



Financial Statements

- 3 Income Statement
- 4 Balance Sheet
- 5 Notes
- 6 Notes to the Income Statement
- 8 Notes to the Balance Sheet
- 20 Auditor's Report

Income Statement of DOUGLAS HOLDING AG
for the period from October 1, 2007 to September 30, 2008

Income statement

			10/01/2007 to 09/30/2008	10/01/2006 to 09/30/2007
		Notes	in EUR m	in EUR m
1.	Other operating income	4	33.9	36.9
2.	Personnel expenses	5	-10.0	-11.3
3.	Depreciation and write-downs of fixed assets		-1.6	-1.5
4.	Other operating expenses	6	-39.5	-38.5
5.	Income from investments	7	95.6	86.8
6.	Net interest	8	24.7	18,2
7.	Result from ordinary business activities		103.1	90.6
8.	Income taxes	9	-25.3	-16.9
9.	Other taxes		-0.1	-0.6
10.	Net income		77.7	73.1
11.	Profit carried forward from previous year		0.8	0.9
12.	Change in revenue reserves		-34.5	-30.0
13.	Accumulated earnings		44.0	44.0

Balance Sheet DOUGLAS HOLDING AG
as of September 30, 2008

Assets

	Notes	09/30/2008	09/30/2007
		in EUR m	in EUR m
A. Fixed assets	10		
I. Intangible assets		0.0	0.1
II. Tangible assets		18.9	16.8
III. Financial assets		434.6	433.7
		453.5	450.6
B. Current assets			
I. Receivables and other assets	11	550.1	497.7
II. Cash and cash equivalents	12	7.3	83.2
		557.4	580.9
C. Prepaid expenses and deferred charges	13	2.0	0.2
		1,012.9	1,031.7

Equity and liabilities

	Notes	09/30/2008	09/30/2007
		in EUR m	in EUR m
A. Equity			
I. Capital stock	14	117.7	117.6
II. Additional paid-in capital	15	215.6	214.8
III. Revenue reserves	16	321.8	287.3
IV. Accumulated earnings		44.0	44.0
		699.1	663.7
B. Special reserves	17	12.6	12.8
C. Provisions	18	71.3	68.8
D. Liabilities	19	229.6	286.2
E. Deferred income		0.3	0.2
		1,012.9	1,031.7

Notes to the Financial Statements of DOUGLAS HOLDING AG for the fiscal year 2007/08

1. General principles

The annual financial statements of DOUGLAS HOLDING AG as of September 30, 2008 have been prepared in conformity with the regulations of the German Commercial Code ("HGB") and Stock Corporation Law ("AktG") and in accordance with the relevant tax legislation. The explanations given are guided by the principles of clarity, transparency and materiality.

The accounting and valuation principles have not changed materially from those applied in the previous year. Any exceptions to this general rule – along with their impact on the net results – are noted separately.

Individual items in the balance sheet and income statement have been combined to achieve greater transparency. These items are shown separately in the Notes.

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

2. Accounting and valuation principles

Fixed assets

Tangible and intangible assets acquired are carried at their acquisition or production cost less scheduled and non-scheduled amortization/depreciation. The straight-line method was generally applied, the only exception being parts of an administrative building which were depreciated in accordance with the declining balance method. As a rule, the shortest useful life allowed according to tax law is used. Low-value items with acquisition costs of more than 150 EUR but less than 1,000 EUR are depreciated over five years in a collective account. Non-scheduled depreciation was recognized where a permanent impairment in value is anticipated.

Financial assets include shares in affiliated companies, loans to affiliated companies and shareholdings stated at cost or the lower fair value. The interest-bearing loans were stated at nominal value.

Current assets

Receivables and other assets are stated at nominal value. Where required, value adjustments were performed to cover any discernible risks.

Provisions and liabilities

Provisions for pensions and similar obligations are based on actuarial calculations using the latest Mortality Tables from Dr. Heubeck and applying a discount rate of 4.0 percent according to the part-value method (Teilwert).

The valuation of congruent employee-funded pension commitments was based on an interest rate of 5.0 percent, which was implemented to compute the reinsurance value. Provisions for taxes and other provisions adequately cover all discernible risks, uncertain liabilities and pending losses as determined by prudent business judgment.

As a general rule, liabilities are carried at their repayment amounts.

3. Currency conversion

Foreign currency receivables and liabilities were translated using the rate at the transaction date or at the lower and, respectively, higher rates prevailing at the balance sheet date.

Notes to the Income Statement

4. Other operating income

Other operating income		
in EUR m	2007/08	2006/07
Income from rental and sub-rental	27.6	28.5
Income from costs recharged to Group companies	1.8	2.0
Other income	4.5	6.4
	33.9	36.9

Other income mainly relates to income from the reversal of provisions amounting to 2.7 million EUR. Furthermore, this line item includes an amount of 0.2 million EUR from the reversal of special reserves with an equity portion.

5. Personnel expenses

Personnel expenses		
in EUR m	2007/08	2006/07
Wages and salaries	8.0	8.9
Social security, pensions and other benefit costs	2.0	2.4
<i>thereof for pensions: 1.2 EUR m (2006/07: 1.6 EUR m)</i>		
	10.0	11.3

6. Other operating expenses

Other operating expenses		
in EUR m	2007/08	2006/07
Rent and energy costs	25.0	24.1
Advertising costs	0.7	0.7
Other services	2.2	4.5
Repair costs	1.0	0.7
Voluntary social security contributions and additional personnel costs	0.7	0.9
Office costs and postage	0.3	0.3
Other expenses	9.6	7.3
	39.5	38.5

The Other expenses item includes the expense of anticipated losses related to tenancies amounting to 2.1 million EUR and losses from the disposal of fixed assets amounting to 0.9 million EUR. In the previous year, expenses amounting to 2.6 million EUR were incurred for receivables waived in connection with the disposal of Pohland Herrenkleidung.

7. Income from investments

Income from investments		
in EUR m	2007/08	2006/07
Income from profit transfer agreements	74.1	75.1
Income from investments	0.3	0.2
<i>thereof from affiliated companies: 0.2 EUR m (2006/07: 0.1 EUR m)</i>		
Taxes recharged to controlled companies	21.2	32.4
Expenses from loss transfer agreements	0.0	-20.9
	95.6	86.8

Income from profit transfer agreements includes 11.1 million EUR for the Fashion division, which mainly arose from the merger of intermoda GmbH with Appelrath-Cüpper Holding; whereby the previous year was impacted by the loss amount of 23.2 million EUR from the disposal and the operating business of Pohland. The Jewelry division contributed to the income from profit transfer agreements with an amount of 9.3 million EUR. The preceding year's figure contained 14.0 million EUR for the sale of René Kern. The investment income comprises of 0.1 million EUR for the investment in Hapag Lloyd Reisebüro GmbH & Co. KG and 0.2 million EUR from Douglas Immobilien GmbH & Co. KG

8. Net interest

Net interest		
in EUR m	2007/08	2006/07
Other interest and similar income	28.8	24.1
Income from long-term loans	8.0	5.8
Interest and similar expenses	-12.1	-11.7
	24.7	18.2

Within the scope of Group clearing, income from interest totaling 22.8 million EUR (2006/07: 14.7 million EUR) and interest paid in the amount of 4.0 million EUR (2006/07: 1.3 million EUR) from affiliated companies are included. The income of 7.9 million EUR (2006/07: 5.6 million EUR) from long-term loans applied to affiliated companies.

9. Income taxes

Income taxes include corporate income taxes, the solidarity surcharge and trade taxes payable by DOUGLAS HOLDING AG in its capacity as the controlling enterprise for the subsidiaries in the Group. Expenses were offset against income from the reversal of provisions for taxes and tax refunds.

Notes to the Balance Sheet

10. Fixed assets

Intangible assets	
in EUR m	Industrial property rights and similar rights
Acquisition and production costs	
as of 10/01/07	1.2
Additions	0.0
Disposals	0.0
as of 09/30/08	1.2
Accumulated amortization	
as of 09/30/08	1.2
Net figures	
as of 09/30/08	0.0
as of 09/30/07	0.1
Amortization for the year ended	0.1

Tangible assets

in EUR m	Land, leasehold rights and buildings, incl. buildings on third-party land	Other equipment, operating and office equipment	Payments on account and assets under construction	Total
Acquisition and production costs				
as of 10/01/07	58.8	5.5	0.0	64.3
Additions	0.6	0.5	3.3	4.4
Disposals	4.3	0.2	0.0	4.5
as of 09/30/08	55.1	5.8	3.3	64.2
Accumulated depreciation				
as of 09/30/08	40.3	5.0	0.0	45.3
Net figures				
as of 09/30/08	14.8	0.8	3.3	18.9
as of 09/30/07	16.4	0.4	0.0	16.8
Depreciation in the year ended	1.3	0.1	0.0	1.4

Financial assets

in EUR m	Shares in affiliated companies	Loans due from affiliated companies	Investments	Other loans and advances	Total
Acquisition and production costs					
as of 10/01/07	265.7	171.3	1.2	1.6	439.8
Additions	19.4	50.0	0.0	0.0	69.4
Disposals	0.0	68.1	0.0	0.4	68.5
as of 09/30/08	285.1	153.2	1.2	1.2	440.7
Accumulated write-downs					
as of 09/30/08	5.8	0.0	0.3	0.0	6.1
Net figures					
as of 09/30/08	279.3	153.2	0.9	1.2	434.6
as of 09/30/07	259.9	171.3	0.9	1.6	433.7
Write-downs in the year ended	0.0	0.0	0.0	0.0	0.0

11. Receivables and other assets

Receivables and other assets

in EUR m	09/30/2008	Maturing in more than 1 year	09/30/2007
Receivables from affiliated companies	524.5		476.6
Other assets	25.6	0.3	21.1
	550.1	0.3*	497.7

* Previous year: 0.2 million EUR

Receivables from affiliated companies mainly include short-term loans, profits transferred, and costs and taxes allocated to subsidiaries. Other assets primarily include corporate income tax credits from investment income and tax refund claims in the amount of 16.0 million EUR (09/30/07: 15.2 million EUR); thereof an amount of 8.7 million EUR represents discounted claims of a corporate income tax refund.

12. Cash and cash equivalents

The cash and cash equivalents consist of cash deposited in banks.

13. Prepaid expenses

At the balance sheet date, this item primarily contained advance rental payments and advance pension payments.

14. Capital stock

As a result of the issue of employee shares, subscribed capital rose by 0.1 million EUR to 117.7 million EUR. It is divided into 39,236,312 no-par value bearer shares. The proportion of share capital corresponding to each share is 3.00 EUR. The bearer shares have full voting and dividend rights for the 2007/08 fiscal year. The DOUGLAS HOLDING AG shares are admitted to official trading and quotation on four German stock exchanges.

The authorized share capital developed as follows during the year under review:

in EUR m	Capital authorized for issue I	Capital authorized for issue II	Total
as of 10/01/07	25.0	0.9	25.9
Issue of employee shares 2007	-	-0.1	-0.1
as of 09/30/08	25.0	0.8	25.8

There was no conditional capital as of the balance sheet date.

15. Additional paid-in capital

As a result of the issue of employee shares, capital reserves rose by 0.8 million EUR to 215.6 million EUR.

16. Revenue reserves

Revenue reserves were as follows:

in EUR m	
as of 10/01/07	287.3
Transfer to other revenue reserves	34.5
as of 09/30/08	321.8

The legal reserve of 0.3 million EUR remains the same as in the previous year.

17. Special reserves

The special reserves with an equity portion carried pursuant to Section 6b of the [German] Income Tax Law consist of income from the sale of a property.

18. Provisions

Provisions		
in EUR m	09/30/2008	09/30/2007
Provisions for pensions and similar obligations	16.4	16.2
Provisions for purchases involving annuity payments	0.0	0.1
Provisions for taxes	42.1	38.6
Other provisions	12.8	13.9
	71.3	68.8

Pension obligations are based on actuarial computation and, as such, are covered in full by pension provisions. Pension payments during the year under review totaled 1.0 million EUR.

Provisions for taxes have been formed for expected tax payments, in particular for corporate income taxes, the solidarity surcharge and trade taxes. Other provisions mostly include provisions for personnel and for anticipated losses from tenancies.

19. Liabilities

Liabilities				
in EUR m	09/30/2008	Maturing in less than 1 year	Maturing in more than 5 years	09/30/2007
Liabilities due to banks	193.8	141.3	17.0	253.9
Trade accounts payable	1.0	1.0		1.2
Payables due to affiliated companies	32.3	32.3		29.7
Other liabilities	2.5	2.5		1.4
	229.6	177.1	17.0	286.2
Previous year		78.1	91.7	

The reduction of liabilities due to banks mostly results from premature repayment of financial liabilities, which were redeemed by the borrowing of a revolving credit facility as part of optimizing measures by finance management. Through the revolving line of credit in the amount of 500 million EUR, the provision of credit is sufficiently assured for at least four years. As of the balance sheet date, drawings of 100 million EUR had been made from the credit facility.

Other liabilities include tax obligations of 0.2 million EUR (09/30/07: 0.2 million EUR). The other liabilities also include liabilities from short-term loans and amounts due to landlords.

20. Other explanatory notes

Contingent liabilities

Maximum guarantees and letters of comfort assumed on behalf of Group companies totaling 64.6 million EUR (09/30/07: 82.5 million EUR) were valued at 33.7 million EUR (09/30/07: 50.9 million EUR) at the date of the balance sheet. The company has declared a cumulative assumption of debt vis-à-vis the owner of one property for fulfillment of the rental obligations for a subsidiary. The minimum annual rent is between 2.1 million EUR and 2.6 million EUR. The agreement is valid until the year 2038.

Other financial commitments

Other financial commitments consist of long-term leases for shop premises operated by Group companies in which DOUGLAS HOLDING AG is generally a party. Tenancy expenses within the Group totaled 289.0 million EUR (2006/07: 266.6 million EUR). New contracts signed as the result of expanding operations will likely result in higher tenancy costs in the coming years.

There is an obligation to Douglas Immobilien KG to pay-in the liable capital totaling 1.9 million EUR. The obligation had not been called up as of the balance sheet date.

Lease payments totaling 0.1 million EUR (2006/07: 0.1 million EUR) were made to an affiliated company.

Risks from derivative financial instruments

Interest-rate swaps with a nominal volume of 65.9 million EUR (09/30/07: 195.6 million EUR) were concluded to minimize the risk of interest rate changes for refinancing. Due to the sale of the interest rate swaps with a nominal volume of 154.7 million EUR, these swaps have a market value of 0.0 million EUR (9/30/2007: 3.7 million EUR). An income amount of 3.5 million EUR was realized from the premature sale of interest swaps. A provision for anticipated losses in the amount of 0.1 million EUR (9/30/2007: 0.8 million EUR) was recognized for risks arising from interest swaps not directly attributable to an underlying transaction and is shown under other provisions.

Impact of tax valuation principles

As a result of applying tax valuation principles, tax depreciation pursuant to Section 6b of the German Income Tax Law was effected in the year under review and previous years, and special reserves with an equity portion were recognized and released accordingly. Effects on net income in coming years will be of minor significance.

Average number of employees

The average number of employees for the year is as follows:

	2007/08	2006/07
Salaried employees and wage earners	80	72
Apprentices	19	18
	99	90

Shareholdings

The list of shareholdings provides an overview of the most important directly and indirectly held affiliated companies and other investments. A complete list of shareholdings is submitted to the on-line version of the German Federal Gazette ("Bundesanzeiger").

Executive bodies and the corporate governance code

The year's remuneration paid to the Executive Board of DOUGLAS HOLDING AG is presented in the following table:

Executive Board remuneration			
	2007/08		
in EUR '000	Non performance-based	Performance-based	Total
Dr. Henning Kreke, President and CEO	519.8	808.0	1,327.8
Dr. Burkhard Bamberger	366.6	365.9	732.5
Gabriele Traude-Stopka	375.7	332.0	707.7
Total	1,262.1	1,505.9	2,768.0

The performance-based components of the Executive Board's remuneration are identified in line with earnings. There are no share-price based models, such as stock options.

Total remuneration of the Executive Board of DOUGLAS HOLDING AG during the fiscal year 2006/07 amounted to 4,051 thousand EUR. Former members of the Executive Board and their surviving dependents received pensions totaling 879 thousand EUR (2006/07: 705 thousand EUR). The pension provisions for members of the Executive Board totaled 1,336 thousand EUR following 1,117 thousand EUR in the previous year.

The pension provisions for former members of the Executive Board and their surviving dependents totaled 11,978 thousand EUR following 12,048 thousand EUR in the previous year.

Pension commitments for members of the Executive Board provide a retirement pension after the attainment of a fixed retirement age as well as benefits for their surviving dependants. The amount of monthly benefits to be granted is based on a non-income-related fixed amount totaling 6,135.50 EUR for Dr. Henning Kreke, 3,000.00 EUR for Dr. Bamberger and 3,067.75 EUR for Mrs. Traude-Stopka. This amount increases by 5.0 percent and 10.0 percent, respectively, for each pensionable year of service. 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.

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

Supervisory Board remuneration						
in EUR '000	2007/08			2006/07		
	Fixed	Variable	Total	Fixed	Variable	Total
Dr. Dr. h.c. Jörn Kreke, Chairman	87.7	28.9	116.6	47.5	35.0	82.5
Margarete Pinkowski, Vice Chairwoman	56.1	21.6	77.7	26.3	26.2	52.5
Prof. Dr. Wolfgang Bernhardt (until March 12, 2008)	15.0	7.2	22.2	12.5	17.5	30.0
Detlef Bierbaum	41.1	14.3	55.4	20.0	17.5	37.5
Ulrike Grabe (since March 12, 2008)	17.5	8.4	25.9	0.0	0.0	0.0
Isabelle Harth	30.0	14.3	44.3	12.5	17.5	30.0
Solveig Hasse (since March 12, 2008)	17.5	8.4	25.9	0.0	0.0	0.0
Astrid Kitschler (until March 12, 2008)	15.0	7.2	22.2	12.5	17.5	30.0
Henning R. Kreke	30.0	14.3	44.3	12.5	17.5	30.0
Petra Lügger	30.0	14.3	44.3	12.5	17.5	30.0
Bernd M. Michael (since March 12, 2008)	17.5	8.4	25.9	0.0	0.0	0.0
Dr. h.c. August Oetker	41.1	14.3	55.4	20.0	17.5	37.5
Heinz Schmidt (until March 12, 2008)	20.5	7.2	27.7	20.0	17.5	37.5
Dr. Ernst F. Schröder	52.2	14.3	66.5	27.5	17.5	45.0
Elke Vahldiek (until March 12, 2008)	20.5	7.2	27.7	20.0	17.5	37.5
Malene Volkers	30.0	14.3	44.3	12.5	17.5	30.0
Dr. Ulrich Wolters (since March 12, 2008)	24.0	8.4	32.4	0.0	0.0	0.0
Dr. Mark Wössner	30.0	14.3	44.3	12.5	17.5	30.0
Christine Wrobel	30.0	14.3	44.3	12.5	17.5	30.0
Sabine Zimmer	30.0	14.3	44.3	12.5	17.5	30.0
Total	635.7	255.9	891.6	293.8	306.2	600.0

Provisions of 892 thousand EUR (2006/07: 600 thousand EUR) have been set up for remuneration to be paid to Supervisory Board members; of this figure, 636 thousand EUR is fixed and 256 thousand EUR is a variable component. The variable components of the Supervisory Board's remuneration is based on earnings per share. There were no share-price based models, such as stock options.

Transactions pursuant to section 15a of the [German] Securities Trading Law ("WpHG")

Dr. Jörn Kreke, Chairman of the Supervisory Board, acquired a total of 427,879 DOUGLAS shares during the year under review via a company controlled by him at prices ranging from 29.87 EUR to 41.98 EUR per share. In addition, 150,000 shares were tendered through put options transacted at prices ranging between 33.00 and 35.00 per share. In the year under review, this company also sold 350,000 put options for DOUGLAS shares with a strike price of between 33.00 and 38.00 EUR per option maturing on September 30, 2008 and April 17, 2009 at prices ranging from 1.18 EUR to 3.35 EUR per option. Furthermore, 50,000 put options for DOUGLAS shares were sold in March 2008 with a strike price of 44.00 EUR per share and maturing on July 25, 2008 at a price of 9.50 EUR per option.

Dr. Henning Kreke, President and CEO, purchased – via a related legal person – 50,000 DOUGLAS shares at prices ranging from 34.92 and 40.91 EUR per share during the fiscal year under review.

Dr. August Oetker Finanzierungs- und Beteiligungs-Gesellschaft mbH, Bielefeld, as a related legal entity of the Supervisory Board members Dr. August Oetker and Dr. Ernst F. Schröder, acquired 240,000 DOUGLAS shares at prices ranging between 34.71 and 34.95 EUR per share in the year under review. In addition, a total of 2,000,000 put options on DOUGLAS shares with strike prices ranging between 29.50 and 40.50 EUR per share and expiry dates falling between August 11, 2008 and January 23, 2009 were sold at prices ranging between 1.00 to 1.35 EUR per option. Furthermore, a total of 3,500,000 of DOUGLAS shares were acquired at prices ranging between 36.00 and

44.00 EUR per share, as a result of put options sold from the tendering by Dr. August Oetker Finanzierungs- und Beteiligungs-Gesellschaft mbH.

Mr Henning R. Kreke, a member of the Supervisory Board, purchased a total of 50,000 DOUGLAS shares in August 2008 at a price of 30.84 EUR per share.

Mr Heinz Schmidt, a former member of the Supervisory Board, acquired via a company controlled by him, a total of 2,000 DOUGLAS shares in January 2008 at a price of 33.00 EUR per share.

Reportable investments according to section 21 of the German WpHG (Securities Trading Act)

As required under Section 21 (1) WpHG, Sparinvest Holding A/S, domiciled at Kingosvcj 1 in Denmark, informed us on May 22, 2007, that the voting rights share of Sparinvest Holding A/S in DOUGLAS HOLDING AG (ISIN DE0006099005) exceeded the 5 percent limit and now corresponds to 5.37 percent (2,104,147 shares). Thereof, Sparinvest Holding A/S's 5.37 percent interest in the voting rights shall be added to it pursuant to Section 22 (1) clause 1 no. 6 WpHG.

As required under Section 21 (1) WpHG, Deutsche Bank AG, Frankfurt/Main, informed us on January 23, 2008 that its voting rights share in DOUGLAS HOLDING AG (ISIN DE0006099005) has fallen below the 5 percent limit and now amounts to 4.98 percent (1,952,873 voting rights).

As required under Section 21 (1) WpHG, Deka Investment GmbH, Frankfurt/Main, informed us on July 22, 2008 that its voting rights share in DOUGLAS HOLDING AG (ISIN DE0006099005) had fallen below the 3 percent corridor and now amounts to 2.9995 percent (1,176,900 voting rights).

As required under Section 21 (1) WpHG, Dr. August Oetker Finanzierungs- und Beteiligungs-Gesellschaft mbH and Dr. August Oetker KG, both based in Bielefeld, informed us on August 12, 2008 of the following: the voting rights share of Dr. August Oetker Finanzierungs- und Beteiligungs-Gesellschaft mbH, Bielefeld, in DOUGLAS HOLDING AG (ISIN DE0006099005) exceeded the 20 percent limit in voting rights and now totals 20.13 percent (7,898,296 voting rights). Of which, Dr. August Oetker KG will be allotted 20.13 percent (7,898,296 voting rights) via Dr. August Oetker Finanzierungs- und Beteiligungs-Gesellschaft mbH, a company controlled by it, pursuant to Section 22 (1) clause 1 no. 1 WpHG.

As required under Section 21 (1) WpHG, Governance for Owners LLP, London, informed us on September 16, 2008 that its voting rights shares in DOUGLAS HOLDING AG (ISIN DE0006099005) exceeded the 5 percent limit and now totals 5.02 percent (1,968,153 voting rights).

As required under Section 21 (1) WpHG, Cominvest Asset Management GmbH, Frankfurt/Main, informed us on October 13, 2008 that its voting rights share in DOUGLAS HOLDING AG had fallen below the 3 percent corridor and now amounts to 2.97 percent (1,165,251 voting rights).

Kreke Immobilien KG, Hagen, informed us on November 11, 2008 that Kreke Immobilien KG based in Hagen exceeded the 5 and 10 percent limit of voting rights in DOUGLAS HOLDING AG through the contribution of HEJANA Beteiligungen KG, Hagen. The voting rights share amounted to 10.35 percent (4,064,759 shares) as of this date.

As required under Section 21 (1) clause 1 no. 1 WpHG, Dr. Jörn Kreke informed us on November 11, 2008 that his voting rights share in DOUGLAS HOLDING AG exceeded the 10 percent limit and amounted to 12.38 percent (4,846,436 voting rights) as of this date. Pursuant to Section 22 (1) clause 1 no. 1 WpHG, all voting rights via Kreke Immobilien KG, a company controlled by him, will be allotted for the voting rights share held in DOUGLAS HOLDING AG which amount to 3 percent or more.

Dr. Henning Kreke informed us on November 11, 2008 that his voting rights share in DOUGLAS HOLDING AG exceeded the 10 percent limit and amounted to 12.38 percent (4,856,436 voting rights) as of this date. Pursuant to Section 22 (1) clause 1 no. 1 WpHG, all voting rights via Kreke Immobilien KG, a company controlled by him, will be allotted for the voting rights share held in DOUGLAS HOLDING AG which amount to 3 percent or more.

Declaration of conformity pursuant to section 161 of the German Stock Corporation Law ("AktG")

In December 2008 DOUGLAS HOLDING AG published an updated statement of compliance in accordance with Section 161 of the [German] Stock Corporation Law ("AktG"). This statement is available on the Internet at www.douglas-holding.com.

21. Proposal for the appropriation of profit

Net income for the 2007/08 fiscal year was 77,659,943.20 EUR. Profit carried forward totaling 840,056.80 EUR and transfers to the revenue reserves of 34,500,000.00 EUR resulted in accumulated earnings of 44,000,000.00 EUR. The Executive Board proposes the following profit appropriation to the Shareholders' Meeting:

in EUR	
Dividend payout of 1.10 EUR per share based on share capital of 117,837,936.00 EUR *	43,207,243.20
Profit carried forward	792,756.80
	44,000,000.00

* Including employee shares issued in November 2008

Expenses for auditor's fees

The fees of the auditors, Susat & Partner oHG, for preparing the financial statements for the fiscal year amounted to 0.1 million EUR. This amount relates in full to audit expenses (2006/07: 0.1 million EUR). Moreover for the fiscal year 2006/07, 0.1 million EUR was incurred for other attestation and valuation services. There have been no expenses for tax advice and other services, neither in the current fiscal year nor in the previous year.

Significant shareholdings

No.	Name and registered office	Group interest in percent	Equity in EUR '000 or in '000 of foreign currency	Net revenues in EUR '000 or in '000 of foreign currency	Employees
	DOUGLAS HOLDING AG		699,079	0	108
	Perfumeries				
1.	Parfümerie Douglas GmbH, Hagen	100	212,878	463,592	220
2.	Parfümerie Douglas Nord GmbH & Co. KG, Hagen	100	6,391	196,255	1,421
3.	Parfümerie Douglas West GmbH & Co. KG, Hagen	100	6,391	173,637	1,387
4.	Parfümerie Douglas Süd GmbH & Co. KG, Hagen	100	6,391	241,697	1,725
5.	IPA Brixner GmbH, Hagen	100	3,473	161,961	1,100
6.	Parfümerie Douglas Mitte GmbH, Hagen	100	17,149	93,359	673
7.	HELA Kosmetik Handels GmbH & Co. Parfümerie KG, Munich	100	566	17,262	91
8.	Parfümerie Douglas International GmbH, Hagen	100	209,568	0	42
9.	Parfümerie Douglas Ges.m.b.H., Vienna/Austria	100	33,794	72,620	605
10.	Parfumerie Douglas Nederland B.V., Nijmegen/The Netherlands	100	64,176	173,267	1,395
11.	Parfumerie Douglas France S.A., Lille/France	100	30,193	134,782	1,088
12.	Profumerie Douglas S.P.A., Bologna/Italy	100	31,089	156,985	1,118
13.	Parfümerie Douglas S.A., Baar/Switzerland	CHF 100	8,001	53,985	192
14.	Parfumerie Douglas Inc., Westport/U.S.A.	USD 100	-224	18,762	111
15.	Douglas Spain S.A., Madrid/Spain	100	13,622	83,524	700
16.	Douglas Portugal Ltd., Lisbon/Portugal	100	9,802	27,260	199
17.	Douglas Hungary Kft., Budapest/Hungary	HUF 100	2,440,248	5,740,057	217
18.	Douglas Polska SP.z.o.o., Warsaw/Poland	PLN 100	49,287	238,537	737
19.	Parfumerie Douglas Monaco S.A.M., Monaco/Monaco	100	2,111	3,092	16
20.	OOO Douglas Rivoli, Moscow/Russia	RUB 100	470,342	1,985,633	508
21.	Parfumerija Douglas d.o.o., Maribor/Slovenia	100	213	2,310	22
22.	Parfumeri Douglas ApS., Copenhagen/Denmark	DKK 100	1,554	30,713	39
23.	Parfumerie Douglas s.r.o., Prague/Czech Republic	CZK 100	14,349	225,110	119
24.	Parfumerie Douglas Slovakia s.r.o., Bratislava/Slovakia	SKK 100	2,814	37,677	9
25.	Parfümerie Douglas Limited Sirketi, Istanbul/Turkey	TRY 100	23,524	10,612	102
26.	OU "Douglas Estonia", Tallinn/Estonia	EEK 51	1,998	11,028	6

Significant shareholdings

No.	Name and registered office	Group interest in percent	Equity in EUR '000 or in '000 of foreign currency	Net revenues in EUR '000 or in '000 of foreign currency	Employees
27.	SIA "Douglas Latvia", Riga/Latvia	LVL 51	2,455	13,403	197
28.	UAB "Douglas Lithuania", Vilnius/Lithuania	LTL 51	13,774	56,195	244
29.	Parf. Douglas S.R.L., Bucharest/Romania	RON 100	1,018	7,805	45
30.	Parfumerie Douglas Bulgaria ood, Sofia/Bulgaria	BGN 51	3,937	8,202	95
31.	IRIS d.d., Zagreb/Croatia	HRK 51	26,055	39,545	239
Books					
32.	Thalia Universitätsbuchhandlung GmbH, Hagen	75	20,723	252,258	1,506
33.	Thalia Buchh. Erich Könnecke GmbH & Co. KG, Hamburg	75	7,937	136,157	915
34.	Kober & Thalia Buchhandelsgruppe GmbH & Co. KG, Mannheim	56	267	20,894	111
35.	Reinhold Gondrom GmbH & Co. KG, Kaiserslautern	75	4,551	65,623	473
36.	Grüttefien GmbH, Varel	38	3,246	24,166	174
37.	Buch und Kunst GmbH & Co. KG, Dresden	75	7,184	55,197	391
38.	G.D. Baedeker GmbH, Dresden	75	5,109	8,007	53
39.	Buch Kaiser GmbH, Karlsruhe	75	425	3,298	60
40.	Thalia Buch & Medien GmbH, Linz/Austria	75	12,515	105,312	734
41.	Stauffacher Buchhandlungen AG, Bern/Switzerland	CHF 75	9,096	35,546	145
42.	Thalia Bücher AG, Basel/Switzerland	CHF 75	15,582	61,376	310
43.	ZAP*Zur Alten Post AG, Brig/Switzerland	CHF 50	2,455	11,757	50
44.	buch.de internetstores AG, Münster ¹⁾	26	20,036	64,956	96
Jewelry					
45.	Christ Juweliers und Uhrmacher seit 1863 GmbH, Hagen	100	51,969	285,997	2,020
Fashion					
46.	Reiner Appelrath-Cüpper Nachf. GmbH, Cologne	75	15,443	141,452	927
Confectionery					
47.	Hussel Süßwarenfachgeschäfte GmbH, Hagen	100	3,856	86,691	863
48.	Cerrini Confiserie GmbH, Hagen	100	364	17,813	177

¹⁾ Values as of December 31, 2007

Honorary Chairman

Dr. Dr. h.c. Guido Sandler

Supervisory Board

Dr. Dr. h.c. Jörn Kreke

Chairman

Merchant, Hagen

- Deutsche EuroShop AG, Hamburg
- Capital Stage AG, Hamburg
- Lengermann + Trieschmann GmbH & Co. KG, Osnabrück (until July 10, 2008)

Margarete Pinkowski*

Vice-Chairwoman

Commercial employee, Hagen

Parfümerie Douglas GmbH, Hagen

Prof. Dr. Wolfgang Bernhardt (until March 12, 2008)

Corporate Consultant, Baden-Baden

- Frankfurter Allgemeine Zeitung GmbH, Frankfurt (Chairman)
- Märkische Verlags- und Druckgesellschaft GmbH, Potsdam (Chairman)

Detlef Bierbaum

Banker, Cologne

- Sal. Oppenheim jr. & Cie. AG, Vienna/Austria
- IVG Immobilien AG, Bonn (Chairman)
- IVG Institutional Funds GmbH, Wiesbaden (Vice-Chairman)
- Kölnische Rückversicherungs-Gesellschaft AG, Cologne
- LVM Landwirtschaftlicher Versicherungsverein, Münster a.G.
- LVM Lebensversicherungs-AG, Münster
- LVM Pensionsfonds-AG, Münster
- Monega KAG mbH, Cologne (Vice-Chairman)
- Oppenheim Kapitalanlagegesellschaft mbH, Cologne (Vice-Chairman)
- SMS GmbH, Düsseldorf
- CA Immobilien Anlagen AG, Vienna/Austria
- Dundee Real Estate Investment Trust, Toronto/Canada
- Integrated Asset Management plc, London/UK
- Lloyd George Management Ltd., British Virgin Islands
- Oppenheim Asset Management Services S.á.r.l., Luxembourg (Vice-Chairman)
- Tertia Handelsbeteiligung mbH, Düsseldorf
- The Central European and Russia Fund, Inc., New York/USA
- The European Equity Fund, Inc., New York/USA

Ulrike Grabe* (since March 12, 2008)

Division manager, Münster

Parfümerie Douglas Mitte GmbH, Hagen

Isabelle Harth*

Secretary, Munich

Parfümerie Douglas Süd GmbH & Co. KG, Hagen

Solveig Hasse* (since March 12, 2008)

Books retailer, Hamburg

Thalia Buchhandlung Erich Könnecke

GmbH & Co. KG Boysen & Maasch, Hamburg

Astrid Kitschler* (until March 12, 2008)

Division manager, Dortmund

R. Appelrath-Cüpper Nachf. GmbH, Köln

Henning R. Kreke

Merchant, Schwaig/Nuremberg

Petra Lügger*

Administration, Münster

Thalia Universitätsbuchhandlung GmbH,

Hagen

Bernd M. Michael (since March 12, 2008)

Merchant, Düsseldorf

- Loyalty Partner Holding GmbH, Munich
- 12snap AG, Munich (Chairman)
- I-D Media AG, Berlin
- Duisport AG, Duisburg (Advisory Board)
- 3i Deutschland Gesellschaft für Industriebeteiligungen mbH, Frankfurt a. M. (Advisory Board)
- Board of Directors WE Marketing Company Limited, Hongkong

Dr. h.c. August Oetker

General Partner at Dr. August Oetker KG, Bielefeld

Chairman of Management Board

Dr. Oetker GmbH

- Damm S. A., Barcelona/Spain
- B. Braun AG, Melsungen
- Martin Braun KG, Hannover (Chairman)
- Hamburg Südamerikanische Dampfschiffahrts-Gesellschaft KG, Hamburg (Chairman)
- Henkell & Söhnlein Sektkellerei KG, Wiesbaden
- Chemische Fabrik Budenheim KG, Budenheim

Heinz Schmidt (until March 12, 2008)

Merchant, Hagen

- Hagener Versorgungs- und Verkehrs-GmbH, Hagen
- GS1 Germany GmbH, Cologne

Dr. Ernst F. Schröder

General Partner at Dr. August Oetker KG, Bielefeld

- Condor Allgemeine Versicherungs-AG, Hamburg (Chairman)
- Condor Lebensversicherungs-AG, Hamburg (Chairman)
- Gerry Weber International AG, Halle (Chairman)
- Optima Pensionskasse AG, Hamburg (Chairman)
- Optima Versicherungs-AG, Hamburg (Chairman)
- S. A. Chateau du Domaine St. Martin, Vence/France (Chairman)
- S. A. Hôtel du Cap Eden Roc, Antibes/France (Chairman)
- S. A. Hôtel Le Bristol, Paris/France (Chairman)

- Membership of supervisory boards required by law
- Membership of comparable advisory bodies
- * Employee representative

Elke Vahldiek* (until March 12, 2008)
Former Division Manager, Bad Harzburg
Parfümerie Douglas Nord GmbH & Co. KG, Hagen

Malene Volkers*
Trade union secretary, Berlin
Ver.di Bundesverwaltung, Berlin

- Woolworth Deutschland GmbH, Frankfurt a. M.

Dr. Ulrich Wolters (since March 12, 2008)
Corporate Consultant, Mülheim a. d. Ruhr

- Bunzl PLC, London/UK
- Lenze AG, Hameln (Chairman)
- Preventicum GmbH, Essen (Chairman)
- Preventicum UK LTD, London/UK
- Novotergum AG, Mülheim a. d. Ruhr
- Heinrich Deichmann-Schuhe GmbH & Co. KG, Essen

Dr. Mark Wössner
Entrepreneur/Supervisory Board, Munich

- Daimler AG, Stuttgart
- eCircle AG, München (Chairman)
- Heidelberger Druckmaschinen AG, Heidelberg (Chairman)
- Loewe AG, Kronach (Vice-Chairman)
- Reuters Founders Share Company Ltd., London/UK
- Citygroup Deutschland (Chairman non executive)

Christine Wrobel*
Deputy Director of Logistics, Hemer
Christ Juweliers und Uhrmacher seit 1863
GmbH, Hagen

Sabine Zimmer*
Trade union secretary, Berlin
Ver.di, District Berlin, Berlin

- real,- Holding GmbH, Mönchengladbach

The consolidated financial statements will be approved on January 12, 2009 by a circular resolution of the Supervisory Board of DOUGLAS HOLDING AG.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hagen, January 2, 2009
DOUGLAS HOLDING AG

The Executive Board

Supervisory Board Committees

Executive Committee

Dr. Jörn Kreke (Chairman)
Margarete Pinkowski (Vice-Chairwoman)
Dr. h.c. August Oetker (Associate)

Arbitration Committee

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

Audit Committee

Dr. Ernst F. Schröder (Chairman)
Detlef Bierbaum
Dr. Ulrich Wolters

Nomination Committee

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

Executive Board

Dr. Henning Kreke (President and CEO)
Dr. Burkhard Bamberger
Gabriele Traude-Stopka

Division Directors

Michael Busch
Manfred Kroneder (since April 1, 2008)
Reiner Unkel

Dr. Henning Kreke

Dr. Burkhard Bamberger

Gabriele Traude-Stopka

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Company and the Group of DOUGLAS HOLDING AG, Hagen, for the business year from October 1, 2007 to September 30, 2008. The maintenance of the books and records and the preparation of the annual financial statements and the management report in accordance with German commercial law are the responsibility of the Company's Board of Management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system and the management report of the Company and Group based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB [Handelsgesetzbuch – German Commercial Code] 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 annual financial statements in accordance with German principles of proper accounting, and in the management report of the Company and Group are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company 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 books and records, the annual financial statements and management report of the Company and Group are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by the Company's Board of Management, as well as evaluating the overall presentation of the annual financial statements and the management report of the Company and Group. 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 annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report of the Company and Group is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Hamburg, January 5, 2009

Susat & Partner oHG
Wirtschaftsprüfungsgesellschaft

Rudolph
German Accountant

Schulz-Danso
German Accountant

www.douglas-holding.com



Douglas

 **Thalia**

CHRIST

AppelrathCüpper

HUSSEL