the Group's presence in 17 countries.

To optimize opportunities and reduce risks from internationalization, national political, economic and legal framework conditions are carefully monitored and evaluated by experienced local managing directors. The principle of profit-oriented growth with a consistent focus on a profitable business model is always upheld. Following the finalization of the store network streamlining and the market exits in Denmark, the US and Russia, the DOUGLAS Group is now concentrating its efforts on expanding its market position in European core countries.

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.

Business opportunities and risks

Technological further development and the shift from traditional sales channels to Internet-based ones open up opportunities as well as risks. Here it is important to be positioned as a multi-channel provider by making meaningful investments.

The close integration of online shops and stationary stores presents a significant opportunity to the DOUGLAS Group. This gives the customer the opportunity of ordering a product per Internet or mobile and arranging for store pick-up as a wrapped gift.

For an international retail group, changes in consumer habits present important opportunities and risks, particularly in the changing demands of customers. The continuous development of the Customer Relationship Management serves as a communication platform and contributes to better understanding the customer's wishes.

In the Perfumeries division, the extensive assortment of beauty products, the attractive lifestyle ambiance and the award-winning first-class service are continuously expanded through new concepts. Examples of this include the extremely successful Douglas Box-of-Beauty or developing special store concepts for those locations marked by clients with particularly discriminating tastes or especially young, trend-conscious customers.

The books division is facing major challenges just like the entire book retailing market due to the growing relevance of online purchases and the digitalization of book content. Enhancing the book product mix with meaningful additions such as toys or craft supplies should help alleviate the reduction in the stationary bookselling business. In order to increase the attractiveness of its online shops and digital offers in a market environment characterized by a growing presence of global competitors, Thalia further improved its layout and user-friendliness in autumn 2011. In a rapidly growing market for digital book content, Thalia wants to promote the marketing of its comprehensive eBook-offers through the further development of its own eReader OYO.

At Christ, the further expansion of the exclusive brand and private label share will be pushed forward. Similar to Hussel and AppelrathCüpper, the web-presentation including the online shop has been re-designed and continuously developed at the beginning of the fiscal year for purposes of also raising the online brand image.

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. This is of particular importance for suppliers with products that are difficult to substitute. In the event of a contract termination, product-mix gaps could arise that would adversely impact the sales and earnings situation. This risk is also minimized through longstanding contract relations.

Rising rental and energy prices as well as growing competition necessitate intensive cost management. 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 rather limited. The same applies for liquidity and interest risks due 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. Given the default risks, the aim is to make large money investments with first-rated banks in Germany. A detailed description of the financial risks and their managing tactics can be found in the Notes accompanying the consolidated financial statements on pages 160 to 165 of this Annual Report.

160–165

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 conducted by internal and external service providers minimized the risks from receivables default across the Group. The focus was largely on the prevention of default risk with major partners. 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 review procedures. Losses from forgery of banknotes are immaterial due to the controls in place.

Information technology opportunities and risks

The increasing integration of IT systems into the business processes, ranging from electronic ordering to sales processes and online shops customized to meet the customer's needs all raise the prominent role of IT. The dependency on the availability and quality of data present increasing risk potential. In order to counter this, a group-wide, mandatory IT safeguarding infrastructure 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 systems are regularly reviewed by external experts to detect any security leaks. The training of all respective staff and the special consideration of data protection all guarantee the high security of business and customer data and in part, go well beyond the legal requirements.

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.

After upgrading work in a new look: The AC fashion house on Essen's top shopping mile on Kettwiger Straße.

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 and efficient processing.

Human resources opportunities and risks

Key success factors of the lifestyle philosophy include expert advice and outstanding service. Consequently, employees who are inadequately qualified and have insufficient service orientation pose significant risks. To identify improvement potential, the quality of service is measured by means of external test buyers. A particular challenge in daily customer contact lies in combining the sales channel between online shops and the stores. Here, it is important to build-up corresponding know-how and the employee's understanding. Many processes learned over the years have either changed in a short time or become more complex. Such an example is the transformation of the bookseller to a media and multi-channel retailer. Besides creating a positive working atmosphere, the focus is therefore also on offering company training and continuing education.

The promotion of young management professionals is realized through international management development programs. Top executives have the opportunity of receiving specific training and to simultaneously exchange their experiences across the divisions.

Opportunities arise in particular from the high attractiveness of the DOUGLAS Group as an employer and, again, the high ratio of apprentices. As a consequence, this should secure the supply of qualified young management professionals.

Legal opportunities and risks

Significant legal risks could arise from possible violations against statutory requirements or internal corporate guidelines. Alongside consistent compliance with the current legal situations in all relevant countries, particular attention is also given to forthcoming legislative changes. The early inclusion of internal and external local legal advisors helps to take the necessary steps. Correspondingly, these issues are intensely scrutinized by the central legal unit and the respective legal advisors.

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 of 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 relating to the (Group) accounting system

The accounting-related internal control and risk management system of the DOUGLAS Group aims to minimize the risk of misstatements in accounting and in external reporting or in timely detecting them and implementing countermeasures. This assures that group-relevant issues are presented in the individual and consolidated financial statements in compliance with the law and conforming to standards.

The DOUGLAS Group has a uniform accounting manual, which is regularly updated to meet the legal framework conditions when preparing the individual financial statements. The 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. The policy guidelines lie centrally with DOUGLAS HOLDING AG.

The individual financial statements of the Group companies in conformity with local commercial law (HB I) are prepared to a vast extent 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. 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 (HFM) software system. A standardized chart of accounts is established for this purpose, which is used by all companies and is defined and maintained by DOUGLAS HOLDING AG. The individual financial statements prepared in SAP are automatically transferred to HFM; necessary adjustments to the Group's uniform recognition, valuation and presentation policies are performed decentrally by HFM (HB II). 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, these must be resolved by the respective company of the DOUGLAS Group. Manual controls with respect to quality and completeness are performed by corporate accounting.

Another controlling instrument is the financial statements presentation of the individual companies. The respective managing directors and independent accountants of all material subsidiaries present their financial statements according to centralized, standard formats to a committee comprising of the Executive Board, the corporate accounting unit and the Group independent auditors and are questioned about critical issues. 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 is not undermined. In certain Group companies, such a separation of duties 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-driven 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 detected.

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 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 authorization 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 the companies are audited. 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 assured.

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.

The main types of potential risks for the DOUGLAS Group include economic development in key markets and the consumer habits arising therefrom. There are also structural changes, which are now being observed in the book retailing industry, that require basic changes to be made to the previous business models.

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.

Statutory disclosures

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

The company's share capital amounted to 118,131,666 EUR as of the balance sheet date on September 30, 2011. It was divided into 39,377,222 bearer shares with 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. According to a voting rights notification pursuant to Section 21 WpHG, Müller Ltd. & Co. KG reported that its voting rights interest exceeded the 10 percent threshold on January 24, 2011 and that it held an interest of 10.062 percent on this date; no notifications had been received as of the balance sheet date reporting that the shareholding interest has fallen below 10 percent.

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 concerning the Executive and Supervisory Boards' remuneration structure can be found in the Notes accompanying the consolidated financial statements on pages 167 to 168 of this Annual Report.

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 Articles of Incorporation of DOUGLAS HOLDING AG.

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 bearer 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 1,077,270 EUR in the period up to March 11, 2013 by issuing, on one or more occasions, new no-par value bearer shares against cash contributions (authorized capital II).

The DOUGLAS HOLDING AG's revolving credit facility as well as bilateral loans contain market-conform "change of control" clauses 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 289a HGB

The declaration of corporate governance pursuant to Section 289a 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 the homepage of DOUGLAS HOLDING AG, www.douglas-holding.com under "Investor Relations/Corporate Governance".

Forecast and the Executive Board's overall assessment of the DOUGLAS Group

Emerging countries support the world economy

Based on the predictions of the Institute for World Economy (IfW) from autumn 2011, the outlook for the world economy has deteriorated significantly. Falling capacity utilization is expected for the advanced economies [4], thereby increasing the real gross domestic

[4] European Union, Switzerland, Norway, South Korea, USA, Japan, Canada

product (GDP) in this group of countries by only 1.3 percent in 2012 according to the projections of the IfW. In contrast, the economies in the East Asian emerging countries and in China are expected to grow significantly more by 5 percent and 8 percent, respectively. Growth of 3.5 percent is projected for the global economy.

Weak economy in the Euro zone

With the worsening of the sovereign debt crisis, uncertainties surrounding the stability of the banking system and a slowing down of the growth momentum in the emerging countries, the expectations for the economic development in the Euro zone have substantially worsened. Therefore, the EU Commission is assuming stagnating economic performance for the first half of 2012. Under the condition that policy measures are implemented to curb the national debt crisis, slight economic growth is expected again in the second half of 2012. Overall, the EU Commission projects a rise of only 0.5 percent in the real GDP in the Euro zone for 2012. Given the weak economic prognosis, it is assumed that unemployment rates in the Euro zone countries will marginally rise to 10.1 percent. The prognosis of the unemployment rate for the Euro crisis countries of Spain and Portugal is expected to reach 20.9 percent and 13.6 percent, respectively. Correspondingly, private consumption in the Euro zone is predicted to increase by only a real 0.4 percent.

Slight growth in Germany

Mounting uncertainties following the EU sovereign debt crisis and the deterioration of the international macroeconomic conditions will lead to stagnating production capacity in Germany in the winter half-year period of 2011/12 according to the predictions of the German economic research institutes. Upon a slackening of the debt and confidence crisis in Europe, the economic researchers however anticipate economic growth again starting with the second quarter of 2012. The institutes project a rise in the real GDP of 0.8 percent for the full calendar year 2012. In this case, the economic slowdown expected at the beginning of 2012 should not have a negative impact on the domestic labor market.

Satisfying holiday business

According to the German Retail Association (HDE), the German retailers are satisfied with the Christmas holiday business in 2011. Based on surveys taken of the retailers, a sales increase of a nominal 1.5 percent for the months of November and December 2011 was expected compared to the previous year's period. As per the initial estimates of the HDE, the online business contributed disproportionately to this with a significant sales gain of 10 percent or 6.5 billion EUR.

Tax and regulatory changes in Germany

There were no future changes identified in fiscal and regulatory factors.

The DOUGLAS Group's strategic direction

The DOUGLAS Group will continue to pursue its existing strategic direction. The aim is for all corporate divisions to gain market share to attain or secure a leading market position in their branch sector. The sales markets of the Group remain in Europe. From today's standpoint, new geographical markets are not expected to be entered in the current and next fiscal years.

Confectionery with a fresh look: Hussel in "Breuningerland" in the Swabian Ludwigsburg.

The DOUGLAS Group aims to expand and modernize its sales network. A sum of some 120 million EUR has been set aside in the current fiscal year 2011/12 for new store openings, upgrading and other capital expenditures compared to 125 million EUR the year before. Should a considerable improvement in the macroeconomic conditions occur, an investment volume of roughly 150 million EUR can be anticipated on the medium term. Besides new openings, the DOUGLAS Group also intends to grow through acquisitions. That is why acquisition opportunities are continuously monitored and evaluated.

By consistently pursuing the multi-channel strategy, the DOUGLAS Group can profit from growth potential that exceeds the development possibilities of stationary retailers or pure online dealers. Through the DOUGLAS Group's interlinking of several selling channels additional advantages are generated for the customer, such as online orders with the option of product pick-up at the store. The process optimization steps taken in the areas of logistics and IT have 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 Group is placing more emphasis on technical innovations that offer more convenience to the customer when shopping. In this way, the DOUGLAS Group is the first company with its stores equipped nationwide with the NFC technology for non-contact payments. The Douglas perfumeries are also testing the use of mobile cash registers, which should shorten waiting times especially during peak times.

At all operating divisions—except for the Books division—the share of private labels and exclusive brands is gaining great significance in the product-mix arrangement. It presents a key instrument in customer loyalty and in standing apart from competitors. In the Perfumeries division, the sales ratio of private labels and exclusive brands is expected to reach 20 percent in the next two years.

The DOUGLAS Group has available various financial sources for investments and potential acquisitions. This includes existing 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 350 million EUR as of November 30, 2011; these have been concluded on a long-term basis and secure the Group's financing upon expiration of the revolving credit facility. As of the balance sheet date, the Group had at its disposal borrowing headroom in the amount of 451 million EUR from the revolving credit facility. Larger financing commitments are not considered necessary at the present time.

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 2011/12 and 2012/13

In the current and coming fiscal years, the focal point of investment activities will continue to be on the **Douglas perfumeries**. Making the store network more attractive is the emphasis. About 75 million EUR is planned to be invested in fiscal year 2011/12 for the opening of some 40 new stores, extending sales space and upgrading the existing store network. The store network will be condensed to appropriate prime locations in selected major German cities. In expanding the sales network outside of Germany, the focus will be on Poland and Italy.

In the European markets, Douglas has successfully improved its store network over the past two years and is now concentrating on securing and strengthening its market position in existing markets. New markets are not planned to be entered in the next two fiscal years. The all-important market is still Germany. The stable sales and earnings performance at home should also compensate the persistently weak performance in some foreign markets in the future.

In addition to securing the market position, the lifestyle philosophy is still a key success factor for the Douglas perfumeries. Douglas plans to test special formats for locations with corresponding potential for purposes of offering the customer a unique shopping experience and to win new target groups. Another focal point is on enriching the product-mix. Being a trendsetter and market leader, Douglas is considered an excellent partner for the industry for the exclusive selling of innovative products. Moreover, Douglas creates niche segments with its own private labels. The ratio of private labels and exclusive brands to total sales of the Douglas perfumeries is planned to reach 20 percent in the next two years. To strengthen customer loyalty, Douglas will, in addition to the proven instruments like the Douglas Card, also expand its Customer Relationship Management (CRM) to enable an even more targeted customer approach.

A main topic is the further development of the multi-channel activities. The online shop www.douglas.de is the most successful of its kind in Germany. Outside of Germany, too, Douglas is increasingly offering more opportunities for online shopping. In particular, Douglas will push ahead the interlinking of the Internet and specialty stores to offer its customers the advantage of being a real multi-channel retailer.

The **Thalia group** will continue to concentrate their activities on the markets in Germany, Austria and Switzerland. An investment budget of about 20 million EUR is planned for the 2011/12 fiscal year for the opening of some eight multi-channel bookstores, modernizing the store network and the further development of the online shop.

Thalia will further secure its strong market position in the three sales channels: stationary, online and digital. At the same time, Thalia has taken measures to counter the challenges being faced in the stationary area: the shift of customers to the Internet and the shift from physical book to a digital one. To once again raise the sales space productivity of its bookstores which has been affected by this, Thalia is testing additional products that might be integrated into the respective store's product-mix by taking into account local particularities, such as toys, trend articles and gifts as well as office supplies and stationery items. Being the market leader of the book retailing industry in German-speaking regions, Thalia is focusing on an inspirational ambiance as well as the expert advice of its employees, which extends to online activities and digital offers.

In the online area, Thalia will undertake comprehensive investments starting in the current fiscal year. With a relaunch action in autumn 2011, the user-friendliness of the Thalia shops has already been significantly improved. Another objective was to interlink the online and stationary sales channels even more. Hence, for example, customers who want to pick-up their online orders directly at the store will be offered a convenient direct-reservation of these products in the future.

With the introduction of the eReader OYO at the beginning of the fiscal year under review, Thalia has successfully established itself in a highly fragmented market for digital reading. The market position is planned to be further expanded through the launch of OYO II and the implementation of the "smart-reading strategy". "Smart-reading" not only stands for a free choice of content, but also a free choice of the reading device in the future. A key step taken in this direction was the acquisition of textunes GmbH, a leading provider of e-books and cross-platform e-book-Apps. Thalia's eReading-App will be initially available for the android operating system. The addition of other operating systems is being planned.

The **Christ jewelry stores** will continue to further secure its market position and expand its expertise, also as an online retailer, in the jewelry and watches segment. An investment sum of roughly 15 million EUR has been earmarked in the 2011/12 fiscal year for the opening of at least 5 Christ stores, further specialty stores, various renovation work to the existing store network as well as to E-commerce activities. It does not plan to enter new markets.

In the stationary segment, the development of new sales concepts still has great significance. Here, Christ has already successfully tested new formats such as the mono-label and multi-label stores. The proven product-mix strategy of private labels and exclusive brands as well as popular trend products remains a key differentiation factor from competitors. To benefit from the advantages of higher verticalization, Christ offers its stationary and online customers a diamond and engagement ring configurator. This simultaneously corresponds to Christ's ongoing trend toward individual jewelry.

An important strategic focal point is the online shop www.christ.de, which has significantly expanded its offers and services. Following the pleasing development in the year under review, Christ anticipates strong growth in the coming fiscal year.

AppelrathCüpper will consequently carry on with the successful repositioning of its 13 women's fashion clothing stores. With this in mind, an investment sum of about 3 million

EUR has been set aside in the current fiscal year for store design, merchandise presentation and relaunching the online shop.

For competitive differentiation purposes, AppelrathCüpper is counting on the attractiveness of its fashion stores, the outstanding fashion brands, the expert advice of its staff and the array of services provided. The target group-oriented compilation and the eye-catching merchandise presentation on the sales floor are of particular strategic importance. The product-mix arrangement, in particular the trend and premium styles, pose growth opportunities. In addition, AppelrathCüpper is aiming on expanding the accessories merchandising group. The service offers are planned to be enlarged to include additional advantages for holders of the AC customer card.

Other focal points in the next two fiscal years include the expansion of the Customer Relationship Management that was launched in 2011 and the continued implementation of the multi-channel strategy.

The **Hussel confectionery** shops will carryforward the successful new conception of the product-mix and store design already in progress. An investment budget of roughly 5 million EUR has been earmarked for the 2011/12 fiscal year for the opening of up to five shops and implementing the new shop concept as part of the scheduled modernization of numerous stores.

Alongside a lifestyle ambiance, Hussel is also relying on the expert advice of its staff and the extensive services offered. The focus of the product-mix assortment is on the merchandising groups: chocolate art, gifts and trend articles. The merchandise should be presented with even more creativity and more up-to-date to not just appeal to existing customers, but to also gain new customer groups. A special focal point—both of the confectionery shop and the Hussel online shop—is on raising the attractiveness for younger target groups. Moreover, Hussel can benefit from the general trend toward more conscious consumers through its certified organic chocolates.

Together with these initiatives and extending its expertise in confectionery goods also on the Internet, Hussel aims to strengthen its excellent position on the German confectionery market.

Overall assessment of the DOUGLAS Group

The DOUGLAS HOLDING AG's Executive Board assesses the situation of the DOUGLAS Group as being positive on the whole. The Group succeeded in slightly increasing both the sales and earnings in the fiscal year under review. Here, the positive performances given by Douglas and Christ in Germany offset the comparative sales declines reported by Thalia and by some foreign markets.

The DOUGLAS Group is well-positioned despite the challenges being faced in the books division and has solid positions available in net assets, the financial position and the result of operations. From today's standpoint, it will continue to carryforward its investment portfolio and will constantly examine and apply optimization potential. Decisive factors for corporate success in the future are the commitment of its employees, the first-class products and a modern store network. Furthermore, with the further development of the multi-channel concept, a forward-looking strategy has been developed for all five of the corporate divisions.

The Group's sales proved satisfactory at the start of the new 2011/12 fiscal year. During the first quarter of the 2011/12 fiscal year—which includes the important holiday business for the DOUGLAS Group—sales were up around 1 percent. Like-for-like, Group sales were around 2 percent higher than in the previous year's first quarter.

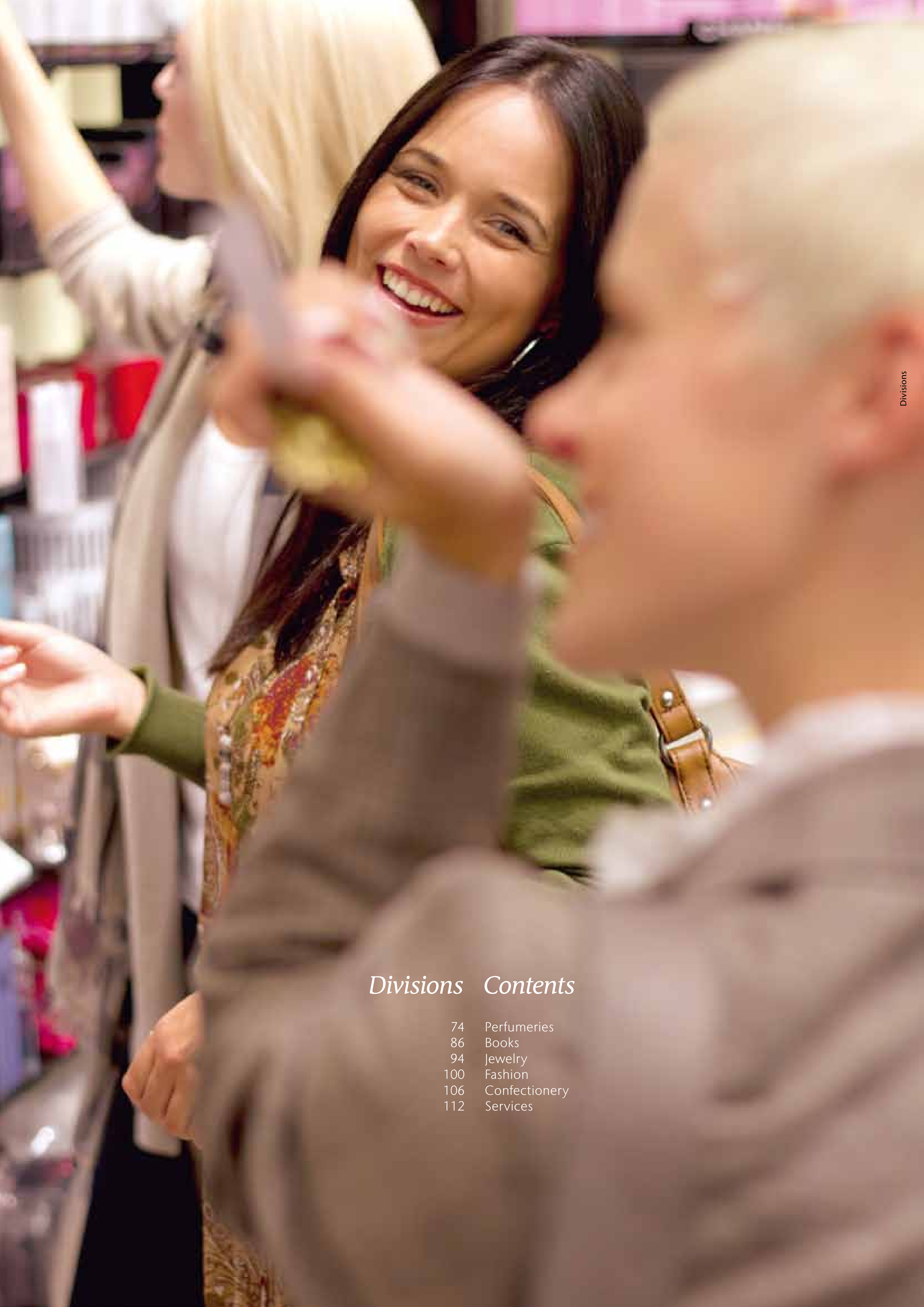
The German Retail Association (HDE) is projecting a sales gain of nominal 2 percent or price-adjusted 0.5 percent for the calendar year 2011. The HDE is predicting a stable development for 2012. From the HDE's perspective, decisive factors in this respect are however solid macroeconomic conditions and the expectation of a continued low unemployment level. Based on the existing risks of debt crisis in the Euro region for the German retailers, neither HDE nor the various industry associations have published any specific sales forecasts as yet. According to a survey of the German Perfumeries Association, the expectations of the German perfumery retailers are positive for 2011. Provided that the macroeconomic conditions are favorable, a good development is also expected for 2012. As per a survey of the industry's Buchreport magazine, the stationary bookstores reported a sales minus of about 4 percent cumulatively at the end of November 2011. At the time of going to press, and against the backdrop of negative overall expectations no forecasts had been issued for 2012. The German Federation of Jewelry and Watch Retailers is anticipating that sales will have increased by some 4 to 8 percent in 2011. A main driver was the trend toward high-quality jewelry pieces and watches; the effect from higher precious metal prices was to a lesser extent. The German association has not yet published a forecast for 2012. According to the magazine Textilwirtschaft, the German fashion industry will likely close the 2011 year with a minus of 1 percent; thus falling behind the expectations of the retailers. The latter of which has less confidence in meeting the development in 2012. The market research institute SymphonyIRI reported a slight sales decline in chocolate merchandise of 0.9 percent for the period from January to October 2011 compared to the same period last year; at the time of going to press, no forecasts had been given for the full year 2012.

Despite the persistent major structural challenges facing the overall books sector, the Executive Board predicts a slight sales increase for the DOUGLAS Group to more than 3.4 billion EUR and an EBITDA (earnings before interest, taxes, depreciation and amortization) of between 200 to 250 million EUR for the current fiscal year. A capital expenditure volume of about 120 million EUR is available. With respect to the dividend policy, 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 2012
DOUGLAS HOLDING AG

The Executive Board

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



Divisions Contents

Douglas

The World of Beauty

In the 2010/11 fiscal year, the Douglas perfumeries maintained their leading market position in Europe. While the number of perfumeries was reduced from 1,205 to 1,168, primarily due to the sale of the 32 perfumeries in Russia, Douglas nevertheless reported revenue of EUR 1.9 billion, thus maintaining the previous year's level. While the development in the home market of Germany was very positive, sales abroad lagged behind last year's figures as some European markets continue to feel the consequences of the economic crisis. The investment volume of around EUR 62 million was used primarily for the launch of 41 new perfumeries, however, investments were also made to update numerous existing stores and expand the online presence. Douglas's committed employees had a crucial role in the company's success. With their enthusiasm and friendliness, they make every purchase a special experience for customers, day in and day out.

In the vital home market of Germany, the 446 Douglas perfumeries expanded their market leadership with sales revenue growing by 4.6 percent to more than EUR 990 million. The sales trend in the various foreign markets, on the other hand, varied widely. While Douglas experienced growth in the Netherlands, Austria, and Turkey, the perfumeries in Spain, Portugal, and Croatia were not able to escape the effects of the international economic and financial crisis. Overall, at just over EUR 890 million, the revenue of the 722 Douglas perfumeries abroad was

"I am passionate about my job, and I have fun doing it because it has plenty of variety and I can realize my own ideas. I also enjoy helping my co-workers develop their skills. And I am really looking forward to the future in this fascinating industry at Douglas and to tackling all the challenges in the next few years."

Michaela Löseke
Regional Manager Douglas South
With Douglas since 1999

Modern times: more and more Douglas perfumeries have multi-channel tools, such as stylish iPads or virtual make-up artists.

"Because Austria is a country of modest size, we can implement many things very quickly. Once a decision has been made by our headquarters in Vienna, it often doesn't take more than two hours until it has been realized in the perfumeries. And our open, uncomplicated, and cordial communication style, which we in Austria maintain across all hierarchy levels, is an additional benefit."

Carmen Eichelberger
Training Manager, Douglas Austria
With Douglas since 2010

4.7 percent below the previous year's figure. Based on the current country portfolio—in other words, adjusted for the exits from the Russian, US, and Danish markets—foreign sales rose by 0.7 percent.

In Germany, ten new perfumeries were opened, with the launch of the perfumery on the Kurfürstendamm in Berlin being a special highlight. The extensively remodeled perfumery captivates with its luxurious ambiance and exceptional service offerings. For example, a delivery service transports all of the customers' purchases and gifts to their homes upon request. An exquisite Guerlain boutique offers sumptuous new editions of classic French fragrances; some editions are very limited with fewer than 50 bottles manufactured.

Douglas has taken its store at the main train station in Cologne, which reopened in April 2011, to a new dimension—literally. On two floors and about 1,000 square meters of sales floor space, Douglas opens up a whole new world of beauty for fans from Cologne and all over the world. Interactive multi-channel elements make this perfumery a cutting-edge shopping experience. A special technical attraction is the three-part panoramic video wall on the ground floor, whose full HD quality, which has four times the resolution of standard TV, is so state-of-the-art that only a few movie theaters in Germany have it. Touch screens in the individual departments and in the Café Bar provide interactive access to the entire range of products with detailed information about each brand and each product.

As part of its multi-channel strategy, Douglas has not only invested in its brick-and-mortar stores but has spent considerable amounts to expand and enhance its online presence. The online shop www.douglas.de, which was completely redesigned in 2011, has become the "branch store" with the highest net sales, reporting an increase of around 32 percent. With its more than one million customers, the online shop is by far the largest online beauty shop in Germany. And its range of services has been continuously expanded. With more than 28,000 different products and 400 brands, douglas.de not only has

Classic beauty: the Douglas store on the Ku'Damm in Berlin provides a luxurious ambiance and exclusive product lines from around the world.

"The best thing is that I have the freedom to work entrepreneurially and that there's always feedback when we've been successful. The most important thing for me is to ensure that my staff can grow and advance in their work and become more and more independent. We want to retain our customers' loyalty with personal, expert, and enthusiastic assistance and also by providing multi-channel retailing."

Wilma ten Hoor
Regional Manager, Douglas Netherlands
With Douglas since 1985

a vast product range but offers customers the convenience of being able to make purchases using mobile devices such as the iPhone. Furthermore, Douglas's multi-channel strategy enables online visitors to look through and bookmark the current offerings and promotions of specific branch stores so that they can be kept up-to-date on events and specials in their favorite stores.

Another element of the multi-channel concept is the "Douglas app," which is intelligently and efficiently linked with the company's various sales and communication channels in order to provide customers with the greatest possible flexibility. Customers can purchase the latest products from the Douglas world 24/7, retrieve information about events in Douglas perfumeries using the branch and event finder, do a skin type test and get product recommendations, and, of course, make purchases from the extensive Douglas selection.

Douglas has a presence on a number of social media platforms, for example, on Facebook, where it has maintained a fan page since 2010 and where it counts fans in the six digits who are in a lively dialog with each other and with the company. Customers can also find tips, tricks, and workshops on the video platform YouTube, where Douglas has its own, heavily frequented channel.

As far as product range is concerned, both private label and exclusive brands were considerably expanded, for example, the new skin care line "XL.xs," an innovative concept comprising 19 face and body care products, or the high-end hair care line "Alterna Professional Hair Care," an internationally acclaimed luxury brand. Currently, there are around 40 brands—and counting—that are exclusively available at Douglas. During the current fiscal year, additional, new and exclusive brands, such as butterLONDON, Superdry, Anatomicals, and Miss Oops, have been included

The decorative cosmetics departments are colorful and super modern, here, the Douglas store at the main train station in Cologne.

Brings color into the Austrian online world: the new shop at www.douglas.at.

in the Douglas product range. With offerings such as these, Douglas not only stands out from the competition but offers its customers completely new and exclusive product lines every time they visit a Douglas store. Moreover, many international brands utilize the Douglas perfumeries as a platform to launch their exclusive product editions, for example, the fashion designer Anna Sui, who markets her fragrances “Flight of Fancy” and “Secret Wish” exclusively through Douglas, Vera Wang with “Lovestruck,” Jean Paul Gaultier with his “Collector’s Edition,” O.P.I., or Benefit.

The “Douglas Box of Beauty,” which was launched in May 2011, has also been very successful. The “beauty subscription” is a high-end creation consisting of a box with new beauty products that Douglas sends out every month to registered customers. The box contains one original-size product and four luxury samples—fragrances, care products, or make-up—as well as a 10 percent coupon for the purchase of a full-size container of one of the products. The box, which is delivered with no shipping charges, costs only EUR 10 per month and regularly sells out very quickly.

In the logistics sector, the successfully implemented, automatic SAF ordering system enables improved product availability, while at the same time reducing store inventory. This translates into a smoother ordering process and a more efficient chain of supply for the stores. Now that it has been implemented successfully in Germany, the international roll-out will follow shortly. Payment processes will also be simplified using new technologies. From 2012 on, Douglas will enable contact-less payment using near field communication (NFC).

But no matter what strides technology makes, one rule holds true for Douglas: “It’s people who make the difference.” As a company that has one of the highest vocational training rates in retail, Douglas offers both first-time job seekers and career changers lots of opportunities for attractive careers. However, longstanding employees also have access to continuing education.

The Douglas perfumeries do not just take good care of their customers and their employees, but they also take

Douglas is popular because it not only has the hottest new products but personal and expert assistance from friendly employees like Vera Biegel in Dortmund.

Pure shopping fun: the Douglas multi-channel perfumery at the main train station in Cologne.

Great teams create success: the more than 14,000 friendly Douglas employees—here, Barbara Schiesser and Anisiya Khan from Cologne.

their social responsibility very seriously. This includes its commitment since 2008 as the main sponsor of DKMS LIFE, a non-profit organization that puts on cosmetics workshops for women fighting cancer so that they can better deal with the outward manifestations of their disease and its treatment. In these cosmetics seminars, the women actively participate in the skin care and makeup demonstrations and also receive the necessary products to take home with them. Readers of the magazine OK! awarded Douglas the "OK! Style Award 2011" in the "Charity" category for its sponsorship of DKMS LIFE.

Starting in 2012, Douglas will be supporting another worthwhile cause—the "Germany rounds up" campaign. When paying for their purchases, customers can decide to round up the amount by a maximum of ten cents, which are then passed on in their entirety to concrete and sustainable aid projects in Germany.

In the marketing sector, consistent efforts were undertaken to establish the Douglas brand as an international, unique, and distinctive top retail brand. Douglas's brand values, empathy, expertise, and discovery, were rephrased: Douglas offers custom-tailored beauty for every single customer. This is reflected in the new logo: "myDouglas.de," where the "my" precisely conveys that Douglas offers a completely individual experience both for its customers and its employees. The ".de," on the other hand, is a recognition of the multi-channel concept that provides this experience anywhere 24/7 in all of its diversity by utilizing innovative information and sales channels. And the new slogan, "Beauty has many faces, and we love every single one," builds on this.

"I have been working at Douglas for a long time, and I've enjoyed every minute because I had the opportunity early on to take on rigorous challenges. Working with our customers and my team is a pleasure. And besides, here on the Kurfürstendamm, life pulsates with breathtaking verve and speed like nowhere else in the world."

Anna-Maria Paschali-Schulze
Store Manager, Berlin
With Douglas since 1988

Beauty hotspot: with state-of-the-art technology, Douglas in Kassel creates benchmarks in lighting design and brand staging.

Douglas in figures

	Net sales in EUR m		Stores		Employees	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Germany	990.4	946.7	446	445	6,680	6,686
International	888.2	932.0	722	760	7,604	8,148
Total	**1,878.6**	**1,878.7**	**1,168**	**1,205**	**14,284**	**14,834**

And then there's the Douglas Card, one of the most successful loyalty cards in the retail business. Currently, 2.4 million people in Germany and eight million Europe-wide have this "ticket to the world of beauty". The services available to Douglas Card holders include a high-end magazine that is published six times a year, mailings providing regular information about new products, coupons for top-quality samples, and various other services. A dedicated service center with more than 40 employees ensures that any questions and complaints are addressed quickly.

For the 2011/12 fiscal year, Douglas will be focusing on two strategic challenges—continuing value-oriented growth in the brick-and-mortar sector and the expansion of multichannel activities. The objective is to achieve a high degree of customer loyalty in all the target groups by linking the sales channels—brick-and-mortar perfumery, online shop, and mobile shopping—professionally and intelligently.

"Can there be a more beautiful environment than the Douglas world that makes online retailing an experiential undertaking with exciting features like social media or mobile apps? I can't imagine it—and thousands of douglas.de and Facebook fans feel the same way."

Katharina Hoppe
Team Leader Online Communications
With Douglas since 2004

With the new stores that opened in Stuttgart and Munich in November 2011, Douglas has again set new standards. With its sales floor space of 1,500 square meters on three floors, the new Douglas flagship store in the Königstrasse in Stuttgart is not only the largest perfumery in Baden-Württemberg but also the trendiest and the most elegant. With its numerous international brands, many of which are exclusively available in Germany at Douglas, a hyper-modern store design, and a host of service and multichannel offerings, it scores big.

The same applies to the new Douglas perfumery on the premises of the former Tivoli cinema in the Neuhauser Strasse in the heart of Munich. The spacious store with 1,200 square meters spread out over three floors offers customers beauty and lifestyle that's in a class of its own. With brands such as bareMinerals, Burberry Beauty, Smashbox, and SAX Cosmetics, a "Douglas Hair Design by Oliver Schmidt" salon on 350 square meters, and an O.P.I. Nail Bar, Douglas delights and impresses even the most sophisticated and exacting residents of the "City with a Heart."

Thanks to its culture of customer orientation, its exceptional new products and product lines, its state-of-the-art store designs, innovative technologies, and premium services, Douglas is well equipped for the future. Its attractive perfumeries that offer the perfect products for every target group, whatever the location, its professional visual merchandising that tailors marketing strategies to the requirements of every individual store, and last, but certainly not least, the more than 14,000 committed and qualified employees with the passion to create unique shopping experiences for their customers day in and day out, in every store and in every country. All of these factors will enable Douglas to continue to sustainably expand its strong market position in Europe.


Get your Douglas
app the easy way:
scan it here!
www.facebook.com/DouglasDeutschland
www.youtube.com/ParfuemerieDouglas

Thalia

Inspiration for All the Senses

In the 2010/11 fiscal year, the Thalia Group, along with the entire traditional bookselling sector, was confronted with dramatic changes in customer buying habits. On one hand, more and more customers are buying books online, and on the other, digital books (e-books) are gaining increasing importance. Both of these developments are creating major challenges for all brick-and-mortar bookstores. The Thalia Group has reacted quickly to its customers' evolving preferences and has implemented a host of targeted measures. The online shops were expanded and new, user-friendly features were added. A new e-reader, the OYO, was launched on the market and the number of available titles in the Thalia e-bookstore was increased significantly. Moreover, the bookstores have added attractive new products and product lines. These measures have enabled the Thalia Group to largely compensate lower revenue in the traditional retail bookstores by achieving considerable growth in its online business.

Overall, the Thalia Group increased its sales revenue in the 2010/11 fiscal year by 3.2 percent to roughly EUR 935 million. While sales in the 295 Thalia bookstores in Germany, Austria, and Switzerland fell by 1.5 percent, online sales of the Thalia Group rose substantially by over 20 percent. Thus, about 14 percent of Thalia's total revenue is accounted for by online sales. In Germany, sales revenue rose by 2.0 percent to EUR 704 million, with higher online revenues having a positive impact. Foreign sales revenue went up by 6.8 percent to about EUR 231 million, mainly due to foreign currency effects and the opening of new stores.

"Dealing with a new product mix is demanding; it challenges old habits, but at the same time, it is incredibly stimulating because our core product, books, gains new respect in this changed environment. Personally, this change requires me to be very flexible and creative. But, as we say in German, "He who rests, rusts," and that's why change is the best rust preventative for me."

Christoph Wyder
Store Manager, Thun (Switzerland)
With Thalia since 1998

United in their efforts: the qualified Thalia teams, shown here in the Thier Gallery in Dortmund.

Investments during the 2010/11 fiscal year amounting to more than EUR 26 million were used to open 13 new bookstores, update numerous branch stores, and expand the online shops. One of the highlights of the new store openings was the launch of the Thalia bookstore in Bonn. The newest Thalia addition opened its doors in the former "Metropol" cinema in late 2010 and can pride itself in being one of the most beautiful bookstores in Germany. The online shop www.thalia.de was relaunched after being extensively redesigned with even more user-friendly features. A new service offered by "thalia.de" is an availability check that enables customers to immediately see if a certain book is available in a Thalia bookstore. Thus, the Thalia bookstores are consistently moving forward with their multi-channel strategy and linking their brick-and-mortar bookstores with their online business. Social media are also playing an ever increasing role. Facebook has become a particularly attractive venue for Thalia to connect with its many fans. Promotions posted on Facebook provide innovative incentives for customers to visit their local Thalia bookstores. Around half of all social media campaigns are linked to Thalia's brick-and-mortar business. With its acquisition of textunes GmbH in August 2011, the Thalia Group has secured access to the burgeoning market geared to the target group of smart phone and tablet users. The Berlin based company is one of the leading specialists for cross-platform e-book apps.

"We want to inspire our customers and arouse their enthusiasm. For us, this means to always be one step ahead of their wishes in order to pick the right items. At Thalia, I can actively co-create this each and every day."

Barbara Kayser
Department Manager, Book Selection Management
With Thalia since 2010

Using digital technologies for reading is still in its infancy in Germany, but industry experts are assuming that electronic books will already comprise more than ten percent of sales on the German book market in 2013. And the Thalia Group is prepared for the digital revolution on the book market. Having launched the OYO e-reader in the fall of 2010, Thalia developed an e-bookstore and has already established itself as one of the leading providers of digital reading solutions. In the meantime, the Thalia e-bookstore has already become one of the largest in German-speaking countries. It has a total of about 300,000 titles,

This is the Thalia experiential world of books: unbeatable variety and a welcoming atmosphere—here in Dortmund.

The more than 5,000 Thalia employees are all avid readers. Here, Regina Richter from Dortmund.

Thalia in figures

	Net sales in EUR m		Stores		Employees	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Germany	703.7	689.7	236	232	3,920	3,890
International	230.8	216.1	59	57	1,354	1,296
Total	**934.5**	**905.8**	**295**	**289**	**5,274**	**5,186**

with more than 100,000 German language titles. Overall, just over 90 percent of all top titles and more than three quarters of all current bestsellers available at Thalia can be purchased as an e-book. Measured against total sales on the German e-book market, Thalia, including buch.de and textunes, is number one with 20 percent of all e-book sales.

Its success in the digital book market is closely connected to and builds on how well it dovetails with the strengths of the brick-and-mortar business. For example, about 80 percent of all e-readers are sold in the traditional Thalia bookstores. This also shows that the expertise of Thalia employees and their ability to provide personal advice in local stores is one of the most significant competitive advantages, especially vis-à-vis purely online retailers.

Within the scope of its continuing strategic development to become a bookseller who provides a compelling shopping experience, Thalia is relying on a concept in its brick-and-mortar stores that emphasizes a highly diverse range of products. The traditional range of books has been expanded by new and attractive product lines whose thematic focus and quality are well suited to the stores' core competency, for example, stationery and paper goods, games, toys, and DVDs. Trendy items and gifts round out the product range. How products are placed and displayed in the bookstores reflects the new product range concept. Products are displayed thematically across product groups. The initial test runs in pilot bookstores show that customers have reacted positively to the expanded offerings and the presentation according to thematic focus. Thalia's development toward becoming an experiential retailer is accompanied by even more commitment as an organizer and sponsor of cultural events large and small. Just one example is the expansion of Thalia's support for lit.COLOGNE, Europe's largest literature festival.

Customers are showing that they appreciate Thalia—not only for its continuous investment in service standards, ambiance, and product offerings. This is affirmed by the bookseller ranking that is carried out annually by the industry journal Buchmarkt (Book Market) and by market research institute Innofact AG. In 2011, Thalia's ranking confirmed its name recognition. Service, the expertise of its employees, its selection, and the inviting atmosphere of the stores received high marks. This was a special acknowledgement of the high level of personal commitment by Thalia employees and yet another reason to continue to invest in the training and continuing education of the staff. In order to ensure that qualified junior staff is available, Thalia has started a "training offensive" with the objective of increasing the current vocational training rate of 12 percent.

Thalia rang in the 2011/12 fiscal year with the launch of the new OYO as well as the OYO app for smart phones and tablets. In addition to improved hardware, such as more memory, display with improved contrast, and extended

"Every day at Thalia is a positive challenge that motivates my team and me to tackle changes and to be available for our customers with enthusiasm. The diversity of our tasks and the implementation of current topics and trends make our job exciting and provide lots of variety."

Karin Schliermann
Store Manager, Kaiserslautern
With Thalia since 2006

Multi-channel up close and personal: whether customers shop traditionally or online, in the Thalia stores, many roads lead to books.

battery life, the new OYO has interactive recommendation functions as well as dictionary and encyclopedia functions making it even more user-friendly than before. Furthermore, the free OYO app makes it possible to synch the e-reader across multiple devices. This gives customers even more flexibility when purchasing and reading e-books. The application for smart phones and tablets is available for the Android operating system; an expansion for the iPhone system (iOS) is planned. The e-reader and the e-reading app will enable the further expansion of Thalia's strong position in the digital reading market.

The Thalia Group's strategy is based on three pillars: brick-and-mortar retail bookstores, e-commerce, and e-books. In the 2011/12 fiscal year, a large part of the capital expenditure totaling EUR 20 million will be allocated to the expansion of the online shops and digital offerings. In the traditional retail sector, the opening of eight new bookstores is planned. Moreover, numerous existing bookstores will be updated and renovated to accommodate the new product range concept. As one of the leading multi-channel providers, Thalia will continue to do its utmost to combine the emotional and personal shopping experience that brick-and-mortar stores offer with the convenience and speed of online shopping and to make non-book products available to its customers. All innovations and developments build on Thalia's solid foundation—books as its core competency in conjunction with the qualified and personal advice provided by the 5,000 employees in its local bookstores.

"Being a local business person—that's my personal mission for every day. I like the fact that Thalia trusts its employees to think and act independently. This challenges and encourages our creativity; this is one of the most important components that determines the success of our branch store."

Kathrin Neumann
Assistant Store Manager, Dresden
With Thalia since 1999


Get your OYO app
for the Android
the easy way:
scan it here!
www.facebook.com/thalia.de
www.youtube.com/ThaliaBuchhandlungen

CHRIST

Moments of Happiness

Christ has grown steadily and vigorously for the fifth consecutive year. Showing very respectable growth of almost 10 percent, the sales revenue in the past fiscal year increased from EUR 310 million to more than 340 million, the highest figure in the company's 150-year history. A significant contributor to the positive sales trend was the completely redesigned online shop www.christ.de, whose sales figures already place it among the 15 top-grossing Christ stores. Overall, Christ continued to expand its leading market position in Germany during the past fiscal year, and it was the more than 2,000 enthusiastic and professionally qualified employees who played the biggest role in this success.

The network of stores was expanded and enhanced during the 2010/11 fiscal year financed by capital expenditures of more than EUR 15 million. Nine new jewelry stores were opened and 28 other stores were remodeled and updated. This means that Christ is not only the sole jewelry and watch retailer in Germany who has a nationwide presence but that it has a network of stores that are state-of-the-art and that meet today's most stringent criteria.

A significant success factor has been that Christ has developed a range of different sales environments. Whether classic or modern, whether a flagship or a fashion store, whether at the airport or at a factory outlet, the Christ sales environments and product lines are always tailored to individual customer needs. Its close collaboration with its suppliers that is built on trust makes it possible for Christ to be able to consistently offer new and exclusive special edition models. The exclusive brand "Jette" continues to be a key component of Christ's success.

"I have been working at Christ for about eight years, and I'm proud to be able to shape the success of such an innovative and fashion-conscious company on a daily basis. I'm glad to see that customers are going back to traditional products even in difficult times and that they are again paying more attention to diamonds, gold, and pearls. This makes my jeweler's heart beat faster and makes me optimistic about the future."

Cindy Dureck
Regional Manager
With Christ since 2003

Christ in figures

Net sales in EUR m		Stores		Employees	
2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
340.4	310.2	207	204	2,312	2,173

Additionally, Christ has become an innovation driver in the industry with its wedding ring and diamond configurators. Classic watches with brand names, such as Longines, Tag Heuer, Breitling, or Tissot, and particularly diamonds in the high-end jewelry segment experienced strong growth. The Christ service sector was also expanded. In addition to the existing service workshop in Dortmund, two additional service workshops were opened in Karlsruhe and in Hamburg.

The marketing approach has been to focus on the emotional appeal of the Christ brand. The slogan "Moments of Happiness" is intended to arouse a desire for jewelry and watches. Whether online or through other sales channels, Christ is using all available channels to implement custom-tailored marketing strategies. This includes special events, promotions, and decorations in the stores, social media marketing, online magazines, catalogs, print ads, and outdoor advertising posters (also known as "City Lights"). During the holiday season alone, Christ is putting itself in the spotlight with more than 10,000 outdoor advertising posters at highly visible locations, which also have QR-codes providing information that is intended to encourage interest on the part of customers and bring them into Christ stores.

"Here at Christ, we are a family with a big heart. Our customers can feel that and enjoy coming back. I really relish the diversity of my responsibilities and the contact with customers and co-workers. I always find it interesting to watch how my co-workers develop and contribute to the day-to-day business in the store. And that's why we are successful as a team."

Nina Doll
Store Manager, Hamburg
With Christ since 2006

Facilitators for "Moments of Happiness", full of charm, energy, and expertise: the Christ teams, here in the Donau Shopping Center in Regensburg.

The elegant and spacious Christ specialty stores, here in the Donau Shopping Center in Regensburg, show off their fine jewelry to its full advantage.

And Christ is continuing to grow. Around EUR 15 million have been allocated for investments, including the opening of at least five new Christ specialty stores, creating additional special sales environments, the remodeling of numerous existing stores, and the expansion of online activities. As far as product range is concerned, the focus will be on both private label and exclusive brands and classic jewelry; a special highlight is the "Sansibar" brand that is exclusively available at Christ.

At the top of the priority list for the 2011/12 fiscal year is the expansion of cross-channel activities, in other words, the optimum integration of the traditional, brick-and-mortar stores and online retail. At www.christ.de, information about products, trends, and innovations can be accessed by customers 24/7. They can buy the products online or check which Christ store has the desired item in stock. The online shop will continue to grow rapidly, with the goal of becoming the Christ store with the highest net sales.

Despite the euphoria that has accompanied the rise of online stores, many customers still want to be able to see and touch merchandise before buying it. This holds especially true for jewelry. And they also want advice and assistance from professional, expert salespeople. That is why Christ values excellent training and continuing education so highly. Its employees receive outstanding training in special sales courses. And with a vocational training rate of about 15 percent, the company not only offers many young people the opportunity to receive solid training but also ensures that it will have qualified staff in the future—a future where Christ will still arouse the desire in its customers to buy jewelry and watches with its slogan "Moments of Happiness" so that its value-based expansion will continue to maintain its excellent market position.

"We are a super team here in Munich. From our entire multi-faceted range of products, I like the diamonds best. And I love to talk to men who are looking for a diamond engagement ring. These are sometimes highly emotional moments, and this is exactly what we at Christ want to experience with our customers."

Susanne Schulz
Sales Associate, Munich
With Christ since 2003

The products are effectively displayed in a tasteful and sophisticated ambiance, as here in Regensburg.

The friendly experts: Özlem Aldirmaz, from Christ in Dortmund, and her more than 2,300 co-workers.

www.facebook.com/JuwelierChrist

AppelrathCüpper

Fashion, Top Brands, and Expert Sales Assistance

AppelrathCüpper (AC) showed a strong performance in the 2010/11 fiscal year. Sales revenue of the women's fashion stores rose by 0.3 percent to around EUR 125 million. Adjusted for the closure of the Solingen store that occurred in January 2011, sales were up by 1.4 percent. Customers have been increasingly receptive to the fashion company's repositioning as the retail brand "AC," that started in 2008 and has been ongoing since, offering a comprehensive selection of attractive, strong brands displayed in stores that have a contemporary look.

The highlights of the 2010/11 fiscal year included the reopening of the redesigned stores in Mannheim and Essen in September 2011. After extensive remodeling, both stores are showcasing the new AC store design, which emphasizes an appealing and spaciously arranged product presentation that provides the customers with plenty of room in the "mix-and-match" areas to put their own outfits together. In order to address the growing trend for accessories, all other stores were also updated with floor space dedicated to accessories.

The confident market launch has enabled AC to include new, attractive suppliers and manufacturer brands, such as Peuterey and Drykorn, in its product range. Furthermore, existing suppliers are continuously enhancing the quality of their products sold through AppelrathCüpper. In the younger segment, brands such as Marc O'Polo, Comma, and Gant, are especially popular. Well-established brands, such as Gerry Weber, Brax, or Mac and exclusive labels, such as MarcCain, Boss, Burberry, and Liebeskind round out AppelrathCüpper's profile as an expert in the field of fashion.

"Next summer, things will get really colorful! Colors will range from orange, pink, and red to green and bright shades of blue for accessories, shirts, blouses, cardigans, and slacks as well! Customers' wishes change to reflect the zeitgeist, and we have to adjust the life cycles of our brands accordingly. There should never be a dull moment! Our biggest challenge is always to get the trend across to the consumer. This is possible only in close collaboration between the Purchasing Department and the salespeople in our fashion stores."

Daniela Förster
Regional Manager Purchasing
With AppelrathCüpper since 2009

Contemporary brand diversity: AC is the attractive stage for many international brands, here for example, in the fashion store in Dortmund.

AppelrathCüpper in figures

Net sales in EUR m		Stores		Employees	
2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
124.5	124.1	13	14	772	751

The marketing focus is on the emotional appeal of AC as a leading retail brand. The seasonal campaigns are centered around a story. As, for example, in the "Rio de Janeiro" campaign with the French supermodel Constance Jablonski in the spring and summer of 2011 or the "Orient Express to Venice" campaign with the Lithuanian top model Edita Vilkeviciute in the fall and winter of 2011, these stories are a continuing theme in all aspects of the marketing mix—from the high quality AC catalogs and multi-page ads in national fashion magazines to the website www.appelrath.com, the fashion campaigns with their image photographs, the tastefully designed store windows, and the interior design of the fashion stores themselves. Due to all of these activities, customers perceive AppelrathCüpper as more youthful than before, and they also create a more emotional bond with customers.

The new online store www.appelrath.com, which was launched in September 2010, has contributed to this development. Individual items or outfits from all of AppelrathCüpper's advertising campaigns, catalogs, and promotions can now be ordered online. Moreover, the website provides comprehensive information about AC's brands and services. In order to communicate with regular customers on an even more personal level AppelrathCüpper introduced the AC Premium Club customer card in July 2011.

"Immediately after completing my training as a management assistant at Christ in Mannheim, I moved to AppelrathCüpper in 2009 and took over the management of the newly opened Mango Shop in October of the same year. Merchandising is one of my favorite jobs. It's a wonderful feeling to see that my combination ideas are readily accepted. But I also really enjoy the direct contact with our customers and selling them a product they really love. The great work environment here in our store motivates me and ensures that work stays fun."

Lisa Baumann
Mango Shop Manager, Mannheim
With AppelrathCüpper since 2009

Fashion and trend experts: the professionally qualified AC teams, here in Essen.

For example, cardholders receive invitations to exclusive events, information about current fashion trends and topics as well as a one-time welcome discount on their first purchase in their favorite store or in the AC online shop.

One of the most important success factors for Appelrath-Cüpper is and remains the excellent service provided by the roughly 800 friendly employees who are highly professional and qualified and whose expert advice and assistance is very much appreciated by customers. AC has created the basis for continuity in sales assistance and service quality by setting up custom-tailored continuing education programs, starting a "training offensive," and forming a junior management group focused specifically on training a new generation of managers. In August and September 2011, more than 40 new trainees were hired.

"In retail fashion, it is very important for us to build trust with our customers and to appeal to their emotions—both in our fashion stores and online. I really enjoy being able to actively shape the current changes and create excitement in both customers and co-workers about future endeavors."

André Howahl
Store Manager, Münster
With AppelrathCüpper since 1998

In the 2011/12 fiscal year, AC is continuing to consistently raise its brand profile. The women's fashion stores in downtown areas with sales floor space that ranges from 2,500 to 4,000 square meters and a full range of fashions (business, casual, and special occasion) are aiming to become number one for high quality, sophisticated women's clothing at their respective locations. The same applies to stores in shopping centers and malls with somewhat smaller selections (business and casual) and a little over 2,000 square meters of sales floor space where AC definitely sees potential for expansion in the medium term. As far as product range is concerned, the following segments, in particular, are slated for expansion: trendy fashion, modern woman, the Exquisit section that includes outstanding brands, and accessories. Swift expansion of the multi-channel strategy continues to be a focal point, and therefore AC is working on expanding and optimizing the online store. Nevertheless, it anticipates that its fashion-conscious customers will continue to want to see, touch, and try on clothing and accessories and will still want to experience the expert advice and assistance of the AC employees in the brick-and-mortar stores and get additional fashion tips. Of course, the Internet will grow in importance as a shopping channel in the clothing sector as well. Therefore, it is the effective implementation of a multi-channel strategy that will provide the greatest opportunities for AC to continue to expand its position as a firmly established favorite in retail fashion.

Classic elegance: brands such as Boss or St. Emile reflect the taste of the sophisticated AC customer.

Always in fashion: the almost 800 qualified AC employees, here Firdevs Inan from Essen.

www.facebook.com/AppelrathCuepper

www.youtube.com/AppelrathCuepper

HUSSEL
Confiserie

Indulging allowed!

The Hussel confectioneries can look back on a year of strategic realignment. During the 2010/11 fiscal year, many activities were undertaken to attract younger target groups on one hand and to retain loyal Hussel customers on the other. The number of stores was reduced from 261 to 245, thus diminishing sales revenue by 1.3 percent to EUR 98 million. Like-for-like sales, however, were slightly higher than in the previous year.

In the past fiscal year, the sales trend was adversely affected by the severe winter weather in December, the most important month for sales, and by summer temperatures in April and May, which are also seasonally significant. Despite positive sales volumes in the other months, it was impossible to make up for these revenue losses.

Within the scope of its realignment, Hussel remodeled a total of twelve branch stores in the 2010/11 fiscal year. One new confectionery shop was opened. This means that there are now 14 stores that have the new, fresh, and more youthful store design, which was originally presented as a pilot project in Aschaffenburg in the summer of 2010. The lessons learned from this pilot project were gradually implemented in the other store launches. An important milestone was the opening of a high-end confectionery store in the new Thier Gallery in Dortmund in September 2011. The clear, effective, and fresh presentation enables customers to find their way around the store quickly and easily. The focus is on the presentation of the merchandise that makes the customer want to indulge in one of the sweet delights.

"I particularly like the fact that at Hussel, there's always something going on. Last year was especially eventful—store construction, new products, and our Internet presence—so that things are always exciting and fresh. I'm looking forward to our plans for the future that will enable us to continue to flourish."

Robert Rodler
Regional Manager
With Hussel since 1996

Paradise for sweet lovers: at Hussel—here the confectionery shop in Dortmund—connoisseurs big and small get their money's worth.

Hussel in figures

Net sales in EUR m	
2010/11	2009/10
98.1	99.4

Stores	
2010/11	2009/10
245	261

Employees	
2010/11	2009/10
1,062	1,141

In the coming fiscal year 2011/12, Hussel will be growing, with up to five openings, planned for example in Cologne, Sulzbach, and Schwäbisch Gmünd. Moreover, a number of the existing stores will be remodeled according to the new store design concept. At the same time, Hussel has distinct product range and marketing focal points in the categories of promotions, impulse buys, and gifts. The gift segment of the product range has been considerably expanded. In addition to seasonal gifts, many products are decorated with messages for various occasions. Furthermore, customers can have gifts and gift baskets custom made according to their specifications.

This has made Hussel less dependent on seasonal business and climate conditions. Besides, the selection of products displayed near the cash registers is being modified and geared more toward impulse buys. The expansion of the molded chocolate figures category will make Hussel even more "chocolatey" and ensure that it stays a step ahead of the competition.

"I love working at Hussel and making people happy with chocolate. And now that I'm a trainer, I'm looking forward to passing on my enthusiasm to young trainees. I like the idea of turning our junior staff into 'chocolate fairies,' as my niece affectionately calls me."

Bianca Torney
Assistant Store Manager, Hanover
With Hussel since 2008

The expert sales teams in the confectionery shops—here in "Breuningerland" in Ludwigsburg—pamper their customers with sweet delights.

The Hussel online shop at **www.hussel.de** will also expand its offerings and services. With a contemporary look, exclusive products, and a fast and flexible logistics system, Hussel will live up to its customers' requirements regarding service and quality in its online store just as it does in its traditional stores. The online shop is set to achieve additional revenue growth in the new fiscal year.

Hussel's more than 1,000 highly motivated employees continue to have a crucial role in the company's success. Therefore, it will continue to provide exceptional training. A particular focal point is on sales training for employee teams in the Hussel confectionery stores. Another important objective is the development of qualified junior staff. In order to fill Hussel's needs for the accomplished salespeople of tomorrow from its own ranks, a significantly greater number of trainees were hired this past year than in previous years, and Hussel anticipates that this will continue in the coming fiscal year. With its professional and friendly employees—both those with years of experience and those who are just starting out—staffing its confectioneries, Hussel is confident that the 2011/12 fiscal year will see a positive trend.

"I love working at Hussel—each and every day—because every day is different than the day before. At Hussel, there's always something to do—packaging sweets, putting gifts together, or changing displays. Hussel is always flexible and open for new things. Besides, I can implement my own ideas. This is exactly what makes Hussel what it is and why I am a salesperson body and soul."

Eileen Schubert
Store Manager, Dresden
With Hussel since 2001

Tasteful and tasty: the new Hussel confectionery shops, here in the Dortmund Thier Gallery, charm customers with their contemporary look and delicious treats.

The more than 1,000 friendly Hussel employees, like Angelika Hübner, shown here, make Hussel a delightful experience for customers.

www.facebook.com/HusselConfiserie

Service Companies and Service Divisions

At the service headquarters in Hagen, about 1,200 employees are working for various divisions and companies of the DOUGLAS Group. The following overview shows the main areas of responsibility:

DOUGLAS HOLDING Service Divisions

Controlling facilitates the value-oriented development of the DOUGLAS Group by contributing to the planning process, preparing monthly forecasts, and providing financial oversight of the Group's investment activities.

The **Finance** division prepares the Group's consolidated financial statements, ensures compliance with the IFRS accounting standards, and secures both the financial resources needed by the DOUGLAS Group and the liquidity of its subsidiaries.

The **Investor Relations** and **Communications** divisions regularly provide media, financial markets, and shareholders with all the up-to-date information they require.

The **Group Development** division advises the Executive Board and the management of the subsidiaries on business strategies, marketing and product range concepts, and methods for optimizing business processes and work flows.

Group Auditing & Risk Management assists the Executive Board by performing independent reviews of the internal control systems at all of the Group's domestic and international divisions and coordinating the risk management of the DOUGLAS Group.

Mergers & Acquisitions provides the Executive Board and the management of the subsidiaries with assistance in implementing investment and divestment projects.

Human Resources & Organization coordinates core issues relating to HR strategy and initiates Group-wide projects, such as staff surveys and revision of corporate values and management guidelines.

Legal & Corporate Affairs is responsible for all legal matters—from acquisitions to trademark law. This division also has numerous responsibilities with regard to compliance, including organizing training sessions.

Taxes & Consulting provides the Group's consolidated companies with comprehensive advice regarding all taxation matters.

Service Centers

The **service centers of the subsidiaries** provide branch stores with support in their day-to-day operations and bundle responsibilities, such as marketing, purchasing, controlling, and logistics.

Service Companies

DOUGLAS Corporate Service GmbH (DCS) is an in-house provider of financial, accounting, and payroll services to the majority of the Group's consolidated companies. It is also responsible for the standardization of the Group's accounting policies and their compliance with IFRS. Its other responsibilities include assisting users in SAP environments, implementation of SAP systems at new Group companies, and advising customers in handling operational processes.

DOUGLAS Informatik & Service GmbH (DIS) is responsible for the efficient use of information technology in the DOUGLAS Group's business processes as well as for the utilization of any potential synergies, particularly those that are strategically focused on financial management, enterprise resource planning (ERP), information and knowledge management, and customer relationship management (CRM). It also operates the IT center and telecommunications network (technology center) and runs a service center providing IT support to Group stores around the world.

DOUGLAS Immobilien GmbH & Co. KG acquires rental properties in Germany and abroad and manages and optimizes the Group's real estate portfolio, including more than 2,000 current real estate contracts. It handles all financial transactions involving real estate and is also responsible for project management of large-scale investments.

EKV Einkaufsverbund GMBH and EEG Energie-Einkaufsverbund GMBH leverage cost benefits for the DOUGLAS Group by pooling orders for goods not for resale (GNFR) and negotiating service agreements for multiple divisions. Its activities are focused on procurement of electricity and natural gas (for Germany and the other European countries), negotiations in the valuables logistics, telecommunications, office supplies, and maintenance service sectors. EKV also manages the office building at the Group's service headquarters in Hagen.

DOUGLAS Versicherungsvermittlung GmbH 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 provides optional advisory services to the Group's foreign subsidiaries.

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

Financial Statements Contents

Consolidated income statement

for the period from October 1, 2010 to September 30, 2011

Fig. 1 · Income statement

		Notes	10/01/2010 to 09/30/2011 (in EUR m)	10/01/2009 to 09/30/2010 (in EUR m)
1.	**Sales**	6	**3,378.8**	**3,320.8**
2.	Cost of raw materials, consumables and supplies and merchandise		–1,769.9	–1,749.5
3.	**Gross profit from retail business**	7	**1,608.9**	**1,571.3**
4.	Other operating income	8	226.0	211.7
5.	Personnel expenses	9	–740.7	–720.3
6.	Other operating expenses	10	–801.5	–776.1
7.	Income from other investments	11	0.2	0.3
8.	**EBITDA**		**292.9**	**286.9**
9.	Amortization/depreciation	12	–149.5	–145.2
10.	**EBIT**		**143.4**	**141.7**
11.	Financial income		2.9	3.0
12.	Financial expenses		–8.5	–13.5
13.	Financial result	13	–5.6	–10.5
14.	**Earnings before taxes (EBT)**		**137.8**	**131.2**
15.	Income taxes	15	–50.8	–55.1
16.	**Net income for the year**		**87.0**	**76.1**
17.	Profit attributable to minority interests		–0.3	–0.2
18.	**Profit attributable to the Group shareholders**		**86.7**	**75.9**
			(in €)	(in €)
	Earnings per share	24	**2.20**	**1.93**

Statement of comprehensive income

Fig. 2 · Statement of comprehensive income

	10/01/2010 to 09/30/2011 (in EUR m)	10/01/2009 to 09/30/2010 (in EUR m)
Net income for the year	**87.0**	**76.1**
Foreign currency translation differences arising from translating the financial statements of a foreign operation	–4.8	1.8
Effective portion of net investment hedges	2.6	3.1
Effective portion of Cash Flow hedges	1.1	0.3
Total comprehensive income	**85.9**	**81.3**
Total comprehensive income attributable to Group shareholders	85.6	81.0
Total comprehensive income attributable to non- controlling interests	0.3	0.3

Consolidated balance sheet

Fig. 3 · Consolidated balance sheet

	Notes	09/30/2011 (in EUR m)	09/30/2010 (in EUR m)
Assets			
A. Non-current assets			
I. Intangible assets	16	240.2	269.1
II. Property, plant and equipment	16	459.7	470.6
III. Tax receivables	15	7.0	8.0
IV. Financial assets	20	5.3	5.1
V. Deferred tax assets	17	39.7	39.3
		751.9	**792.1**
B. Current assets			
I. Inventories	18	675.4	647.2
II. Trade accounts receivable	19	50.8	48.0
III. Tax receivables	15	12.8	17.9
IV. Financial assets	20	97.6	96.7
V. Other assets	21	27.4	25.4
VI. Cash and cash equivalents	22	43.3	51.6
		907.3	**886.8**
C. Assets held for sale	23	**2.5**	**34.5**
		1,661.7	**1,713.4**
Equity and liabilities			
A. Equity	24		
I. Capital stock		118.1	118.0
II. Additional paid-in capital		222.3	220.2
III. Retained earnings		453.9	411.7
IV. Minority interests		8.7	14.9
		803.0	**764.8**
B. Non-current liabilities			
I. Provisions for pensions	25	32.3	31.5
II. Other non-current provisions	26	20.8	23.1
III. Financial liabilities	27	27.3	41.6
IV. Other liabilities	28	4.7	5.0
V. Deferred tax liabilities	17	13.5	12.6
		98.6	**113.8**
C. Current liabilities			
I. Current provisions	26	124.8	133.2
II. Trade accounts payable		288.2	277.1
III. Tax liabilities		47.7	55.4
IV. Financial liabilities	27	166.4	239.8
V. Other liabilities	28	133.0	122.1
		760.1	**827.6**
D. Liabilities held for sale	23	**0.0**	**7.2**
		1,661.7	**1,713.4**

Statement of changes in Group equity

Fig. 4 · 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)
10/01/2009	**117.8**	**218.9**	**386.3**	**–1.4**	**–10.9**	**0.2**	**710.9**
Currency translation					1.7	0.1	1.8
Hedge Accounting				0.3	3.1		3.4
Net income of 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
Dividend payment			–43.3			–0.2	–43.5
Transactions with shareholders	0.2	1.3	–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**
10/01/2010	**118.0**	**220.2**	**418.9**	**–1.1**	**–6.1**	**14.9**	**764.8**
Currency translation					–4.8		–4.8
Hedge Accounting				1.1	2.6		3.7
Net income of the year			86.7			0.3	87.0
Total comprehensive income	0.0	0.0	86.7	1.1	–2.2	0.3	85.9
Capital increase	0.1	2.1					2.2
IAS 32			0.6				0.6
Acquisition of shares			–2.0			–6.4	–8.4
Dividend payment			–43.3			–0.1	–43.4
Transactions with shareholders	0.0	0.0	–44.7	0.0	0.0	–6.5	–49.0
Change in scope of consolidation					1.3		1.3
09/30/2011	**118.1**	**222.3**	**460.9**	**0.0**	**–7.0**	**8.7**	**803.0**

Consolidated Cash Flow statement

Fig. 5 · Consolidated Cash Flow statement*

			10/01/2010 to 09/30/2011 (in EUR m)	10/01/2009 to 09/30/2010 (in EUR m)
1.		EBIT	143.4	141.7
2.	+	Amortization/depreciation of non-current assets	149.5	145.2
3.	+/–	Increase/decrease in provisions	–9.0	–0.7
4.	+/–	Other non-cash income/expense	–1.9	–12.9
5.	+/–	Profit/loss on the disposal of non-current assets	–20.0	2.4
6.	+/–	Changes in inventories, trade receivables and other assets not classifiable to investing or financing activities	–28.3	2.1
7.	+/–	Changes in trade payables and other liabilities not classifiable to investing or financing activities	17.0	21.9
8.	–	Interest paid	–6.5	–5.6
9.	+	Interest received	1.1	1.2
10.	–	Taxes paid	–54.5	–49.1
11.	=	**Net Cash Flow from operating activities**	**190.8**	**246.2**
12.	+	Proceeds from the disposal of non-current assets and disposal of stores	5.0	4.5
13.	–	Investments in non-current assets	–116.9	–117.3
14.	+	Proceeds from the disposal of consolidated companies	50.6	0.0
15.	–	Payments for acquisition of consolidated companies	–2.9	–5.5
16.	=	**Net Cash Flow for investing activities**	**–64.2**	**–118.3**
17.		**Free Cash Flow (sum of 11 and 16)**	**126.6**	**127.9**
18.	+	Receipts from appropriations to equity	1.1	0.6
19.	–	Dividends paid to DOUGLAS shareholders	–43.3	–43.3
20.	–	Dividends paid to minority interests	–0.1	–0.2
21.	–	Payments for the repayment of financial liabilities	–112.1	–87.1
22.	+	Proceeds from borrowings	29.5	61.1
23.	+/–	Other financial changes	–10.3	–42.9
24.	=	**Net Cash Flow from financing activities**	**–135.2**	**–111.8**
25.	=	Net change in cash and cash equivalents (total of rows 11, 16 and 24)	–8.6	16.1
26.	+/–	Net change in cash and cash equivalents due to currency translation	0.3	0.5
27.	+	Cash and cash equivalents at beginning of year	51.7	36.7
28.	=	**Cash and cash equivalents at end of year**	**43.4**	**53.3**
29.	–	Of which contained in the balance sheet position as assets held for sale	0.0	1.6
30.	=	**Cash and cash equivalents as of September 30 per balance sheet**	**43.4**	**51.7**

* Prior year adjusted due to IAS 7.42A

Segment reporting

Fig. 6 · Segmentation by divisions

		Perfumeries		Books		Jewelry	
		2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Sales (net)	EUR m	1,878.6	1,878.7	934.5	905.8	340.4	310.2
Intersegment sales	EUR m	0.0	0.0	0.0	0.0	0.0	0.0
Sales	EUR m	1,878.6	1,878.7	934.5	905.8	340.4	310.2
Earnings from investments in associates	EUR m	0.0	0.0	0.0	0.0	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	–0.1	–2.0	0.0	–0.3	–0.1	0.0
EBITDA	EUR m	207.1	186.3	40.0	60.0	36.8	30.9
EBITDA margin	%	11.0	9.9	4.3	6.6	10.8	9.9
Scheduled amortization	EUR m	61.3	62.3	30.2	27.8	9.1	7.6
Impairments	EUR m	28.0	24.1	1.0	0.7	0.3	3.9
EBIT	EUR m	117.8	99.9	8.8	31.5	27.4	19.4
Interest expense	EUR m	11.7	13.4	4.4	7.3	2.1	2.2
Interest income	EUR m	1.6	1.4	0.8	0.9	0.3	0.2
EBT	EUR m	107.7	87.9	5.2	25.1	25.6	17.4
Capital expenditure	EUR m	61.6	56.3	26.2	30.3	15.8	14.4
Average annual number of employees (FTEs)		12,005	12,185	4,317	4,254	1,886	1,761
Sales area	1,000 m²	276	279	249	243	22	21
Number of stores (Sept. 30)		1,168	1,205	295	289	207	204

Fig. 7 · Segmentation by geographic region

	Perfumeries		Books		Jewelry		Other	
	2010/11 (in EUR m)	2009/10 (in EUR m)	2010/11 (in EUR m)	2009/10 (in EUR m)	2010/11 (in EUR m)	2009/10 (in EUR m)	2010/11 (in EUR m)	2009/10 (in EUR m)
Sales								
Germany	987.0	945.6	703.7	689.7	340.4	310.2	220.9	221.6
International	891.6	933.1	230.8	216.1	0.0	0.0	4.4	4.5
	1,878.6	**1,878.7**	**934.5**	**905.8**	**340.4**	**310.2**	**225.3**	**226.1**
Non-current assets								
Germany	116.8	111.3	206.5	211.0	36.0	29.9	114.9	121.3
International	192.5	234.6	32.2	30.3	0.0	0.0	1.0	1.3
	309.3	**345.9**	**238.7**	**241.3**	**36.0**	**29.9**	**115.9**	**122.6**
Capital expenditure								
Germany	34.3	25.4	19.4	22.5	15.8	14.4	13.3	16.5
International	27.3	30.9	6.8	7.8	0.0	0.0	0.0	0.0
	61.6	**56.3**	**26.2**	**30.3**	**15.8**	**14.4**	**13.3**	**16.5**

Fashion		Confectionery		Services		Consolidation		DOUGLAS Group	
2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
124.5	124.1	98.1	99.4	2.7	2.6	0.0	0.0	3,378.8	3,320.8
0.0	0.0	1.8	1.6	34.1	32.8	–35.9	–34.4	0.0	0.0
124.5	124.1	99.9	101.0	36.8	35.4	–35.9	–34.4	3,378.8	3,320.8
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.1	0.2	0.1	0.1	0.0	0.0	0.2	0.3
0.0	0.0	0.0	–0.2	0.0	0.0	0.0	0.0	–0.2	–2.5
7.9	7.4	5.0	5.8	–3.9	–3.5	0.0	0.0	292.9	286.9
6.3	6.0	5.0	5.7	–	–	0.0	0.0	8.7	8.6
6.1	6.1	3.0	2.8	10.4	9.7	0.0	0.0	120.1	116.3
0.0	0.2	0.1	0.0	0.0	0.0	0.0	0.0	29.4	28.9
1.8	1.1	1.9	3.0	–14.3	–13.2	0.0	0.0	143.4	141.7
1.3	1.2	0.4	0.2	5.9	9.0	–17.3	–19.8	8.5	13.5
0.2	0.2	0.1	0.0	17.2	20.1	–17.3	–19.8	2.9	3.0
0.7	0.1	1.6	2.8	–3.0	–2.1	0.0	0.0	137.8	131.2
2.1	1.8	3.3	3.4	7.9	11.3	0.0	0.0	116.9	117.5
616	604	766	765	526	495	0	0	20,116	20,064
35	37	15	15	0	0	0	0	597	595
13	14	245	261	0	0	0	0	1,928	1,973

Notes to the consolidated financial statements of DOUGLAS HOLDING AG for the fiscal year 2010/11

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, 2011 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 (Euro m).

The prior year's figures shown are comparable in full 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 2010/11. Earlier application of the new standards in the accompanying consolidated financial statements was not conducted by the Group.

The following standards and interpretations are mandatory for the first time in the fiscal year and did not have a material impact on the net assets, financial position and result of operations of the DOUGLAS Group.

Fig. 8 · New standards adopted for the first time

	New regulations		Impact on the DOUGLAS Group
IFRS 1	First Time Adoption of International Financial Reporting Standards	Introduction of additional simplifications	No material impact
IFRS 1 and IFRS 7	First time Adoption of International Financial Reporting Standards and Financial Instruments: Disclosures	Simplifications for first-time users regarding the presentation of comparative information	No material impact
IFRS 2	Share-based Payment	Modification of rules regarding the presentation of share-based payments in the financial statements of subsidiaries	No material impact
IAS 32	Financial Instruments: Presentation	Introduction of special regulations for puttable instruments	No material impact
IFRIC 15	Agreements for the Construction of Real Estate	Regulations for revenue recognition of construction projects	No material impact
IFRIC 17	Distribution of Non-cash Assets to Owners	Regulations for the measurement of non-cash assets transferred to owners	No material impact
IFRIC 18	Transfer of Assets from Customers	Additional information for the accounting of assets transferred from customers to a company that must then use that asset to supply the customer with goods or services	No material impact
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	Detailed rules for the accounting treatment of extinguishing financial liabilities with equity instruments	No material impact
Improvement Project 2009	IAS 1, IAS 7, IAS 17, IAS 36, IAS 38, IAS 39, IFRS 2, IFRS 5, IFRS 8, IFRIC 9, IFRIC 16		No material impact

In addition to the mandatory standards and interpretations to be adopted in the consolidated financial statements as of September 30, 2011, there are other new and/or revised standards and interpretations that are not yet applicable to annual periods beginning on October 1, 2010. These have not been adopted earlier by the DOUGLAS Group. These new and/or revised IFRS standards and interpretations that are not yet applicable are presented in the overview below.

Fig. 9 · New standards or regulations not yet applicable

New regulations not yet applicable

IFRS 1	First Time Adoption of International Financial Reporting Standards	Regulations for hyperinflation and the removal of fixed data
IFRS 7	Financial Instruments: Disclosure	Disclosures for the transfer of financial instruments
IFRS 9	Financial Instruments: Disclosure	Regulations for the counting of financial instruments measured at amortized cost or Fair Value
IFRS 10	Consolidated Financial Statements	Guidelines for limiting the scope of consolidation
IFRS 11	Joint Arrangements	Regulations for accounting treatment of jointly controlled entities
IFRS 12	Disclosures of Interests in Other Entities	Disclosure requirements for interests held in other entities
IFRS 13	Fair Value Measurement	Standardization of rules for measuring Fair Value
IAS 1	Presentation of Financial Statements	Presentation of Other Comprehensive Income
IAS 12	Income Taxes	Accounting of deferred taxes on investment property and remeasured fixed assets
IAS 19	Employee Benefits	Elimination of the corridor method for measuring pension obligations and additional disclosure requirements
IAS 24	Related Parties	Enhancement of disclosurs obligations for government-related entities
IAS 27	Separate Financial Statements	Revision of consolidation provisions and transfer to IFRS 10
IAS 28	Interests in Associates and Joint Ventures	Revision of accounting rules for associated companies and joint ventures
IFRIC 14	IAS 19—Limitation on a Defined Benefit Asset, Minimum funding Requirements and their Interaction	Regulations for prepayments in connection with minimum funding requirements (pension asset ceiling)
Improvement Project 2010	IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 24, IFRIC 13	

Published by IASB	Date of first-time adoption	Endorsed by the EU Commission	Probable impact on the DOUGLAS Group
12/20/2010	07/01/2011	So far, not yet	No material impact
10/07/2010	07/01/2011	So far, not yet	Additional disclosure duties in the Notes
11/12/2009 and 10/28/2010	01/01/2015	So far, not yet	Change in recordation of financial instruments classified as available-for-sale; immaterial impact
05/12/2011	01/01/2013	So far, not yet	No material impact
05/12/2011	01/01/2013	So far, not yet	No material impact
05/12/2011	01/01/2013	So far, not yet	Additional disclosure duties in the Notes
05/12/2011	01/01/2013	So far, not yet	No material impact
07/28/2011	07/01/2012	So far, not yet	No material impact
12/20/2010	01/01/2012	So far, not yet	No material impact
06/16/2011	01/01/2013	So far, not yet	Increases equity volatility due to omission of the settlement effect from the corridor method
11/04/2009	01/01/2011	07/19/2010	No material impact
05/12/2011	01/01/2013	So far, not yet	No material impact
05/12/2011	01/01/2013	So far, not yet	No material impact
11/26/2009	01/01/2011	07/19/2010	No material impact
05/06/2010	For the most part as of 01/01/2011	08/25/2010	No material impact

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.

Fig. 10 · Group of consolidated companies

	Germany	Other countries	Total
As of October 1, 2010	47	35	82
Companies consolidated for the first time	4	0	4
Merged companies	1	4	5
As of September 30, 2011	50	31	81

The Russian subsidiaries OOO Douglas Rivoli and OOO International Company, both based in Moscow/Russia and Rivoli Holding, based in Nijmegen/The Netherlands, were divested on December 30, 2010. The Group received a cash sum in the amount of 52.8 million Euro from this sale, with a capital gain of 22.3 million Euro. Contractual assurance, which is customary in Russia, was given to the buyer especially for the brandname and the portfolio of leases. In the Perfumeries division, the Danish subsidiary, Parfumeri Douglas ApS based in Copenhagen/Denmark, was liquidated in March 2011; therefore it is no longer included in the scope of consolidation.

In the Books division, all shares in textunes GmbH, based in Berlin, were acquired as of August 1, 2011. The purchase price for these shares amounted to 3.0 million Euro. The acquisition of textunes GmbH led to the capitalization of a software platform in the amount of 2.7 million Euro as well as the capitalization of a customer base in the amount of 0.5 million Euro. As a result, deferred tax liabilities were recognized in the total amount of 1.0 million Euro as well as deferred tax assets on loss carryforwards in the amount of 0.4 million Euro. In addition, goodwill was recognized in the amount of 0.5 million Euro in the consolidated financial statements. Goodwill is recognized from intangible assets acquired from a company that are not capable of being individually identified because they cannot be reliably measured and are not separable. During its period of inclusion in the Group, textunes GmbH generated sales of 0.2 million Euro and earnings of –0.2 million Euro. Since October 1, 2010, textunes GmbH generated sales of 0.7 million Euro and earnings of –0.9 million Euro. Additionally, another 17.4 percent interest was acquired in buch.de internetstores AG, Münster, with effect from the end of March 2011 and at a purchase price of 8.4 million Euro. In total, the shares held in the capital stock of buch.de internetstores AG increased to a total of 77.6 percent. The purchase price was settled in cash.

buch.de internetstores AG was included in full for the first time in the consolidated financial statements in the 2009/10 fiscal year. As part of this first-time full consolidation in the 2009/10 fiscal year, income was incurred in the amount of 6.1 million Euro due to the revaluation of old shares held in the company; the income amount was reported under other operating income.

Moreover, Douglas Marken- und Lizenzen GmbH and Thalia Franchise GmbH & Co. KG together with the respective administration company were formed in the fiscal year under review and have been consolidated for the first-time in the consolidated financial statements. Also occurring in the reporting period, Thalia Buchhandlung Köln GmbH based in Hagen was merged to Thalia Universitätsbuchhandlung GmbH, also based in Hagen, with effect as of October 1, 2010.

Fig. 11 · Changes to the consolidated group

	Additions (in EUR m)	Disposals (in EUR m)	Net amount (in EUR m)
Intangible assets	3.2	4.3	–1.1
Tangible assets	0.0	5.8	–5.8
Deferred tax assets	0.4	0.0	0.4
Inventories and other assets	0.1	20.5	–20.4
Liquid funds	0.1	2.1	–2.0
Provisions	0.1	0.1	0.0
Deferred tax liabilities	1.0	0.3	0.7
Liabilities	0.9	8.0	–7.1

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 companies are carried at cost. Due to the business volume, these companies do not prepare interim financial statements. Therefore, information on assets, liabilities, revenues 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 one 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.

In the 2009/10 fiscal year, an expense amount of 16.4 million Euro and an income amount of also 16.4 million Euro were incurred from the companies recognized under the equity method.

Consolidation methods

The financial statements of the companies included in consolidation have been prepared as of September 30, 2011. 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 directly 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.

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:

Fig. 12 · Exchange rate

			Average exchange rate (in EUR)		Closing rate (in EUR)	
			2010/11	2009/10	09/30/2011	09/30/2010
1	US dollar	USD	0.717	0.737	0.741	0.732
100	Swiss franc	CHF	79.494	69.993	82.055	75.267
100	Polish zloty	PLN	24.927	24.673	22.594	25.042
100	Hungarian forint	HUF	0.367	0.365	0.341	0.362
100	Russian rouble	RUB	2.394	2.455	2.441	2.395
100	Danish crown	DKK	13.415	13.434	13.440	13.419
100	Turkish lira	TRY	45.116	48.699	39.722	50.378
100	Czech crown	CZK	4.087	3.915	4.046	4.064
100	Lithuanian litas	LTL	28.988	28.885	28.988	28.950
100	Latvian lats	LVL	141.473	140.558	141.483	140.637
100	Romanian leu	RON	23.657	23.703	23.196	23.342
100	Croatian kuna	HRK	13.518	13.730	13.404	13.678
100	Bulgarian lev	BGN	51.141	51.072	51.174	51.117

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 1.7 million Euro (previous year: 2.1 million Euro) and corresponding expenses totaling 1.9 million Euro (previous year: 2.4 million Euro) 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. Since, based on experience, the DOUGLAS Group's companies do not utilize restoration obligations, these obligations are generally not recognized in the measurement of the leasehold improvements. In the year of purchase, property, plant and equipment are depreciated on a pro rata temporis basis. Where indications of impairment exist, an impairment test is 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 as follows:

Fig. 13 · Useful lives

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

Leases

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

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 based on the age structure of the receivables. 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. As a rule, securities are 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 in conformity with 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, 2011, non-current provisions were discounted using an interest rate of 5.14 percent (previous year: 4.7 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 correspond to market value, both upon initial and subsequent measurement in accordance with IAS 39; and can result in a positive or negative figure. Gains and losses from Fair Value measurement, to the extent that these are designated derivative financial instruments qualifying as hedged items 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 pages 47–49.

47–49

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.

Fig. 14 · Capital

		09/30/2011	09/30/2010
Equity	in EUR m	803.0	764.8
Debt	in EUR m	858.7	948.6
Net debt	in EUR m	49.6	124.0
Working capital	in EUR m	438.0	418.1
Equity ratio	in %	48.3	44.6

Notes to the income statement

6. Sales

(Net) sales totaling 3,378.8 million Euro were recorded in the 2010/11 fiscal year. Of this amount, 33.2 percent was recorded outside of Germany following 34.7 percent in the 2009/10 fiscal year.

Fig. 15 · Sales

	2010/11 (in EUR m)	2009/10 (in EUR m)
Perfumeries	1,878.6	1,878.7
International	888.2	932.0
Books	934.5	905.8
International	230.8	216.1
Jewelry	340.4	310.2
Fashion	124.5	124.1
Confectionery	98.1	99.4
International	4.4	4.5
Services	2.7	2.6
Total	**3,378.8**	**3,320.8**

7. Gross profit from retail business

Gross profit from retail business amounted to 1,608.9 million Euro in the 2010/11 fiscal year (previous year: 1,571.3 million Euro). The sales margin (ratio of gross profit to net sales) stood at 47.6 percent, which was just behind the prior year's figure.

8. Other operating income

Fig. 16 · Other operating income

	2010/11 (in EUR m)	2009/10 (in EUR m)
Income from costs recharged to third parties	119.7	121.6
Income from leasing and subleasing	17.2	17.4
Income from the reversal of provisions	14.2	16.9
Income from customer card	9.5	9.3
Income from commissions	3.5	4.7
Income from casualty	1.4	1.4
Income from disposal of non-current assets	0.4	0.6
Income from the disposal of the Russian subsidiaries	22.3	0.0
Income from currency translation	1.7	2.1
Income from derecognition of liabilities	4.4	4.0
Income from reversal of impairment	0.2	2.5
Other non-operating income	5.0	8.9
Refunds from sales taxes from prior years	0.0	3.5
Other income	26.5	18.8
Total	**226.0**	**211.7**

Income from costs passed on to third parties includes refunds for marketing costs and other costs charged further. Income from leasing and subleasing largely results to stores leased that are not used by the company, but are subleased. The prior year's line item for other non-operating income of 6.1 million Euro related to the revaluation of old shares held in buch.de internetstores AG. Other income includes, among others, income from pension plans.

9. Personnel expenses

Fig. 17 · Personnel expenses

	2010/11 (in EUR m)	2009/10 (in EUR m)
Wages and salaries	613.0	595.6
Social security, pension and other benefit costs	127.7	124.7
of which for pensions	5.3	5.4
Total	**740.7**	**720.3**

10. Other operating expenses

Other operating expenses are broken down as follows:

Fig. 18 · Other operating expenses

	2010/11 (in EUR m)	2009/10 (in EUR m)
Rent and energy costs	371.0	368.7
Advertisement in newspapers	27.1	28.7
Advertisement in other media	20.4	15.6
Direct mailing and customer loyalty card	29.7	26.4
Decoration	12.0	10.2
Other marketing and advertising costs	52.3	51.7
Costs of transferring merchandise	63.6	57.1
Other services	65.3	60.6
Repair costs	16.8	15.7
Credit card commission	11.9	11.8
Office and postal costs	14.8	13.9
Travel and vehicle costs	13.8	12.6
Consumables and supplies	11.3	11.3
Expenses from sublease	14.8	14.8
IT costs	20.5	17.7
Fees and dues	12.5	13.0
Other expenses	43.7	46.3
Total	**801.5**	**776.1**

11. Investment result

The income from other investments amounted to 0.2 million Euro (previous year: 0.3 million Euro). In the 2009/10 fiscal year, a majority shareholding in buch.de internetstores AG was acquired and the company had since then been fully consolidated in the consolidated financial statements, which is why no income was reported from associated companies.

12. Amortization/depreciation

Fig. 19 · Amortization/depreciation

	2010/11 (in EUR m)	2009/10 (in EUR m)
Scheduled amortization of intangible assets and depreciation of property, plant and equipment	120.1	116.3
Impairment losses on intangible assets and property, plant and equipment	29.4	28.9
Total	**149.5**	**145.2**

13. Financial result

Fig. 20 · Financial result

	2010/11 (in EUR m)	2009/10 (in EUR m)
Interest from loans and receivables	2.6	3.0
Income from financial instruments: Trading	0.1	0.0
Income from discounting other provisions	0.2	0.0
Total financial income	**2.9**	**3.0**
Interest expense from discounting non-current provisions	–2.7	–1.9
Financing expense for minority options	–0.4	–1.9
Expense from financial instruments: Trading	–0.7	–0.1
Financial expense for financial assets at amortized cost	–4.7	–9.6
Total financial expense	**–8.5**	**–13.5**
Financial result	**–5.6**	**–10.5**

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 Euro were incurred during the fiscal year under review (previous year: 0.5 million Euro). In all, fees in the form of compensation incurred in conjunction with financial instruments amounted to 5.6 million Euro for the fiscal year 2010/11 (previous year: 5.1 million Euro). 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. The financial result was impacted by the release of a hedging relationship between the hedged item and the respective derivative financial instrument (0.7 million Euro).

14. Net results by valuation category

Fig. 21 · Net results by valuation category—Fiscal year 2010/11

	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	–0.6	0.0	0.0	0.0	–0.6
Loans and receivables	0.0	–1.1	2.6	–4.7	–3.2
Minority options	0.0	0.0	0.0	–0.4	–0.4
Net profit by measurement category	–0.6	–1.1	2.6	–5.1	–4.2
Income/expenses, not included in the interest result	0.0	1.1	0.0	0.0	1.1
Interest income/expenses of assets, which are not financial instruments	0.0	0.0	0.2	–2.7	–2.5
Financial result	**–0.6**	**0.0**	**2.8**	**–7.8**	**–5.6**

Fig. 22 · 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)
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**

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, niether income or expenses from financial instruments held-for-trading, held-to-maturity nor available-for-sale were incurred.

15. Income taxes

Fig. 23 · Income taxes

	2010/11 (in EUR m)	2009/10 (in EUR m)
Income taxes	51.0	58.5
National	39.2	41.1
International	11.8	17.4
Deferred taxes	–0.2	–3.4
from temporary differences	–3.1	4.7
from loss carryforwards	3.7	–8.1
Total	**50.8**	**55.1**

The statutory corporate income tax rate in Germany for the assessment period FY 2010/11 totaled 15 percent. Including trade tax and the solidarity surcharge, this resulted in a total tax rate of 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, 2011 the corporate income tax credit amounted to 8.3 million Euro (previous year: 9.3 million Euro). The corporate income credit is shown in the balance sheet under non-current tax receivables.

An amount of –0.4 million Euro (previous year: –0.1 million Euro) 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 20.4 million Euro (previous year: 24.5 million Euro). 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:

Fig. 24 · Tax reconciliation

		2010/11	2009/10
Earnings before taxes	in EUR m	137.8	131.2
Consolidated income tax rate (national incl. trade tax)	in %	32.0	32.0
Expected tax expense	in EUR m	44.1	42.0
Impact of different national tax rates	in EUR m	–3.2	–4.7
Non-period tax income/expense	in EUR m	0.6	8.5
Tax-exempt income	in EUR m	–7.1	0.0
Non-deductible tax operating expenses	in EUR m	1.6	1.7
Financial expenses - minority options	in EUR m	0.1	0.6
Unrecognized deferred tax assets due to operating losses	in EUR m	8.0	2.1
Unrecognized deferred tax assets due to goodwill impairment	in EUR m	7.6	5.4
Trade tax (additions/deductions)	in EUR m	–0.5	0.5
Other	in EUR m	–0.4	–1.0
Effective tax expense	**in EUR m**	**50.8**	**55.1**

Notes to the balance sheet

16. Intangible assets and property, plant and equipment

Fig. 25 · Intangible assets—Fiscal year 2010/11

	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, 2010	148.9	215.3	0.8	365.0
Currency adjustments	0.1	0.3	0.0	0.4
Changes due to business combinations	2.9	0.5	0.0	3.4
Additions	9.0	0.0	1.2	10.2
IAS 32	0.0	–1.5	0.0	–1.5
Disposals	–3.8	–0.2	0.0	–4.0
Reclassifications IFRS 5	–5.4	0.0	0.0	–5.4
Reclassifications	1.0	0.0	–0.8	0.2
As of September 30, 2011	152.7	214.4	1.2	368.3
Accumulated amortization				
As of October 1, 2010	70.6	25.3	0.0	95.9
Currency adjustments	0.2	0.0	0.0	0.2
Changes due to business combinations	–0.3	0.0	0.0	–0.3
Additions	12.4	0.0	0.0	12.4
IAS 36	1.9	23.7	0.0	25.6
Write-ups	0.0	0.0	0.0	0.0
Disposals	–2.6	–0.2	0.0	–2.8
Reclassifications IFRS 5	–2.9	0.0	0.0	–2.9
Reclassifications	–0.4	0.4	0.0	0.0
As of September 30, 2011	78.9	49.2	0.0	128.1
Net				
As of September 30, 2011	73.8	165.2	1.2	240.2
As of September 30, 2010	78.3	190.0	0.8	269.1

Fig. 26 · 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**

Fig. 27 · Property, plant and equipment—Fiscal year 2010/11

	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, 2010	**644.9**	**797.6**	**9.4**	**1,451.9**
Currency adjustments	1.3	–1.2	–0.1	0.0
Changes due to business combinations	–0.6	–0.9	0.0	–1.5
Additions	32.3	65.6	8.8	106.7
Disposals	–25.4	–53.4	–0.3	–79.1
Reclassifications	3.7	3.7	–7.6	–0.2
As of September 30, 2011	**656.2**	**811.4**	**10.2**	**1,477.8**
Accumulated depreciation				
As of October 1, 2010	**390.9**	**590.4**	**0.0**	**981.3**
Currency adjustments	1.5	–0.7	0.0	0.8
Changes due to business combinations	–0.7	–1.0	0.0	–1.7
Additions	38.1	69.6	0.0	107.7
IAS 36	0.5	3.3	0.0	3.8
Write-ups	–0.1	–0.3	0.0	–0.4
Disposals	–23.0	–50.4	0.0	–73.4
Reclassifications	0.0	0.0	0.0	0.0
As of September 30, 2011	**407.2**	**610.9**	**0.0**	**1,018.1**
Net				
As of September 30, 2011	**249.0**	**200.5**	**10.2**	**459.7**
As of September 30, 2010	**254.0**	**207.2**	**9.4**	**470.6**

Fig. 28 · 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**

A) Intangible assets and property, plant and equipment

The capital expenditure of the 2010/11 fiscal year is broken down by division as follows:

Fig. 29 · Capital expenditure

	2010/11 (in EUR m)	2009/10 (in EUR m)
Perfumeries	61.6	56.3
Books	26.2	30.3
Jewelry	15.8	14.4
Fashion	2.1	1.8
Confectionery	3.3	3.4
DOUGLAS HOLDING AG, Services	7.9	11.3
Total	**116.9**	**117.5**

Of this total, 34.1 million Euro is attributable to foreign subsidiaries (FY 2009/10: 38.7 million Euro). The additions to intangible assets mostly relate to acquired Internet domains in connection with the business acquisition of textunes GmbH.

Capital expenditure in property, plant and equipment primarily relates to the opening and acquisition of 30 new stores in Germany and 34 stores abroad. In addition, continual investments were made in designing and re-designing existing stores.

Scheduled amortization/depreciation for the fiscal year totaled 120.1 million Euro (previous year: 116.3 million Euro).

Impairment tests for property, plant and equipment and intangible assets at store level, as cash-generating units, led to write-downs totaling 5.7 million Euro in the fiscal year under review (previous year: 12.4 million Euro). Ongoing negative contributions towards profits and the intended closure of stores triggered the performance of impairment tests on the cash-generating units.

Moreover, write-ups amounted to 0.4 million Euro in fiscal year 2010/11 (previous year: 3.4 million Euro) 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 of individual stores. The forecasts are based on the fixed term of the respective lease agreements. The forecast term is between one and ten years. Calculations are based on an interest rate of 10.75 percent before taxes.

Finance leases

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

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 281.2 million Euro in the 2010/11 fiscal year (previous year: 280.7 million Euro). Contingent rent payments amounted to 4.0 million Euro (previous year: 3.0 million Euro).

Fig. 30 · Operating leases

	Less than 1 year (in EUR m)		1 to 5 years (in EUR m)		More than 5 years (in EUR m)		Total (in EUR m)	
	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10	2010/11	2009/10
Obligations from operating leases	272.9	275.1	680.3	671.6	235.1	250.2	1,188.3	1,196.9
Income from subleases	8.6	9.6	23.7	25.2	6.8	12.9	39.1	47.7

B) Goodwill

Goodwill in the amount of 130.6 million Euro (previous year: 155.3 million Euro) is due to differences from capital consolidation and 34.6 million Euro (previous year: 34.7 million Euro) 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 with effect from October 1, 2009. 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.

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 labels and exclusive brands.

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 1 percent) before adjustments for future market saturation effects depending on the expected ROCE. For discounting purposes, an interest rate is applied of between 7.8 and 10.5 percent before taxes (prior year: 7.5 to 11.3 percent).

Impairment testing applied to goodwill led to write-downs in the amount of 23.7 million Euro in the fiscal year under review (prior year: 16.5 million Euro).

Due to the underperformance of sales reported by the perfumery Douglas France S.A. in the first quarter of the fiscal year under review, a goodwill impairment test was conducted on this cash-generating unit. The impairment testing resulted in an impairment loss of 22.9 million Euro. In addition, the annual impairment testing of the cash-generating unit IRIS d.d. based in Zagreb/Croatia led to an impairment write-down of 0.8 million Euro. Therefore, the goodwill amount was correspondingly written-down. Both of the goodwill write-down amounts have been allocated to the Perfumeries reporting segment. In both cases, the total impairment needs have been deducted from the carrying value of the respective goodwill amount. The residual goodwill amounts of Dougals France S.A. and IRIS d.d. are equivalent to its value in use.

In FY 2009/10, the goodwill impairments related to the operating segment in Spain in the amount of 7.0 million Euro, 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 economically strained situations in the aforementioned countries and to falling consumer spending. All goodwill of these cash-generating units is attributable to the Perfumeries Division.

In addition to the impairment tests, a sensitivity analysis was performed. Regarding the cash-generating unit in France, additional impairment needs would arise if, under the same sensitivity parameters, the planned sustainable increase in sales would drop by 0.09 percentage points, the cost of merchandise rate would rise by 0.15 percentage points or the pre-tax discount rate would increase by 0.23 percentage points.

In the Books division the value in use calculated by an impairment test exceeds the carrying amount by 64 million Euro. If the actual sales are by 1.3 percentage points lower than the planned sustainable sales or if the EBITDA-margin is by 0.3 percentage points lower than the planned sustainable EBITDA-margin the value in use equals the carrying amount.

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:

Fig. 31 · Carrying amounts of goodwill and intangible assets with indefinite lives as of the balance sheet date for the following cash-generating units

Company	09/30/2011			09/30/2010		
	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	6.5	
HELA Kosmetik Handels GmbH & Co. KG, Munich		4.1			4.1	
Parfümerie Douglas Ges.m.b.H., Vienna			2.5			2.4
Parfumerie Douglas France S.A., Lille	21.2	3.7	12.7	21.1	26.6	11.9
Profumerie Douglas S.P.A., Bologna		4.8			4.8	
Douglas Portugal Lda., Lisbon		6.9			6.9	
S.I.A. Douglas Latvia, Riga		5.2			5.2	
Parfümerie Douglas Bulgarien ood, Sofia		6.2			6.4	
IRIS d.d., Zagreb		5.8			8.0	
Thalia Holding GmbH, Hamburg		42.8			42.9	
Thalia Universitätsbuchhandlung GmbH, Hagen	5.8	3.2		5.8	3.2	
Reinhold Gondrom GmbH & Co. KG, Kaiserslautern	0.5	14.0		0.5	14.0	
Buch und Kunst Gruppe, Dresden		19.5			19.5	
Grüttefien GmbH, Varel		4.5			4.5	
buch.de internetstores AG, Münster		0.2	18.9		0.2	19.2
buch.ch AG, Winterthur			6.8			6.8
Other	1.9	3.2		2.1	2.5	
Total	**34.6**	**130.6**	**40.9**	**34.7**	**155.3**	**40.3**

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:

Fig. 32 · Deferred taxes

	09/30/2011		09/30/2010	
	Asset (in EUR m)	Liability (in EUR m)	Asset (in EUR m)	Liability (in EUR m)
Intangible assets	5.7	8.4	3.0	10.4
Property, plant and equipment	11.2	8.8	9.9	9.4
Inventories	4.8	0.0	5.5	0.7
Financial assets	0.3	1.5	1.0	1.7
Other assets	0.0	0.4	0.2	0.0
Provisions	11.2	0.7	13.8	0.0
Financial liabilities	5.4	1.1	5.3	1.2
Other liabilities	0.0	4.3	0.0	4.5
Additional paid-in capital	0.0	0.3	0.0	0.3
Tax loss carryforwards	13.1	0.0	16.2	0.0
Total	**51.7**	**25.5**	**54.9**	**28.2**
Offsetting	–12.0	–12.0	–15.6	–15.6
Carrying amount	**39.7**	**13.5**	**39.3**	**12.6**

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 1.6 million Euro and 0.0 million Euro respectively would arise for Douglas Spain S.A..

18. Inventories

Fig. 33 · Inventories

	09/30/2011 (in EUR m)	09/30/2010 (in EUR m)
Finished goods and merchandise	662.8	635.3
Raw materials, consumables and supplies	11.4	9.4
Advances to suppliers for merchandise	1.2	2.5
Total	**675.4**	**647.2**

In the fiscal year under review, inventories were written down to the net realizable value in the amount of 21.7 million Euro (previous year: 22.7 million Euro).

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, 1.1 million Euro (previous year: 1.3 million Euro) 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

Fig. 34 · Financial assets

	09/30/2011 With a remaining term of		09/30/2010 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	68.7		72.1	
Other equity participations		2.4		2.4
Other loans and advances		2.6		2.6
Securities	0.1		0.1	
Other financial assets	28.8	0.3	24.5	0.1
Total	**97.6**	**5.3**	**96.7**	**5.1**

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, 2011 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 Euro (previous year: 0.3 million Euro). Furthermore, the item contains balances owed in supplier accounts of 10.7 million Euro (previous year: 6.9 million Euro) and receivables from rental agreements of 7.2 million Euro (previous year: 7.0 million Euro). In addition, a short-term loan of 8.6 million Euro 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.

Fig. 35 · Analysis of financial assets not impaired

	Not due	Past due < 30 days (in EUR m)	Past due > 30 days (in EUR m)
Trade accounts receivable			
09/30/2011	0.0	47.7	3.1
09/30/2010	0.0	45.8	2.2
Other receivables			
09/30/2011	99.8	3.1	0.0
09/30/2010	99.7	3.2	0.0

With respect to receivables that are neither impaired nor past due, there were no indications of uncollectibility from the debtor as of the balance sheet date. In total, there was no amount recorded for direct write-downs of receivables for which previous write-downs were not recognized. Cash receipts relating to receivables fully written-off in prior periods were not recognized in the fiscal year under review or in the previous year.

Fig. 36 · Write-downs on capitalized financial instruments

	Loans and receivables (in EUR m)	
	2010/11	2009/10
As of October 01	6.6	4.2
Additions	1.0	3.1
Reversal	–1.2	–1.1
Utilization	–0.9	–0.7
Changes to consolidated group	0.0	1.1
As of September 30	5.5	6.6

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 prepaid 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

The line item as of September 30, 2011 includes the intangible assets of Thalia Medien Service GmbH based in Hagen, which were sold as of October 1, 2011. In November 2011 the regulatory agency approved the effectiveness of this divesture. In the prior year, this item contained 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 and were fully attributable to the Perfumeries Division.

Fig. 37 · Assets and liabilities held for sale

	09/30/2011 (in EUR m)	09/30/2010 (in EUR m)
Intangible assets	2.5	4.3
Property, plant and equipment	0.0	5.8
Inventories	0.0	18.0
Cash and cash equivalents	0.0	1.7
Other assets	0.0	4.7
Financial liabilities	0.0	6.7
Provisions	0.0	0.5

24. Equity

Capital stock

Issued capital stock totaled 118,131,666.00 Euro on the balance sheet date and is divided into 39,377,222 no-par value shares. The shares have a theoretical par value of 3.00 Euro each. The no-par value bearer shares carry full voting and dividend rights for fiscal year 2010/11, and are admitted to trading on the official markets of four German stock exchanges. Capital stock is entirely paid-in.

Issued capital stock changed as follows during the year under review:

Fig. 38 · Changes of issued capital stock

	Issued capital
As of October 1, 2010	
EUR m	118.0
Shares	39,320,892
Issue of employee shares	
EUR m	0.1
Shares	56,330
As of September 30, 2011	
EUR m	118.1
Shares	39,377,222

The Shareholders' Meeting on March 23, 2011 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. The earnings per share increased in fiscal year 2010/11 through the issue of 39,370,123 employee shares (previous year: 39,315,424).

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 Euro 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 Euro 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 Euro 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 56,330 shares issued to employees during the year under review (is equivalent to capital stock of 168,990.00 Euro), authorized capital II has to date been utilized in the amount of 0.4 million Euro. A further 56,495 employee shares were issued in November 2011 at a price of 16.00 Euro. 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 2.1 million Euro 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 29.52 Euro as of the balance sheet date (previous year: 36.83 Euro). The benefit of 1.2 million Euro granted to employees for the difference between the issue price and stock price is recognized under personnel expenses in the 2010/11 fiscal year. In addition, the transaction costs incurred in this connection in the amount of 0.1 million Euro are offset directly against the additional paid-in capital.

Retained earnings

Fig. 39 · Retained earnings

	09/30/2011 (in EUR m)	09/30/2010 (in EUR m)
Other revenue reserves	451.5	409.7
Statutory reserve	0.3	0.3
Reserve for the valuation of minority options (IAS 32)	9.2	8.6
Reserve for the valuation of hedging instruments	0.0	–1.5
Reserve pursuant to deferred tax directly charged to equity	0.0	0.4
Reserve for currency translation differences	–7.1	–5.8
Total	453.9	411.7

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 second quarter of the reporting period, an existing hedging instrument was released for an interest hedge, such that the expenses recognized so far for this hedging instrument directly to retained earnings were transferred to the interest result in the amount of 1.3 million Euro from the measurement of the hedging instrument. The valuation effect from this interest hedge was also recognized in the income statement since that date. This decreased the interest expense by 0.6 million Euro. Correspondingly, deferred taxes in this connection were accounted for, such that an amount of 0.4 million Euro arising from the release of the hedging instrument was derecognized from equity. In the prior year, an amount from the valuation of Cash Flow hedges of 0.4 million increased the retained earnings and decreased deferred taxes by 0.1 million Euro.

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 fully consolidated company, buch.de internetstores AG, Münster, in the amount of 8.5 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 23, 2011, a dividend of 1.10 Euro per share, or a total amount of 43.3 million Euro was distributed to the shareholders from the net retained earnings of 44.0 million Euro from the fiscal year 2009/10. The remaining amount of 0.7 million Euro was carried forward.

The Executive Board will propose to the Shareholders' Meeting to pay from the reported retained earnings of DOUGLAS HOLDING AG totaling 57.7 million Euro for the fiscal year 2010/11, a dividend of 1.10 Euro per no-par value share with dividend rights, or a total amount of 43.4 million Euro. Taking into account the profit carried forward of 0.7 million Euro and the transfer to retained earnings of 14.4 million Euro, an amount of 0.6 million Euro will 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:

Fig. 40 · Calculation parameters

	09/30/2011 (in %)	09/30/2010 (in %)
Interest rate	5.1	4.7
Pension-benefit increase rate during expectancy period	2.5	2.5
Increase in consumer price index	1.5	1.5

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

The interest rates for the foreign subsidiaries range between 2.4 percent to 5.0 percent, with a pension-benefit rate during the expectancy period of between 1.2 percent and 2.0 percent and a pension increase of 0.5 percent to 2.0 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 Euro for the 2010/11 fiscal year (previous year: 1.8 million Euro). Payments of about the same amount are expected for the coming fiscal year. Moreover multi-employer-plans exist in most of the countries for the contribution of statutory pension funds.

Fig. 41 · Reconciliation of Defined Benefit Obligation (DBO)

	09/30/2011		09/30/2010	
	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)
DBO	25.5	35.4	27.0	30.2
Actuarial gains/losses—not included—	1.4	1.0	0.3	0.3
Fair value of plan assets	0.0	31.0	0.0	26.3
Liability	**26.9**	**5.4**	**27.3**	**4.2**

Fig. 42 · DBO reconciliation

	2010/11		2009/10	
	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	27.0	30.2	24.7	24.0
Actuarial gains/losses	–1.3	1.2	2.0	1.2
Service cost	0.2	2.5	0.2	2.6
Interest cost	1.2	0.8	1.4	1.1
Past service cost	0.0	0.0	0.0	0.0
Gains/losses from curtailments/settlements	0.0	0.0	0.2	0.0
Insurance premiums	0.0	0.0	0.0	0.0
Contributions	0.0	–0.1	0.0	–0.2
Payments	–1.6	–2.5	–1.6	–0.1
Currency translation adjustments	0.0	3.3	0.1	1.6
DBO as of September 30	**25.5**	**35.4**	**27.0**	**30.2**

Fig. 43 · Pension expenses

	2010/11		2009/10	
	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)	Unfunded obligation (in EUR m)	Funded obligation (in EUR m)
Service cost	0.2	2.5	0.2	2.6
Interest cost	1.2	0.8	1.4	1.1
Amortization of actuarial gains/losses	0.0	0.0	0.1	0.0
Expected return on plan assets	0.0	0.3	0.0	0.3
Past service costs	0.0	0.0	0.2	0.0
Gains/losses from curtailments/settlements	0.0	0.0	0.0	0.0
Period pension expense	**1.4**	**3.0**	**1.9**	**3.4**

Pension payments in the amount of 5.1 million Euro are expected for the 2011/12 fiscal year.

Fig. 44 · Development of plan assets

	2010/11 (in EUR m)	2009/10 (in EUR m)
Plan assets as of October 1	26.3	22.5
Expected return on plan assets	0.6	0.5
Actuarial gains/losses	0.0	2.4
Contributions	2.7	1.7
Currency translation adjustments	4.1	0.1
Costs	0.0	0.0
Payments	–2.7	–0.9
Plan assets as of September 30	**31.0**	**26.3**

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

Fig. 45 · Funded status

	09/30/2011 (in EUR m)	09/30/2010 (in EUR m)	09/30/2009 (in EUR m)	09/30/2008 (in EUR m)	09/30/2007 (in EUR m)
DBO	60.9	57.2	48.7	50.3	35.1
Plan assets	31.0	26.3	22.5	20.3	8.1
Net	**–29.9**	**–30.9**	**–26.2**	**–30.0**	**–27.0**

26. Provisions

Fig. 46 · 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 provisions (in EUR m)	Total (in EUR m)
10/01/10	17.9	0.7	3.9	0.6	23.1
Utilization	–2.1	0.0	–0.3	0.0	–2.4
Reversal	–0.1	–0.2	–2.2	0.0	–2.5
Additions	1.1	0.0	0.1	0.7	1.9
Reclassifications	0.2	0.0	0.1	0.0	0.3
Interest	0.2	0.0	0.2	0.0	0.4
09/30/11	**17.2**	**0.5**	**1.8**	**1.3**	**20.8**

Fig. 47 · 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)
10/01/10	69.7	12.1	51.4	133.2
Utilization	–55.2	–4.6	–37.6	–97.4
Reversal	–2.8	–3.4	–12.9	–19.1
Additions	59.8	4.1	44.2	108.1
Reclassifications	0.2	0.2	–0.3	0.1
Change to consolidated group	–0.2	0.0	0.1	–0.1
09/30/11	**71.5**	**8.4**	**44.9**	**124.8**

Other current provisions are comprised as follows:

Fig. 48 · Other current provisions

	09/30/2011 (in EUR m)	09/30/2010 (in EUR m)
Deliveries and services not yet invoiced	29.1	31.2
Litigation costs	2.8	2.9
Supervisory Board remuneration	0.9	0.8
Onerous contracts	1.1	1.0
Costs for annual financial statements	0.3	0.6
Interest	0.1	0.1
Other	10.6	14.8
Total	**44.9**	**51.4**

27. Financial liabilities

Fig. 49 · Financial liabilities

	09/30/2011 (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)	09/30/2010 (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)
Liabilities to banks	92.9	67.4	25.5		175.6	141.6	34.0	
Advance payments received	1.4	1.4			1.3	1.3		
Financial liabilities from the valuation of options from minority interests	85.8	84.0		1.8	89.1	81.6	5.6	1.9
Financial liabilities from the valuation of derivative financial instruments	0.7	0.7			1.7	1.7		
Notes payable	0.0				0.1	0.1		
Other liabilities	12.9	12.9			13.5	13.5		
Total	**193.7**	**166.4**	**25.5**	**1.8**	**281.3**	**239.8**	**39.6**	**1.9**

Financial liabilities from valuation of options from minority interests are related to minority interests with cancellation and rights of disposal. During the fiscal year, income from the derecognition of trade accounts payable was recognized in the amount of 0.1 million Euro (previous year: 0.1 million Euro). None of the liabilities were secured by pledged rights or similar rights

28. Other liabilites

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

29. 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 commitments 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 85.6 million Euro as of the balance sheet date compared to 89.1 million Euro last year. Valuation-related adjustments in the amount of –1.8 million Euro (previous year: 3.6 million Euro) and distributions of 1.5 million Euro (previous year: 1.5 million Euro) decreased the extent of commitments as of the balance sheet date.

Notes to the Cash Flow statement

In compliance with the requirements of IAS 7, the Cash Flow statement shows how the cash and cash equivalents balance of the Group changed during the reporting period from Cash Flows from operating, investing and financing activities.

Cash and cash equivalents are broken down as follows:

Fig. 50 · Cash and cash equivalents

	09/30/2011 (in EUR m)	09/30/2010 (in EUR m)
Marketable securities	0.1	0.1
Cash and cash equivalents	43.3	51.6
Total	**43.4**	**51.7**

A cash inflow from operating activities was generated in the amount of 190.8 million Euro (previous year: 246.2 million Euro). Amortization relates to intangible assets in the amount of 38.0 million Euro (previous year: 33.2 million Euro) and depreciation of property, plant and equipment of 111.5 million Euro (previous year: 112.0 million Euro). The decrease in provisions of 9 million Euro (previous year: 0.7 million Euro) contains a change in non-current and current provisions as well as transfers from business transactions that are reported in the Cash Flow movement from investing activities. The line item for gains/losses on the disposal of non-current assets includes transfers to the Cash Flow movement from investing activities. The changes in inventories, trade receivables and other assets that are not classifiable to investing or financing activities in the amount of minus 28.3 million Euro (previous year: 2.1 million Euro) shows the change in the corresponding positions corrected by items classifiable to investing or financing activities. This also applies to changes in trade payables and other liabilities that are not classifiable to investing or financing activities in the amount of 17.0 million Euro (previous year: 21.9 million Euro).

A cash outflow resulted for investing activities in the amount of 64.2 million Euro in the fiscal year under review (previous year: 118.3 million Euro). Of the total capital expenditure amount of 116.9 million Euro (previous year: 117.3 million Euro), 106.7 million Euro went to property, plant and equipment and 10.2 million Euro to intangible assets. Arising from the divestiture of the Russian subsidiaries, OOO Douglas Rivoli and OOO Parfümerie International Company, both based in Moscow/Russia, and Douglas Rivoli Holding B.V., based in Nijmegen/The Netherlands, proceeds resulted in the amount of 50.6 million Euro from the sale of the consolidated companies and other business units. Payments for the acquisition of consolidated companies and other business units in the reporting period related to the acquisition of textunes GmbH, Berlin, in the amount of 2.9 million Euro. In the previous year, this position contained the purchase price for the shares in buch.de.

A cash outflow resulted for financing activities in the amount of 135.2 million Euro (previous year: 72.1 million Euro), which largely comprises of dividends and the raising and repayment of financial debt. This fiscal year‘s line item for other financial changes includes payments of 8.4 million Euro for stepping-up the shareholding interest in buch.de internetstores AG, Münster. The prior year's amount included payments of 39.7 million Euro for the acquisition of other shares in two fully consolidated companies.

The prior year's column in the Cash Flow statement was adjusted. The payments for acquiring additional shares in subsidiaries already consolidated were classified to investing activities. This has been classified in the Cash Flow statement for the reporting period for better comparability and in conformity with IAS 7.42A to the financing activities.

Notes to segment reporting

Segment reporting has been prepared in conformity with the provisions of IFRS 8. 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.

Alongside the information about the individual business segment, 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

Douglas is represented in Europe with 1,168 perfumeries in 17 countries. The Douglas brand stands for high expertise at both the perfumery stores and the online shop in the areas of perfumes, cosmetic and skincare.

Books

The bookselling group—Thalia—holds a leading position in German-speaking countries with their multi-channel offerings comprising of 295 bookstores, online shops and extensive eBook product range.

Jewelry

The 207 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.

Fashion

The 13 AppelrathCüpper fashion stores and the AC online shop are held in high esteem as an expert premium seller of high quality women`s clothing.

Confectionery

The 245 Hussel confectionery shops have an excellent market position in Germany with their innovative confectionery creations and attractive private labels and are expanding their expertise in online retailing.

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. The presentation of geographical segment reporting is shown by location of the customers in conformity with IFRS 8.33(a).

Segment earnings

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

Management of financial risks

Fig. 51 · Fair Values 09/30/2011

	Carrying amount (in EUR m)	Amortised 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	2.6	2.6			2.6
Trade accounts receivable	50.8	50.8			50.8
Other financial assets	97.8	97.8			97.8
Financial instruments: Held-for-trading					
Derivative financial instruments					
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	0.7		0.7	1.6	0.7
Other financial liabilities					
Trade accounts payable	288.2	288.2			288.2
Financial liabilities from the valuation of options from minority interests	85.8				85.8
Liabilities due to banks	92.9	92.9			94.2
Other financial liabilities	14.3	14.3			14.3

Fig. 52 · Fair Values 09/30/2010

	Carrying amount (in EUR m)	Amortised 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	2.6	2.6			2.6
Trade accounts receivable	48.0	48.0			48.0
Other financial assets	96.7	51.2			51.2
Financial instruments: Held-for-trading					
Derivative financial instruments					
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	1.7	2.0
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

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 long-term 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 Euro undertaken in the 2006/07 fiscal year, the DOUGLAS Group's provision of credit is assured at the minimum for the next year.

After expiration of the revolving credit facility, but at the latest starting September 2012, the Group has contractually agreed credit lines totaling 350 million Euro until October 2014; of which 225 million Euro is available until September 2016.

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

Fig. 53 · Liquidity risk

	Carrying amount (in EUR m)	Payments due within the next 30 days (in EUR m)		Payments due within 30 to 90 days (in EUR m)		Payments due within 90 to 360 days (in EUR m)		Payments due over a period of 1–5 years (in EUR m)		Payments due after more than 5 years (in EUR m)	
Liability	09/30/2011	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest	Redemption	Interest
Liabilities to banks	92.9	58.9				8.5	1.2	25.5	1.9		
Trade accounts payable	288.2	142.7		131.4		14.1					
Financial liabilities from the valuation of options from minority interests	85.8	84.0								1.8	
Financial liabilities from the valuation of derivative financial instruments	0.7		0.1		0.1		0.4				
Advance payments received	1.4	1.4									
Other financial liabilities	12.9	12.9									

All financial liabilities existing as of September 30, 2011 and for which payments were already contractually agreed are included. Plan payments for future liabilities are not taken into account. Floating interest rate payments are determined on the basis of the interest rates known as of September 30, 2011. 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.

Interest rate risk

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 Euro from the revolving credit facility which was hedged through interest rate swaps was released in January 2011. The change in Fair Value of these interest rate swaps has been reported in the net interest result.

Fig. 54 · Interest rate swaps

	09/30/2011			09/30/2010		
	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	25.0	0.0	0.7	28.0	0.0	1.6
of which within Cash Flow hedges	0.0	0.0	0.0	28.0	0.0	1.6
of which not part of a hedge	25.0	0.0	0.7	0.0	0.0	0.0

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 0.0 million Euro (previous year: 0.1 million Euro). A drop in the interest rate by the same base points, would have a contrary effect of 0.0 million Euro (previous year: 0.0 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, the interest result would improve by 0.15 million Euro; and by a corresponding drop in the interest rate of 50 base points, the interest result would worsen by 0.1 million Euro. Since this interest rate hedge was in a hedge relationship in the previous year and subject to hedge accounting rules under IAS 39, a change in the interest rate of 50 base points led to an increase or decrease in equity of 0.5 million Euro in the prior year.

Currency risk

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 2010/11, and merchandise was purchased almost exclusively in euros. Differences arising from the translation of foreign currencies to the parent's currency for the preparation of the consolidated financial statements did not impact currency risk.

Currency rate risks involving net investments in the Swiss subsidiary are hedged via Swiss Franc drawings from the revolving credit facility (net investment hedge). Drawings from the syndicated credit facility amounted to 29.0 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 would 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 0.3 million Euro (previous year: 0.1 million Euro) based on an appreciation in value of the Euro currency of 5 percent and –0.3 million Euro (previous year: –0.1 million Euro) based on a devaluation of 5 percent. The largest amounts encompass the US Dollar (+/–0.4 million Euro) and the Turkish Lira (+/–0.2 million Euro).

Default risk

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 of 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 economically strained situation, larger monetary deposits are avoided or only entered into with first-rated German banks.

Arising from the increased focus of the distribution channel on the Internet, the companies of the DOUGLAS Group are faced with a receivables default risk, which is a system-inherent risk in mail ordering. For this reason, the companies operate an effective and constantly optimized debtor management system including consistent dunning procedures.

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 Euro from an international banking syndicate. The residual term of this revolving credit facility is one year. 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 by an amount of 48.8 million Euro. 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 9.9 million Euro (previous year: 37.2 million Euro) and under the revolving credit facility to 48.8 million Euro (previous year: 91.3 million Euro).

Fig. 55 · Liabilities to banks (without current accounts and revolving credit facility) as of September 30, 2011

Original amount (in million currency units)	Nominal amount (in EUR m)	Carrying amount (in EUR m)	Fair Value (in EUR m)
EUR 86.3	86.3	34.3	35.6

Fig. 56 · 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 amount (in EUR m)	Fair Value (in EUR m)
EUR 105.7	105.7	46.6	48.2
CHF 13.6	10.2	0.5	0.5

Other explanatory notes

Other financial commitments

Purchase commitments for approved capital expenditure for property, plant and equipment totaled around 39.1 million Euro (previous year: 39.0 million Euro).

Average number of employees

The average number of persons employed was:

Fig. 57 · Average number of employees

	2010/11	2009/10
Salaried employees and wage earners	22,492	22,820
Apprentices	1,762	1,586
Total	**24,254**	**24,406**

Shareholdings

The list of shareholdings provides an overview of the companies included in the consolidated financial statements and of other participating interests held by the DOUGLAS Group.

Related companies and related persons

The DOUGLAS Group had the following relationships with related parties in the fiscal years 2010/11 and 2009/10, respectively, from delivery and supply relationships concluded in the past:

Fig. 58 · Related companies and related persons

	Deliveries and services received (in EUR m)		Deliveries and services provided (in EUR m)	
	2010/11	2009/10	2010/11	2009/10
Related companies	0.0	0.5	0.0	1.2
Related persons	7.9	4.5	0.0	0.0
Total	**7.9**	**5.0**	**0.0**	**1.2**

There were no receivables from related companies/parties on the balance sheet date or on the prior year's balance sheet date; the corresponding liabilities totaled 2.2 million Euro (09/30/10: 0.6 million EUR). Deliveries and supplies incurred in connection with buch.de internetstores AG are contained up through December 1, 2009 in the prior year's figures. 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

Fig. 59 · Executive Board remuneration

	2010/11		
	Fixed (in EUR '000)	Variable (in EUR '000)	Total (in EUR '000)
Dr. Henning Kreke, President and CEO	537.6	927.2	1,464.8
Dr. Burkhard Bamberger	457.1	613.6	1,070.7
Anke Giesen	356.1	282.3	638.4
Total	**1,350.8**	**1,823.1**	**3,173.9**

The total remuneration of the Executive Board in fiscal year 2009/10 amounted to 2,821.2 thousand Euro. The provisions for pensions for members of the Executive Board totaled 1,440 thousand Euro compared to 1,418 thousand Euro last year. Provisions in the amount of 1,823 thousand Euro were formed as of September 30, 2011 for the variable salary components of members of the Executive Board (previous year: 1,495 thousand Euro). 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 Euro for Dr. Henning Kreke and 5,000.00 Euro 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 904 thousand Euro (previous year: 903 thousand Euro) 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 12,971 thousand Euro following 13,061 thousand Euro the year before.

Total remuneration for other key executives within the DOUGLAS Group amounted to 4,843 thousand Euro in fiscal year 2010/11 (previous year: 5,393 thousand Euro). Provisions for pensions for these management members have not been recognized (previous year: 350 thousand Euro). Provisions totaling 2,065 thousand Euro have been recognized for variable salary components as of September 30, 2011 (previous year: 2,499 thousand Euro).

Supervisory Board remuneration

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

Fig. 60 · Supervisory Board remuneration

	2010/11			2009/10		
	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	79.9	19.9	99.8	80.8	23.2	104.0
Margarete Pinkowski, Vice Chairwoman	55.0	14.9	69.9	55.4	17.4	72.8
Detlef Bierbaum (until March 23, 2011)	20.0	4.9	24.9	40.4	11.6	52.0
Claus-Matthias Böge (since March 23, 2011)	23.3	5.8	29.1	0.0	0.0	0.0
Ulrike Grabe	30.0	9.9	39.9	30.0	11.6	41.6
Isabelle Harth	30.0	9.9	39.9	30.0	11.6	41.6
Solveig Hasse	30.0	9.9	39.9	30.0	11.6	41.6
Karen Heumann (since March 23, 2011)	17.5	5.8	23.3	0.0	0.0	0.0
Dr. Michael Hinderer (since March 23, 2011)	23.3	5.8	29.1	0.0	0.0	0.0
Henning R. Kreke (until March 23, 2011)	15.0	4.9	19.9	30.0	11.6	41.6
Petra Lügger	30.0	9.9	39.9	30.0	11.6	41.6
Bernd M. Michael (until March 23, 2011)	15.0	4.9	19.9	30.0	11.6	41.6
Dr. h.c. August Oetker	40.0	9.9	49.9	40.4	11.6	52.0
Johann Rösch	30.0	9.9	39.9	15.0	5.8	20.8
Dr. Ernst F. Schröder	49.9	9.9	59.8	50.8	11.6	62.4
Malene Volkers (until March 24, 2010)	0.0	0.0	0.0	15.0	5.8	20.8
Dr. Ulrich Wolters	40.0	9.9	49.9	40.4	11.6	52.0
Prof. Dr. Mark Wössner	30.0	9.9	39.9	30.0	11.6	41.6
Christine Wrobel	30.0	9.9	39.9	30.0	11.6	41.6
Sabine Zimmer	30.0	9.9	39.9	30.0	11.6	41.6
Total	**618.9**	**175.8**	**794.7**	**608.2**	**203.0**	**811.2**

Provisions totaling 795 thousand Euro (FY 2009/10: 811 thousand Euro) were formed for remuneration for the Supervisory Board; of this amount, 619 thousand Euro is a fixed component and 176 thousand Euro is a variable component.

The variable component of the Supervisory Board's remuneration is based on earnings per share. Share-price oriented models, e.g., stock options, do not exist.

Transactions pursuant to section 15a of the German WpHG (securities trading act)

Dr. August Oetker Finanzierungs- und Beteiligungsgesellschaft mbH, Bielefeld, as a related legal entity of the Supervisory Board Members, Dr. August Oetker and Dr. Ernst F. Schröder, acquired a total of 15,000 DOUGLAS shares at prices ranging between 39.38 and 39.97 Euro per share as of November 15, 2010 and November 23, 2010, respectively.

Expenses for auditor's fees

In accordance with Section 285 No. 17 HGB, the fees of the auditors, RBS RoeverBroenner-Susat GmbH & Co. KG, for preparing the consolidated financial statements for the fiscal year then ended are as follows:

Fig. 61 · Expenses for auditor's fees

	2010/11 (in EUR m)	2009/10 (in EUR m)
Audit of the financial statements	0.8	0.8
Other attestation and valuation services	0.0	0.0
Tax advice	0.0	0.0
Other services	0.1	0.1
Total	**0.9**	**0.9**

Declaration of compliance pursuant to section 161 of the German stock corporation law (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 2011. This can be read at www.douglas-holding.com.

Options according to section 264 (3) and 264b of the German commercial code (HGB)

In application of sections 264 (3) and 264b HGB, the following German subsidiaries have refrained from disclosing their annual financial statements:

Fig. 62 · Options according to sections 264 (3) and 264b HGB

Perfumeries	Douglas Cosmetics GmbH	Düsseldorf
Perfumeries	Douglas Einkaufs- und Servicegesellschaft 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
Books	Buch und Kunst GmbH & Co. KG Dresden	Dresden
Books	Thalia Franchise GmbH & Co. KG	Hagen
Jewelry	Christ Juweliere und Uhrmacher seit 1863 GmbH	Hagen
Fashion	inter-moda GmbH	Hagen
Confectionery	Hussel Geschenkstudio GmbH	Hagen
Confectionery	Hussel Süßwarenfachgeschäfte GmbH	Hagen
Confectionery	Cerrini Confiserie 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

Fig. 63 · Complete list of shareholdings

No.	Company name and registered office	Group interest (in %)
	DOUGLAS HOLDING AG	
	Perfumeries	
1.	Parfümerie Douglas GmbH, Hagen	100
2.	Parfümerie Douglas Deutschland GmbH, Hagen	100
3.	Douglas Cosmetics GmbH, Düsseldorf	100
4.	Parfümerie Douglas International GmbH, Hagen	100
5.	Parfümerie Douglas Ges.m.b.H., Vienna/Austria	100
6.	Parfumerie Douglas Nederland B.V., Nijmegen/The Netherlands	100
7.	Parfumerie Douglas France S.A., Lille/France	100
8.	Profumerie Douglas S.P.A., Bologna/Italy	100
9.	Parfümerie Douglas AG, Baar/Switzerland	100
10.	Parfumerie Douglas Inc., Westport/U.S.A.	100
11.	Douglas Spain S.A., Madrid/Spain	100
12.	Perfumeria Douglas Portugal Lda., Lisbon/Portugal	100
13.	Douglas Ungarn Kft., Budapest/Hungary	100
14.	Douglas Polska SP.z.o.o., Warsaw/Poland	100
15.	Parfumerie Douglas Monaco S.A.M., Monaco/Monaco	100
16.	Douglas Investment B.V., Nijmegen/The Netherlands	100
17.	Parfumerija Douglas d.o.o., Maribor/Slovenia	100
18.	Parfumerie Douglas s.r.o., Prague/Czech Republic	100
19.	Parfumerie Douglas Slovakia s.r.o., Bratislava/Slovakia	100
20.	Parfümerie Douglas Limited Sirketi, Istanbul/Turkey	100
21.	SA Douglas Expansion, Clermont-Ferrand/France	51
22.	Douglas Iberia Holding S.L., Madrid/Spain	100
23.	LTC Lifestyle Trading Company GmbH, Hagen	100
24.	Hela Beteiligungs GmbH, Hagen	100
25.	HELA Kosmetik Handels GmbH & Co. Parfümerie KG, Hagen	100
26.	UAB "Douglas Lithuania", Vilnius/Lithuania	100
27.	SIA "Douglas Latvia", Riga/Latvia	100
28.	S.I.A. Douglas Baltic, Riga/Latvia	51
29.	Parf. Douglas S.R.L., Bukarest/Romania	100
30.	Parfumerie Douglas Bulgaria ood, Sofia/Bulgaria	51
31.	DESG-Douglas Verwaltungs- und Beteiligungs GmbH, Zossen	100
32.	IRIS d.d., Zagreb/Croatia	51
33.	Douglas Einkaufs- und Service-Gesellschaft mbH & Co. KG, Zossen	100
34.	Douglas Logistik GmbH, Zossen	100
35.	Douglas Marken und Lizenzen Verwaltungsgesellschaft mbH, Zossen	100
	Books	
36.	Buch & Medien GmbH, Hagen	100
37.	Thalia Holding GmbH, Hamburg	75
38.	Thalia Universitätsbuchhandlung GmbH, Hagen	100
39.	Thalia-Buchh. Erich Könnecke GmbH & Co. KG Boysen & Maasch, Hamburg	100
40.	Könnecke Buchhandelsgesellschaft mbH, Hamburg	100
41.	Thalia Medienservice GmbH, Hagen	100
42.	Thalia Handels GmbH, Linz/Austria	100
43.	Thalia Buch & Medien GmbH, Linz/Austria	100
44.	Thalia Bücher AG, Basel/Switzerland	100

Fig. 63 · Complete list of shareholdings

No.	Company name and registered office	Group interest (in %)
45.	ZAP*Zur Alten Post AG, Brig/Switzerland	67
46.	Kober & Thalia Buchhandelsgruppe GmbH & Co. KG, Mannheim	75
47.	Kober & Thalia Buchhandelsgruppe Verwaltungs GmbH, Mannheim	75
48.	Reinhold Gondrom GmbH & Co. KG, Kaiserslautern	100
49.	R. Gondrom Verwaltungs-GmbH, Kaiserslautern	100
50.	Grüttefien GmbH, Varel	50.1
51.	CM OO Vermögensverwaltung 354 GmbH, Dresden	100
52.	Buch und Kunst GmbH & Co. KG Dresden, Dresden	100
53.	Buch und Kunst GmbH Leipzig, Leipzig	100
54.	Haus des Buches GmbH, Dresden	100
55.	G.D. Baedeker GmbH, Dresden	100
56.	buch.de internetstores AG, Münster	77.6
57.	buch.ch AG, Winterthur/Switzerland	100
58.	Thalia Franchise GmbH & Co. KG, Hagen	100
59.	textunes GmbH, Berlin	100
60.	Thalia Franchise Verw. GmbH, Hagen	100
	Jewelry	
61.	Christ Juweliere und Uhrmacher seit 1863 GmbH, Hagen	100
	Fashion	
62.	inter-moda GmbH, Hagen	100
63.	Reiner Appelrath-Cüpper Nachf. GmbH, Cologne	100
	Confectionery	
64.	Hussel Süßwarenfachgeschäfte GmbH, Hagen	100
65.	Hussel Geschenkstudio GmbH, Hagen	100
66.	Cerrini Confiserie GmbH, Hagen	100
67.	Hussel Iberia Chocolates e Confeitaria S.A., Lisbon/Portugal	49
68.	Hussel Confiserie GmbH, Wels/Austria	100
	Services	
69.	DOUGLAS Informatik & Service GmbH, Hagen	100
70.	DOUGLAS Versicherungsvermittlung GmbH, Hagen	100
71.	DOUGLAS Corporate Service GmbH, Hagen	100
72.	DOUGLAS Leasing GmbH, Hagen	100
73.	DOUGLAS Immobilien GmbH & Co. KG, Hagen	100
74.	DOUGLAS Immobilien GmbH, Hagen	100
75.	DOUGLAS Grundbesitz GmbH, Hagen	100
76.	EKV Einkaufsverbund GMBH, Hagen	100
77.	EEG Energie-Einkaufsverbund GmbH, Hagen	100
78.	Douglas Finance B.V., Nijmegen/The Netherlands	100
79.	Douglas GmbH & Co. Objekt Zeil KG, Pullach im Isartal	88
80.	Douglas Grundstücks- und Verwaltungsgesellschaft mbH, Zossen	100
81.	Douglas Grundstücks- und Verwaltungsgesellschaft mbH & Co. KG, Zossen	100
82.	Hapag Lloyd Reisebüro Hagen GmbH & Co. KG, Hagen	30
83.	HWW Immobilienbeteiligungsgesellschaft mbH & Co. KG, Hagen	40
84.	ARCADEON/HWW Seminar- und Tagungsbetrieb GmbH, Hagen	39.3
85.	Landhotel Halden Immobilien GmbH & Co. KG, Hagen	25
86.	Hapag Lloyd Reisebüro Hagen Verwaltungs GmbH, Hanover	30

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 (until March 23, 2011)
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.

Claus-Matthias Böge (since March 23, 2011)
Speaker of Management Board of Deutsche EuroShop AG, Hamburg

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

Karen Heumann (since March 23, 2011)
Advertising consultant, Hamburg
a) Aufeminin.com, Paris/France
b) Commerzbank AG, Frankfurt a. M.

Dr. Michael Hinderer (since March 23, 2011)
Merchant, Munich
a) Table Mountain Limited, St. Helier/Jersey
Altium Capital AG, Zürich/Switzerland
Altium Group Ltd., London/Great Britain
Capital Dynamics Holding AG, Zug/Switzerland
b) Immo Kasse GmbH, Oberhaching

Henning R. Kreke (until March 23, 2011)
Merchant, Schwaig/Nuremberg

Petra Lügger*
Administration, Münster
Thalia Universitätsbuchhandlung GmbH, Hagen

Bernd M. Michael (until March 23, 2011)
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 the Advisory Board at Dr. August Oetker KG, Bielefeld
a) Damm S.A., Barcelona/Spain
B. Braun AG, Melsungen
Ebro Foods S.A., Madrid/Spain
b) Dr. August Oetker KG, Bielefeld (Advisory Board)

Johann Rösch*
Trade union secretary, Nuremberg
ver.di Bundesverwaltung, Berlin

Dr. Ernst F. Schröder
Personally liable Partner at Dr. August Oetker KG, Bielefeld
a) 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
Gerry Weber International AG, Halle (Chairman)
b) Bankhaus Lampe KG, Düsseldorf (Advisory Board)

a) Membership of supervisory boards required by law
b) Membership of comparable advisory bodies
* Employee representative

Dr. Ulrich Wolters
Corporate consultant, Mülheim a. d. Ruhr
a) Bunzl PLC, London/Great Britain
Lenze AG, Aerzen (Chairman)
Preventicum GmbH, Essen (Chairman)
Novotergum AG, Mülheim a. d. Ruhr (Chairman)
b) Deichmann SE, Essen

Prof. Dr. Mark Wössner
Entrepreneur, Munich
a) 3W Power S.A., Luxembourg

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)

Audit & Finance Committee
Dr. Ernst F. Schröder (Chairman)
Claus-Matthias Böge
Dr. Michael Hinderer
Dr. Ulrich Wolters

Arbitration Committee
Dr. Jörn Kreke
Petra Lügger
Dr. h.c. August Oetker
Margarete Pinkowski

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 Supervisory Board of DOUGLAS HOLDING AG.

Responsibility statement
To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and result of operations of the Group, and the combined management report of the company and the Group and 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, 2011
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, 2010 to September 30, 2011. 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 3, 2012

RBS RoeverBroennerSusat GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Driesch	Schulz-Danso
German Accountant	German Accountant

Further Information Contents

Overview of the past several years

		IFRS							HGB			
		2010/11	2009/10	2008/09	2007/08[1]	2006/07	2005/06	2004/05	2004/05	2003/04	2003 abbrev.	2002
Sales	EUR m	3,378.8	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
National	EUR m	2,255.4	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
International	EUR m	1,123.4	1,152.6	1,129.3	1,097.5	968.0	864.7	693.3	694.4	691.6	425.7	579.3
EBITDA	EUR m	292.9	286.9	225.0	274.7	266.0	242.9	228.6	219.5	213.1	81.3	206.4
EBITDA margin	%	8.7	8.6	8.0	8.8	8.9	9.1	9.5	9.1	9.3	5.6	9.2
EBIT	EUR m	143.4	141.7	116.1	159.9	157.2	142.1	136.1	122.4	112.2	7.0	105.9
EBIT margin	%	4.2	4.3	3.6	5.1	5.2	5.3	5.6	5.1	4.9	0.5	4.7
EBT	EUR m	137.8	131.2	103.9	149.3	143.1	129.4	119.4	119.5	110.3	3.6	95.1
EBT margin	%	4.1	4.0	3.2	4.8	4.8	4.8	4.9	4.9	4.8	0.2	4.3
Net income	EUR m	87.0	76.1	62.8	97.1	88.4	76.0	57.3	74.5	64.5	–11.4	58.9
Non-current assets[2]	EUR m	751.9	792.1	798.9	808.4	734.9	636.4	540.7	501.9	437.4	420.1	435.2
Current assets[3]	EUR m	907.3	886.8	889.8	935.4	993.2	957.9	873.2	868.0	779.9	759.9	895.8
Working capital[4]	EUR m	438.0	418.1	455.0	459.8	400.0	381.4	343.6	574.4	504.3	487.5	507.6
Equity	EUR m	803.0	764.8	710.9	697.0	639.2	591.0	537.8	602.1	564.5	531.2	582.3
Equity ratio	%	48.3	44.6	42.1	39.9	36.9	37.1	38.0	43.3	45.9	44.5	43.4
Non-current liabilities[5]	EUR m	98.6	113.8	129.7	148.1	294.0	278.2	212.7	214.1	152.6	169.1	173.4
Current liabilities[6]	EUR m	760.1	827.6	848.0	898.7	794.9	725.1	663.4	573.4	509.4	487.3	576.6
Net debt[7]	EUR m	49.6	124.0	165.3	220.6	206.8	145.2	74.0	74.0	40.6	80.7	4.5
Total assets	EUR m	1,661.7	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
Cash Flow from operating activities	EUR m	190.8	246.2	191.7	208.4	195.7	151.1	164.9	178.7	170.2	37.6	202.3
Cash Flow from investing activities[8]	EUR m	–64.2	–118.3	–107.2	–168.3	–201.6	–168.2	–133.5	–140.8	–100.4	–70.0	–98.2
Free Cash Flow[8]	EUR m	126.6	127.9	84.5	40.1	–5.9	–17.1	24.8	37.9	69.7	–32.4	104.1
Cash Flow from financing activities[8]	EUR m	–135.2	–111.8	–100.1	–154.6	–52.9	12.4	35.2	21.2	–42.9	–43.3	–40.7
Capital expenditure	EUR m	116.9	117.5	112.3	155.5	155.8	141.2	121.6	120.9	118.3	65.5	98.1
Amortization/ depreciation	EUR m	149.5	145.2	138.9	117.0	108.8	100.8	92.5	97.1	101.1	74.6	105.5
Number of shares	m shares	39.4	39.3	39.3	39.2	39.2	39.2	39.1	39.1	39.1	39.0	39.0
Market capitalization	EUR m	1,163.1	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

Overview of the past several years

		IFRS							HGB			
		2010/11	2009/10	2008/09	2007/08[1]	2006/07	2005/06	2004/05	2004/05	2003/04	2003 abbrev.	2002
Per no-par value share												
Share price—end of fiscal year	EUR	29.52	36.83	31.25	32.24	43.81	36.90	31.60	31.60	23.80	24.40	16.83
EBITDA	EUR	7.43	7.30	6.49	7.06	6.79	6.23	5.90	5.62	5.50	2.08	5.29
Earnings[9]	EUR	2.20	1.93	1.60	2.43	2.25	1.94	1.47	1.56	1.53	–0.69	1.48
Dividend	EUR	1.10	1.10	1.10	1.20	1.10	1.10	1.00	1.00	1.00	0.75	0.90
Dividend yield	%	3.7	3.0	3.5	3.4	2.5	3.0	3.2	3.2	4.2	3.1	5.3
Employees		24,323	24,655	24,190	24,521	23,265	21,002	19,588	19,588	18,698	18,039	18,967
National		15,325	15,164	14,761	15,110	14,746	13,521	12,952	12,952	12,333	12,071	13,391
International		8,998	9,491	9,429	9,411	8,519	7,481	6,636	6,636	6,365	5,968	5,576
Specialty stores		1,928	1,973	2,005	1,966	1,840	1,549	1,599	1,599	1,573	1,558	1,574
National		1,134	1,142	1,165	1,169	1,155	995	1,102	1,102	1,084	1,105	1,153
International		794	831	840	797	685	554	497	497	489	453	421
Sales space	1,000 m^2	594.9	596.6	590.6	574.1	528.5	458.8	407.3	407.3	358.5	331.2	328.4
National	1,000 m^2	390.4	384.6	381.1	378.6	354.1	308.9	271.2	271.2	237.8	221.3	225.6
International	1,000 m^2	204.5	212.0	209.5	195.5	174.4	149.9	136.1	136.1	120.7	109.9	102.8

1) Adjustment of figures due to change in the accounting of the customer loyalty program under 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 (excluding bank liabilities)
5) HGB: Non-current provisions (for pensions, purchase price annuities, severance pay, anniversary payments, provisions for onerous contracts from tenancies and interest rate swaps) plus non-current liabilities
6) HGB: Total of provisions and liabilities less non-current portion
7) Cash and cash equivalents less liabilities to banks and notes payable
8) Adjustment of previous year`s figures due to IAS 7.42A
9) HGB: DVFA/SG earnings

Glossary

Actuarial gains/losses
Impact of changes in actuarial parameters when calculating pension obligations

Associated companies
Companies over which the investor has significant influence (interest between twenty and fifty percent held) and is neither a subsidiary nor an interest in a joint venture

At equity
Valuation of interests in associated companies with their prorated stockholders' equity and profits for the year

Available-for-sale securities
Securities which are neither held for trading, i.e. to generate short-term profits, nor held until a specific maturity

CAPM (Capital Asset Pricing Model)
A capital market-oriented model used to calculate a company's cost of capital

Cash Flow
An indicator used in the analysis of balance sheets to show a company's financial strength. The Cash Flow designates the changes to liquid funds resulting from operational activities and other factors within a given period

Cash Flow Hedge
Used to hedge against risks from Cash Flow fluctuations as a result of changes in interest rates

Cash Flow statement
Presentation of an organization's liquidity during the course of a fiscal year, reflecting the origins of funds and the effects of allocating resources

Cash-generating unit
Smallest unit of assets which generates Cash Flows in a company, whereby these Cash Flows are mostly independent of Cash Flows for other assets or groups of assets

Cash-Management-System
Computer-aided system for the optimum management of funds in the Group in respect to liquidity and profitability

Consolidation
Aggregation of the financial statements from all the companies within a Group to produce the consolidated financial statements

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 EBITDA 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 17 countries: Austria, Belgium,Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovenia, Slovakia and Spain

EVA® (Economic Value Added)
EVA® is a concept developed by the corporate consultants Stern Stewart & Co. to promote value-oriented management control

Fair Value
Amount at which an asset would be transferred in an arm's-length transaction

Finance lease
Lease in which the main opportunities and risks associated with ownership of an asset are transferred to the user of that asset, irrespective of the actual transfer of legal title

Free Cash Flow
Operating Cash Flow minus Cash Flow from investment activities. The Free Cash Flow is available for dividend payments to shareholders, and to pay interest

Free Float
The percentage of share capital that is not held by long-term investors and can therefore be freely traded on the market (free float)

Functional currency
The currency used in the primary economic environment of a company's operations

Goodwill
Positive differential between a company's purchase price and its net assets (assets minus debts)

Hedge accounting
Accounting treatment of hedge transactions

IASB (International Accounting Standards Board)
Internationally staffed and privately funded organization which develops and revises the IAS/IFRS

IFRIC (International Financial Reporting Interpretations Committee—formerly SIC)
Concrete interpretations of individual IFRSs

IFRS/IAS (International Financial Reporting Standards—formerly IAS)
Accounting standards issued by an international committee (International Accounting Standards Committee) with the aim of creating transparent accounting that is comparable worldwide

Impairment
Reduction in value that is performed as soon as the carrying amount of an asset is greater than its recoverable amount, i.e., the higher value which would result from either its sale or its continued use

Like-for-like sales
Sales relative to space; only includes sales from those branches operating during the year under review and the year being compared. Does not include stores whose sales area varied by at least 20 percent during the period under review

Market capitalization
The market price of a listed company; calculated by multiplying the current share price by the number of shares issued

MDAX
Share index containing the fifty largest German and non-German companies within the DAX index (measured in terms of their trading volume and market capitalization)

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 distribution 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-Leaseback Transaction
Sale of an item with simultaneous further use of the item by the seller

Short reporting period
A reporting period that is shorter than twelve months

Temporary differences
Differences between the carrying amount of an asset and its tax base

Value added
The additional increase in value generated in a company by operations, over and beyond that generated by the services obtained from third-party providers for this purpose

Table of figures to the financial statements

DOUGLAS HOLDING

www.douglas-holding.com

Douglas

www.douglas.de

Thalia

www.thalia.de · www.buch.de

CHRIST

www.christ.de

AppelrathCüpper

www.appelrath.de

HUSSEL

Confiserie

www.hussel.de