DES Deutsche EuroShop

DES

ANNUAL REPORT

07

feelestate.de

The CHANGING FACE OF RETAIL

From the market place to a service paradise

Generation Comfort

Potentials for shopping centers

GROWTH PROSPECTS

Interview with the Executive Board

DES-SHARE

Supreme despite subprime?

+16 CENTERS IN DETAIL

Deutsche EuroShop

Overview

82.000

The front page shows the City Point in Kassel, city of the documenta exhibition. This building with its modern architecture is a special highlight at the Königsplatz.

A façade of an organically curved glass membrane, printed with thousands of city motifs, stretches nearly gapless around the building. At night, more than 82,000 light-emitting-diods illuminate the façade indirectly and create a very special atmosphere.

Highlights 2007

January
Deutsche EuroShop ranks first in the survey „BIRD 2006" (Beste Investor Relations Deutschlands) by the investor magazine Börse-Online

April
Laying of the foundation stone for the Stadt-Galerie Passau

May
Topping-out of Galeria Baltycka, Gdansk

June
Annual General Meeting on 21 June 2007 and distribution of a dividend of €1.05 per share.

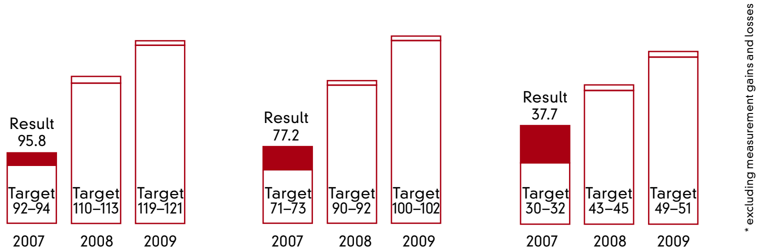
Deutsche EuroShop wins the Capital Investor Relations Prize 2007 in the MDAX category

July
Topping-out of Stadt-Galerie Hameln

August
Share split 1:2, the number of shares increases from 17,187,499 to 34,374,998

October
Grand opening of Galeria Baltycka, Gdansk.
Topping-out of Stadt-Galerie Passau

Target-performance comparison



Key data

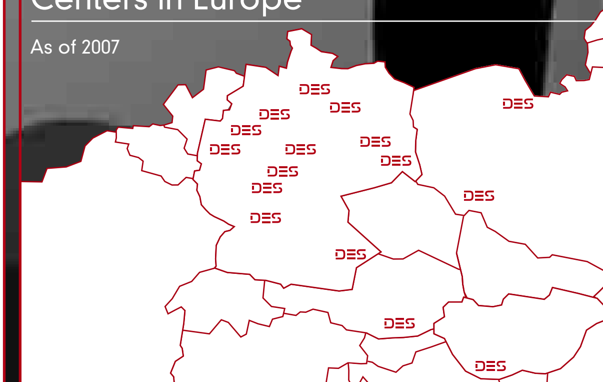
2006 – 2007

€ million	2007	2006	Change
Revenue	95.8	92.9	3%
EBIT	77.2	86.3	-11%
Net finance costs	-50.1	-41.0	-22%
EBT	77.8	117.7	-34%
Consolidated profit	94.2	100.3	-6%
Earnings per share (€)	2.74	2.92	-6%
Equity*	974.0	796.3	8%
Liabilities	1,002.3	898.3	12%
Total assets	1,976.3	1,796.2	10%
Equity ratio (%)*	49.3	50.0	
Gearing in %*	103	100	
Cash and cash equivalents	109.0	94.2	16%
Net asset aalue	925.1	877.4	5%
Net asset value per share (€)	26.91	25.53	5%
Dividend per share €	1.05**	1.05	0%

* incl. minority interest
** proposal

Centers in Europe

As of 2007



Earnings per share

2.74 €

Our values, our goals

Values

We are the only public company in Germany that invests solely in shopping centers in prime locations. We invest only in carefully chosen properties. High quality standards and a high degree of f exibility are just as important to us as sustained earnings growth from index- and turnover-linked rental contracts. In addition, we boast a higher than average occupancy rate of around 99% and professional center management – these are the pillars of our success.

Goals

Deutsche EuroShop does not seek short-term success, but rather long-term growth and the resulting stable increase in the value of our portfolio. Our objective is to distribute an attractive dividend to our shareholders every year from secure long-term income. In order to achieve this, we shall acquire further prime properties and hence establish ourselves as one of the largest companies in Europe focusing on retail properties.

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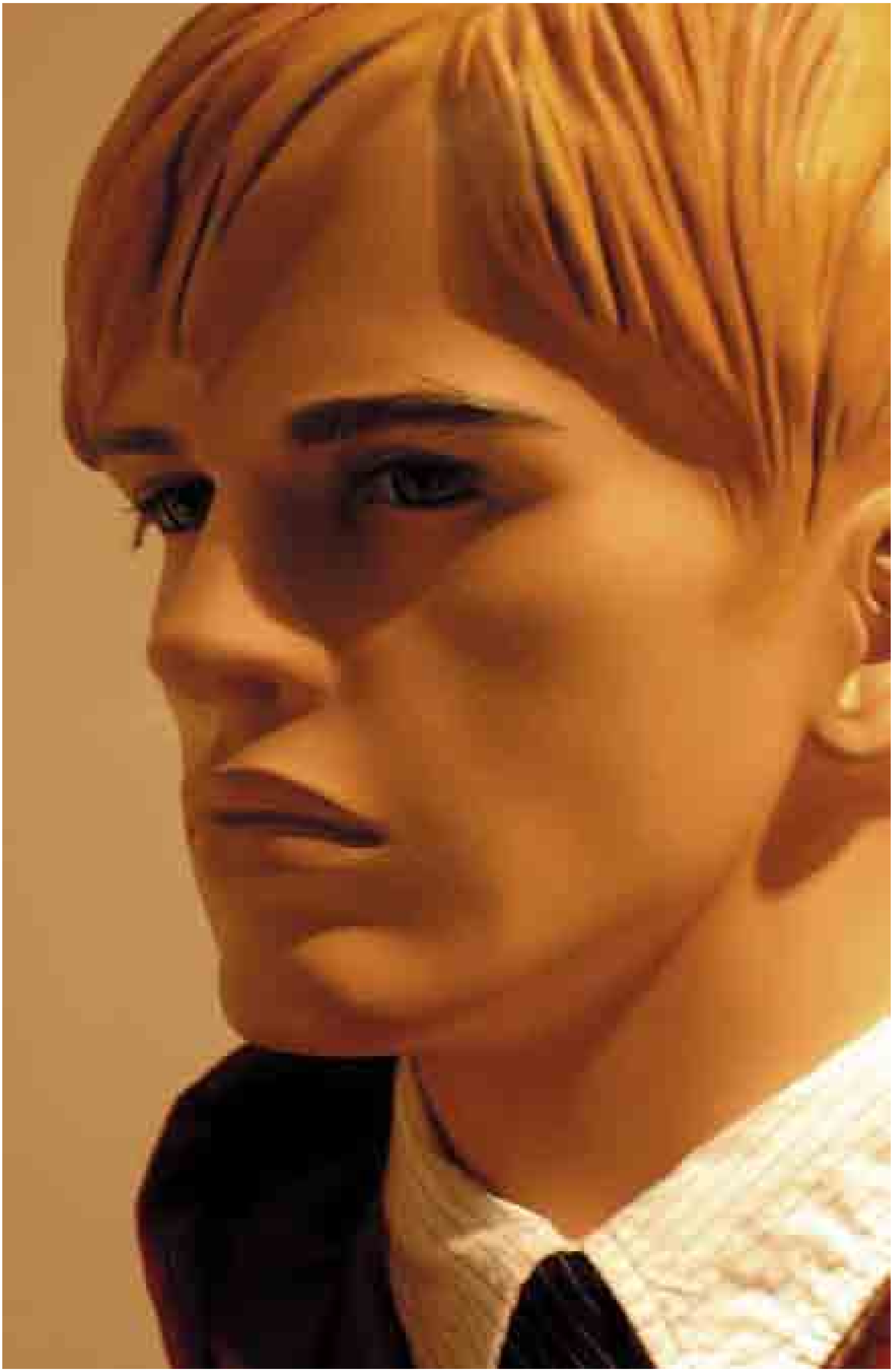

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Interview with the Executive Board

"A company that grows must change."

Photographs: Thomas Lorenz

The past financial year was better than expected for Deutsche EuroShop. Although the property crisis continues to claim victims, the Company has a positive future. CEO Claus-Matthias Böge and CFO Olaf G. Borkers talk to Dr. Ruth Vierbuchen, editor-in-chief of Handelsimmobilien-Report

Dr.Ruth Vierbuchen: Why does DES invest exclusively in shopping centers and not in specialty stores or discounters, which also benefit from the difficult economics phases?

Claus-Matthias Böge: We have discussed the subject over the previous year and realised that it is not suitable for us because a) the risk-yield profile is not attractive and b) the rental agreements are a long way from the quality to which we are accustomed. For our shopping centers, we look for prime locations, properties with a wide industry mix and a wide risk diversification. We set store in long-term rental agreements and fully indexed rental agreements. Our business is robust and planable.

Dr. Ruth Vierbuchen: Keyword shopping center: The large centers are not infrequently regarded critically in connection with the subject of city development and its effects in urban retail. As an investor, what is your take on the subject?

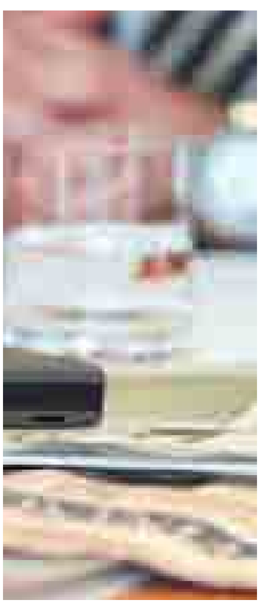
Claus-Matthias Böge: Looking at the development in many cities the phenomena is apparent that the actual anchor, which has ensured that people come to the city for decades – the traditional department store – no longer works. And on the other hand, there are many successful retail concepts that move in the medium sized area. Retailers who require 1,000 or 1,500 m² floor space cannot find retail space of a suitable size in small adjacent buildings in city centres. The result is that attractive retail offers do not make it into the city. And with them potential customers stay away from the city centres. It makes sense therefore to consider revitalisation of city centres with shopping centers. They offer new, flexible floor space in prime locations which can be adapted to the changing requirements of the retailers. I am thinking particularly of the many medium-sized cities in Germany.

Dr. Ruth Vierbuchen: Is the credit crisis having an effect on DES? If yes, in what way?

Olaf G. Borkers: We have a conservative financing structure. This protects us against credit risks because it makes us more independent of banks and interest changes. For many, this used to be rather an obstacle to investing in Deutsche EuroShop, but since the summer of 2007 at the latest it has proved itself as obviously advantageous for us. We can therefore say that the credit crisis has not affected us. However, we are expecting that the banks will demand increasing margins – even for a low-risk business such as Deutsche EuroShop.

In the first half of 2007, we renegotiated loans with a volume of around €160 million, partly as extensions and partly as refinancing with very long terms at favourable conditions. Credit will become a talking point for us in 2009 at the earliest – to a relatively small extent.

"We have a conservative financing structure.
This protects us against credit risks because it makes us
more independent of banks and interest changes."



Dr. Ruth Vierbuchen: Did the credit crisis have an effect on the valuation of the portfolio?

Claus-Matthias Böge: Valuation is certainly an issue. However, we do not believe we are currently exposed to too much risk since the valuation of our portfolios is tangibly below the current, in our view overheated, market level. I can foresee a yield increase of perhaps 15 to 20 basis points.

Dr. Ruth Vierbuchen: Following the market changes in the wake of the credit crisis, since the summer of 2007, you have initially been reserved where further transactions are concerned. How in your view did the climate change towards the end of 2007?

Olaf G. Borkers: We made our last investment in December 2006, i.e. for us the prices for shopping centers were too high and the yields too low at the beginning of 2007. In our high-priced segment, there are relatively few transactions and these are in turn never transparent and involve incomprehensible prices. Overall, we can see that the competition has relaxed since the summer of 2007. Investors who operate with a high degree of financial leverage are active only to a limited degree. This means that today we have other competitors. These are equity strong investors, primarily the open-ended German property funds.

Dr. Ruth Vierbuchen: How did the financial year go for DES? Were the forecasts met?

Claus-Matthias Böge: We actually exceeded them slightly. Our forecast declined slightly in 2007 because we sold two shopping centers in 2006 and only in October did we acquire a new one. However, we finally generated a pleasing 3% increase in revenue, which was also the result of the indexing and turnover rent. For EBIT, i.e. the earnings before interest and tax, we had recently forecast between €72 million and €74 million and achieved €77.2 million. This was essentially connected to the fact the investment costs to be treated as expenses – a dimension difficult to comprehend – did not occur in the full amount. The normal operating costs are relatively stable. Of the rent, approximately 12% to 13% include the operating companies' costs.

These measurement gains are included in profit after tax i.e. consolidated profit. This was pleasing at €50.8 million. All centers have been upgraded in value on average by 3.1%. The corporation tax reform helped us, since we were able to release €30 million in tax provisions. This helped in one instance. Overall, at €94.2 million we are below the €100.3 million profit we had in the record year of 2006. We are better than we had forecast and therefore very satisfied.

Dr. Ruth Vierbuchen: How did Deutsche EuroShop fair in 2007?

Olaf G. Borkers: Very well initially. We began at €28.08. We reached our all-time high in March at €30.68. The dividend in June was raised to €1.05. Then the subprime crisis hit in the summer, which also affected our shares. It must be noted however, that Deutsche EuroShop shares fell much less than those of its competitors. It was essentially quite contagious, affecting all property stock corporations. We ended the year at €23.50. That was a performance of -13% against +23% on the previous year. Looking at a five-year period, our shareholders have doubled their stake.

Dr. Ruth Vierbuchen: Do you have new projects planned for 2008? Also abroad?

Claus-Matthias Böge: We have a lot planned. However, there is not price tag attached yet. We have been thinking about whether we should start on these projects much earlier than previously. Previously we had only invested if there is planning permission and pre-letting of 40-50%. With a general contractor contract signed, the risks are relatively manageable. However, since the last time we acquired such a product was 15 months ago, we are considering whether or not to enter into the actual property development risk, i.e. collaboratively sponsor property development in a joint venture with ECE. The risk must not be allowed to overturn the Company or unsteady the ability to distribute dividends. However, it can certainly result in small losses in individual cases. Initially, we want to limit ourselves to one or two properties. The problem is simply starting this kind of business. The first properties have to work. If we hit the rocks in both cases, then we can really forget the idea. If both properties are successful, then we can talk about more. However, we still prefer the low-risk properties.

Olaf G. Borkers: AWe are also prepared to accept firesales – forced sales by investors who leave the German market disappointed or perhaps experience other problems. When they leave, we're waiting. The question is: What →

"Our property's great advantage is that we can relatively easily adapt it to the changing requirements of the retail industry. "

do we really want? What can we do as small Deutsche EuroShop against large competitors? One advantage is that we are in a position to make quick decisions. And we have the cash necessary to make a rapid acquisition.

Dr. Ruth Vierbuchen: Going back once more to this possible development. Would that be in Germany or abroad?

Claus-Matthias Böge: We are pursuing both avenues.

Dr. Vierbuchen: How will the market in Eastern Europe develop? How far will you go along with it? What must an investor especially take note of in these markets?

Claus-Matthias Böge: Our current view is not to go further than previously, i.e. Poland and Hungary, as Central Europe, are the eastern limits. We could include the Czech Republic, however, that is a small market. Poland is a larger market and we have a lot of interest in it. However, it is important that the best locations are acquired in a city, to reduce the pressure when competition increases. We have two properties in Poland. The Galeria Baltycka in Gdańsk for example is not only a unique location, but also a unique offer. With a catchment area of 1.1 million people, the property is to a large extent unrivalled when it comes to product range. Even in Hamburg or Düsseldorf this property would be a genuine highlight. It really has no competition. That will not be the case forever. That is where the location plays a role. And the location is good – as are all our locations.

Dr. Ruth Vierbuchen: What value enhancement potential do you see in your current portfolio?

Olaf G. Borkers: Our shopping centers generate increasing rents by means of rental indexing. Rising rents should lead to increased values. However, the valuation is also dependent upon external factors over which we have no influence. We plan very much in the long term and our shopping center portfolio is still young, so we expect rental and value enhancement potential.

Dr. Ruth Vierbuchen: In your view, what potential does the German market still have for retail property?

Claus-Matthias Böge: That question cannot be answered generally. If we look at the area of shopping centers, we believe that this area has a clear future since there is a need for floor space in many cities. There is a great deal of the wrong kind of f oor space, i.e. the divergence between good and bad is becoming wider and more empty buildings will be seen in the 1b locations. A prosperous future is only assured in the prime locations.

Dr. Ruth Vierbuchen: What role will foreign competitors play on the German market over the coming years?

Claus-Matthias Böge: The German market is very international and will remain so. There will be investors who keep their commitments here long term, as is necessary from a diversification perspective for example. Many are currently moving towards Asia. In my view, these are particularly the rather

short-term orientated funds, financed to a high degree with outside capital.

Dr. Ruth Vierbuchen: Do you have the impression that the German market for retail property, which was previously in the background, has changed much since 2005? If yes, in what way?

Claus-Matthias Böge: Retail property is certainly not just something for specialists. However, many international investors focusing on retail property did not have Germany on the radar until just a few years ago. They have now become more interested. Strategic investors are currently not yet active. Overall, it can be said that the German market has woken up after a long sleep. The most serious development was the introduction of auctions in the professional property market. Projects are no longer given a price tag which can be negotiated; each bidder writes his or her own price tag and hopes to have submitted the highest offer. The is not what a businessman wants, since he wants to do business not buy art.

Dr. Ruth Vierbuchen: What is your view of the corporate tax reform? Have you been negatively affected by the interest barrier?

Olaf G. Borkers: Of course we welcome tax reductions, even if they involve an extension of the basis for taxation. We have benefited, and will benefit, from the tax reductions. We have released deferred taxes amounting to around €30 million – a one-off effect. Our tax rate will be lower in future. The corporate tax rate was reduced from 25% to 15%.

The interest limit is a significant and difficult issue for the property industry. According to intensive examination, we are currently not affected since we benefit from the escape clause. However, this is an examination which we have to repeat every year for a group which is always changing. Not all changes are manageable for us. I am thinking in particular of the market value of our shopping centers.

Dr. Ruth Vierbuchen: Why does this escape clause apply?

Olaf G. Borkers: The escape clause states that the equity ratio of the subsidiaries must at least approximate that of the Group. Since we are a company that finances more or less everything with 50% equity and 50% outside capital, the equity ratios of our subsidiaries are approximately identical to that of our Group. A 1% deviation in the equity ratio is permissible and in our view we move within this range.

Dr. Ruth Vierbuchen: What are your forecasts for 2008 for revenue, EBIT and earnings before tax (EBT)?

Olaf G. Borkers: Positive. Revenue will increase to €110 million to €113 million, against €95.8 million in 2007. EBIT should rise from €77.2 million to €90 million to €92 million, EBT from €37.7 million to €43 million to €45 million. Since we are unable to forecast the measured gains, they are not always included in these operating forecasts.

Dr. Ruth Vierbuchen: Finally, your Annual Report carries the motto The changing face of retail what kind of change can we expect from DES?

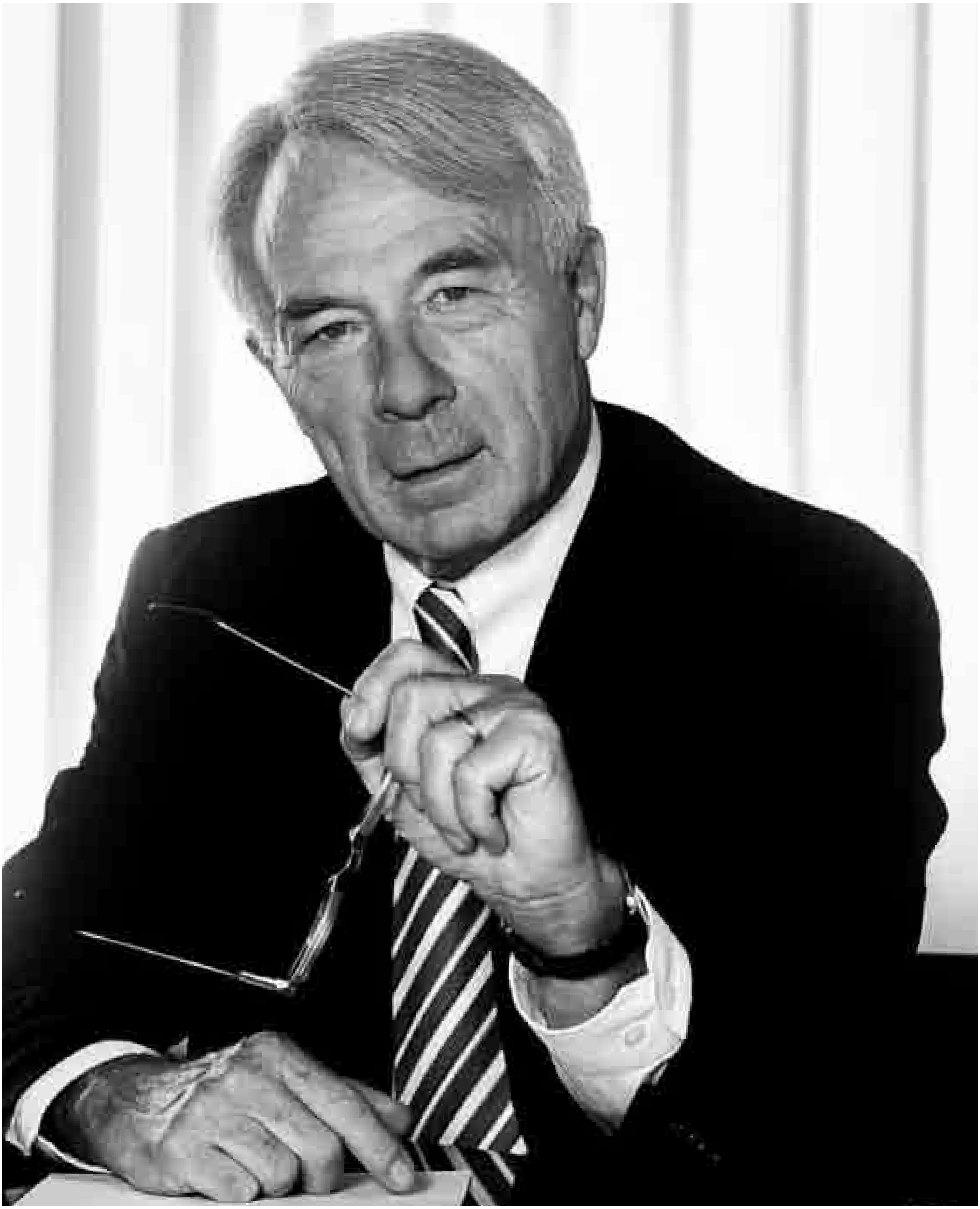
Claus-Matthias Böge: As our retailers change, our shopping centers also change. Our property's great advantage is that we can relatively easily adapt it to the changing requirements of the retail industry.

We remain conservative, even if we are perhaps entering into somewhat more risky business with the project development in peripheral areas. However, when a company grows it must also change. We are convinced that we will have one or two interesting ideas we can realise.

Dr. Ruth Vierbuchen: Many thanks for the interview. ■

REPORT OF THE SUPERVISORY BOARD

Manfred Zaß, Chairman of the Supervisory Board



"Particularly intensive and repeated discussions with the Executive Board focused on the Company's strategy in light of increased prices for shopping centers."

Dear Shareholders,

During the 2007 financial year, the Supervisory Board performed the duties incumbent on it according to the law and the Articles of Association and closely followed the performance of Deutsche EuroShop AG. It monitored and advised the Executive Board in its management of the business.The Executive Board informed us regularly, promptly and in detail of business developments.

Focus of advisory activities

We examined our Company's net assets, financial position and results of operations, as well as its risk management, regularly and in detail. In this context, we checked that the formal conditions for implementing an efficient system of monitoring our Company were met and that the means of supervision at our disposal were effective. We ensured that all significant factors affecting the business were reported to us. Our discussions focused on the development of the portfolio properties, their sales trends, outstanding accounts, occupancy rates, construction measures and liquidity as well as investment cost trends for our new development projects.

Particularly intensive and repeated discussions with the Executive Board focused on the Company's strategy in light of increased prices for shopping centers.

In these discussions, the Executive Board also presented various investment options and alternatives to the Supervisory Board. In addition, based on drafts prepared by external consultants, the impact of the German business tax reform was also discussed.

Current topics were discussed by the Chairman of the Supervisory Board and the Executive Committee of the Supervisory Board together with the Executive Board if required. Transactions requiring the approval of the Supervisory Board were discussed and resolved in the relevant meetings. All resolutions in the period under review were approved unanimously.

Meetings

During the 2007 financial year, four regularly scheduled Supervisory Board meetings took place. No Supervisory Board member participated in less than half of the Supervisory Board's meetings.

In the first meeting on 19 April 2007, we completed the annual review of the efficiency of the Supervisory Board and approved the agenda for the Annual General Meeting. In this context, we selected the auditor who was proposed to the shareholders for election. As a result of the high measurement gains on our real estate portfolio in relation to operating profit at the end of 2006, we again set particular store by the explanations of the Executive Board provided in this respect. Once again, we determined that measurement gains and losses have a very significant influence on the income statement for our Company, as for all other real estate companies preparing their financial statements in accordance with IFRSs. Moreover, these measurement gains and losses are also determined by factors beyond the control of the Executive Board. Another topic of discussion was the REIT legislation in Germany and its subsequent advantages and disadvantages for our Company.

In addition to discussing business performance in the meeting on 21 June 2007, we discussed individual recommendations of the German Corporate Governance Code and their application to our Company. In so doing, the decision was taken not to establish any age limitations for the corporate entities.

In the third meeting, on 13 September 2007, we focused more intensely on developments regarding construction progress on the Galeria Baltycka in Gdansk, Poland; the Stadt-Galerien in the German cities of Hameln and Passau, as well as expansion plans for the Main-Taunus-Zentrum near Frankfurt am Main. In addition, the peculiarities of the market for specialist retailer properties were discussed in order to deduce potential effects on the strategy of our Company.

The last meeting, on 23 November 2007, focused primarily on investment possibilities presented by the Executive Board with regard to project developments in their early stages.

A brief discussion also focused on the impact of the subprime crisis on our Company's situation. Fortunately, the Executive Board was able to report that no negative impact is foreseeable. This was presented in a plausible manner based on loan agreements concluded at the start of the year as well as current negotiations.

Committees

The Supervisory Board has formed two separate committees, an Executive Committee and an Audit Committee, each with three members. We consider this to be appropriate, given the size of the Company and the number of Supervisory Board members. During the period under review, both committees met on 29 March 2007, and the Executive Committee met additionally on 13 September 2007. The members of these entities also consulted with one another by telephone as well.

Corporate Governance

In December 2007, together with the Executive Board, we issued an updated declaration of conformity with the

"The Company's conservative strategy has proven itself successful."

recommendations of the government commission pursuant to Article 161 of the Aktiengesetz (AktG – German Public Companies Act) and made this permanently available on the Deutsche EuroShop website on 18 December 2007. A separate report on implementation of the German Corporate Governance Code is included in this Annual Report. At the end of 2007, the Supervisory Board members declared in writing that no conf icts of interest arose. The members of the Executive Board did the same at the start of 2008.

Financial statements of Deutsche EuroShop AG and the Group for the period ended 31 December 2007

At the Audit Committee meeting on 9 April 2008 and the Supervisory Board meeting on 17 April 2008, the Audit Committee and the Supervisory Board examined in detail the annual financial statements of Deutsche EuroShop AG in accordance with German commercial law, and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), each as at 31 December 2007, as well as the management report and group management report for financial year 2007.

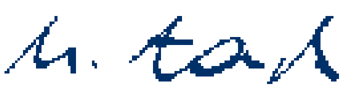
The documents relating to the financial statements, the auditor's reports and the Executive Board's proposal for the appropriation of the unappropriated surplus were presented to us in good time. The auditor elected by the Annual General Meeting on 21 June 2007 – Hamburg-based BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft – had audited the previous sets of financial statements and issued an unqualified audit opinion in each case. The auditor also confirmed that the accounting policies, assessment and consolidation methods in the consolidated financial statements complied with relevant accounting provisions. In addition, the auditor determined in the course of his assessment of the risk management system that the Executive Board has undertaken all required measures pursuant to Article 91, (2) of the AktG in order to identify risks promptly which could jeopardise the continued existence of the Company.

The auditor's representatives took part in the discussion on the annual financial statements and the consolidated financial statements on the occasions of the Audit Committee meeting on 9 April 2008 and the Supervisory Board meeting on 17 April 2008 and explained their main findings.

Following its own examination of the annual financial statements of Deutsche EuroShop AG, the consolidated financial statements and the management reports appertaining thereto, the Supervisory Board did not raise any objections, agreed with the findings of the auditor's examination and approved the annual financial statements of Deutsche EuroShop AG and the consolidated financial statements. The annual financial statements have thus been adopted. The Supervisory Board endorses the Executive Board's proposal for the appropriation of the unappropriated surplus.

The 2007 financial year was characterised by a considerable deterioration of overall conditions for the real estate sector. The Company's conservative strategy has proven itself successful. The efforts of the Executive Board and the staff also enabled our Company to enjoy a very positive performance. Thus, the Supervisory Board thanks the Executive Board and all employees for their successful accomplishments in the 2007 financial year.

Hamburg, 17 April 2008



Manfred Zaß, Chairman

Manfred Zaß
(Chairman)

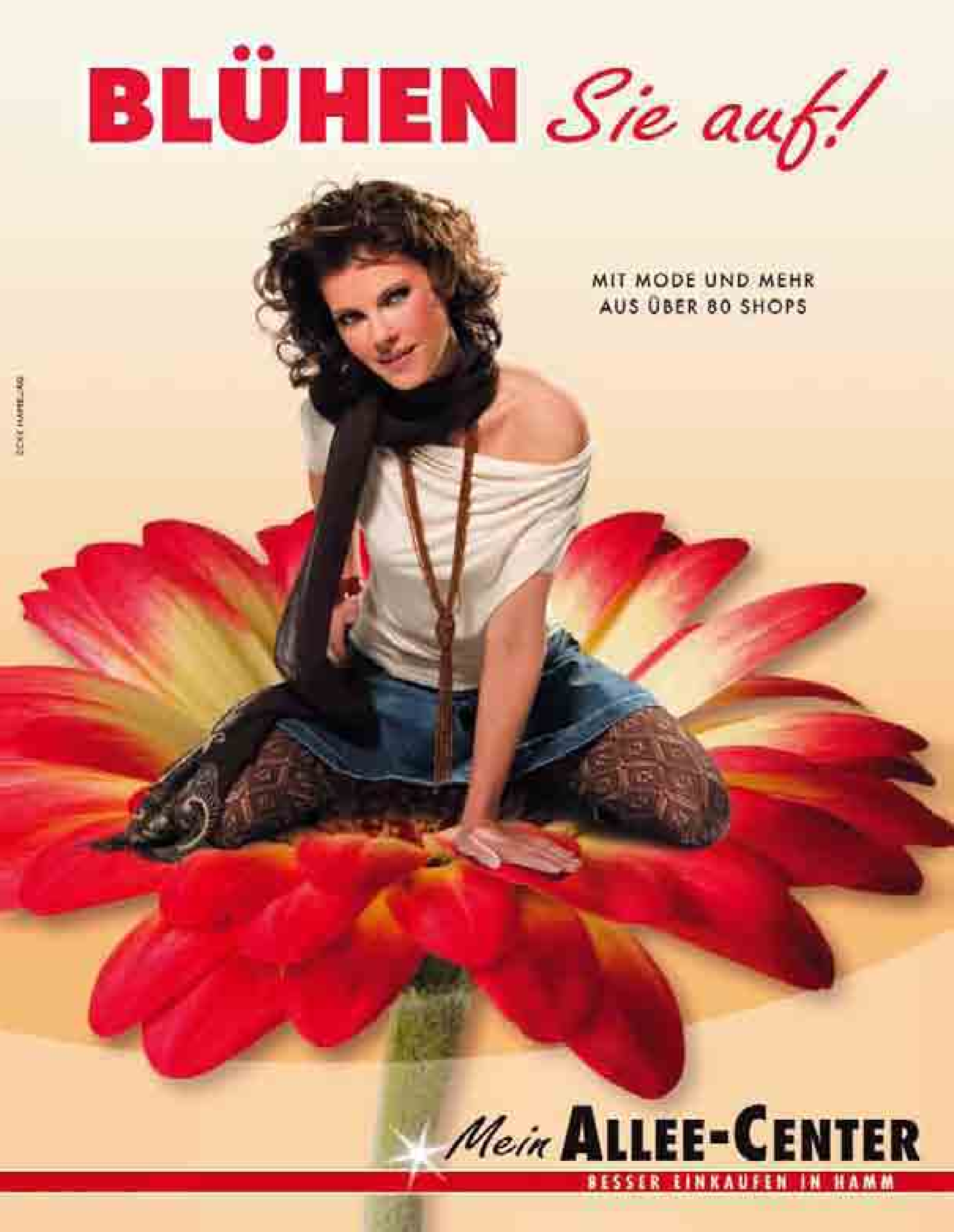
Dr. Michael Gellen
(Deputy Chairman)

Thomas Armbrust

Dr. Jörn Kreke

Alexander Otto

Dr. Bernd Thiemann


BLÜHEN Sie auf!
MIT MODE UND MEHR
AUS ÜBER 80 SHOPS
Mein ALLEE-CENTER
BESSER EINKAUFEN IN HAMM

Statistics

Who
is the average visitor of a DES shopping center?

In the second half of 2007, we conducted a survey amongst visitors to our 10 German locations and thus acquired a broad picture of the customers at our shopping centers.

53% of visitors are classified as "young generation" customers (up to 39 years of age)

63% live in households consisting of at least two persons

48% of the households have a net income amounting to more than €2,600.0

55% visit "their" shopping center at least every two weeks.

82% rate the shopping center as "good" or "very good"

85% rate the tenant mix as "perfect"

73% describe the shopping center as the "top source of fashion" in the region

92% consider the shopping center to be an attractive addition to a stroll through the city centre

65% describe a shopping-center visit as an "experience"

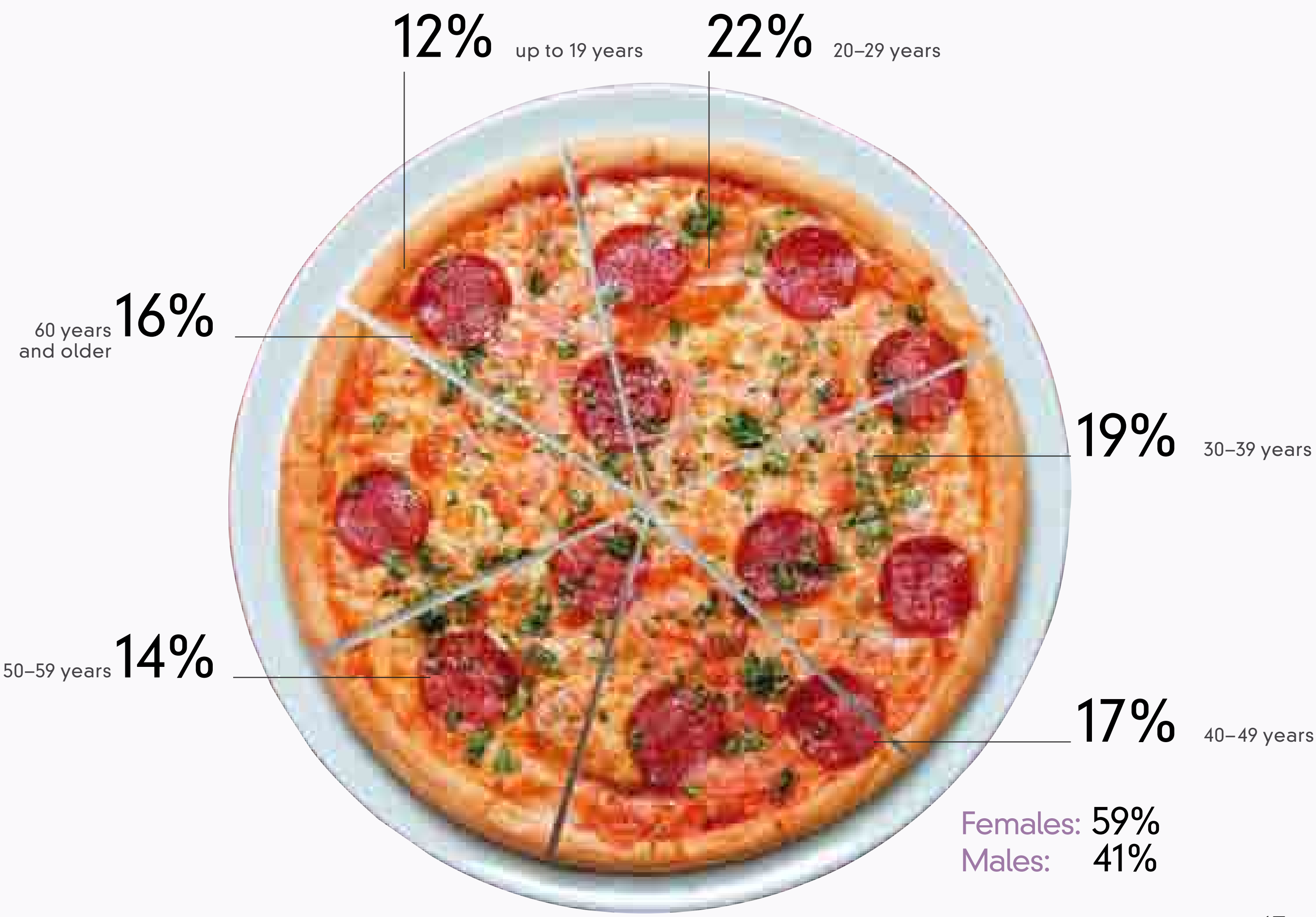


PHOTO-competition

"My nicest shopping photo": The winners

In our last Annual Report, we asked you to send in your most original shopping photos. We would like to thank you for the numerous entries and are pleased to be able to present the winning pictures that we have chosen here:

First place:
Claudia Halbegger, Spittal (A)

(Shopping center voucher worth €100)

Second place:
Klaus Striebich, Hamburg

(Shopping center voucher worth €75)

Third place:
Marcin Dudka, Paderborn

(Shopping center voucher worth €50)

Congratulations!

The winners were informed by us in writing.

What women and men want Top Five 2007

perfumes

A woman's perfume tells more about her than her handwriting. Christian Dior

Top five perfumes ladies

1ST PLACE
Armani Code, Giorgio Armani

2ND PLACE
The One, Dolce & Gabbana

3RD PLACE
Pour Elle, Annayake

4TH PLACE
Light Blue, Dolce & Gabbana

5TH PLACE
Pour Femme, Lacoste

Top five perfumes gentlemen

1ST PLACE
Le Male, Jean Paul Gaultier

2ND PLACE
Armani Code Homme.
Giorgio Armani

3RD PLACE
RSVP, Kenneth Cole

4TH PLACE
Go, Joop!

5TH PLACE
Tomo, Annayake for Men

powered by

books

All that I know about my life, it seems, I have learned in books. Jean-Paul Sartre

Top five books Fiction-books

1ST PLACE
ZUSAMMEN IST MAN WENIGER ALLEIN
Anna Gavalda

2ND PLACE
GLENNKILL
Leonie Swann

3RD PLACE
NACHTZUG NACH LISSABON
Pascal Mercier

4TH PLACE
HECTORS REISE
François Lelord

5TH PLACE
DIE CHEMIE DES TODES
Simon Beckett

Top five books Non-fiction books

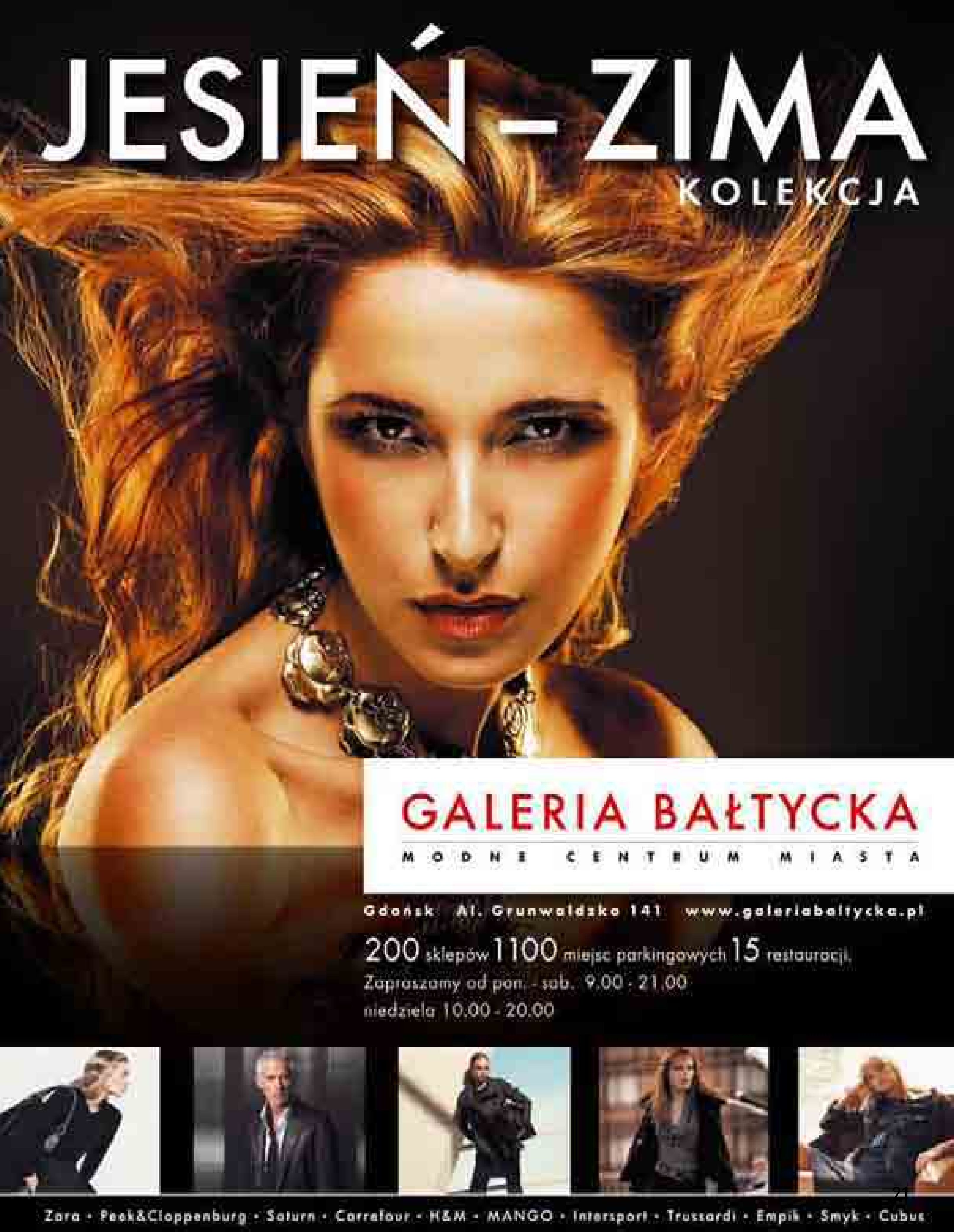
1ST PLACE
ICH BIN DANN MAL WEG
Hape Kerkeling

2ND PLACE
GOMORRHA
Roberto Saviano

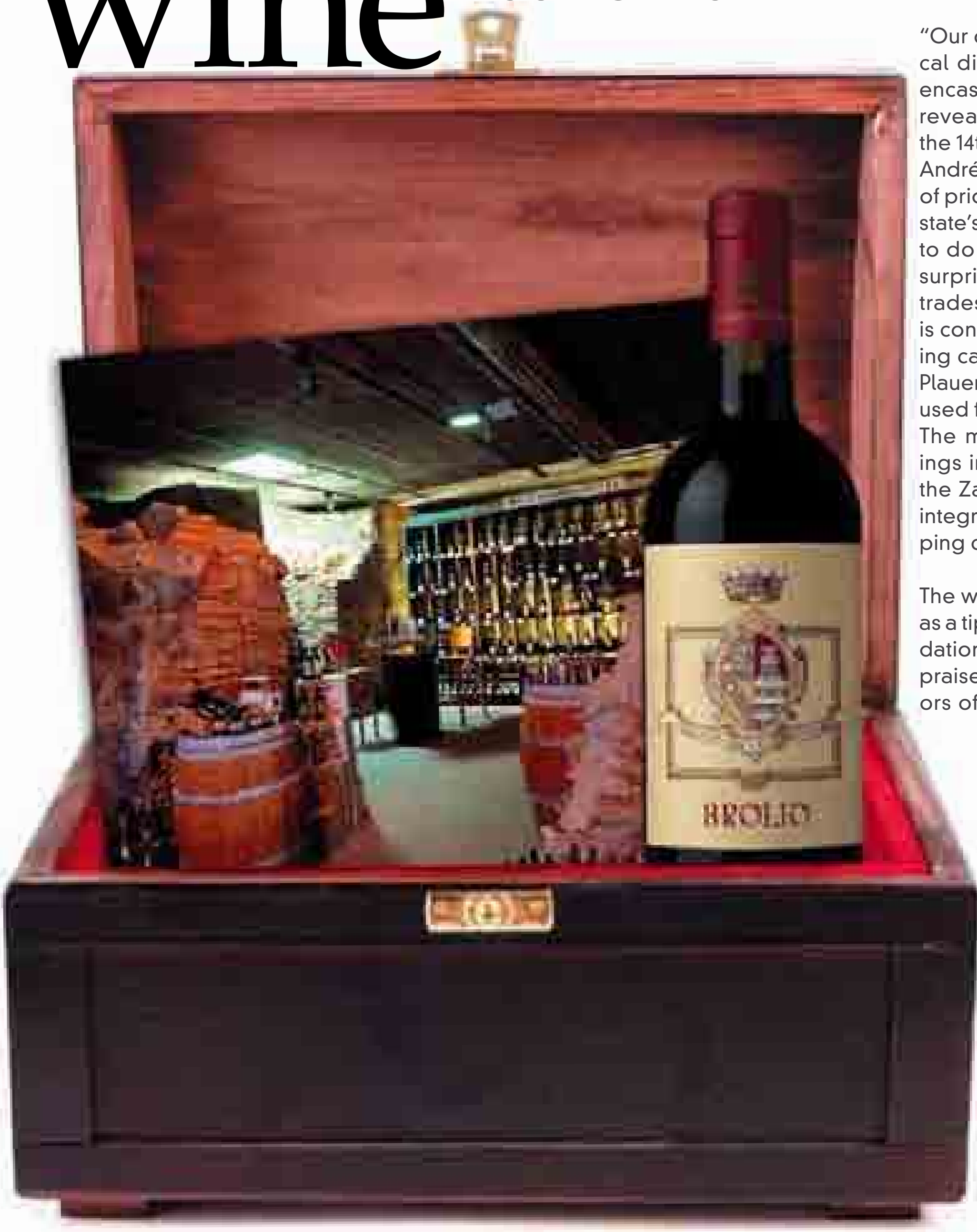
3RD PLACE
DER GOTTESWAHN
Richard Dawkins

4TH PLACE
NIE WIEDER 80!
Dieter Hildebrandt

5TH PLACE
HORST LICHTER – UND PLÖTZLICH GUCKST DU BIS ZUM LIEBEN GOTT
Markus Lanz


JESIEŃ - ZIMA
KOLEKCJA
GALERIA BAŁTYCKA
MODNE CENTRUM MIASTA
Gdańsk Al. Grunwaldzka 141 www.galeriabaltycka.pl
200 sklepów 1100 miejsc parkingowych 15 restauracji.
Zapraszamy od pon. - sob. 9.00 - 21.00
niedziela 10.00 - 20.00
Zara • Peek&Cloppenburg • Saturn • Carrefour • H&M • MANGO • Intersport • Trussardi • Empik • Smyk • Cubus

Fine wine in historic vaulted caverns



The Altmarkt-Galerie shopping center in Dresden offers its visitors a particularly special wine merchant in a historic cellar. Many refer to it as the "wine temple of Dresden". "There's nothing like it anywhere else in Europe – neither in Berlin, nor in Paris or London", said proprietor Roland Hippler.

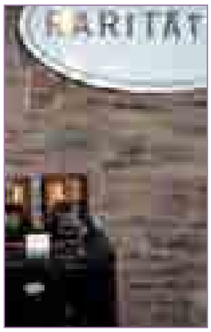
What is so special about this wine merchant? Besides the excellently tended assortment, expert recommendations and large selection, the atmosphere is particularly appealing.

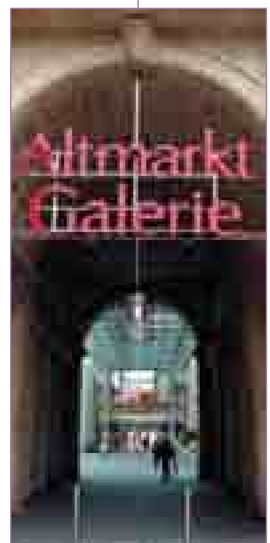
"Our clients tread a virtual archaeological dig behind the entryway. Partially encased in glass, the designer shelves reveal specially illuminated walls from the 14th century", said location manager André Schildhauer with a certain amount of pride. According to comments by the state's archaeological authorities: "It has to do with a very early dated and also surprisingly well preserved cellar of a tradesman's or merchant's premises. It is constructed in a typical style employing calciferous slate-like stone from the Plauenscher Grund river bed, which was used for building at this particular time". The museum-like archaeological findings in the former premises located at the Zahngasse 5 address are perfectly integrated into the wine store and shopping center.

The wine merchant repeatedly appears as a tip in pertinent gourmet-recommendation guides. Thus, it has already been praised as one of the top three purveyors of whiskies in Germany. "Naturally, we also carry other spirits in addition to wines. Here you can find roughly 400 different types of whisky, and exotic or rare brands can be ordered and delivered to the store's counter within three days", Schildhauer explained.

In the course of regularly scheduled tastings, curious participants join with knowledgeable connoisseurs on a gourmet journey leading from Scotland to Ireland and the USA as well as to Japan and Canada. Whether one decides to acquire a bottle of the peaty/smoky distillate for between €20 and up to €200 is all a matter of personal taste and one's wallet. "There is a veritable boom in whisky", Schildhauer reported. "Single malt continues to be the favourite". As a rule, the genuine product which has been distilled more than once and aged in an oak cask is three to 12 years old, and some even reach up to 25 years.

Friends of the "uisge-beatha", as referred to the "water of life" by the Scottish, can depend on the wine merchant's competent experts. André Schildhauer and his staff gladly invite customers to try a glass, explaining the intricacies of enjoyment and providing a tour of the fabulous wine cellar.





Connoisseur tips from the Weinkontor wine merchant in Dresden's Altmarkt-Galerie

Weine: Chianti Classico Brolio

by Barone Ricasoli. D,O,C,G, 2005

The Chianti Classico Brolio is really exceptional. It combines the freshness of a young Chianti Classico with the full, complex structure of the Chianti region's great wines.

Wine tasting:
Colour: gleaming ruby-red.
Scent: fresh, multifaceted aromas of ripe fruits.
Flavour: Full, with a solid structure, a favourable tartness and balanced tannins. Long, pleasant departure.

Production:
12 months in French oak casks and barriques.

Classification:
red wine, dry
Quality: Chianti Classico D.O.C.G.
Producer: Barone Ricasoli – Castello Brolio, Brolio
Vintage: 2005
Grape variety: 100% Sangiovese
Alcohol content: 13.5%

Consumption:
Recommended shelf life: 2007-2013
Peak: 2008-2011
Recommended drinking temperature: 18°-20° C
Decanting: approximately ½-1 hour prior to consumption

Price: approx. €17

Whisky: The Glenlivet Nàdurra

Nàdurra (Gaelic word for "natural") is distilled by means of the original process of whisky production. This single-mal whisky recieves its intense, fruity and delicate bouquet by means of abstaining from cold filtering. A true specialty.

Naturally produced:
After at least 16 years of ageing in new first-fill American oak casks, Nàdurra is bottled in its natural vat intensity ("cask strength") of about 59% for each batch. By abstaining from cold filtering, the full malt aroma and thus also the strong, round texture of the whisky is retained.

Colour:
light gold; the addition of water creates a slight cloudiness.

Aroma:
fresh, summery interplay of f owery, sweet-spicy aromas, accompanied by hints of roasted oak. Very fruity.

Flavour:
Balanced, mild, with hints of sweet fruits. Poached peaches in vanilla syrup. White chocolate. Anise, candied ginger.

Finish:
long-lasting, dry; oak taste with notes of ginger and bitter oranges. Refreshing.

Price: approx. €75

Book tips

2008

Charlotte Williamson/Maggie Davis:
101 Things to Buy
Before You Die,
New Holland Publishers,
160 pages, ISBN: 978-1845378851,
approx. €28

Uli Stein:
Langer Samstag!,
Lappan Verlag,
48 pages, ISBN:
978-3830361466.
approx. €8

Langer Samstag!

Uli Stein

For around ten years now, Uli Stein has been one of the most successful cartoonists internationally. His large-nosed characters with their fried-egg shaped eyes and his mischievous cats, dogs and mice entertain millions of magazine readers week after week.

His book 'Langer Samstag', all about shopping, was launched recently.

Forget penny-pinching - going out and spending a day shopping properly is great.

It's just that shopping with their own husband doesn't make for the most fun for lots of women. This dawned on Uli Stein during his research. He provides all those 'affected' with an ideal solution: Simply hand your other half this book, drop him off in a café and then come back to collect him after you're done shopping.

101 Things to Buy Before You Die

Charlotte Williamson, Maggie Davis

Charlotte Williamson and Maggie Davis, lifestyle journalists and enthusiastic shoppers, bring their insider know-how to this indispensable guide to shopping. Following on from the best-selling 2007 edition, this new edition for 2008 has been updated to include over 50 of the very latest covetable items.

Covering everything from cashmere to chandeliers, spices to scooters, teapots to tiles, and with a distinctly global and fairtrade f avour, this book is a collection of the ultimate in food, clothes, furniture and fun, and is packed with tips from specialist buyers and those in-the-know.

With side panels discussing topics as diverse as the items every gentleman should have in his bathroom closet, how to haggle at a Moroccan souk and globetrotting gem shopping, this book is a must for discerning shoppers of all tastes and budgets.

Draw:

We are holding a draw in which you can win a copy of Uli Stein's book "Langer Samstag!". To take part in the draw, please send us a postcard to the following address:

Deutsche EuroShop AG,
quoting "Langer Samstag".
Oderfelder Str. 23,
20149 Hamburg or simply by
e-mail ,with 'Langer Samstag'
in the subject line to
info@deutsche-euroshop.com

The closing date is 31 July 2008.
The judge's decision is final.

“WHAT I BOUGHT FOR MYSELF IN 2007“

Olaf Petersen, Member of the Management Board, GfK GeoMarketing

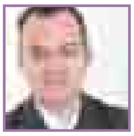
"For my wife and my daughter each for their respective birthdays a Pandora charm bracelet (starter version). It's a neat jewellery concept for any budget, and the countless variations and add-on options are a source of joy for both the gift giver and the recipient for a long time on."

Olaf G. Borkers, Member of the Executive Board, Deutsche EuroShop

"I bought myself a 6-metre aluminium garden ladder. I wanted use it to trim the trees in our garden. Unfortunately, I miscalculated the task. The ladder was too short, and even the trim work at an accessible height was a wobbly matter. Ultimately, a professional gardener took over the work in the more breezy heights."

Kirsten Kaiser, Head of Accounting, Deutsche EuroShop

"My purchase of the year was a complete array of tennis equipment, since this sport caught my enthusiasm in 2007. I immediately joined a tennis club as well and look forward to the summertime, when I'll be spending every weekend on the court."

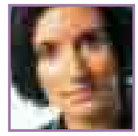


Patrick Kiss, Head of Investor & Public Relations, Deutsche EuroShop

"Not everything that gleams is gold, but the American Eagle and Canadian Maple Leaf coins that I bought my kids, Leo and Maja, are. However, the bank's vault was even more exciting for the children than the coins themselves."

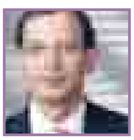
Claus-Matthias Böge, CEO, Deutsche EuroShop

"We remodelled our home in 2007. We had to buy lots of things, which we didn't think was anything special – until the topic of money came up. For that reason, the rest turned out somewhat more modest."



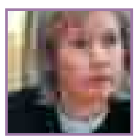
Cora Gutiérrez, Nebenwerte-Journal

"I bought myself an iPod nano: Cross-trainer workouts in the gym without my own self-compiled electro-music have become unimaginable. As a technology buff, I'm happy that new tracks are accessible more quickly via download than with CDs."



Klaus Striebich, Member of the Executive Board, ECE Projektmanagement

"I bought myself an Apple MacBook. Its engineering, design and many options make it a 'must have' for any technical enthusiast. And that is despite Microsoft's market-dominant position, the hefty price and the necessity of learning a new operating system. I simply feel comfortable with it."

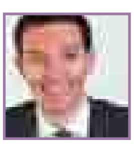


Dr. Ruth Vierbuchen, Chief Editor, Der Handelsimmobilien Report

"My greatest acquisition in 2007 was a PC which I literally had to buy at the drop of a hat when my laptop broke down. 'Probably a virus,' was the long-distance diagnosis of the midsize-business PC support which was not in a position to repair my computer on short notice. I had no other choice than to buy a backup – meaning the PC in question – from the competition at Saturn. That was quicker."

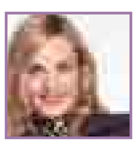
Bodo Hoffmann, Chief Executive, IT Future

"2007 was the Nintendo Wii, which I consider to be the most exciting purchase. The evolution from the Atari game system to the Wii is absolutely fascinating, and it's the first games console that made my friends and me sweat and gave us muscle aches too – not only from laughing."



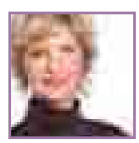
Nicolas Lissner, Manager Investor & Public Relations, Deutsche EuroShop

"A new quilted jacket from the former purveyor to the royal court, Eduard Meier of Munich. It's a perfect fit for wherever and whenever and provides maximum insulation despite its light weight, whether out in the countryside or in the urban jungle."



Nicolette Maurer, Freelance Journalist

"Last year, I bought myself a handbag in a BREE shop: dark-brown, classic, elegant. And since it's so practical, there was another one in a clearance sale in black..."



Birgit Schäfer, Executive Secretary, Deutsche EuroShop

"A short excursion with two girlfriends to a day spa. It was simply magnificent – even though my son subsequently thought the whole thing hadn't 'helped' at all."

THE CHANGING FACE OF RETAIL

FROM THE MARKET PLACE TO A SERVICE PARADISE

Main-Taunus-Zentrum 1964

By Nicolette Maurer, freelance journalist

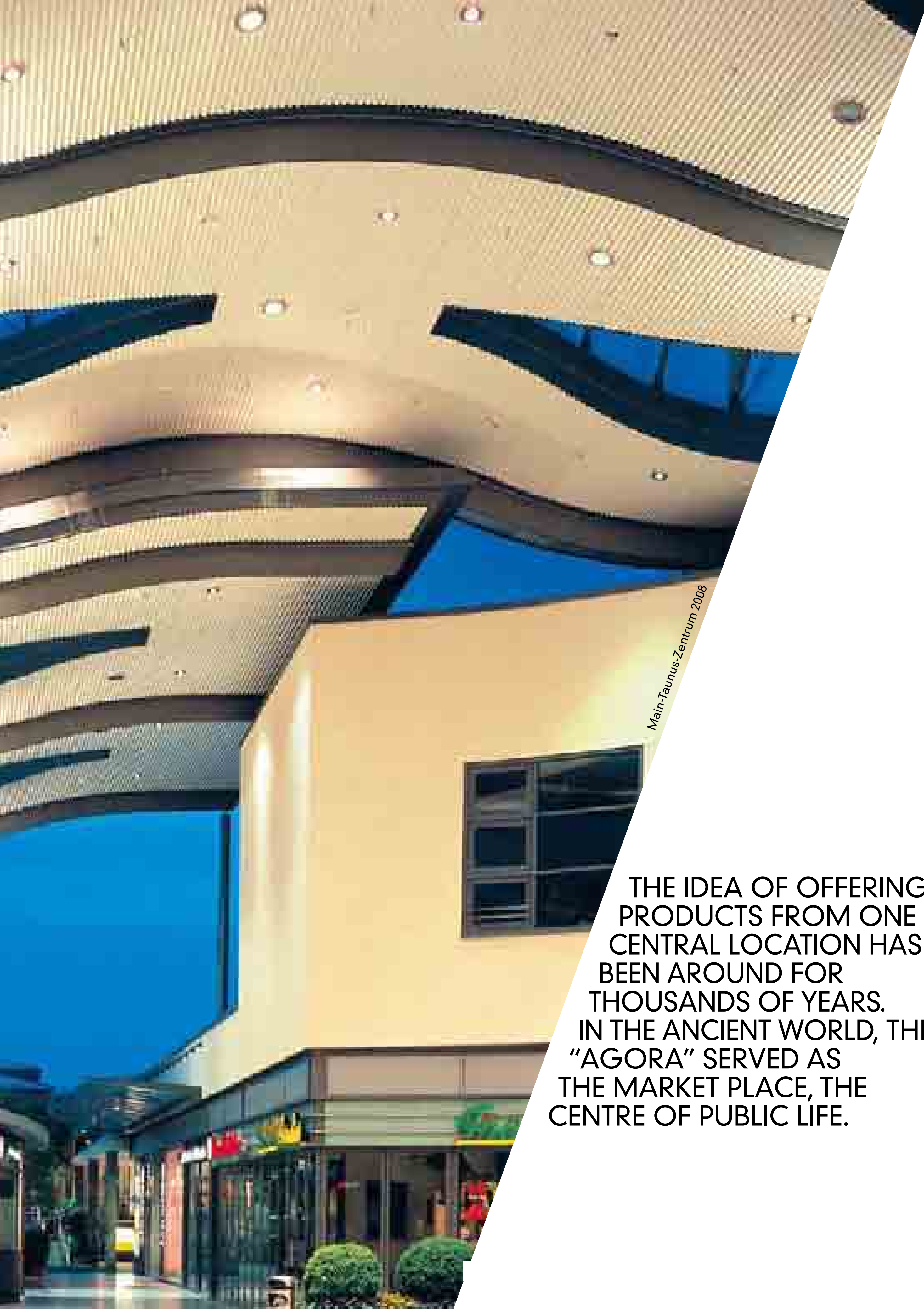
Not everything was better in the good old days. Take shopping as an example – do you remember the corner-shops where they only had one sort of milk, three dry heads of lettuce and ravioli in a can on offer? Shops that were closed for lunchtime and rolled down their shutters on the dot of six o'clock? Weekend shopping trips that meant dragging shopping bags for miles because there were no parking spaces? And a time where you had to make a trip to the next city if you wanted to buy a new coat or wine-red coloured thread?

Problems that we can scarcely imagine nowadays. Many cities and towns have a shopping center with all the popular fashion chains, electronics shops, pharmacies and supermarkets along with a selection of well arranged specialist shops. Places where you can buy all you need or simply just to go wandering and have fun.

However, the idea of offering all necessary products for daily life from one central location has been around for thousands of years. In the ancient world, the "agora" served as the market place, the centre of public life. In the middle ages there were the yearly long-distance trade fairs in monasteries and churches where people of different cultures would meet to swap stories about new experiences and technical know-how, all leading to the progress of civilisation. The constant upturn in the demand for goods led to the later creation of markets on farms and in forts, which in turn became bases for spiritual and scientific development, forming the nucleus of new settlements and towns.

The simple procurement of goods essential for living developed into more of an enjoyment and social experience at the beginning of the 19th century. Glass roofed shopping arcades emerged in large cities such as Paris, London or Berlin where an abundant selection of goods were made visible to everyone. Dirt and undesirable smells were left outside as well as the rain which all too often swamped the product range on the open markets. Arcades and galleries attracted people to view and compare, to stroll and linger, to see and be seen. This was the birth of the original modern shopping experience, regardless of the weather outside.

Thus began the "Sillems Bazar" in 1843, on the Jungfernstieg street in Hamburg, an enormous iron-glass octagon with space for 30 exclusive shops under its dome. The prototype of glamorous shopping arcades was the "Galleria Vittorio Emanuele" in the heart of Milan, between the Cathedral and La Scala. The building, opened in 1867, consists of two crossed-arms, which appear held together by a barrel-shaped glass roof. In its centre there is an octagonal square with a 47 metre high glass dome. The opulent arcade, decorated with fresco and stucco images and marble, still houses elegant shops, renowned national restaurants and a 7 star hotel. →



Main-Taunus-Zentrum 2008

THE IDEA OF OFFERING PRODUCTS FROM ONE CENTRAL LOCATION HAS BEEN AROUND FOR THOUSANDS OF YEARS. IN THE ANCIENT WORLD, THE "AGORA" SERVED AS THE MARKET PLACE, THE CENTRE OF PUBLIC LIFE.

EACH SHOPPING CENTER SHOULD BE UNIQUE TO EACH CITY, TOWN OR REGION

Altmarkt-Galerie Dresden

THE CONCEPT: TO ESTABLISH PEDESTRIAN-FRIENDLY, URBAN SPACE WHERE OTHER SOCIAL AND CULTURAL NEEDS COULD BE MET ALONGSIDE SHOPPING.

The industrial revolution in the second half of the 19th century brought about growth at an explosive rate in towns and cities and with these the need for consumer goods. The first department stores, with their overwhelming range of affordable mass market products, were established, that appealed to the middle class as well as the lower middle class.

In the first half of the 20th century, US cities expanded into the hinterland at a rapid rate, however, without providing sufficient shopping possibilities for the population which was growing at an equally rapid pace. Dangerous and run down city centres, blocked by traffic and without parking facilities or local public transport turned daily shopping into tiresome, time-consuming work. Remedial help in the 1930s generated the first smaller shopping centres and in 1947 the architect Victor Gruen built the first department store with parking facilities on the roof.

However, the Jewish architect and town-planner, having escaped the Nazis, had larger plans in mind. His dream was to introduce a little of the Viennese intimacy from his home city to the faceless American suburbs. In a country where, apart from a few exceptions, there were no old cities that had grown through history, he wanted to establish pedestrian-friendly, urban space where other social and cultural needs could be met alongside shopping. His goal was a safer and cleaner microcosm for bored suburban housewives, lonely pensioners and roaming teenagers.

In 1954, he realised his vision of a "shopping center of the future" in the north of Detroit. Alongside numerous shops, an enormous parking facility and a private access road, the Northland Center contained two public auditoriums, club rooms, a post office, eight restaurants, a hairdressers, dentist, optician, tailor, advice for mothers, a nursery and even a zoo.

Two years later Gruen even built an entire town in the Southdale Center near Minneapolis consisting of housing estates, private housing, a park, a school, a skating-rink, a medical centre, a lake and a road system. The "Mall", the heart of the complex with two department stores and 72 shops was the first shopping center in history to be integrated into a building and to have artificial climate control.

It was a hit with customers, the business boomed and thousands more centers were hastily constructed in the suburbs of America. However, due to the economic success, the precise socio-cultural facilities that gave Gruen's concept that neighbourhood feeling gradually had to give way to the new retail potential. More and more, the malls became pure consumer and amusement temples.

Even in post-war Germany the economic boom made its mark with new shopping possibilities such as self-service shops, discount stores and shopping centers.
In 1964, the Main-Taunus-Zentrum opened its doors as the first shopping center in West Germany based on the American model. The shopping center followed the "anchor store principle" meaning that a large food or department store is positioned at each side-entrance, the so-called "anchor store", to attract customers and therefore lead them to the smaller, more local or regional retailers inside.

Dozens of further shopping centers were built in the countryside, however, after the initial euphoria, these "shopping bunkers" came in for criticism. Because of widespread desolation in the inner cities, more and more shopping centers are being built more centrally since the 1980s. These shopping centers are aimed at convincing locals to buy locally and at maintaining each city or town's individual charm. After the collapse of the borders between East and West Germany, the enormous pent-up need for consumer goods in the old East was sated at first with shopping centers hastily built on the edge of towns and cities. However, by the turn of the millennium it also became clear here that, in the long run, it is always the shopping centers in the city or town centre that are the most successful.

Whilst retailers and department stores in Germany have been complaining about losses and slumps for years, shopping centers have been reporting an outright boom. Their advantage is a long-term and goal-orientated management that is based on detailed analysis of the spending power and social structure of potential customers and is closely linked with the local government's town-planning department. Today, everyone is aspiring towards the "living market-places" concept i.e. attractive shopping centers with lavish architecture and the right mix of shops that act as the driving force for inner cities and towns. The question is whether this trend will be as successful in the future. →

If we look further than the domestic situation, we can see that in the booming industrial nations, particularly America and Asia, larger and ever-more exclusive shopping centers are being built as we speak. In Dubai, two mega-malls are to be opened this year, each with over one million square metres of selling space. German shopping centers, with their average 23,000 square metres of selling space, tend to take a bonsai form when compared to this. But can the global craziness be carried over to Germany?

Trend researchers believe that our world of shopping is currently in a trend reversal. These days, eighty percent of purchasing has very little to with procuring the basic staples.

Consumers' expectations are changing, the specific markets are being targeted. Price and quality are no longer the customer's deciding factor for the decision to purchase, more so the environment and theme.

The Matthias Horx Zukunftsinstitut in Vienna estimates that in future, customers will be longing for "authenticity" and an "urban attitude to life" and will go to those locations where they are guaranteed a sense of well-being and empathy. Marketing expert Michael Timpe (geschaeftsidee.de) also believes that the retail outlet of the future will have to be a type of "living room substitute" where the range of products and the service are all provided in a more homely fashion.

It would appear then that the mega malls such as those in Dubai cannot be carried over to Germany. Instead of the mega mall, each shopping center should be unique to each city, town or region and should also generate a sense of identity – offering a special spatial experience and inviting elements of design such as wooden f oors or leather armchairs for example. The objective is to make the residents of the region feel at home in the shopping center and to allow them to find offers that match their own individual expectations. There are still many customers that are looking for a broad selection with cleverly presented goods as well as spectacular services that seduce the customer and satiate the desire for the "reenchantment" and "eroticisation of consumption" (according to Horx). At the same time, there are still more and more customers that are overwhelmed by the allure and are simply looking for easily understandable offerings, help with their initial product search and products that are easy to use.

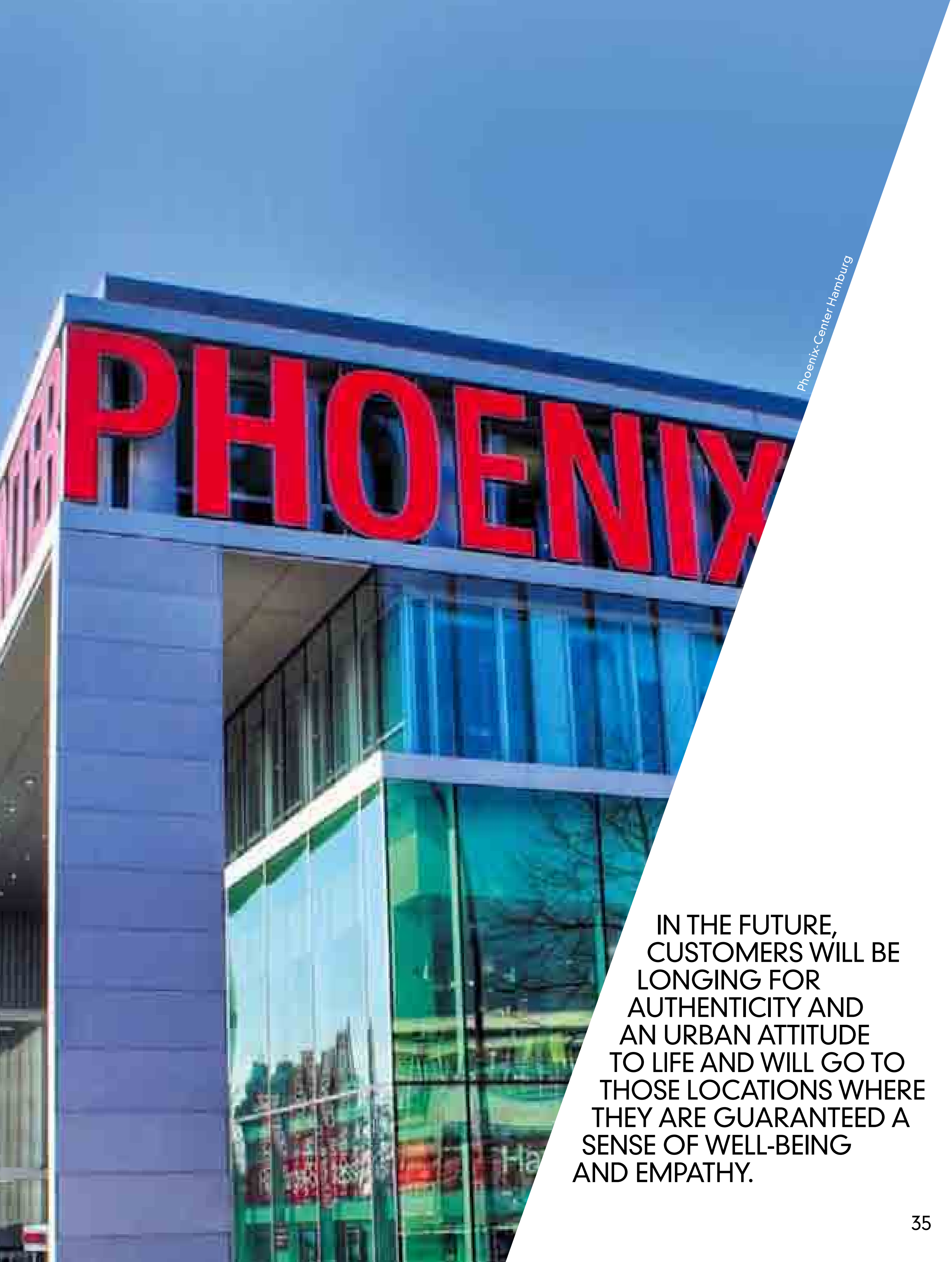
Convenience – ease will also be an important factor in the shopping centers of the future. Even now, longer opening hours, hindrance-free shopping for pushchairs and wheelchairs with play areas for the children and VIP clubs for adults are attracting shoppers. Massage chairs for poor backs, tense from carrying shopping bags, are very popular today, a "pack and bring service" where shopping is well packed and transported directly to the car could be a service in the future. Shopping center credit cards, shopping vouchers and parking cards are all parts of shopping center managers' customer-growth concept and are all becoming more popular every day. Fashion shows and make-up experts are already attracting the fashion conscious female-shoppers. In future, shopping center stylists à la Bruce Darnell could accompany women when they go shopping while the men hand in their shopping lists at the service counter, sending the shopping specialists off to gather the shopping leaving them time to treat themselves to a well-earned beer.

Virtual shopping-assistance is also a possibility – computers, distributed around the shopping center, that know within seconds in which shop you can find the new Marlene jeans, which shoe shop has size 28 pink boots or where the bio peppers are cheapest today. These services could equally be offered via mobile, naturally for members of the shopping center club.

There is also large growth potential in gastronomy. Multi-cultural food courts have a wide range of culinary delights, therefore extending the customers' visit to the shopping center. Regional special offers such as the Switzerland-Austria weeks during the European Cup or a cooking course from Weight Watchers with recipes that change daily could expand the existing offering.

It could also pay to benefit from growing competition in the health sector: after inexpensive pharmacies such a DocMorris, walk-in medical practices with short waiting times and discount prices are also imaginable.

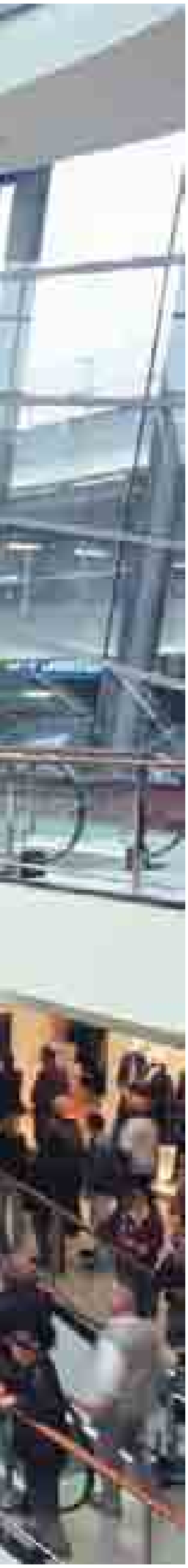
Individual guidance, fast, professional service in a regional feel-good atmosphere - this may well be the recipe for success for shopping centers of the future. It maybe that in 20 years we remember with horror when we once had to carry our own bags, go for our own shopping and had to compare prices ourselves. ■



Phoenix-Center Hamburg

IN THE FUTURE, CUSTOMERS WILL BE LONGING FOR AUTHENTICITY AND AN URBAN ATTITUDE TO LIFE AND WILL GO TO THOSE LOCATIONS WHERE THEY ARE GUARANTEED A SENSE OF WELL-BEING AND EMPATHY.

Phoenix-Center Hamburg



our centers

Following opening ceremonies of the Galeria Baltycka in Gdansk, Poland, in October 2007 as well as the Stadt-Galerie in Hameln, Germany, in March 2008, 15 of our 16 shopping centers are now in operation. In September 2008, the Stadt-Galerie in Passau, Germany, will open its doors for customers as Deutsche EuroShop's 16th shopping center.

	Germany	Abroad	Total
Leasable space in m²	491,100	152,300	643,400
No. of shops	1,110	550	1,660
Occupancy rate*	>99%	100%	>99%
Inhabitants in catchment area**	9.8	3.3	13.1
No. of centers	12	4	16

*including office space, excluding Passau
**in mio.

Complex singularities

With leasable space totalling 643,400 m², 1,660 shops and an occupancy rate of over 99%, our portfolio consists of 12 shopping centers in Germany, two in Poland and one in Austria and Hungary, respectively. Amounting to 84%, the main focus of our investments clearly lies in Germany.

At the same time, each of our centers is a highly complex one-of-a-kind entity in every respect. This applies to a mix of tenants which is aimed at expanding the selection found in the city centre and providing each shopping center its individual charm as well as to an individual style of architecture which ranges from historic to futuristic facades. However, with regard to centre interiors, we also have the highest of expectations concerning décor: this includes high-quality materials, a perfect climate-control system and innovative aquatic and lighting installations.

We attribute particular importance to a sensitive urban-structure integration of our properties with consideration paid to local circumstances, features and interests. In this instance, we concentrate on city centres, meaning the locations where trade has already been conducted for a very long time. For the most part, our city centres are situated directly adjacent to local pedestrian zones. In addition, the Main-Taunus-Zentrum near Frankfurt am Main as well as the Rhein-Neckar-Zentrum on the outskirts of Mannheim are two well-established suburban locations situated directly at motorway exits and are optimally accessible by car.

The shopping center as an adaptable concept for the future

Over the last several years, we have been observing growth in the retailing sector's need for larger selling spaces in order to present steadily more varied assortments to customers. Our shopping centers can offer merchants this exact space, since f oor plans can be customised f exibly – in contrast with other inner city retail properties. This ensures a secure future for our →

Entrance to the parking garage of the City-Galerie Wolfsburg

shopping centers and enables retailers to locate themselves in city centres in which no adequate spaces are otherwise available. This represents an enhancement of the shopping location for cities.

Excellent access

In order to make the shopping experience as pleasant as possible for visitors to our shopping centers, all of our properties have an excellent link to public transport systems. In addition, each of our shopping centers also contains sufficient parking space providing visitors with inexpensive parking for their vehicles.

Location selection as a success factor

A respective city's population is not the determining factor in the selection of our locations. Much rather, the catchment area is decisive – meaning the extrapolated potential number of customers who are forecast to visit a particular center. Especially in more rural areas, shoppers are accustomed to a drive time of up to 45 minutes in order to enjoy a shopping center's wide selection of goods. In this respect, surveys repeatedly show that the high fashion competence of our shopping centers plays a particularly decisive role.

Altogether, our shopping centers encompass a catchment area inhabited by 13.1 million people. Considering the 9.8 million persons located in the catchment areas of our German properties, every ninth inhabitant of the country is a potential shopper at one of our centres.

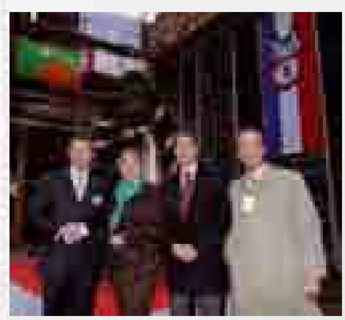
Opening in Gdansk and topping-out ceremonies in Hameln and Passau

In October 2007, the opening of the Galeria Baltycka in Gdansk was a particularly special event for us, which we celebrated together with financial analysts, investors and business partners who were our guests. Our second shopping center in Poland is impressive due to its particularly intricate design of architecture which bears strong references to Gdansk's geographic location on the Baltic Sea as well as an extremely large selection of products from among 200 retailers who occupy a leasing space amounting to over 47,000 m². Deutsche EuroShop's share of investment volume amounts to roughly €123 million, and approximately 1.1 million people inhabit the catchment area.

In July 2007, construction workers hoisted the ceremonial topping-out crown upon the Stadt-Galerie in Hameln. We thus celebrated the completed shell construction of a new shopping attraction which is centrally situated at the city's Pferdemarkt location. The Stadt-Galerie which opened its doors on 11 March 2008 offers space for 100 specialty shops spread over three levels. The leasable space encompasses approximately 25,000 m², and the two parking levels provide space for about 500 vehicles. The catchment area is home to about 400,000 inhabitants, and Deutsche EuroShop's share of investment volume amounts to roughly €82 million.

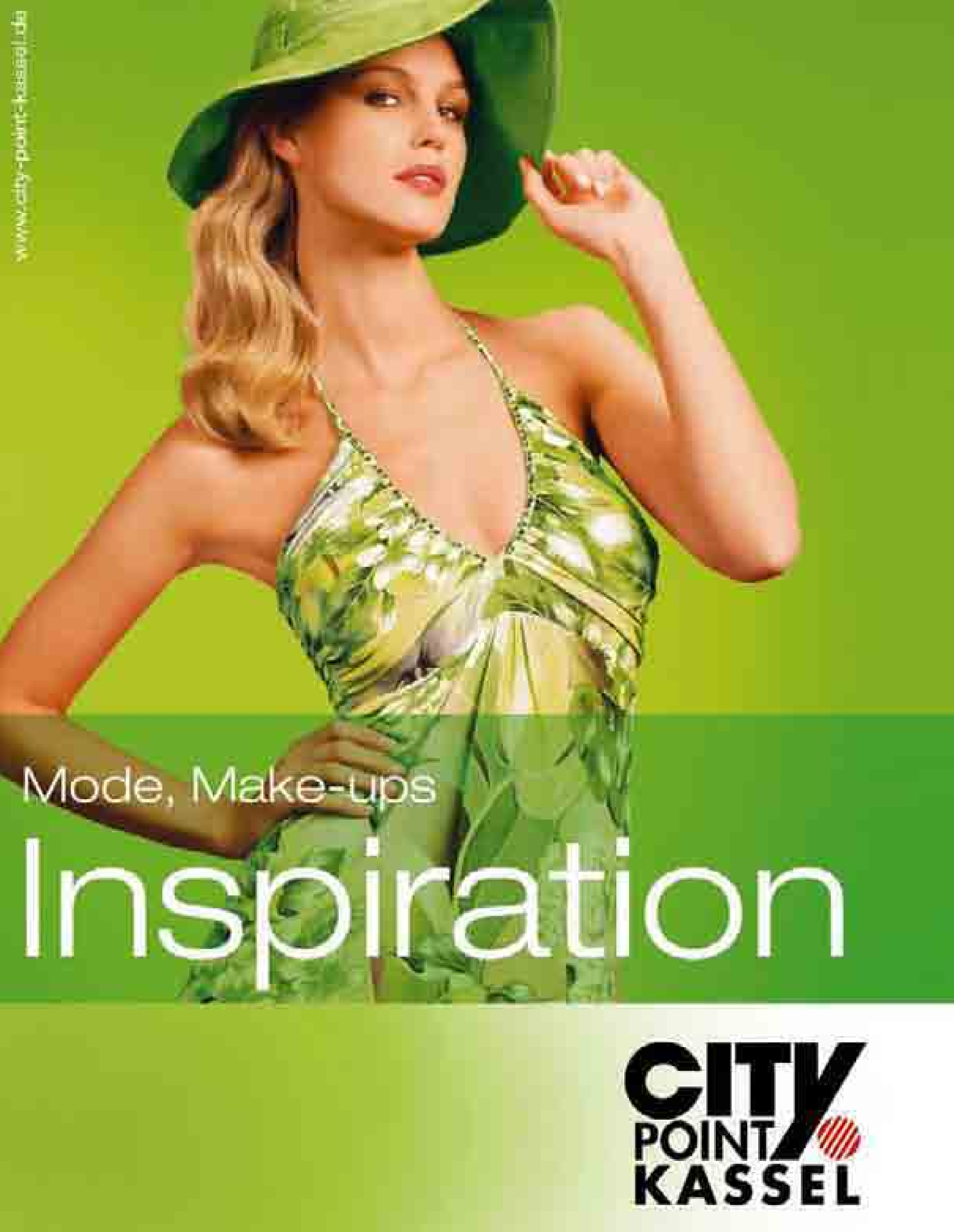
In October 2007, we celebrated the topping-out event of the Stadt-Galerie Passau, the opening of which is planned for September 2008. We are more than optimistic that the Stadt-Galerie will be fully let by then, as has been the case with all of Deutsche EuroShop's new openings. Construction work already is approaching its completion at the "new city centre" of Passau's inner city. Here, visitors will be welcomed by approximately 90 tenants who occupy roughly 27,000 m² of leasing space behind an artistically designed façade. The share of investment volume amounts to about €95 million, and the catchment area is home to approximately 400,000 people, reaching into nearby Austria. →

Opening Galeria Baltycka in Danzig



Topping-out ceremonies in Hameln


KÖZÉPPONTBAN
A LENDÜLETEM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Mode, Make-ups
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CITY POINT KASSEL

Our top 10 tenants

With a 5.8% share, the Metro Group is our largest tenant. Its marketing brands which include Real, Extra, Media Markt, Saturn and Galeria Kaufhof are represented in our shopping centers. With a combined share of 4.5%, the Douglas group is next in line, with its perfumeries of the same name, Thalia (bookstores), Christ (jewellers), Appelrath-Cüpper (fashion stores) and Hussel (confectioners).

The fact that both groups nevertheless each account for only a relatively small proportion of our rental income demonstrates the high degree of diversification of our tenant structure. Alltogether, our 10 largest tenants account for 25% of our rental income. Thus, there are no dependencies on individual tenants.
Chart: fig. 1

Long-term rental agreements

The weighted residual term of rental agreements in our portfolio amounts to over eight years. Over 69% of rental income is guaranteed at least until 2013.
Chart: fig. 2

External management of shopping centers

Management of our 16 shopping centers has been entrusted to our partner, ECE Projektmanagement. At the same time, ECE has been contracted by us to carry out completion of the Stadt-Galerie Passau and, for example, is responsible for development of the most recently opened properties in Gdansk and Hameln.

ECE has been developing, planning, implementing, leasing and managing shopping centers since 1965. With 87 facilities under its management, the company is Europe's market leader in the field of inner city shopping centers.

Deutsche EuroShop benefits from this competence and experience both within Germany and abroad. Therefore, our lean structure enables us to concentrate on our core responsibility and competency, which is portfolio management.
www.ece.com

The optimum tenant mix

The right combination of merchants is decisive for the success of a shopping center. One of the centre management's main assignments is the assembly of a sector mix specifically tailored to each property's individual location.

In this instance, the property itself as a whole claims utmost priority rather than the leasing of each individual shop. In the interest of an attractive sector and tenant mix for visitors, space is let at various prices, strictly orientated according to the performance capabilities of the respective sector. In this manner, for example, toy and grocery stores can return to city centres and are represented once again in prime locations.

This system is particularly advantageous for local retailers and business start-ups.

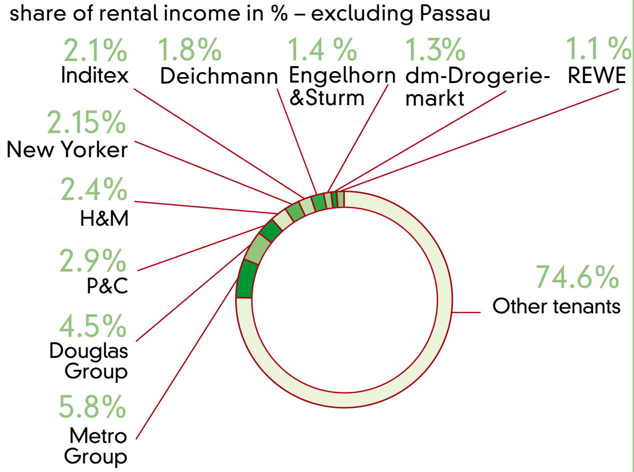
Specifically, this means for us: instead of focusing on a short-term maximisation of rental income, we concentrate on a long-term optimisation.

For visitors to our shopping centers, this means that a complete range of retail trade awaits them. This includes, for example, specialist electronics shops, grocery stores and chemists as well as various service-sector establishments such as banks, travel agents, cleaners and pharmacies. Fast-food restaurants, cafés and ice cream parlours provide the necessary refreshment and relaxation during a shopping excursion. →

fig. 1

The 10 largest tenants

share of rental income in % – excluding Passau

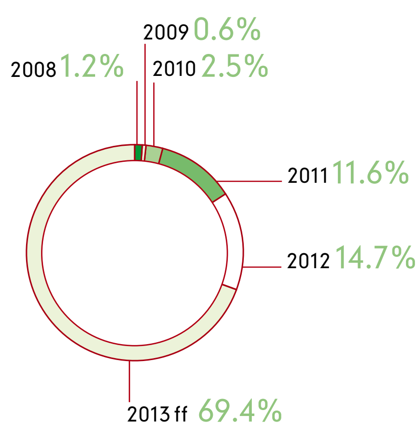


Total of the top 10 tenants: 25.4%

fig.2

Long-term rental agreements

term of agreements, excluding Passau, share in %



In contrast with the main shopping thoroughfares of German city centres, a portion of which are in the hands of large chain-store operators accounting for over 90% of the businesses, visitors to our shopping centers find a healthy mix of regional and local merchants as well as national and international chain retailers. Thus, each property possesses its own unmistakable character.
Grafik: Abb. 3 und 4

Strong brands

Among others, the following tenants are responsible for the success of our shopping centers: Aldi, Bijou Brigitte, Breuninger, Burger King, C&A, dm-Drogeriemarkt, Douglas, Fielmann, Gerry Weber, Görtz, H&M, Media Markt, Marc O'Polo , New Yorker, Nordsee, Peek & Cloppenburg, REWE, Saturn, s.Oliver, Subway, Tom Tailor, Tommy Hilfiger, Vero Moda, WMF and Zara.

Shopping as an experience

Each of our shopping centers is supported by an advertising association in which all of the respective tenants are members. These associations plan and organise marketing promotions throughout the year in order to continually offer customers new shopping experiences. This includes elaborate decorations during the Christmas and Easter seasons as well as exhibits and events focused on various themes such as fashion shows. In 2007, for example, a large-scale soapbox derby was organised by the Rathaus-Center in Dessau.

Responsibilities of the advertising association also include coordination of a consistent advertising approach, producing shopping center newspapers in the form of inserts in regional daily papers, and the placement of radio spots and citylight posters produced exclusively for the centre. →

fig. 3

Sector mix

in % of space – excluding Hameln and Passau

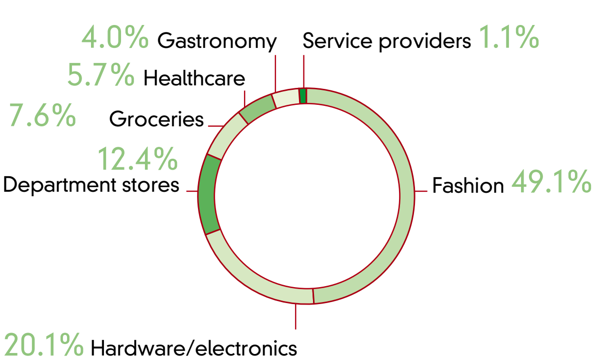
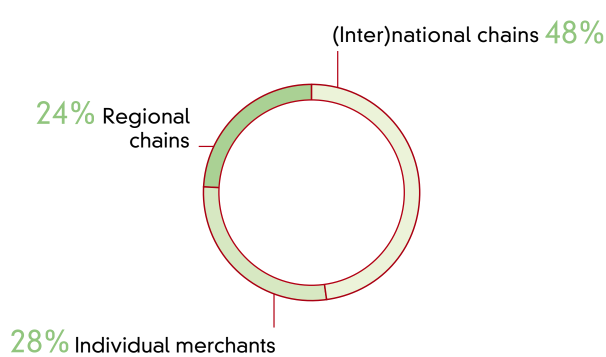


fig. 4

Regional-tenant mix

in % of space – excluding Hameln and Passau



VIELFALT
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AUSWAHL
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FREI
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CAFÉS &
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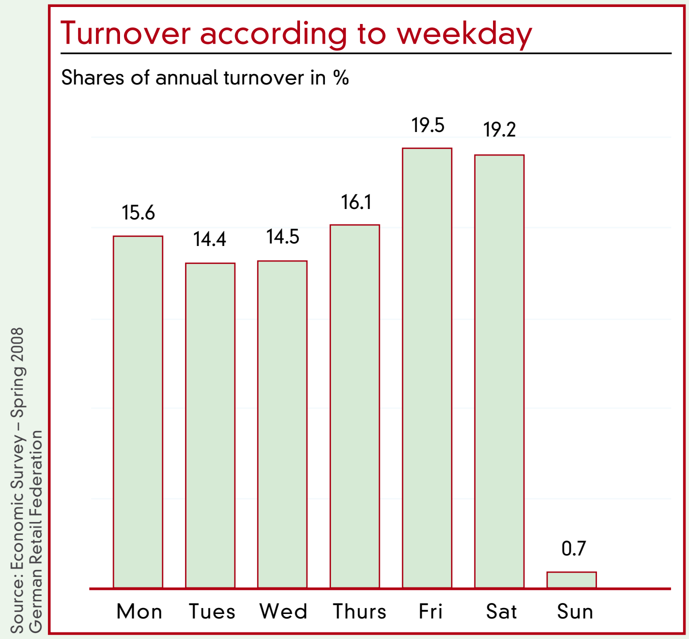
INFOBOX

Fridays and Saturdays are major shopping days

According to a study by the Hauptverband des Deutschen Einzelhandels (HDE – German Retail Federation), Fridays and Saturdays are the most retail-intensive weekdays by far. Merchants achieve nearly 40% of their weekly turnovers on these two days.

For the very first time, 19.5% of revenues on Fridays exceeded the Saturday figure (19.2%) in 2007. The reason for this is that Fridays play a particularly large role as the shopping day for groceries. With respect to non-grocery items, Saturday still remains the leading day for revenue.



Three examples of the variety of promotions and events at our centers

The Altmarkt-Galerie, Dresden, as a stage

In May 2007, a very special kind of promotion took place in Dresden's Altmarkt-Galerie together with the "Palucca Schule Dresden", the only independent college of dance in Germany. For just under 10 days, the shopping center was transformed into a rehearsal studio and stage at the same time. On this occasion, visitors had an opportunity to experience the everyday routine of dance pupils and students first-hand and encounter classical ballet and contemporary dance in an unconventional environment.

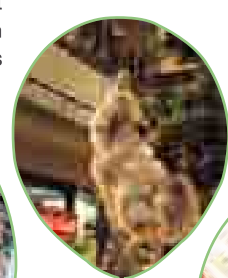
Football artistry in the City Arkaden, Klagenfurt

In June 2008, the entire world of football will focus its attention on the Austrian state of Carinthia. The state capital, Klagenfurt, is one of the eight venues of this year's European Football Championship: Croatia, Poland and Germany will battle here for placement in the competition's quarter-final playoffs. An arts-promotion prize for young artists in the categories of painting, sculpture and photography is being donated by the City Arkaden center and dedicated to the motto of "Soccer Arts" on the topic of football. The festive award ceremony will take place at the shopping center in June 2008, and a benefit auction of all exhibited artwork is planned as well.

Wolves, bison and Native Americans in Wroclaw

In 1804, U.S. President Thomas Jefferson commissioned an overland expedition to the Pacific coast. In the course of this endeavour, the 33 members of the Lewis and Clark Expedition studied the region's native inhabitants, its botany, geology and fauna. In September 2007, visitors to the Galeria Dominikanska in Wroclaw were able to wander in the expedition's footsteps while marvelling at the distinctive f ora and fauna of the American West Coast as well as the explorers' paraphernalia and their uniforms. ■




Ceremonial opening of GALERIA BALTYCKA

Celebrations took place on 3 October 2007 – together with 700 guests. Included among the guests were financial analysts, investors and business partners that all travelled to Gdansk to celebrate the opening of Galeria Baltycka.

An independent jury elected Galeria Baltycka...

During the first guided tour of the shopping center - a few hours prior to the opening Gala dinner - it was clear that things were not 100% ready yet. However, it was still evident that the artfully designed display windows and impressive shop furnishings would fascinate visitors in the end. When Gdańsk's Mayor Pawel Adamowicz officially opened the Galeria Baltycka at 8 a.m. the following morning, almost everything was perfect.

Following a demanding and eventful construction period, it was eventually possible to stick to the originally planned opening date. This was a great achievement by all involved in the construction. In total, the construction phase lasted only eighteen months.

All this work led to a magnificent shopping center – the largest in all of Pomerania. The Galeria Baltycka was designed to become a centre for fashion, elegance and city flair in the so-called Tricity area (Gdańsk, Sopot and Gdynia). There are 200 shops to be found on the 39,500m² shopping space – most of which are well-known fashion brands.

The Galeria Baltycka is open seven days a week, Mondays to Saturdays from 9 a.m. to 9 p.m. and Sundays from 10 a.m. to 8 p.m. Many of the brands already known in the Tricity are represented and around 30 brands such as Zara, Peek&Cloppenburg, Biba, Tommy Hilfiger and Pepe Jeans are opening their first shops in Gdansk. Entertainment electronics retailer Saturn and a Carrefour supermarket are two further anchor tenants to be found at Galeria Baltycka. Visitors can relax and revitalise their energy in the 15 restaurants and cafés at Galeria Baltycka.

The shopping center can also be reached comfortably with public transport. Thanks to its location at the important transport hub, the Gdansk-Wrzeszcz Main Train Station, the shopping center can easily be reached by train, bus or tram. There are about 1,100 parking spaces available to those arriving by car.

The upper parking levels of the shopping center offer a wonderful panoramic view of the Baltic Sea, which is also the origin of the name Galeria Baltycka. Translated from Polish, the name means Gallery of the Baltic Sea. The landscape was the inspiration behind the entire architecture of the shopping center. The outer facade of the building, consisting of sandstone and glass, evokes notions of the Gdansk Bay. Of the two inner entryways, one depicts a seafaring theme and the other features colours inspired by beach and sand. The entire shopping center has the form of a triangle, where each of the points and the center are flooded with natural light.

The Galeria Baltycka – a distinct shopping center in a very special city.

On the evening before the opening, about 700 guests celebrated and listened, amongst others, to the speech of Claus-Matthias Böge

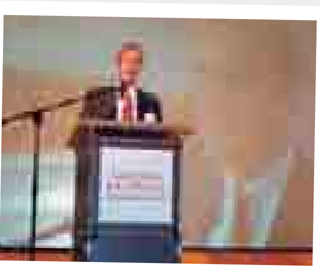
TRICITY is the collective name given to Gdansk, Gdynia and Sopot, from which Galeria Baltycka can be reached inexpensively by car or by public transport.

THE STARE MIASTO (OLD TOWN) AND GLÓWNE MIASTO (MAIN TOWN) districts of Gdansk offer many interesting sights for tourists – the latter predates the former and was independent for many years. Glówne Miasto boasts countless magnificent patrician houses, the City Hall and St. Mary's Church with room for 25,000 people.

THE NEPTUNE FOUNTAIN, which is located at the Long Market in Glówne Miasto, took 15 years to complete. The Neptune statue was modelled by local artists Peter Husen and Johann Rogge, cast in bronze in Augsburg and erected in the fountain in 1633. It is found in front of Artus Court, one of the most beautiful historical monuments in the hanseatic style. This building was used as a meeting place for the city's rich citizens and merchants and is named after the Celtic king Arthur.

Infobox Gdansk

...as best shopping center and best real estate performance in Poland in 2007



The floors of the different courtyards show characteristic patterns as e.g. a map of the Baltic Sea or a compass rose

International Retailers are *(Re)*discovering the German Market

Why people talk so often about stereotypes when it comes to German shopping centers is not entirely clear, and in a way unjustified. In no other retail market is there such a competitive situation and diverse range of choice as in Germany.

Klaus Striebich – ECE Projektmanagement – Managing Director Leasing

The reason why many concepts are regularly encountered again and again in shopping centers and top retail locations is simply because people want to have the best choice in the respective sector. As well as a high level of customer satisfaction (as it is primarily customers that make a provider successful), this also ensures high revenue productivity, and consequently high, sustainable rental income.

Over the last few decades, many concepts from the international arena that have enjoyed success in their domestic markets and now want to seize their opportunities in Europe's biggest retail market – Germany – have become established.

In recent years, following the opening of the Eastern European markets, Germany has become a genuine platform for pan-European expansion. Some providers may not always have got the timing right (trying again several years later or requiring a long time to penetrate the market), or may have been unable to gain customers and failed – the examples of the US giants Wal-Mart and GAP illustrate this.

Why Germany again?

After years of stagnation and falling revenues, the German market has calmed down again and dusted itself off (the high number of insolvencies in recent years, including those of major retail chains such as Hettlage, Boecker, Porst, Spinnrad and others, illustrates this).

Transparency regarding location diversity has improved. There was a need to analyse and define what regions, cities or locations (including pedestrianised shopping areas, specialty stores, and shopping centers) would make prime

In many countries, national market leaders have emerged that are now also discovering Germany in the context of their expansion.

locations. Today, a sound expansion strategy can be implemented more easily in operational and logistical terms.

In many countries, national market leaders have emerged that are now also discovering Germany in the context of their expansion. For example, North Rhine-Westphalia has always been a testing ground for new concepts from Benelux, not just because of its high population density.

Highly specialised, vertical private labels such as Didi, Cool Cat and Riverwoods are coming through on the market here. The Sting is to be relaunched, this time with a new, distinctive profile and a new message. After many years of patience and persistence, Hunkemöller (underwear) and WE Fashion (young fashion) have now emerged as major players, and although many people believe that Orsay or Pimkie are German concepts, the roots for their German success were laid down more than 30 years ago in France.

Unfortunately, not everyone is always successful. Lindex closed its twenty-three shops and withdrew from the German market following a second launch, which was a great pity. The biggest US clothing chain GAP failed to make the breakthrough with its ranges (albeit not adapted to German customers), selling its shops to its competitor H&M, which is now a fixture on the German market (although some may remember its teething problems about twenty years ago).

The sports sector is dominated by the associations with their numerous qualified members, who are in a position to respond to customers' needs on a highly individual basis. This is the reason why the chains, extremely successful in their domestic markets – examples include Sports Experts (Austria) and Decathlon (France) – have been unable to assert themselves. Systems more highly oriented to demand such as →

A trip through Europe shows that concepts have come and are still coming to Germany from nearly all countries.

Runner's Point, or brands such as Jack Wolfskin, Puma and Nike will enjoy success here.

A trip through Europe shows that concepts have come and are still coming to Germany from nearly all countries. The best overview is gained at the real estate trade fair MAPIC, which is held every November in Cannes. Well over 1,000 retailers meet there, and there are discussions on extending joint expansion. The trade fair has become an essential event for all expanding companies.

Main focal points of recent years

Spain

The heavyweights in the Spanish retail market, Inditex (Zara, Massimo Dutti and many more), Mango and Springfield, have also emerged as well-known major players in Germany within just a few years.

Scandinavia

H&M led the way, others followed. The development of the Bestseller Group with the concepts Vero Moda, Jack&Jones, Only and Exit suggests an equivalent success story. The Bianco shoe concept also seems to have potential, and the design-oriented Scandinavians will also make their presence known in the accessories and jewellery sector.

Italy

We will also continue to hear from the land of fashion in future. Even if the established brands such as Benetton, Stefanel and Sasch still have work to do, Geox (the shoe that breathes), Sixty, Diesel and Gas (jeans) are currently enjoying a lot of success.

USA

The land of unlimited opportunities is always a source of new ideas. Whether these ideas are of a technical, emotional or textile nature, they can be exciting, but also successful. With almost 5,000 shops worldwide, and approximately 100 in Germany, Gamestop (formerly EB Games, a provider of software and games for computers and gaming consoles) has become established within just five years, in a market that was previously dominated by e-commerce and large retailers.

Apple is enjoying a real renaissance, particularly thanks to the iPod. Perhaps we might also get to see such spectacular locations in Germany as the Apple Cube on New York's 5th Avenue. However, until then we can content ourselves with Gravis (Germany's biggest Apple dealer – and a very successful one at that). The results of the first shops in shopping centers are highly promising.

Build-a-bear is regarded as one of the hottest concepts in the USA. Before the consumers' eyes – in a highly personal and emotional manner – teddy bears are 'born', before being looked after like children by the customers (usually between seven and fifteen years old). It really is something to behold, particularly when the children come back to the shop to buy new outfits for their teddies. Market entry in Germany was carried out via the master franchisee of the Scandinavian market – a formidable combination.

Jeans (the American item of clothing) have become highly international. In addition to the very strong providers from Holland (G-Star) and Italy (Diesel), Levi's of the USA (albeit now very well adapted to European conditions) has regained its strength. It will be exciting when the first shops of Californian top label 7 For All Mankind appear.

Fossil is known to us as a provider of accessories, especially watches. On approximately 100-150 m², they have developed a lifestyle theme around the brand with leather goods, jewellery, jeans etc., getting off to a great start.

The first Abercrombie & Fitch store in London was opened in spring 2007. This is definitely the cult brand in the USA, and is also very well known in Germany. It is only a matter of time before the first shop opens in Germany (and it is sure to be a huge success).

Central and Eastern Europe

We can also expect a few things from Central and Eastern Europe in future. As a result of the unbelievable size of the markets, strong players have emerged there and will reach us sooner or later. Concepts from Poland and the Czech Republic are taking their first tentative steps. The concepts from Turkey are particularly exciting. Outstanding system concepts have been developed on the basis of what is now extremely high-quality textile production. Koton for young fashion and Sarar for quality men's clothes have decided on their start date for Germany. Sela will be coming soon from Russia.

It is a shame that there is nowhere near enough room in this report to list and describe all the countries and concepts – but there are of course many more.

Ultimately, the German retail and real estate market is a major challenge for all new concepts, which is also the case for those from Germany, of course. Although all that glitters is not gold, it is also true that who dares, wins. Those who have established themselves here in Germany can do the same in all other retail markets of the world. The German retail export hits (Media-Saturn, Douglas, Bijou Brigitte, New Yorker, P&C and many more) illustrate this.

There is finally a recognition that Europe is converging. Borders have not only been dismantled at a political level, but also conceptually in people's minds. It is a great pleasure to work with these new providers and always to be able to offer customers something new and surprising, something which will continue to make our shopping centers successful in future. ■

Those who have established themselves here in Germany can do the same in all other retail markets of the world.

The German shopping center landscape

CONTINUING ON THE PATH OF GROWTH

by Olaf Petersen, member of the Management Board, GfK GeoMarketing

As documented by the illustrated facts and figures which follow, during 2007, shopping centers were once again able to make a positive showing in contrast with the general development of trends in German retailing. Due to the pull-forward effects attributed to the significant VAT increase at the turn of the year, the overall retail sector had to wrestle with a relatively weak first half-year. In the course of the ensuing year, the consumer climate clouded, not the least of which was due to sharp price increases primarily among groceries and petroleum products. With respect to earnings, revenue in German retail increased in nominal terms only by roughly 1% to approximately €390 billion. Thus, after adjustment for the price increase rate, the figure was just below that of the previous year.

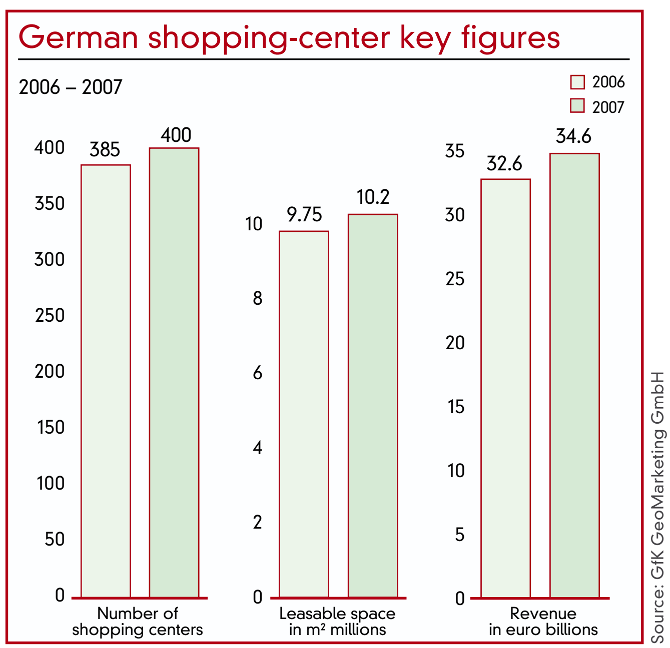
Measured against this scale, the German shopping center landscape posted tangibly above-average results. According to calculations by GfK GeoMarketing GmbH, total sales in 2007 amounting to a good €34.6 billion (gross, incl. VAT, preliminary results) were posted. The basis for defining shopping centers was according to the Cologne-based EHI Retail Institute meaning that that all properties with leasable space amounting to over 10,000 m² were taken into consideration. At the end of 2007, there were 400 such centers, for each of which a sales value was calculated based on available confidential actual figures as well as projections/estimations derived from knowledge of the spread and regional development of sales. These were then subsequently added to achieve a preliminary aggregate value.

Thus, a stately nominal revenue increase of roughly 6% was posted against 2006. Nevertheless, new openings play a considerable role with regard to this rate of change. In 2007 alone, 15 new shopping centers were opened: from the Sonae Sierra Group's Alexa center at Alexanderplatz in Berlin to the mfi Group's Wilmersdorfer Arcaden. However, the 12 shopping centers which opened the previous year distort the picture to a certain extent as well, since these – each opening between spring and autumn – did not post sales-relevant full-year figures until 2007. Finally, the changes occurring among the other 'older' shopping center locations (expansions vs. major vacancies) in 2007 must naturally be taken into consideration as well.

Meanwhile, with respect to overall German retail sales, the concluded year now shows a market share of just under 9%, which is marginally exaggerated due to service providers which are closely related to retail trade and gastronomy.

At the end of 2007, the leasable space operated by Germany's 400 shopping centers amounted to a good 10.2 million m² and thus exceeded the previous year's figure by a respectable 400,000 m². With respect to average productivity per unit of area, the sector generated revenue of just under €3,400 per m² of leasable space, however, it must be noted that this is an average value. In individual cases, the performance per unit of area varies to some degree considerably in both directions when considering the differences in types and sizes of centers (from regional shopping centers to local-supply-oriented centers and retail parks) as well as regional and local situations and specifics regarding individual centers.

In the context of positive development trends in the shopping center sector, the number of wage earners employed in German shopping centers once again increased considerably. Roughly estimated and based on the number of employees in retail trade, gastronomy and service-providing businesses in centers (excluding center and facility management as well as indirect employment), this is likely to be at just under 390,000 persons. Meanwhile, this provides impressive evidence of the considerable overall economic importance of the German shopping center sector.



[1] Figures regarding retail trade in a narrow sense i.e. excluding vehicle and petroleum trade as well as pharmacies. Official statistics for 2007 show a slight decline in revenue both in nominal as well as real terms. However, one must note in this case that the (price) effect of the VAT increase is not regarded due to the recording of net revenue. The development illustrated was calculated primarily from developments among various GfK panels in 2007.

Generation Comfort

The German population is diminishing and, because of this, a generation is growing, too young to be put to pasture and too old to continue sauntering through life. It is time that businesses and industry took this target group seriously. By integrating the generations, convenience and comfort could become decisive factors.

A contribution from Wolfgang Gruschwitz from Gruschwitz GmbH

You're not that young any more, you're not that hip and find that you're not attracting the same attention as you used to: the 'young oldies'. At the age of 55 or 60, you've left professional life and still have at least 20 active years ahead of you. You don't want to become a senior citizen and terms such as 'Generation Plus', which the age researcher Prof. Ernst Pöppel happily uses, don't sound that pleasant to your ears. Then how about using the term 'the 100 billion euro generation'? This immediately sounds considerably better and above all is a fair description to use when describing your economic importance. Because at present the over 50s account for this amount of disposable income per year, as estimated by the Nuremberg Gesellschaft für Konsumforschung (GfK – Organisation for Consumer Research). Now it seems that somebody is taking this money seriously. Ernst Pöppel says 'Industry and retail are simply ignoring this target group – it's scandalous'. The 66-year-old neuroscientist is in charge of the Munich Ludwig Maximilian University's generation research programme in Bad Tölz (Germany) and finds fault with the general focus on youth. 'Because of the fear of being associated with the seemingly unattractive segment of the generation plus, the economy overlooks this generation's enormous potential to provide high-spending customers. In actual fact, you would be amazed at how little consideration is shown to this financially strong clientele – in terms of shop design and also the range of products. This may be because young shop managers and trendy interior designers love cool chill-out lounges or minimalist interiors and only bear their own age group in mind. And because they believe that a clothes range in beige will do fine for the old people.

Right now it is extremely
short-sighted not to appreciate
the older generations as
Consumers

It is estimated that every third German will be over 50 years old in the year 2050, according to the German Federal Statistical Office.

Much bigger potential have shopping centers that offer their customers the possibility of a
get together

The success of this type of strategy is that the parental generation tends to avoid those unkempt looking businesses – knowing well that the deep 'totally comfy' armchairs will prevent a halfway dignified attempt at standing up for people over 40. Sadly, even if you still feel young, your spine, back and knees aren't 20 any more. You don't have to rest like an OAP yet, but a little snooze…sorry, espresso break is always welcome. And if a shiny chrome nail in the wall is the only furnishing in the much too small changing room, then you would probably rather not try anything on at all – and just leave the shop.

If you consider how little it would take to design shops for all generations, the current situation in many businesses is hardly understandable. Any experienced shop fitter knows that these days, the quality of any shopping experience for the active older generation is essentially a question of well-being. This means firmer cushions, higher seating, clothes hooks and space for all the bags, to name a few basics that can be implemented without too much inconvenience.

Comfort is the common element between the generations – no one is going to avoid a shop just because it's designed to be comfortable. This could be more the case if the 'comfort' exudes the charm of an operating theatre – but then this would require fresh design ideas. A 'senior citizen shopping center' would be broke as soon as it opened because after all no one actually wants to be old but everyone does expect that consideration still be given to the mental state of those advancing in years.

I see much bigger potential for shopping centers that offer their customers the possibility of a 'get together' and through this becoming a social meeting point. This is not something that is only appreciated by senior citizens but also, for example, by young families or mothers with small children. All these people would appreciate sufficiently wide aisles and an intelligently presented product range.

Additional services such as shopping delivery could support the idea of comfort in the short-term even though the current 'generation plus' isn't necessarily used to this type of service. Particularly when the growing internet retail is currently earning well with the convenience of shopping from home and the immediate delivery. In this case, stationary retail can only compete by offering a joyful and inspiringly pleasant shopping experience. It is also worth bearing in mind the aspect that people test and compare products with all senses and then leave with their purchases immediately – or get them delivered just in time.

The changes in a product range for the active older generations could also become interesting in the future. Many from these generations have already lived through their active and very mobile stages in life and look forward to being provided with the appropriate products in the future. Supportive functional clothing, breathable and perhaps odour-neutralising garments could become fast sellers – and not just in beige and olive. The baby-boomer brands could again be held in high esteem due to simple nostalgia. This could also include technical products that are not primarily functionality based – and quite often even overwhelm the younger generation – but that are based on usability and clearly structured functions.

In generation researcher Ernst Pöppel's eyes, it is now up to industry again. 'Already 30% of companies are asking themselves whether the "generation plus" could be a new market for them' comments the professor. Through his cooperation with the Far East, with Honda for example, he knows that the Japanese are thinking considerably further and are developing somewhat more user-friendly cars – and bearing the older generation in mind. Right now it is extremely short-sighted not to appreciate the older generations as consumers. In the medium-term it could prove to be fatal: it is estimated that every third German will be over 50 years old in the year 2050, according to the German Federal Statistical Office.

AT A GLANCE

SHOPPINGCENTER GERMANY

MAIN-TAUNUS-ZENTRUM SULZBACH

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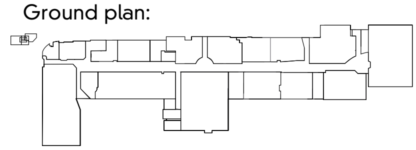
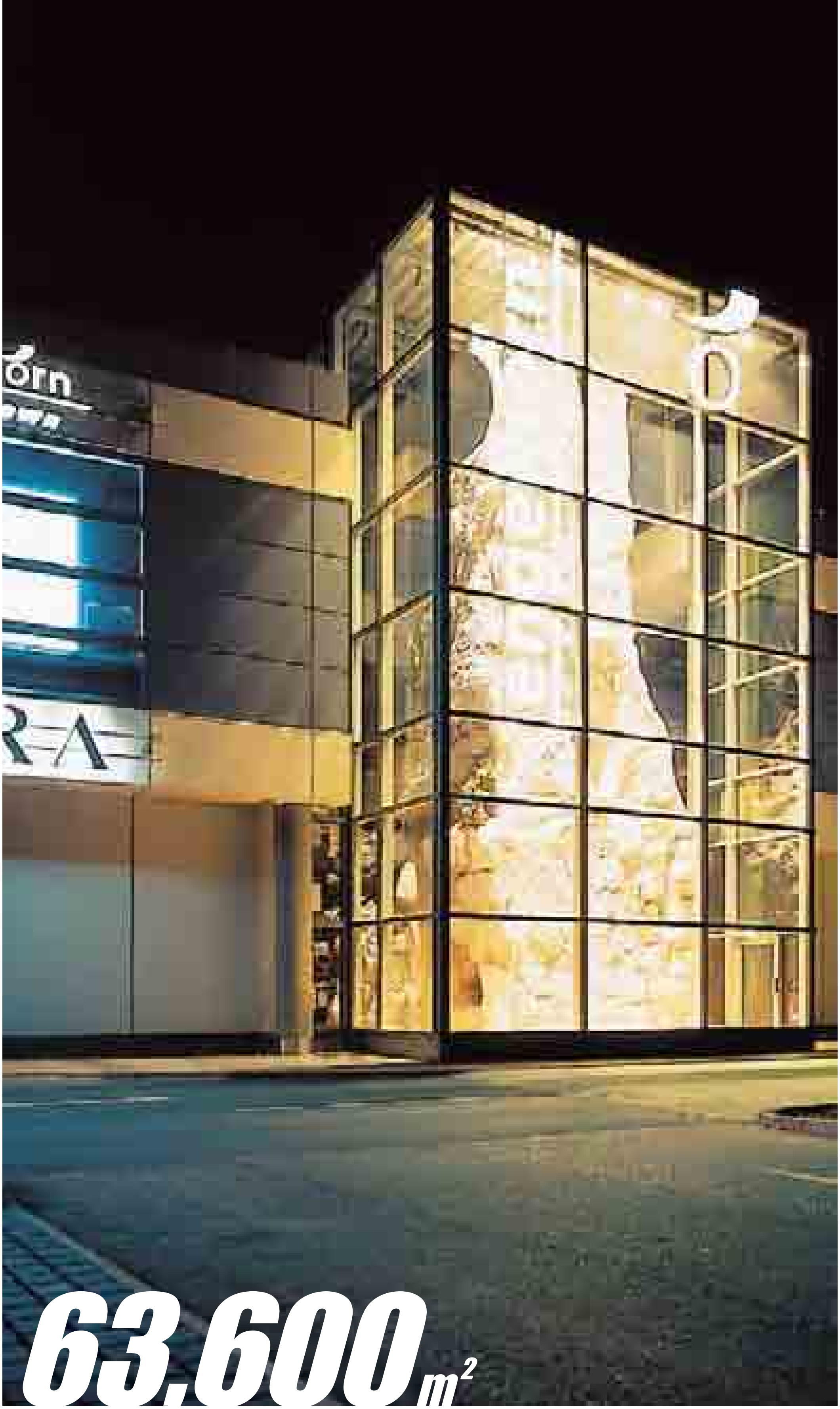
Investments: 43.1%
Purchased by DES: September 2000
Leasable space: around 103,400 m²
of which retail space: around 79,000 m²
No. of shops: around 100
Occupancy rate: 100 %
Catchment area: around 2.2 m. inhabitants
Parking: around 4,000
Grand Opening: 1964,
Renovation/modernisation:
2001, 2003–2004
Anchor tenant: Breuninger,
Galeria Kaufhof, Karstadt, Media Markt
FERI-Rating: A (very good)
Web: www.main-taunus-zentrum.de

Ground plan:

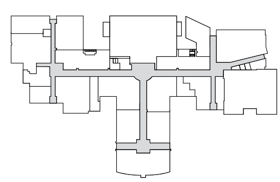


RHEIN-NECKAR-ZENTRUM VIERNHEIM



Investment: 99.9%
Purchased by DES: September 2000
Leasable space: around 63,600 m²
of which retail space: around 60,000 m²
No. of shops: around 100
Occupancy rate: 100%
Catchment area: around 1.4 m. inhabitants
Parking: around 3,800
Grand opening: 1972
Renovation/modernisation: 2000–2002
Anchor tenant: Engelhorn Active Town, Karstadt, Peek & Cloppenburg
FERI-Rating: A (very good)
Web: www.rhein-neckar-zentrum-viernheiml.de

Ground plan:

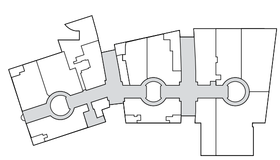


ALTMARKT-GALERIE DRESDEN

©www.google.com

Investment: 50.0%
Purchased by DES: September 2000
Leasable space: around 44,500 m²
of which retail space: space 26,000 m²
No. of Shops: around 100
Occupancy rate: 99%
Catchment area: around 1.0 m. inhabitants
Parking: around 500
Grand opening: 2002
Anchor tenant: Saturn, SinnLeffers, Zara
Web: www.altmarkt-galerie.de

Ground plan:



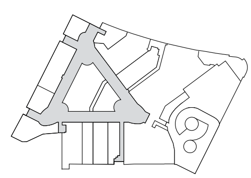
PHOENIX-CENTER HAMBURG

39,200 m²

©www.google.com

Investment: 50.0%
Purchased by DES: August 2003
Leasable space: around 39,200 m²
of which retail space: around 26,500 m²
No. of shops: around 110
Occupancy rate: 97%
Catchment area: around 0.6 m. inhabitants
Parking: around 1,600
Grand opening: 2004
Anchor tenant: C&A, Media Markt, New Yorker, SinnLeffers
FERI-rating: A (very good)
Web: www.phoenix-center-harburg.de

Ground plan:

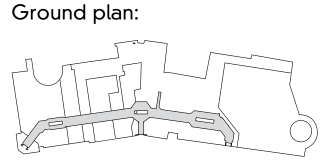


ALLEE-CENTER HAMM


©www.google.com

Investment: 87.7%
Purchased by DES: April 2002
Leasable space: around 35,100 m²
of which retail space: around 21,000 m²
No. of shops: around 85
Occupancy rate: 100 %
Catchment area: around 1.0 m. inhabitants
Parking: around 1,300
Grand opening: 1992
Renovation/modernisation: 2002–2003
Anchor tenant: H&M,
Peek & Cloppenburg, Saturn, Real
FERI-rating: A (very good)
Web: www.allee-center-hamm.de

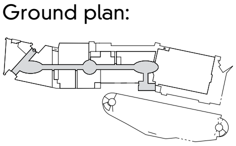
Ground plan:



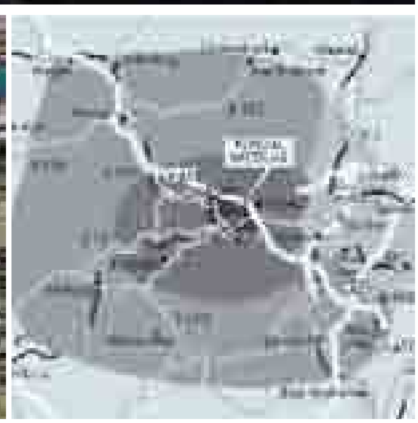
34,300 m²

FORUM WETZLAR

Ground plan:



Investment: 65.0%
Purchased by DES: October 2003
Leasable space: around 34,300 m²
of which retail space: around 23,500 m²
No. of shops: around 110
Occupancy rate: 100%
Catchment area: around 0.5 m. inhabitants
Parking: around 1,700
Grand opening: 2005
Anchor tenant: Kaufland,
Media Markt, Thalia
FERI-Rating: A (sehr gut)
Web: www.forum-wetzlar.de

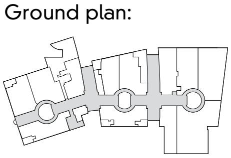


©www.google.com

30,600 m^2

RATHAUS-CENTER DESSAU

Ground plan:

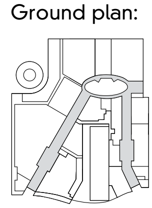


Investment: 94.9%
Purchased by DES: November 2005
Leasable space: around 30,600 m^2
of which retail space: around 20,000 m^2
(without Karstadt)
No. of shops: around 80
Occupancy rate: 98%
Catchment area: around 0.5 m. inhabitants
Parking: around 850
Grand opening: 1995
Anchor tenant: H&M, Peek & Cloppenburg
FERI-rating: B+(well above average)
Web: www.rathaus-center-dessau.de

CITY-GALERIE WOLFSBURG

Investment: 89.0%
Purchased by DES: September 2000
Leasable space: around 30,000 m²
of which retail space: around 20,000 m²
No. of shops: around 90
Occupancy rate: 100%
Catchment area: around 0.3 m. inhabitants
Parking: around 800
Grand opening: 2001
Anchor tenant: Extra, Saturn, Sport-Scheck
Web: www.city-galerie-wolfsburg.de

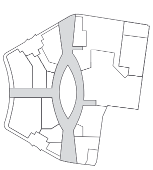
Ground plan:



29,500 m²

CITY-POINT KASSEL

Ground plan:



Investment: 40.0%
Purchased by DES: September 2000
Leasable space: around 29,500 m²
of which retail space: around 20,000 m²
No. of shops: around 60
Occupancy rate: 100%
Catchment area: around 0.8 m. inhabitants
Parking: around 220
Grand opening: 2002
Anchor tenant: Hertie, Hugendubel, Saturn
FERI-rating: A (very good)
Web: www.city-point-kassel.de

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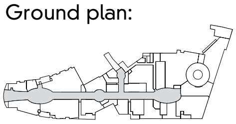
28,700 m^2

CITY-ARKADEN WUPPERTAL

Ground plan:



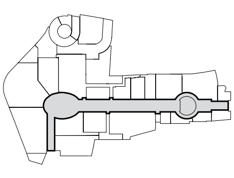
Investment: 72.0%
Purchased by DES: September 2000
Leasable space: around 28,700 m^2
of which retail space: around 20,000 m^2
No. of shops: around 85
Occupancy rate: 100%
Catchment area: around 0.7 m. inhabitants
Parking: around 650
Grand opening: 2001, renovation 2004
Anchor tenant: Akzenta, MediMax, Zara
FERI-rating: A (very good)
Web: www.city-arkaden-wupptertal.de

©www.google.com

25,000 m^2

STADT - GALERIE HAMELN

Ground plan:

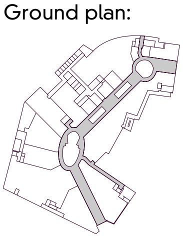


Investment: 94.9%
Purchased by DES: November 2005
Leasable space: around 25,000 m^2
of which retail space: around 19,000 m^2
No. of shops: around 100
Occupancy rate: 100 %
Catchment area: around 0.4 m. inhabitants
Parking: around 500
Grand opening: March 2008
Anchor tenant: Müller Drogerie,
New Yorker, Real
FERI-Rating: to be performed
for the first time in 2008
Web: www.stadt-galerie-hameln.de

27,200 m²

STADTGALERIE PASSAU

Ground plan:



Investment: 75.0%
Purchased by DES: December 2006
Leasable space: around 27,200 m²
of which retail space: around 21,000 m²
No. of shops: around rd, 90
Occupancy rate: 85%
Catchment area: around 0.4 m. inhabitants
Parking: around 500
Grand opening: Autumn 2008
FERI-rating: to be performed
for the first time in 2009
Web: www.stadtgalerie-passau.de

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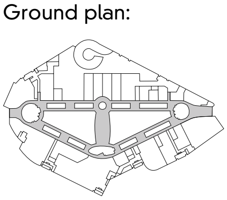
AT A GLANCE

SHOPPINGCENTER **ABROAD**

47,600 m^2

GALERIA BALTYCKA GDANSK, POLAND

Ground plan:

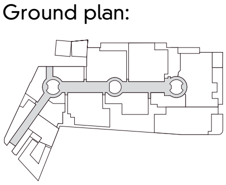


Investment: 74.0%
Purchased by DES: August 2006
Leasable space: around rd, 47,600 m^2
of which retail space: around 47,200 m^2
No. of shops: around 200
Occupancy rate: 100%
Catchment area: around 1.1 m. inhabitants
Parking: around 900
Grand opening: Autumn 2007
Anchor tenant: Saturn,
Peek & Cloppenburg, Zara
FERI-rating: to be performed
for the first time in 2008
Web: www.galeriabaltycka.pl

©www.google.com

CITY ARKADEN KLAGENFURT, AUSTRIA

Ground plan:



Investment: 50.0%
Purchased by DES: August 2004
Leasable space: around 36,700 m^2
of which retail space: around 27,000 m^2
No. of shops: around 120
Occupancy rate: 100%
Catchment area: around 0.4 m. inhabitants
Parking: around 880
Grand opening: 2006
Anchor tenant: C&A,
Peek & Cloppenburg, Saturn
FERI-rating: A (very good)
Web: www.city-arkaden.at

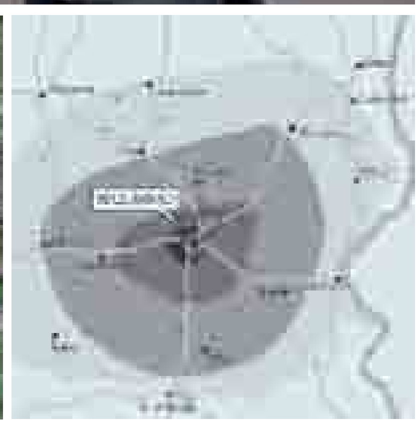
©www.google.com

35,200 m²

ÁRKÁD PÉCS, HUNGARY

Ground plan:

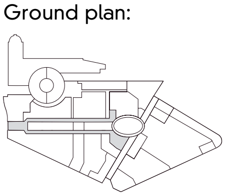
Investment: 50.0%
Purchased by DES: Nov. 2002
Leasable space: around 35,200 m²
of which retail space: around 35,000 m²
No. of shops: around 130
Occupancy rate: 100%
Catchment area: around 0.5 m. inhabitants
Parking: around 850
Grand opening: 2004
Anchor tenant: C&A, Interspar, Media Markt
FERI-rating: A (very good)
Web: www.arkadpecs.hu



32,800 m^2

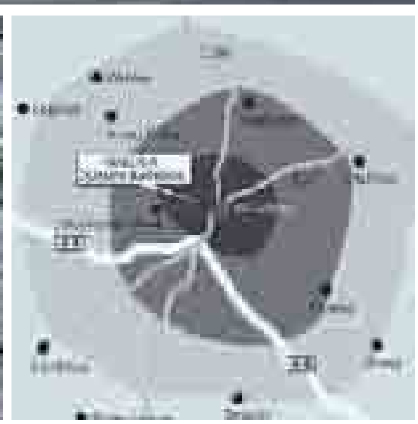
GALERIA DOMINIKANSKA WROCLAW, POLAND

Ground plan:



Investment: 33.3%
Purchased by DES: Dec. 2003
Leasable space: around 32,800 m^2
of which retail space: around 30,500 m^2
No. of shops: around 100
Occupancy rate: 100%
Catchment area: around 1.3 m. inhabitants
Parking: around 900
Grand opening: 2001
Anchor tenant: C&A, Media Markt, van Graaf, Varner, KappAhl
FERI-rating: AA (excellent)
Web: www.galeria-dominikanska.pl

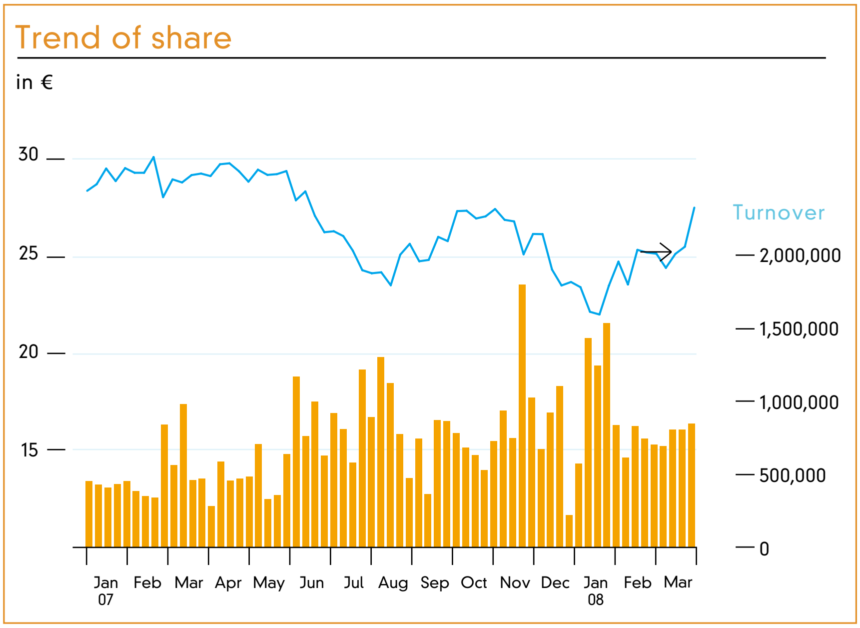
©www.google.com

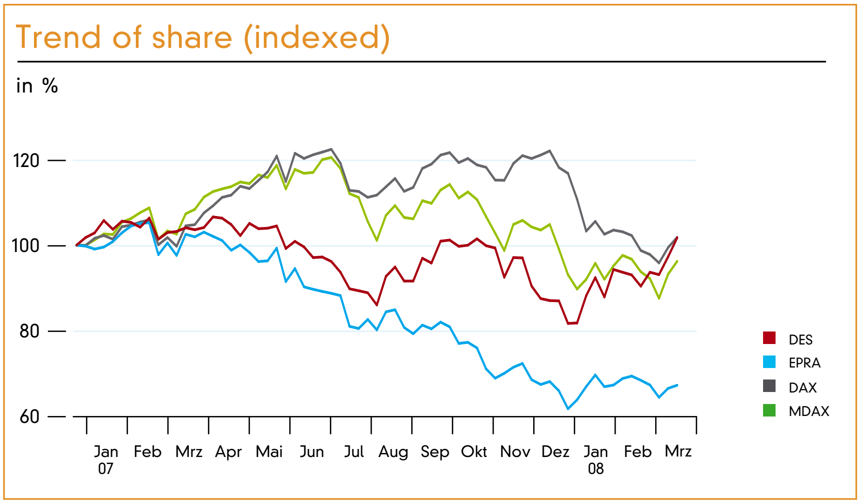


THE SHOPPING

Share price: record high followed by subprime crisis

Our shares began the year at €28.08 and continued the upward trend at the end of 2006. The shares reached their high for the year of €30.09, which was also a new all-time high, on 23 April (Xetra closing prices). In July, our shares were also affected by the sharp price falls on the global stock markets and the price had fallen to €23.22 by 20 August. Despite an excellent recovery phase up until mid-November, Deutsche EuroShop shares could no longer evade the generally poor sentiment for financial and property shares and closed the year at a price of €23.50. The market capitalisation of Deutsche EuroShop thus declined by around €157 million in 2007 from €965 million to €808 million.





CENTER-SHARE

Decline in performance for the first time in five years.

Taking into account the dividend paid of €1.05 per share, the performance of Deutsche EuroShop shares amounted to -13.1% year-on-year. The share price decreased by 16.3%. This was the narrowest of decreases in comparison with other German property management companies – but was nevertheless a fall. Our shares have exceeded the European benchmark, the EPRA index (-34.1%) by a substantial margin and in comparison with European peers , they fell in the upper half of the field. Similarly to other property management companies, we are also competing for investor capital, primarily with open-ended property funds from Germany, which last year achieved an average performance of 5.7% (2006: 4.3%) – partly due to considerable gains on disposal – thus enjoying cash flows of almost €6.7 billion (2006: €-7.4 billion). →

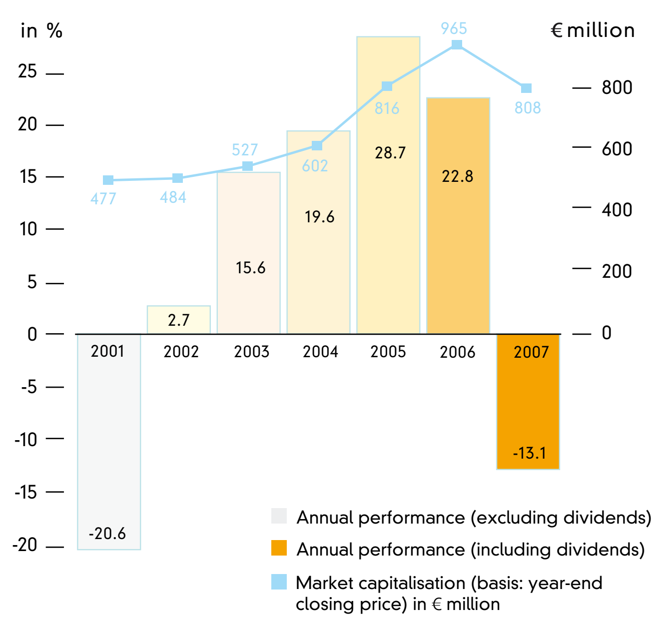
[1] Corio, Eurocommercial Properties, Klepierre, Liberty International and Unibail-Rodamco

INFOBOX

Deutsche EuroShop Shares – Key Figures

WKN / ISIN	748 020 / DE 000 748 020 4
Ticker-Symbol	DEQ
Share capital in €	34,374,998.00
Number of shares (no-par value registered shares)	34,374,998
Indices	MDAX. HDAX. EPRA. GPR 250. MSCI Small Cap. EPIX 30. HASPAX
Official market	Prime Standard Frankfurt Stock Exchange and Xetra
OTC markets	Berlin-Bremen, Dusseldorf, Hamburg, Hannover, Munich and Stuttgart

Share performance and market capitalisation since the IPO



Would you like further informations?

Then visit our website or call us:

Patrick Kiss
and Nicolas Lissner

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Fax: +49 (0)40 - 41 35 79 29
E-Mail: ir@deutsche-euroshop.com
Internet: www.deutsche-euroshop.com/ir

Annual General Meeting grants approval

The Annual General meeting was held on 21 June 2007 in Hamburg. The shareholders present at Hotel Atlantic Kempinski, numbering approximately 450, represented 46.4% of the capital and approved all items on the agenda.

Two-for-one share spilt

On 6 August 2007, we implemented the two-for-one share split adopted at the General Meeting, together with the capital increase from own funds (an increase of €12,374,999.28 to €34,374,998 without issuing new shares). This means that the notional interest in the company represented by each share has been reduced from €1.28 of the share capital to €1.00 and the number of issued shares doubled to 34,374,998 units.

Variety of opinions from analysts

Our share is now regularly followed by 20 analysts (as at 31 March 2008, compared with 19 a year earlier) from well-known German and international financial institutions and their recommendations introduce us to new groups of investors. Additional banks have indicated that they will begin coverage of Deutsche EuroShop shares in 2008. Information on the recommendations is available at: www.deutsche-euroshop.com/research

Investor relations work is "excellent"

In July, Deutsche EuroShop again received first place in the Capital Investor Relations Prize 2007 in the MDAX category for its investor relations activities, thus repeating last year's success. Each year, the financial magazine Capital awards this well-known prize for the best communication with the financial markets, judging companies on their target group focus, transparency, track record and extra financial reporting.

Deutsche EuroShop also won at BIRD 2007 (Beste Investor Relations Deutschlands – Germany's Best Investor Relations). The investor magazine Börse online awarded for the fifth time those companies whose capital market information of private investors is regarded as particularly open, honest and fair. We thus succeeded in 2007 not only in defending our top position in the MDAX, but also in remaining ahead in the overall evaluation of 160 companies from the DAX, the MDAX, the SDAX and the TecDAX.

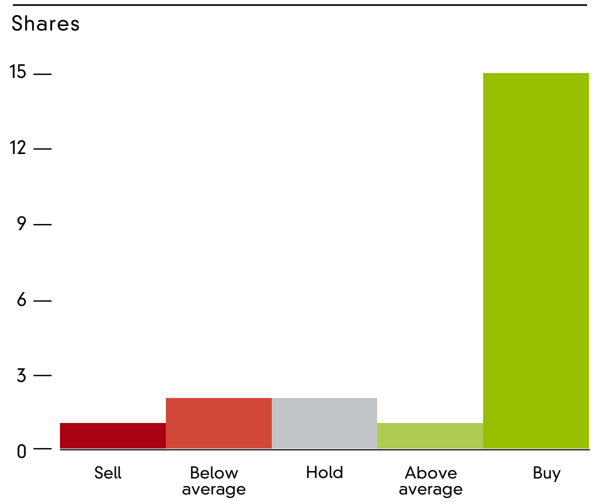
Deutsche EuroShop's 2006 Annual Report has been awarded the red dot design award. This is an internationally renowned seal of quality for good design, and is a highly valued award in the sector. With over 7,000 entries from a total of 34 countries, the red dot design award is one of the leading and largest design competitions in the world.

Further awards for our capital market communication can be found on our website at: http://www.deutsche-euroshop.com/ircommunication

Higher proportion of institutional and international shareholders

The number of shareholders rose in 2007 by over 10% from around 6,800 to over 7,700 (as at 31 March 2008). The structural distribution remained almost unchanged; institutional investors hold almost 55% of shares as was the case last year, and private investors hold approximately 26%. The Otto family slightly increased its share via purchase from 19.31% to a current 19.47%. At the end of November, Attfund Ltd of South Africa notified us that its voting rights share had exceeded the threshold of 5% and amounts to 5.29%. These shares are allocatable to the share of institutional investors. Foreign investors' share remains at 30%. There were only slight changes to the country distribution.

Diversity of analyst's opinion

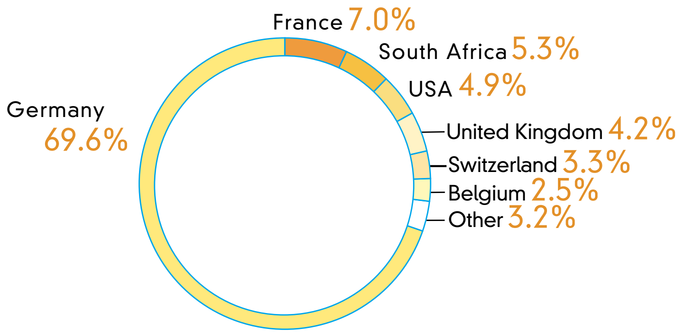


The majority of analysts give positive recommendations with regard to DES. (As of 31.03.07)

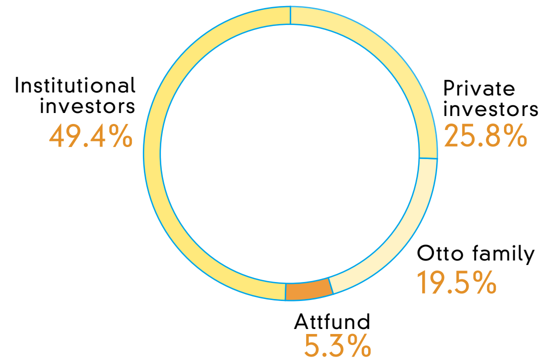
[2] Aurel Leven, Bankhaus Lampe, Berenberg Bank, Commerzbank, Deutsche Bank, DZ Bank, equinet, Hamburger Sparkasse, HSH Nordbank, Kempen & Co., Lehman Brothers, MainFirst Bank, Merrill Lynch, Metzler, M.M. Warburg & Co, Petercam Bank, Sal. Oppenheim, Sylvia Quandt Bank, Unicredit, WestLB

Shareholder's structure

regional



Sherholder's structure



(As of 31 March 2008)

Dividends stable

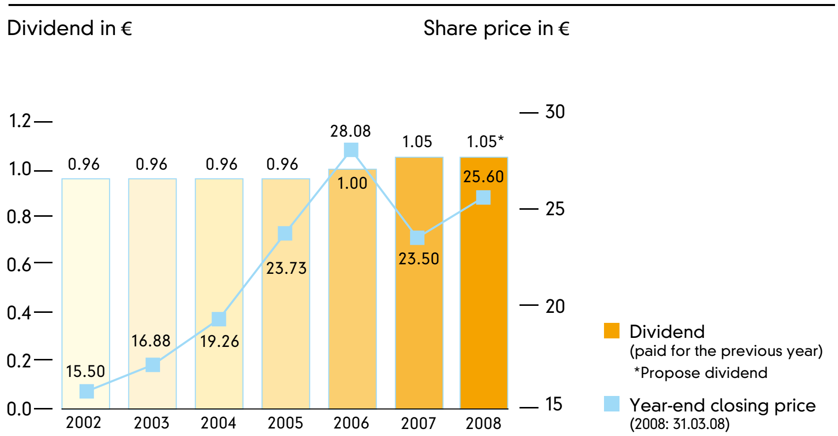
The Executive and Supervisory Boards will propose payment of a dividend of €1.05 again per share for the 2007 financial year to the Annual General Meeting of 19 June 2008 in Hamburg. With our long-term strategy of a dividend policy based on continuity, and a comparatively high yield of 4.5% (based on the 2007 year-end closing price of €23.50), we hope to further cement the confidence of our existing shareholders and attract new investors. In future, we also intend to distribute a dividend of at least €1.05 per share. ▪

INFOBOX

Dividend remains tax-free

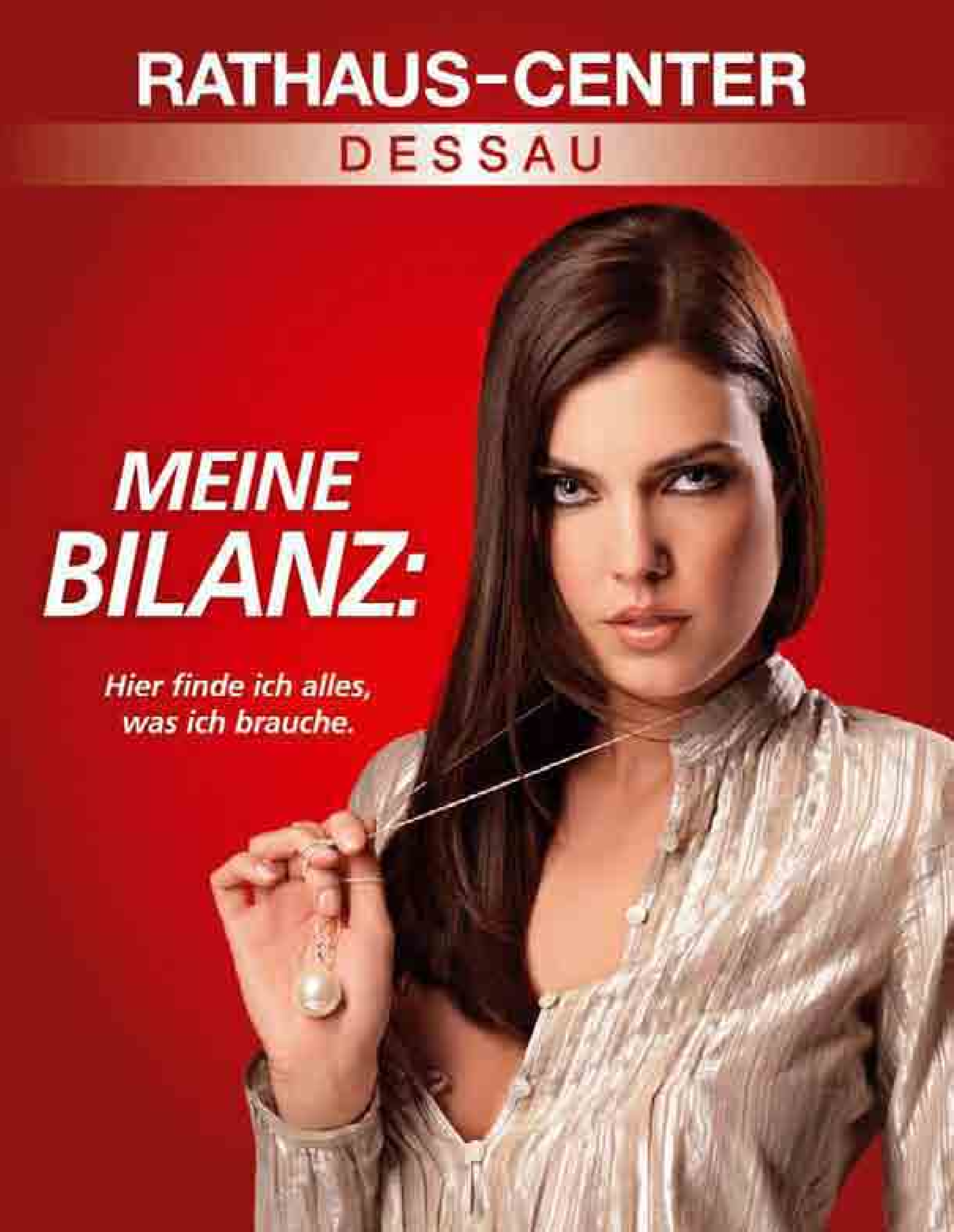
What is special about the Deutsche EuroShop dividend is its tax-free status for investors in Germany. Dividends paid to shareholders domiciled in Germany are generally subject to income or corporation tax. Exceptions may be made under certain circumstances for dividend payments that are regarded as equity repayments for tax purposes (distributions from EK04 – equity class 04 – or, since 2001, from the tax-recognised contribution account). Deutsche EuroShop's dividend fulfils this requirement. For shareholders, the dividend payment constitutesuntaxable (i.e. tax-free) income in accordance with section 20 (1) number 1 sentence 3 of the Einkommensteuergesetz (German Income Tax Act).

Dividend and performance



	2007	2006	2005	2004	2003	2002	2001
Market capitalisation, (basis: year-end closing price) (€m)	808	965	816	602	527	484	477
High (€)	30.09 (23.04.07)	29.12 (31.03.06)	25.25 (27.07.05)	19.44 (29.12.04)	17.35 (18.11.03)	18.58 (28.05.02)	19.75 (12.03.01)
Low (€)	23.22 (20.08.07)	23.89 (02.01.06)	19.12 (05.01.05)	16.45 (12.08.04)	14.85 (03.03.03)	13.90 (31.10.02)	15.00 (21.09.01)
Year-end closing price (31 Dec) (€)	23.50	28.08	23.73	19.26	16.88	15.50	15.25
Dividend per share (€)	1.05[1]	1.05	1.00	0.96	0.96	0.96	0.96
Dividend yield (31 Dec) (%)	4.5	3.7	4.2	5.0	5.7	6.2	6.3
Annual performance excl./incl. dividend	-16.3%/-13.1%	18.4%/22.8%	23.2%/28.7%	14.1 %/19.6 %	8.9 %/15.6 %	1.6%/2.7%	-20.6%/ -
Average daily trading volume (shares)	143,000	93,744	76,786	36,698	12,438	3,558	5,512
EPS (€) (undiluted)	2.74	2.92	1.55	0.89	0.61	-0.09[2]	-0.48[2]
CFPS (€)	1.18	1.08	0.96	0.70	0.67	-	-

All share price information up to 2002 relates to the Frankfurt Stock Exchange; all information from 2003 onwards relates to Xetra
[1]proposal [2]HGB accounting



RATHAUS-CENTER
DESSAU
MEINE
BILANZ:
Hier finde ich alles,
was ich brauche.

Dry bread makes for rosy cheeks

Nervousness crawled onto the trading f oor in the course of the 2007 stock-market year and increasingly spread dank restlessness as well as hot f ashes. The much-touted subprime crisis in the USA was the decisive cause of all this: the loan market for borrowers with a low credit rating collapsed virtually over night. Subsequently, volatility on the stock markets increased by up to 50%, to levels which had last been posted in 2003. Nevertheless, the world's major leading indexes are defying the ups and downs of the stock exchanges with an orderly measure of stamina. Various all-time highs even led intermittently to the fifth bull-market year in a row. Sentiment and prices somehow did not want to dovetail: the markets went crazy.

Haunting questions ruin sentiment

Fears were rampant following several years of bubbly enthusiasm: how many write-offs and allowances for doubtful accounts will still follow in the banks' balance sheets? Can the USA avoid a real recession? How high can the price of oil climb after reaching a record level of almost 100 dollars a barrel in 2007? Will the euro climb still further and thus burden Europe's export-dependent economy? Questions upon questions which still cheerfully haunt the trading f oor in 2008.

DAX moves ahead of the world's stock markets

It is a fact: technology and blue chips boomed once again in the past year, at least in Germany. Solar-energy stocks and the semiconductor manufacturer Aixtron, for example, led the TecDAX (+30.2%) with a three-digit price increase. The beneficiaries of global investments, such as Volkswagen (+88.7%) and MAN (+61.6%), were the top performers among DAX stocks (+22%). In comparison, the EURO STOXX 50 (+7%) and the Dow Jones (+4%) looked somewhat less impressive, due in part to the buffeted financials. Germany's MDAX (+4.9%) held up well in view of the sweeping exodus of mostly institutional investors who were aff icted with potential liquidity concerns. For the same reason, the SDAX (+6.8%) was hit hard. Circumstances were even worse with regard to the European real estate index EPRA (-34.1%), which suffered above all from the slide in equity prices among Spanish, Italian and British real estate stocks.

STOCKMARKET 2007

A contribution from Cora Gutiérrez – Nebenwerte-Journal

Stock market development 2007

DAX	+22.3%
MDAX	+4.9%
TecDAX	+30.2%
EURO STOXX 50 (Europe)	+6.6%
Dow Jones (USA)	+7.3%
Nikkei (Japan)	-11.1%

CHART ANALYSIS

Bodo Hoffmann, former assistant to the renowned "chart doctor", Dr. Hans-Dieter Schulz, and current chief executive of IT Future AG, analyses Deutsche EuroShop's share price chart.

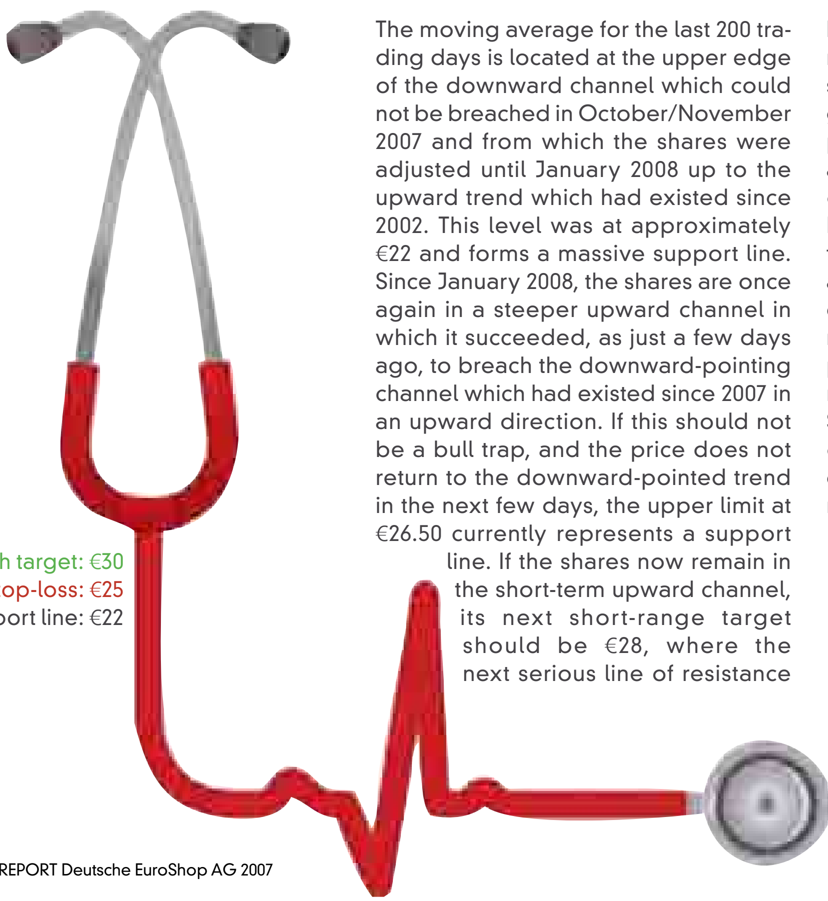
Deutsche EuroShop's shares have displayed an extended upward movement since October 2002, which was last tested by the year's low in January 2008. Since 2004, a somewhat steeper upward trend had formed within this extended movement, in which the shares rose at the start of 2007 to what at the time had been a record high of €60. In 2007, the shares tested the €60 level several times but were unable to breach it. Following the share split, this mark now poses a line of resistance at €30 due to the "magic of round numbers" and represents a considerable upward hurdle.

The upward trend which existed since 2004 was breached downwards in mid-2007, and the shares subsequently breached the zone between €28 and €26 fairly quickly, driven by the negative overall market. It prompted a downward movement within a trend channel which existed since May 2007 and was confirmed and defined by various brief upward and downward movements.

The moving average for the last 200 trading days is located at the upper edge of the downward channel which could not be breached in October/November 2007 and from which the shares were adjusted until January 2008 up to the upward trend which had existed since 2002. This level was at approximately €22 and forms a massive support line. Since January 2008, the shares are once again in a steeper upward channel in which it succeeded, as just a few days ago, to breach the downward-pointing channel which had existed since 2007 in an upward direction. If this should not be a bull trap, and the price does not return to the downward-pointed trend in the next few days, the upper limit at €26.50 currently represents a support line. If the shares now remain in the short-term upward channel, its next short-range target should be €28, where the next serious line of resistance stands. A breach of €28 opens the path to €30, whereby the line of resistance at around €29 plays a weaker role. Upon a climb to €30, these represent a massive line of resistance, owing to the multiple tests of 2007 and the fact that this level has never been breached successfully. Only when the shares reach about €31 can we assume a breach of the line of resistance and its reversal into a support line as well as aim for levels around €33.

If the shares should choose not to overcome the downward trend and depart downward from the short-term upward-pointed trend channel, the averages of the last 200 and 100 trading days at around €25.50 serve as a support. If this region as well should be breached downwards, a retreat beyond €24 to approximately €22 is possible. However, since the upward trend, which has existed since 2002, is also situated at this point, this mark represents a massive support line from today's point of view and should not be breached easily.

In light of the shares' positive development in the overall market, a level of €30 should certainly be considered as its target price. Even if, from today's vantage point, the risk downwards to a zone around €25 is limited, €22 could turn up once again, posing the trend of 2002. However, as soon as the market is able to calm itself, the shares should head for an all-time high and the €30 level. However, this necessitates that the overall market does not come under further pressure and that the positive figures recently announced by Deutsche EuroShop are recognised by shareholders once again. Namely, despite technical chart analysis, stock market prices only rise if demand exceeds the supply.



6-month target: €30
Short-term stop-loss: €25
Massive support line: €22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ROADSHOWS AND CONFERENCES 2007

The Executive Board and Investor Relations team of Deutsche EuroShop went on numerous roadshows and attended capital market conferences again in 2007. The aim was to develop new investor groups and maintain contact with existing investors.

As in previous years, the trips in 2007 focused on global financial centres such as London, Paris and Frankfurt where many of Deutsche EuroShop's investors are traditionally based. However, new financial centres were also on the agenda: we visited investors in Madrid, Lisbon and Oslo for the first time, for example. One roadshow took us to the USA and as far as Canada. A visit to South Africa also included various presentations in Johannesburg and Cape Town to South African investors (see the "South of the Equator" report on page XX) alongside meetings with our investor Attfund, which has held over 5% of our shares since the end of 2007.

In 2007, we attended the capital market conferences of various renowned investment companies in Frankfurt, Munich, New York, London, Milan, Amsterdam and Stockholm as well as the annual conference of the EPRA (European Public Real Estate Association) in Athens. We also presented Deutsche EuroShop at a conference in Tokyo for the first time.

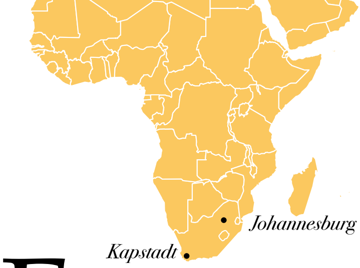
We will also hold various roadshows and attend capital market conferences in 2008. A constantly updated agenda of investor relations activities can be found online at www.deutsche-euroshop.com/ir.

Altogether, we held 23 roadshows last year and visited 16 conferences. Once again, we met over 300 investors individually.

INFOBOX

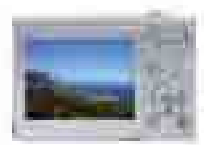
Capital market conferences give institutional investors the opportunity to meet as many companies as possible on the same day in one place. Representatives of the companies give presentations to participants, while group and one-on-one discussions create the opportunity to go into particular questions in detail.

A roadshow involves a team consisting of a member of the Executive Board and a member of the Deutsche EuroShop Investor Relations department, together with representatives of the organising bank (such as, for example, analysts and account executives), travelling to a financial centre to meet existing or interested potential investors and provide them with information on the strategy and current performance of the Company. This gives investors the opportunity to meet a member of the management in person and put any questions to him directly. It is not unusual for up to ten meetings to be held in one city on a single day.



SOUTH OF THE EQUATOR

Work where others spend their holidays: this could spring to mind when thinking of South Africa as a roadshow destination. It can be worthwhile, however, to consider roadshows off the usual trails in Europe and North America.



Every year, millions of tourists visit the country at the southern tip of the African continent. The interests of most attendees focused on the beautiful sections of the coast, the wine-growing districts and of course the fascinating wildlife parks. The country is preparing for the 2010 FIFA World Cup. Investments in transport and infrastructure can be seen everywhere. The economic upturn of the past three years have been the strongest that South Africa has enjoyed in last 25 years and at the same time the longest since World War II. In 2006, the resource-rich country saw GNP of +5%, inf ation of 5% and unemployment of over 20%.

Johannesburg and Cape Town – the New York and Boston of South Africa

South Africa has three financial centres: Johannesburg, Cape Town and Durban. The top ten investment companies manage around r150 billion combined. The Johannesburg Stock Exchange (the FTSE/JSE All Share Index climbed 16% in 2007) is Africa's largest stock exchange and one of the most important in the world. It is in the Sandton district where most of the country's banks and financial service providers are headquartered. As with roadshows in New York or Paris, companies here can meet investors in their offices or at the conference rooms in hotels and banks. Cape Town, where the large investment companies are located a maximum of 15 minutes from the town centre, is a central place for meetings, making it convenient for all involved. The best months for trips to South Africa are October/November and February/March. December, January and April do not come into consideration because of the holiday season.

There are f ights departing from Germany in the evening and arrive in Johannesburg or Cape Town after a 10 to 12-hour f ight. There is no annoying jetlag because South Africa is in the same time zone as Germany. A return f ight can also be taken in the evening so that you have the whole of the next day available when your f ight arrives early in the morning.

Local partners help with organisation

Deutsche EuroShop's roadshow in February 2007 was organised by Nedbank, one of the country's largest banks. We presented our company to over 50 investors at two group presentations in Johannesburg and Cape Town. We expanded our presentations to include general data on the property market and retail in Germany to provide investors with an introduction to the topic. It helped that a company in our peer group has a second listing in Johannesburg after London and that South African investors hold 45% of the shares.

It is mostly multinationals with business connections to the country that present themselves in South Africa. This is not the case for Deutsche EuroShop, yet the roadshow was still a success: more than 5% of the Deutsche EuroShop shares are now in South African ownership.

HAMBURG EXCHANGE CONVENTION

Since its inception, the Hamburg Exchange Convention has succeeded in establishing itself as northern Germany's largest financial-services expo for private investors. The event opened its doors free of charge to the public already for the 12th time on 10 November 2007. Building on its successful participation in previous years, Deutsche EuroShop joined the line-up of exhibitors for the third consecutive year at the fair which was organised jointly by the University of Hamburg's Hanseatischer Börsenkreis (HBK) investors circle as well as the stock markets of Hamburg and Hanover.

Over 7,000 visitors contributed to a record turnout in the trading rooms of the Hamburg Exchange, and the 100 exhibiting companies set a record regarding participants as well.

At the Deutsche EuroShop exhibit, a multitude of shareholders and interested individuals took advantage of the opportunity to meet personally with staff as well as the company's Executive Board members who attended at the event.

Once again, the Hamburg Exchange Convention will take place on 6 September 2008 along with Deutsche EuroShop's participation.

www.boersentag.de

REAL ESTATE SHARE INITIATIVE

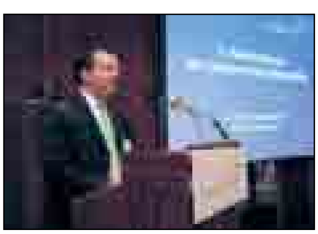
The Real Estate Share Initiative was founded in 2001 by Deutsche EuroShop together with three other leading real estate companies with the goal of acquainting a broader public with German property company shares. Meanwhile, the initiative has developed into a network of 24 real estate companies from various segments of the field which present themselves each year at a trade and capital-market conference.

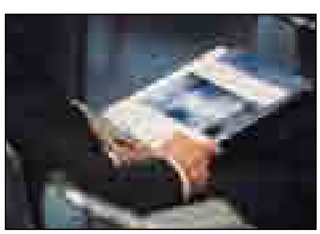
For this purpose, over 250 investors, financial analysts, journalists and experts in the field from both Germany and abroad convened at Frankfurt's Westin Grand Hotel on 25 and 26 October 2007 to gain insight on the newest developments in their profession from numerous lectures, podium discussions and corporate presentations.

Claus-Matthias Böge, Speaker of the Executive Board, presented Deutsche EuroShop to a large audience. Both the Executive Board and the Investor Relations team conducted a large number one-to-one discussions with investors and analysts and also were available for interviews with the numerous media partners from the Real Estate Share Initiative.

The Real Estate Share Initiative's next specialist conference will take place in Frankfurt again on 20 and 21 October.

www.initiative-immobilien-aktie.de





ANNUAL GENERAL MEETING

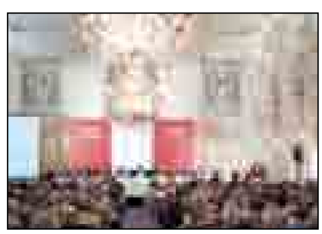
Deutsche EuroShop's Annual General Meeting took place on 21 June 2007 in Hamburg's venerable Hotel Atlantic, and the 450 shareholders who were there chalked up a new record in attendance. The Executive Board and Supervisory Board presented detailed accounts on the 2006 fiscal year and reported on new portfolio developments as well as the current situation on the real estate market.

With just over 46% in attendance at the time of voting, the shareholders approved all points on the agenda, including the reapportionment of share capital ("share split") as well as the creation of new authorised capital.

As already in the previous year, the shareholders in attendance had an opportunity to meet personally with Deutsche EuroShop staff at an information stand.

For its 2008 Annual General Meeting, Deutsche EuroShop once again has chosen an attractive venue: On 19 June 2008, shareholders will meet in the "Alte Dressurhalle" former dressage arena of Hamburg's Tierpark Hagenbeck zoological garden.

www.deutsche-euroshop.com/ir



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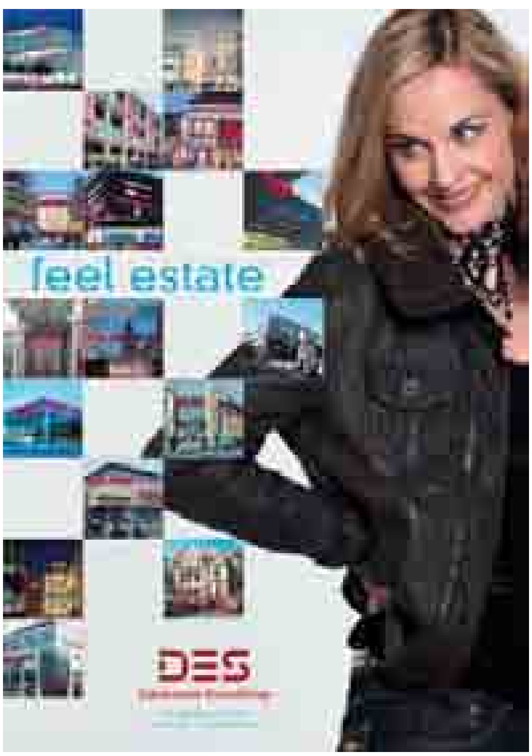
MARKETING

INFOBOX

In addition to share marketing, we concentrate on developing and maintaining the Deutsche EuroShop brand. Our goal is to further increase the awareness and recognition value of the brand. The intention of Deutsche EuroShop is to establish itself as an investment brand in shopping centers.



Advertising promotes awareness and image

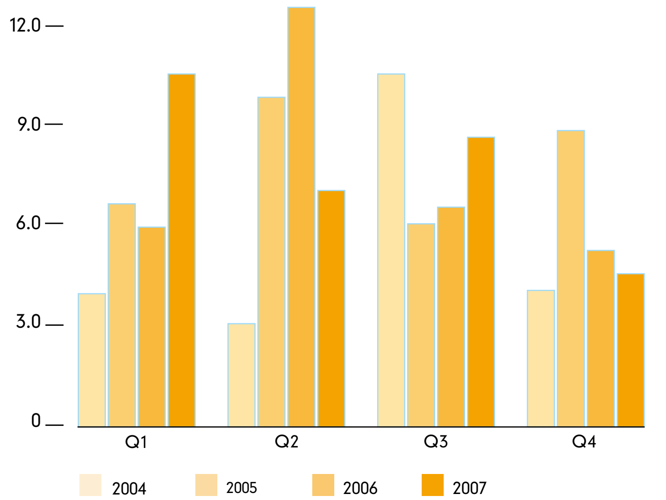
In 2007, Deutsche EuroShop had a ‘face’ – the face of Nicolette Maurer who also adorned the front page of the previous year’s annual report. This allowed us to emphasise our successful business performance in specialist publications. It also enabled us to proceed with our strategy of producing target-group orientated image and financial advertising alongside the publication of the current financial figures. We can conclude from the positive feedback we have received that we have achieved our goals of increasing support and confidence in our Company and of simultaneously raising the recognition value.

The website as the initial contact point

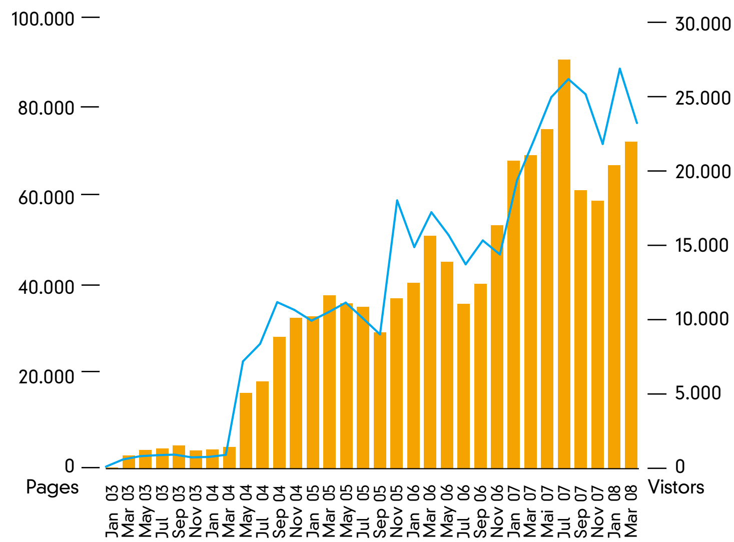
The trend towards higher visitor figures on our accessible website continued throughout 2007. Over 200 clearly laid out pages with information about the Company in German and English are available to our online visitors. Our Internet presence can be found at www.deutsche-euroshop.com

Trend in media presence

Circulation of reporting newspapers and magazines in millions



Page requests and hits per month



Patrick Kiss being interviewed by Deutsches Anleger Fernsehen.

Present in the media

Deutsch Euroshop is still enjoying a large media presence. It is primarily economics and financial journalists that regularly write about our Company. In addition, diverse television and radio channels as well as online publications all concentrated on Deutsche EuroShop with reports and interviews. Whilst the advertising value equivalent of reporting in newspapers and magazines decreased from almost €4.0 million to approximately €3.3 million, the circulation of these types of media increased slightly from 30.4 million in the previous year to 31 million in 2007.,

CORPORATE GOVERNANCE

Deutsche EuroShop is a transparent enterprise whose actions are aimed at achieving long-term success. This focus on continuity is an essential part of our corporate culture. Our aim is to promote the confidence of investors, lenders, employees, business partners and the public in the management and control of our Company on the basis of the legal and enterprise-specific framework for the management of listed enterprises. This aim coincides with the objectives of high-quality corporate governance.

The Government Commission on the German Corporate Governance Code published the German Corporate Governance Code on 26 February 2002 and approved amendments and additions to individual recommendations and suggestions most recently on 14 June 2007. Going forward, the Government Commission will continue to monitor the development of corporate governance in legislation and in practice and will adapt the Code as needed.

Deutsche EuroShop welcomes the German Corporate Governance Code presented by the Government Commission. The Code not only creates a transparent legal framework for corporate management and control in Germany; it also documents generally accepted standards for good and responsible corporate leadership.

Management and control structure

The Supervisory Board and the Executive Board work together closely and on the basis of mutual trust for the benefit of the Company. The Supervisory Board is informed regularly, promptly and comprehensively by the Executive Board about the Company's business development, strategy and planning and the risk situation. Detailed information on the main areas of focus of the Supervisory Board' s activities in financial year 2007 can be found in its report on pages 12 to 15.

In financial year 2007, there were no advisory or other contracts for work or services in existence between members of the Supervisory Board and the Company.

Executive Board

The Executive Board of Deutsche EuroShop manages the Company in accordance with the provisions of German company law and with its rules of procedure. The Executive Board's duties, responsibilities and business procedures are laid down in its rules of procedure and in its schedule of responsibilities. The chief management duties of the Executive Board are the determination of the Group's strategic orientation and management, planning, and the establishment and implementation of risk management. The Executive Board of Deutsche EuroShop currently comprises two members.

Claus-Matthias Böge
Born 13 February 1959
First appointment: 2001
Appointment ends: 2010

Claus-Matthias Böge joined Deutsche EuroShop in 2001, as a member of the

Executive Board. In 2003 he assumed his current position as spokesman for the Executive Board. He is also a Managing Director of Deutsche EuroShop Verwaltungs GmbH and of Deutsche EuroShop Management GmbH.

Olaf G. Borkers
Born on 10 December 1964
First appointment: 2005
Appointment ends: 2011

Olaf G. Borkers joined Deutsche EuroShop in October 2005, as a member of the Executive Board. He is also a Managing Director of Deutsche EuroShop Verwaltungs GmbH and of Deutsche EuroShop Management GmbH.

Supervisory Board

The Supervisory Board supervises and advises the Executive Board in its management activities in accordance with the provisions of German company law and its rules of procedure. It appoints members of the Executive Board, and significant business transacted by the Executive Board is subject to its approval. The Supervisory Board is composed of six members who are elected by the Annual General Meeting.

The Supervisory Board has established the information and reporting duties to be met by the Executive Board and has formed an Executive Committee and an Audit Committee, each comprising three people.

The members of the Supervisory Board are:
Manfred Zaß, Chairman
Dr. Michael Gellen, Deputy Chairman
Thomas Armbrust
Dr. Jörn Kreke
Alexander Otto
Dr. Bernd Thiemann

The members of the Executive Committee are Mr. Zaß, Dr. Gellen and Mr. Armbrust. The Executive Committee is chaired by the Chairman of the Supervisory Board. The Committee discusses and passes relevant resolutions on urgent business matters. Moreover, it is responsible for human resources issues concerning the Executive Board and for reviewing the Company's corporate governance principles.

The members of the Audit Committee are also Mr. Zaß, Dr. Gellen and Mr. Armbrust. The Audit Committee is chaired by Mr. Armbrust. It is responsible for issues relating to accounting, auditing and the preparation of the annual and consolidated financial statements. Former members of the Company's Executive Board and the Chairman of the Supervisory Board generally do not chair the Audit Committee, to avoid conf icts of interest.

Further information on the members of the Supervisory Board can be found in the remuneration report on page 93 and in the notes on page 148.

Remuneration

The detailed disclosures relating to the remuneration, ancillary benefits and pension commitments of the Executive Board and the Supervisory Board can be found in the remuneration report, which is part of the management report, and in the notes.

Shareholdings

Executive Board
As at 31 December 2007, the Executive Board held a total of 18,700 shares, less than 1% of Deutsche EuroShop's share capital.

Supervisory Board
As at 31 December 2007, the Supervisory Board held a total of 4,231,947 shares, more than 1% of Deutsche EuroShop's share capital.

In addition to the general legal provisions requiring public disclosure, the rules of procedure of the Executive Board and of the Supervisory Board govern the reporting duties of Executive Board and Supervisory Board members in the event of dealings involving shares of the Company or related rights of purchase or sale, as well as rights directly dependent on the Company's share price. →

Directors´ dealings

The following securities transactions by members of the Executive Board and of the Supervisory Board or by certain persons related to members of the executive bodies were notified to Deutsche EuroShop during financial year 2007 in accordance with section 15a of the WpHG:

Notifying party	Date of transaction	Type of transaction	Number of shares	Price per share in €
CMB Böge Vermögensverwaltung GmbH	07.02.2007	Sale of shares	500	60.00
Claus-Matthias Böge	26.02.2007	Sale of shares	1,150	60.53
Claus-Matthias Böge	22.03.2007	Sale of shares	7,000	59.23
Claus-Matthias Böge	07.06.2007	Purchase of shares	600	55.10
Olaf G. Borkers	11.07.2007	Purchase of shares	1,000	50.00
Claus-Matthias Böge	19.07.2007	Purchase of shares	1,000	50.90
CMB Böge Vermögensverwaltung GmbH	24.07.2007	Purchase of shares	600	50.00
Claus-Matthias Böge	24.07.2007	Purchase of shares	400	50.25
Manfred Zaß	25.07.2007	Purchase of shares	1,000	49.74
Claus-Matthias Böge	15.08.2007	Purchase of shares	1,000	23.70
AROSA Vermögensverwaltungsges. mbH	20.08.2007	Purchase of shares	2,897	23.00
Manfred Zaß	08.10.2007	Purchase of shares	2,000	26.80
Claus-Matthias Böge	21.11.2007	Purchase of shares	500	24.30
Claus-Matthias Böge	18.12.2007	Purchase of shares	1,000	23.37

Shareholder relations

Shareholders exercise their rights in matters concerning the Company at the Annual General Meeting. The Annual General Meeting elects the members of the Supervisory Board and passes resolutions approving the actions of the Executive and Supervisory Boards. It decides on the appropriation of the unappropriated surplus and also on the compensation of the Supervisory Board, as well as on amendments to the Company's Articles of Association. The Annual General Meeting, at which the Executive and Supervisory Boards give an account of the past financial year, takes place once a year. When resolutions are adopted at the Annual General Meeting, each share grants one vote in line with the principle of "one share – one vote". Every shareholder is entitled to attend the Annual General Meeting and to speak and submit questions about items on the agenda.

Deutsche EuroShop reports to its shareholders and to the public on the Company's business development, financial position and results of operations four times a year in line with a financial calendar. Press releases also inform the public and the media of Company activities. Information that may materially influence the Company's share price is published in the form of ad hoc disclosures in accordance with the legal requirements.

The Executive Board gives regular presentations to analysts and at investor events as part of the Company's investor relations activities. Analyst conferences on the release of the annual and quarterly financial statements are broadcast over the Internet, where they are available to anyone interested in the Company. In addition, Deutsche EuroShop provides financial information and other information about the Deutsche EuroShop Group on its web site.

Accounting and audits

The Deutsche EuroShop Group prepares its financial statements according to International Financial Reporting Standards (IFRSs) on the basis of section 292a of the Handelsgesetzbuch (German Commercial Code). The annual financial statements of Deutsche EuroShop AG will continue to be prepared in line with the accounting provisions of the HGB. The Executive Board is responsible for the preparation of the financial statements. The chairman of the Audit Committee commissions the auditor of the annual financial statements, previously elected by the Annual General Meeting. The increased requirements for the independence of the auditor are met in this process.

Outlook

Discussion of the principles governing good corporate management and control continue – within the industry as well. European initiatives will continue to gain in importance and create a framework of standards that will allow for freedom at a national level to take into account national peculiarities and typical company law issues. The "discipline of the marketplace" will also have a considerable inf uence on the scope of corporate governance in practice.

Declaration of conformity

In December 2007, the Executive and Supervisory Boards of the Company jointly submitted their updated declaration of conformity with the recommendations of the Government Commission on the German Corporate Governance Code for the 2007 financial year in accordance with section 161 of the AktG (Aktiengesetz – German Public Companies Act). The declaration was made permanently available to the public on the Company's website at www.deutsche-euroshop.de.

Joint declaration by the Executive and Supervisory Boards of Deutsche EuroShop AG relating to the recommendations of the Government Commission on the German Corporate Governance Code in accordance with section 161 AktG

The Executive Board and the Supervisory Board of Deutsche EuroShop AG declare that the Company has complied with, and will continue to comply with, the recommendations of the Government commission 'German Corporate Governance Code' (as published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette (Bundesanzeiger) on 4 July 2003, and as amended on 14 June 2007), subject to a limited number of exceptions, as indicated below:

- Deutsche EuroShop AG does not broadcast the Annual General Meeting via modern communications media, such as the internet. (Section 2.3.4 of the Code)

The Company has decided not to broadcast the Annual General Meeting via modern communications media, taking into account the need for confidentiality expressed by numerous shareholders, as well as the low demand that is expected (due to the size of the Company and the number of shareholders) in relation to the costs involved.

- The existing D&O insurance policy taken out for the members of the Executive Board and the Supervisory Board does not provide for any deductible. (Section 3.8 (2) of the Code)

The Executive Board and the Supervisory Board of Deutsche EuroShop AG have acted in a responsible manner, managing and supervising the Company in line with the principles of creating enterprise value ever since the Company was established, preceding the official introduction of corporate governance guidelines. The Company therefore believes that the agreement of a deductible is not necessary, in particular as this has no effect on the level of the insurance premium.

- The remuneration of the members of the Executive Board does not include stock options. (Section 4.2.3 (3) of the Code)

The Company's share price performance depends on various factors, which are not necessarily consistent with the Company's actual business performance, or with the personal performance of Executive Board members. As such factors might neutralise the long-term incentive effect of a stock option programme, the Company has not implemented any stock-option programmes or similar securities-based incentive schemes to date.

- There is no stipulated age limit for a Member of the Executive Board. (Section 5.1.2 (2) of the Code)

The Supervisory Board believes that professional qualification and skills represent the key criteria for members of the Executive Board. If an age limit policy was in force, such a policy might in fact force the retirement of a qualified and skilled Executive Board member.

- The Supervisory Board did not establish a nomination committee. (Section 5.3.3 of the Code),

The Company's Supervisory Board consists of only six members, all of whom are shareholder representatives. Given the limited size and the structure of the Supervisory Board, the Executive Committee has assumed the duties of a nomination committee.

- There is no stipulated age limit for a Member of the Supervisory Board. (Section 5.4.1 (1) of the Code)

The Company believes that professional qualification and skills represent the key criteria for members of the Supervisory Board. If an age limit policy was in force, such a policy would restrict the options available to shareholders in selecting members - and might, in fact, force the retirement of a qualified and skilled Supervisory Board member.

- The remuneration of Supervisory Board members does not take into account the performance of duties as a member of Supervisory Board committees. (Section 5.4.7 (1) of the Code)

- The remuneration of Supervisory Board members does not comprise performance-based remuneration components. (Section 5.4.7 (2) of the Code)

The Company believes that a fixed remuneration package for members of the Supervisory Board best ref ects the Company's business model, which is based on generating income from the long-term letting of shopping centre properties. The selection of shopping centres to be acquired and held, plus the quality of long-term leases, represent the key factors determining the Company's long-term success.

- The consolidated financial statements are published within 120 days of the end of the financial year. (Section 7.1.2 of the Code)

It is important to the Company to publish audited financial statements that have been approved by the Supervisory Board. An earlier publication date is not feasible due to the schedules for the preparation, auditing, and adoption of the financial statements.

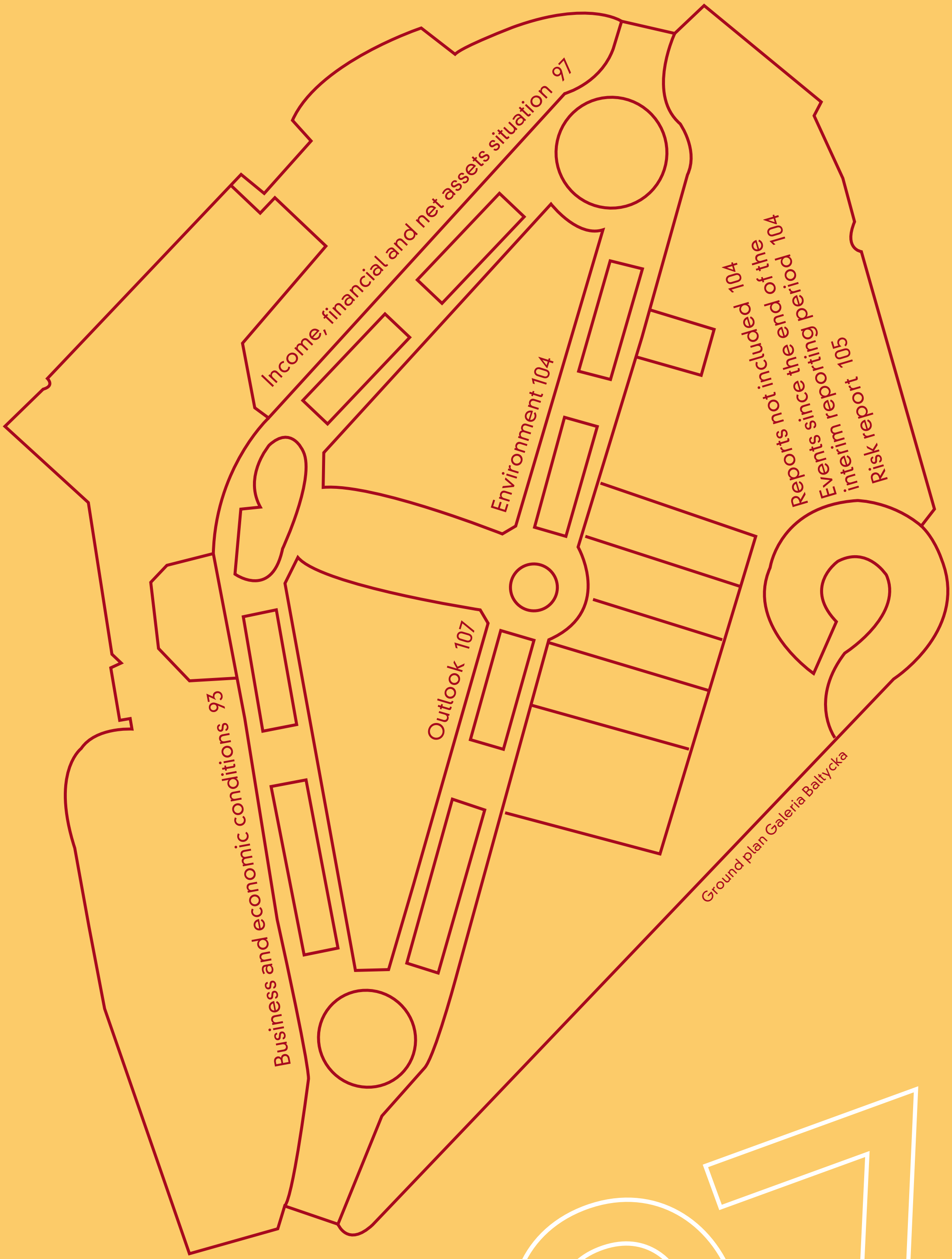
Hamburg, December 2007

The Executive Board and the
Supervisory Board
Deutsche EuroShop AG

07

Group Management Report

Deutsche EuroShop AG



Ground plan Galeria Bałtycka

BUSINESS AND ECONOMIC CONDITIONS

Operating activities

Deutsche EuroShop is the only public company in Germany that invests solely in shopping centers in prime locations. It currently has investments in 16 shopping centers in Germany, Austria, Poland and Hungary. The Group generated the revenue recognised from rental income for the space let in the shopping centers.

Group's legal structure

Due to its lean personnel structure and its concentration on only one operating segment, the Deutsche EuroShop Group is centrally organised. The Group managing company is Deutsche EuroShop AG. It is responsible for corporate strategy, portfolio and risk management, financing and communication.

The Company's headquarters are in Hamburg. Since its establishment in 2000, Deutsche EuroShop AG has been an Aktiengesellschaft (stock corporation) under German law. The individual shopping centers are managed as separate companies. According to interest in the nominal capital these are either fully (investment over 50%) or proportionately consolidated (investment up to 50%). The investment in Galeria Dominikanska in Wroclaw is recognised under non-current financial assets (investment 33.3%). More information on indirect or direct investment is detailed in the notes to the consolidated financial statements.

Deutsche EuroShop AG shares are traded on the Frankfurt Stock Exchange and other stock exchanges. As of 31 December 2007, 12.28% were owned by Alexander Otto (2006: 12.27%).

The share capital amounts to €34,375 thousand and is composed of 34,374,998 no-par value registered shares. The notional value of each share is €1.00.

According to section 5 of the Articles of Association, the Executive Board is authorised, with the approval of the Supervisory Board, to increase the Company's share capital by up to a total of €17,187 thousand on one or more occasions until 20 June 2012 by issuing up to 17,187,499 (no-par value) registered shares against cash or non-cash contributions.

The Executive Board is authorised, with the approval of the Supervisory Board, until 21 June 2011 to issue convertible bonds with a nominal value of up to a total of €150,000 thousand and durations of up to seven years and to grant bond holders or creditors conversion rights to up to 7,500,000 new no-par-value registered shares in the Company with a proportionate amount of share capital of up to €7,500 thousand as detailed in the terms and conditions for convertible bonds to be published by the Executive Board, with the approval of the Supervisory Board.

Governance and supervision

The Executive Board of Deutsche EuroShop manages the Company in accordance with the provisions of German company law and with its rules of procedure. The Executive Board's duties, responsibilities and business procedures are laid down in its rules of procedure and in its schedule of responsibilities.

The Supervisory Board supervises and advises the Executive Board in its management activities in accordance with the provisions of German company law and of the Company's rules of procedure. It appoints members of the Executive Board, and significant business transacted by the Executive Board is subject to its approval. The Supervisory Board is composed of six members who are all elected by the Annual General Meeting.

Members of the Executive Board are appointed and dismissed on the basis of sections 84 and 85 of the Aktiengesetz (AktG – German Public Companies Act). Changes to the Articles of Association are made in accordance with sections 179 and 133 of the AktG, and the Supervisory Board is also authorised, without a resolution of the Annual General Meeting, to adapt the Articles of Association to new legal provisions that become binding on the Company, as well as to resolve changes to the Articles of Association that only relate to the wording.

More information about the Executive Board and the Supervisory Board can be found in the Corporate Governance Report.

Remuneration report

Compensation system for the Executive Board
Compensation for the Executive Board is set by the Executive Committee of the Supervisory Board. The compensation system provides for a fixed basic annual compensation component based on the individual Executive Board member's duties and a variable compensation component. This compensation component is paid annually and is based on personal performance and the performance of the Executive Board as a whole, as well as the Company's economic situation, success and future prospects. The variable compensation is paid after the Supervisory Board approves the consolidated financial statements. There are

no stock option plans or similar securities-based incentive systems. In the event that the Company does not wish to renew the existing contracts of the members of the Executive Board upon their expiration, Claus-Matthias Böge would receive a one-time severance payment of €150 thousand and Olaf Borkers would receive three months' salary.

Compensation system for the Supervisory Board
The compensation of the Supervisory Board is based on section 8(4) of the Articles of Association of Deutsche EuroShop AG, according to which each member of the Supervisory Board shall receive appropriate compensation after the close of the financial year, as determined by resolution of the Annual General Meeting. Membership in committees is not taken into account when the compensation paid to the Supervisory Board is determined. Moreover, compensation does not contain any performance-based elements.

In line with the proposal by the Executive Board and Supervisory Board, the Annual General Meeting resolved on 21 June, 2007 to grant the members of the Supervisory Board the following remuneration for the 2006 financial year: €30,000 for the Chairman, €22,500 for the Deputy Chairman and €15,000 for each of the other members of the Supervisory Board. In addition, travel costs are reimbursed. Members who have served on the Board for less than a full financial year receive pro-rated compensation.

A proposal will be made to the Annual General Meeting to set out the compensation for the Supervisory Board in the Articles of Association.

Miscellaneous
Members of the Executive and Supervisory Boards do not receive loans from the Company. No pensions are paid to former members of the Executive or Supervisory boards or to their dependents.

For further details, please see the supplementary disclosures on remuneration included in the Group Management Report.

Management control, objectives and strategy

We focus on investment in top-quality shopping centers in city centers and established locations that have the potential for stable, lasting value growth and generate substantial distributable free cash flows on an ongoing basis. We invest in shopping center project developments in their early stages with up to 10% of our equity.

Clear objectives and principles
Deutsche EuroShop's two primary investment objectives are to generate high surplus liquidity from long-term leases that can be distributed to shareholders in the form of annual dividends, and to achieve sustained growth in the value of its portfolio. To achieve these objectives, the Company diversifies risk by investing in shopping centers in a number of European regions, with the focus on Germany. The desired high return is achieved through indexed and turnover-based commercial rents.

High-yield portfolio with stable value
In line with our buy & hold strategy, we consistently place more value on the quality and yield of our shopping centers than on the rate of growth of our portfolio. We monitor the market continuously and are able to act as buyers when an opportunity arises. Short decision-making channels and considerable flexibility in terms of potential investment and financing structures enable us to adapt to any competitive situation. At the same time, we are committed to optimising the value of the existing properties in our portfolio.

Differentiated rental system
An important component of our leasing concept is a differentiated rental system. While individual owners in city centers are often concerned with achieving the highest possible rents for their property (thus resulting in a monostructured retail offering), we ensure an attractive sector mix and long-term optimisation of our rental income through combined costing. The rent our lessees pay is dependent on their sector and turnover. Indexed minimum rents (based on the consumer price index) provide a guaranteed minimum level of income for Deutsche EuroShop in economic slowdowns.

The concept of shopping as an experience
We have outsourced center management to an experienced external partner, the Hamburg-based ECE Projektmanagement. ECE has been developing, planning, implementing, leasing and managing shopping centers since 1965. With currently 97 shopping centers under management, the company is the European market leader in this segment. We consider professional center management to be the key to the success of a shopping center. It not only ensures uniform opening hours and a consistently friendly, bright, safe and clean shopping atmosphere, it makes shopping an experience with in some cases striking presentations of merchandise, promotions and exhibitions. The 350,000 to 500,000 people who visit our 15 shopping centers on average every day are fascinated by the variety of sectors represented, but also by our unusual, unconventional promotions such as Phänomenta

or Cowboys – eine Legende. These turn shopping centers into marketplaces where something new and spectacular is constantly on offer.

Overview of the course of business

Macroeconomic conditions

The German economy grew strongly for the second consecutive year, despite the massive rise in sales tax. Real (price adjusted) gross domestic product (GDP) rose by 2.5% in Germany (previous year: 2.9%). After adjustment for the negative calendar effect – the year under review had 1.6 fewer working days than the preceding year – the rise in GDP was 2.6% for 2007 (2006: 3.1% after adjustment for the calendar effect).

The positive development of the German economy over the past three years has primarily been driven by continuing high export surpluses. In spite of the euro's continued sharp appreciation against the US dollar, demand from abroad continued unabated and caused growth in exports of 8.3% (+12.5% in real terms, 2006). According to information from the Federal Statistical Office, the share of net exports in GDP growth in the financial year under review amounted to 1.4 percentage points.

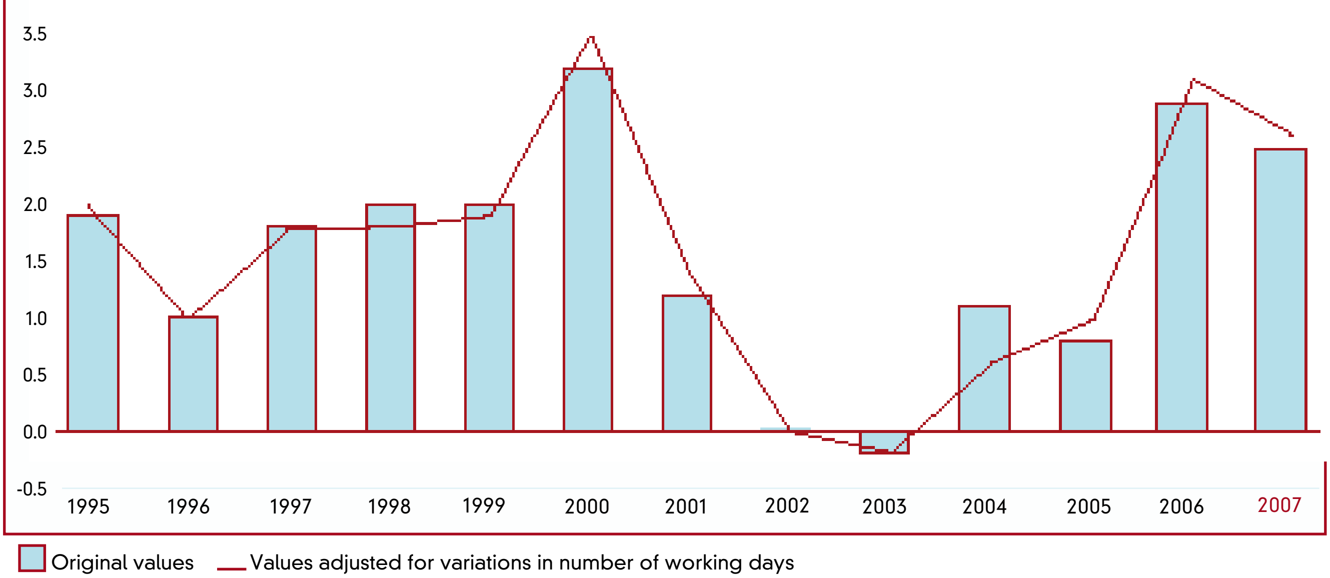
In 2007, the domestic economy retained the momentum gained in the previous year. Investments in construction and capital goods expanded fairly rapidly. Not only capital expenditure, but also consumer spending rose in Germany. Private consumption (excluding private car sales), the most substantial component with a share of 57% of GDP, increased by 1.8% (previous year: +2.1%). At 10.9%, the savings rate reached its highest value since 1996 (2006: 10.5%).

The average rate of inflation for the year was above that of the previous year (1.6%) at 2.3%. This was the highest annual increase since 1994. The development in inflation in 2007 was mainly driven by energy and food prices. Domestic energy and fuel prices rose by 3.9%. Excluding the effect of energy prices, the average inflation rate would have been 1.9%.

On an annual average, the unemployment rate fell to 9.0% (previous year: 10.8%); 3.78 million people (previous year: 4.49 million) were out of work. This significant, renewed, decline in unemployment primarily reflects a cyclical increase in employment liable to social security contributions.

Gross domestic product in Germany (after adjustment for prices)

Change against the previous year in %



In 2007, the European Monetary Union (EMU) experienced a continuation of the strong economic boom of the preceding years. According to the Statistical Office of the European Communities (Eurostat), real GDP grew by 2.9% in 2007 (previous year: 3.0%) in the EU-27. The euro zone inflation rate in 2006 was 2.1%, similar to the previous year, and unemployment fell to 7.2% (2005: 7.8%).

Economic conditions in the industry

Retail sector

According to provisional figures from the Federal Statistical Office, German retail sales decreased by 1.2% in nominal terms in 2007 and by 2.2% in real terms (after adjustment for prices). However, the comparison with the previous year is influenced by purchases brought forward in 2006 and by the effects of the sales tax increase from January 2007. The German retail sector did not therefore benefit from the positive development in the economy. At €387 billion in 2007, retail revenue was slightly below the previous year's level (almost €392 billion).

Industries which benefited from purchasing being brought forward due to the sales tax reform posted significant, real, revenue decreases in 2007. According to the Hauptverband des deutschen Einzelhandels (HDE – German Retail Federation) and the Federal Statistical Office this primarily concerned the area of watches and jewellery at -5.8%. On the other hand, retailers with perfume goods and body care products exceeded the previous year's result with an upturn of 2.8%, fashion with 1.4% and electronic domestic goods with a strong increase of 5.6%.

The floor space expansion in retail and the competition for first-class floor space continued in 2007, particularly in the area of large shopping centers. According to the HDE, total retail space increased by around 1 million m² to a current 119 million m², although the growth was predominantly seen in the states of the former West Germany. The highest floor-space share in leases in 2007 was attributable to the textile, book and shoe retail trade. The growing demand for floor space from the specialist ladies' wear segment was particularly noticeable. Strong demand was also noted from the young fashion sector, though somewhat more reserved than in the previous year. Other important sectors in prime locations were chemists, accessory stores, restaurants/cafes and telecommunications.

According to a survey by Kemper's, a real estate agent that specialises in retail properties, the retail spaces in most demand in the past year were those in the size class 100 m² to 250 m². Larger spaces were also in demand: Every fourth lease was for over 500 m².

Property market

Fears of massive defaults in the sub-prime area of the US mortgage market triggered turbulence on the international financial markets. As a result, prices of shares with which the US mortgage market was financed slumped heavily; some of these shares lost their market altogether and the risk premiums rose sharply. The property crisis began with an international chain reaction. Financial institutions suffered global defaults and had to accept extensive write-downs on receivables and securities, whereupon their profits declined sharply in some cases. Due to the uncertainty associated with the effects of the sub-prime crisis, short-term lending in the interbank market almost came to a standstill. The consequences of this situation remained largely under control at the end of 2007, since the central banks made cash available to the banks. Even so, the sub-prime crisis expanded into an international financial crisis, severely reducing confidence.

Despite the sub-prime crisis, it must be noted in relation to the German retail property market that investor interest – primarily in specialist markets and shopping centers – was again very high. According to Jones Lang LaSalle, one of the world's leading estate agents and property consultants, retail properties were the second strongest asset class in the German property sector in terms of transaction volume. With a transaction volume of €11.2 billion (2006: €18.5 billion), they landed behind the traditional leader, office properties, in second place with €31.4 billion (2006: €18.2 billion). The most important group of buyers were equity oriented and non-listed investors.

Shopping centers posted the second highest volume at €3.2 billion; though this was equivalent to a decline of 42% against 2006. This is primarily due to the absence of large, first-class properties on the market. The 2007 investment year was therefore characterised by transactions of smaller shopping centers in two-digit millions.

By comparison, the yields from retail property remained stable over the course of the year despite the credit crisis. Shopping center yields have even declined further as a result of price rises. At the end of 2007, the yield generated by German shopping centers in prime locations as calculated by Jones Lang LaSalle was 4.5% (2006: 4.95%). By comparison, the yield of Deutsche EuroShop's property portfolio on the basis of the valuation appraisal was 5.40% at the end of the year.

Exceptional events

The rate of corporation tax was lowered in connection with the corporation tax reform from 25% to 15% from 1 January 2008. In this context, we reversed corresponding tax provisions of €29.7 million and reported it in income.

Share price performance

Deutsche EuroShop shares began 2007 with a price of €28.08. On 23 April it posted an annual high of €30.09 on the basis of the XETRA closing price. Since July, the sub-prime mortgage crisis in the US has sparked off a flurry of at times frantic share selling on the international capital markets, affecting real estate companies in particular. Our shares were not able to extricate themselves from this negative pull and the price fell to €23.22 by 20 August. Despite an excellent recovery phase up until mid-November, Deutsche EuroShop shares were not able to escape the generally poor sentiment for financial and property shares and closed the year at a price of €23.50.

Evaluation of the financial year

At the beginning of the last financial year, we regarded 2007 as a 'year of transition'. We had successfully sold two portfolio centers and had three shopping centers in construction for the first time in the Company's relatively brief history with the resulting charges.

We therefore anticipated revenue at the previous year's level of €92 million to €94 million and expected that revenue lost as a result of both shopping centers sold (4.2% of 2006 revenue) would be partly offset by the Galeria Baltycka opened in the autumn of 2007. According to our forecasts, earnings before interest and tax (EBIT) in the financial year should amount to between €71 million and €73 million. We expected earnings before tax (EBT), without measurement gains, of between €30 million and €32 million.

However, at €95.8 million, revenue was 3.1% higher than in the previous year. With an EBIT of €77.2 million, operating earnings before tax (EBT) was €37.7 million. Detailed explanations for the positive deviation are presented below. The fact that we were able to just exceed all three forecasts again emphases the high quality and high profitability of our shopping center portfolio.

INCOME, FINANCIAL AND NET ASSETS SITUATION

The 2007 financial year was a positive one for Deutsche EuroShop. The revenue loss from the sale of both shopping centers in Italy and France in the previous year was more than offset by the Galeria Baltycka in Gdansk opened in October and the stable income from the property. At €95.8 million, consolidated revenue was 3.1% higher than in the previous year (€92.9 million). At €94.2 million, consolidated profit was €6.1 million below the previous year's profit (€100.3 million). Our net asset value per share increased by around 5.5% from €25.53 to €26.91. Earnings per share amounted to €2.74 (previous year: €2.92).

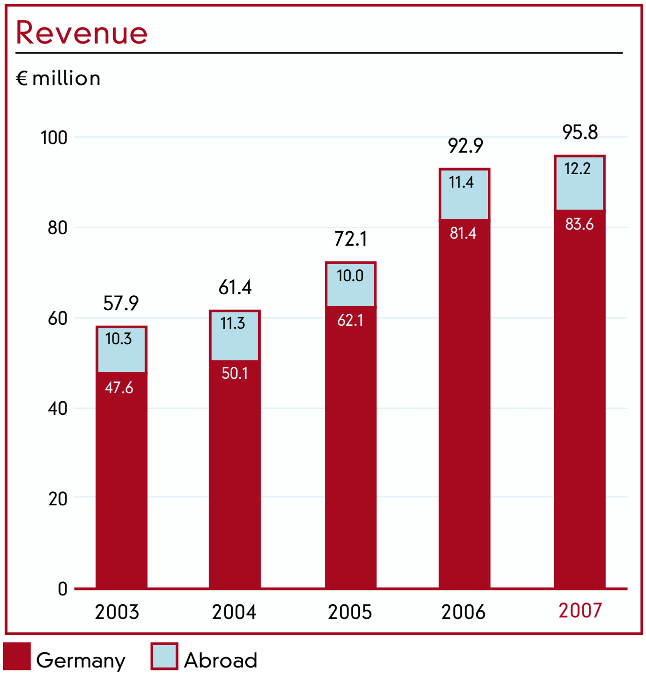
Income situation

Although German retail sales fell by 1.2% in nominal terms in 2007, the tenants of our shopping centers achieved a 1.3% increase in revenue on a like-for-like basis. If our international properties are included in this comparison, then our tenants generated like-for-like revenue growth of 1.1%.

Revenue development

Consolidated revenue up by 3.1%

Consolidated revenue was up by 3.1% from €92.9 million to €95.8 million in the 2007 financial year. The sale of the shopping centers in Italy and France in the previous year was compensated for by the revenue contributions of the Galeria Baltycka in Gdansk, opened in October. In addition, the City Arkaden in Klagenfurt contributed to revenue for the first time for a full financial year.



Higher rental income for all portfolio properties

Rental income grew positively for all portfolio properties in the year under review, rising on a like-for-like basis by 3.0%. Above-average growth was posted by the City-Galerie in Wolfsburg, which had posted a reduction in revenues in the previous year due to improvements.

The properties in France and Italy were sold during the previous year, meaning the revenues shares are no longer included in the reporting year.

Revenue

€ thousand	2007	2006	2005
Rhein-Neckar-Zentrum, Viernheim	16,307	16,014	15,984
Main-Taunus-Zentrum, Sulzbach*	10,011	9,781	0
Allee-Center, Hamm	9,398	9,209	8,938
Forum, Wetzlar	8,137	7,982	7,220
Rathaus-Center, Dessau	8,207	7,941	0
City-Arkaden, Wuppertal	8,233	7,925	7,891
City-Galerie, Wolfsburg	8,326	7,704	8,157
Altmarkt-Galerie, Dresden*	6,386	6,214	6,044
Phoenix-Center, Hamburg*	5,538	5,270	5,050
City-Point, Kassel*	3,031	2,980	2,874
Total Germany	83,574	81,020	62,158
City Arkaden, Klagenfurt*	5,159	4,024	0
Árkád, Pécs*	3,590	3,527	3,416
Galeria Baltycka, Danzig	3,439	0	0
Centro Commerciale Tuscia, Viterbo	0	2,848	3,112
Shopping Etrembières, Annemasse	0	1,022	3,435
Total abroad	12,188	11,421	9,963
Other revenue	0	413	0
Total	95,762	92,854	72,121

* = proportionately consolidated

Vacancy rate unchanged at under 1%

As in the previous year, the vacancy rate was under 1%. The need for write-downs for rent losses was around €0.2 million (2006: €0.3 million), or 0.2 % of revenue (previous year: 0.3%).

Earnings development

Other operating income excluding non-recurrent income

Other operating income amounted to €1.1 million (previous year: €16.0 million) and was therefore €14.9 million below that of the previous year, a circumstance due to the gains on disposal generated in 2006 for our shopping centers in France and Italy.

Operating and administrative costs for property down slightly

Property operating costs declined by €1.0 million year-on-year to €9.4 million, essentially due to the fact that the cost shares of the properties sold are no longer included. Property management costs on the other hand rose by €0.3 million to €6.1 million because higher expenses were incurred for shopping centers still under construction.

Other operating expenses below those of previous year

At €4.2 million, other operating expenses were €2.1 million less than in the previous year. In the previous year, this item included consulting costs incurred in connection with the sale of the shopping centers in Italy and France. Otherwise administrative expenses were similar to the previous year's.

Net finance costs widen due to investments

Net finance costs deteriorated by €9.1 million to €-50.1 million, after €-41.0 million in the previous year. The decrease is particularly the result of the rise in the share of earnings of the minority shareholders of our property limited partnerships, which at €14.1 million was €7.7 million above the previous year's figure.

However, increased investment activity and our newly opened shopping centers also pushed borrowing costs up €1.3 million to €40.2 million. At €2.7 million, interest income was slightly above that of the previous year (€2.3 million). Income from investments declined from €1.9 million to €1.5 million, because the previous year's figure had included a special dividend distribution.

Measurement gains less than in previous year

The measurement gains and losses item fell year-on-year by €21.5 million from €72.3 million to €50.8 million. Our newly opened center in Gdansk was recognised for the first time at market value. This resulted in the recognition of measurement gains amounting to €4.5 million. The revaluation of existing properties also led to materially higher Group income. These properties recorded increases in value of €42.3 million. This is equivalent to an average increase in value of 3.1%.

In addition, we posted unrealised price gains in price gains (net) from the price evaluation on the reporting date of monetary items and bank loans of our Polish and Hungarian property companies of €4.0 million.

Portfolio quality continues to be rated 'very good'

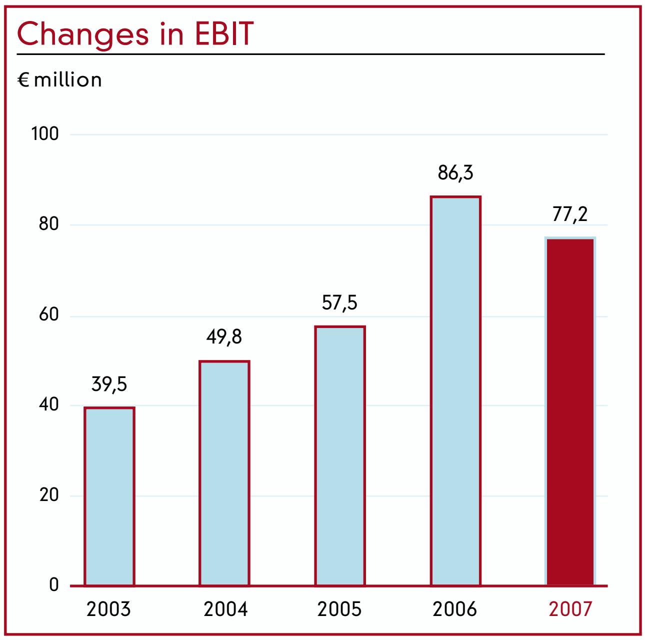
The results of the property rating have not changed in comparison to the prior year. On average Deutsche EuroShop's real estate portfolio was again rated very good (A) by the appraisers, Feri Research GmbH, Bad Homburg, and GfK GeoMarketing GmbH, Hamburg.

Non-recurrent income from reversal of deferred tax provisions

From 2008, the corporation tax rate was reduced from 25% to 15% in connection with the corporate tax reform. For this reason, we correspondingly adjusted the deferred tax provisions recognised in previous years. This led to a reversal amount of €29.7 million, recognised in income. Deferred tax provisions of €13.0 million were recognised on the ongoing results of the financial year. €0.4 million real domestic and foreign incomes taxes were also incurred.

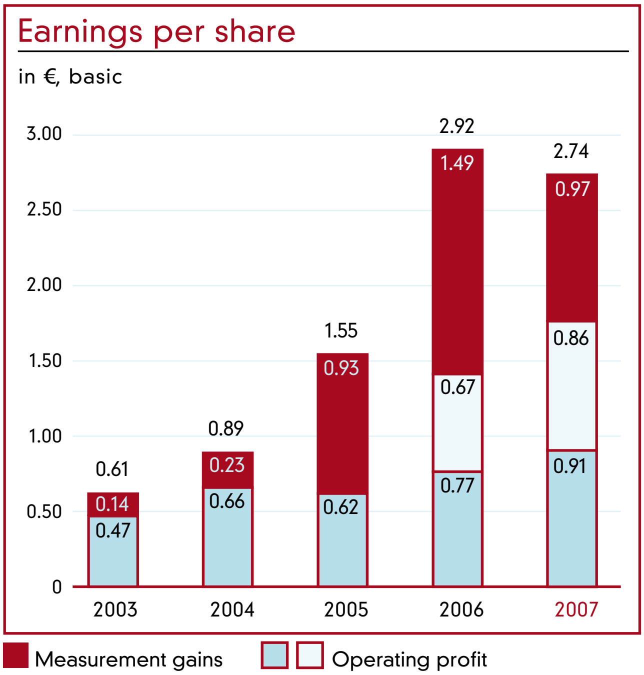
Consolidated profit only 6% below record earnings of 2006

Earnings before interest and tax (EBIT) declined in the reporting year by €9.1 million (-11%) from €86.3 million to €77.2 million; earnings before taxes declined by 34% from €117.7 million to €77.8 million. Consolidated profit fell by 6% from €100.3 million to €94.2 million.



Earnings per share

Earnings per share (basic) amounted to €2.74 compared with €2.92 in the previous year. Of this amount, €0.91 per share (2006: €0.77) is attributable to operations (+18%) and €0.97 (2006: €1.49) to measurement gains (-35%). Additional profit of €0.86 per share was incurred from the reversal of deferred tax provisions. In addition to this extraordinary share of earnings, there were gains from disposal of the shopping centers in Italy and France of €0.67 per share.



Dividend proposal: €1.05 per share

As a result of the successful financial year, the Executive Board and Supervisory Board will propose to the shareholders at the Annual General Meeting on June 19, 2007 in Hamburg that an unchanged dividend of €1.05 per share be distributed for financial year 2007.

Financial situation

Principles and objectives of financial management

For the purposes of financing its investments, Deutsche EuroShop uses the stock exchange for procuring equity and loans, as well as the credit markets for procuring loans. Within the Group, both individual real estate companies and Deutsche EuroShop borrow from banks. Deutsche EuroShop's credit standing has shown to be advantageous when negotiating loan conditions. The Group can also arrange its financing independently and flexibly.

Loans are taken out in euro for all Group companies. In general, the use of equity and loans for investments should be equally weighted and the equity ratio within the Group should not fall below 45% in the medium term.

Financing of our real estate projects is done on a long-term basis. For this purpose, derivative financial instruments are also used which serve to hedge against increasing capital market interest rates. Available credit lines enable Deutsche EuroShop to react quickly to investment opportunities. Unless used for investment, unnecessary cash is invested for financing ongoing costs or for paying dividends in the short term as term deposits or in money market funds.

As of 31 December 2007, Deutsche EuroShop reported the following key financial data:

€ million	2007	2006	Change
Total assets	1,976.3	1,796.2	+180.1
Equity (incl. minority interests)	974.0	897.8	+76.2
Equity ratio (%)	49.3	50.0	-0.7
Bank loans and overdrafts	895.9	780.6	+115.3
Loan-to-value ratio in %	47.0	47.7	-0.7

Financing analysis

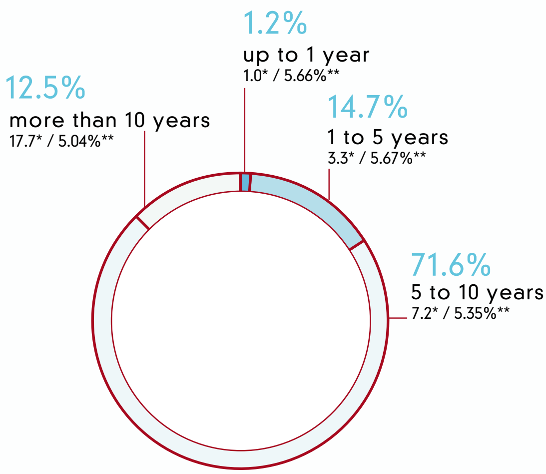
In the 2007 financial year, Deutsche EuroShop took out a loan of €50 million for partial financing of the Stadt-Galerie in Passau. €33 million of this was already disbursed as of the balance sheet date. The interest rate of 5.25% p.a. was secured for 20 years. In the case of the Allee-Center in Hamm, we used expiring interest agreements to repay existing loans or replace them by taking up new loans. In these cases, we have fixed agreement for interest for 15 and 20 years of 5.25% p.a.

In the 2007 financial year, Deutsche EuroShop had €100 million available in credit facilities, €35 million of which was taken up as of the end of the year.

Overall, debt finance conditions as of 31 December 2007 were secured on average for 7.7 years at 5.36% p.a. (previous year: 5.50%). Conditions were agreed in individual cases with the lending banks. These relate to the gearing ratio and ability to service loans.

Loan structure 31 December 2007

Fixed interest rate of loan in %



*duration (years) **average interest rate

€2.8 million of fixed interest loans expire in 2008 and €76.3 million in 2009. Further loans of €26.5 million must then be extended only in 2012. The agreed interest rates tend to result in future opportunities rather than risks for Deutsche EuroShop. Thus on the basis of interest rate agreements already made, we anticipate a partial amount of €26.7 million in the interest agreements expiring in 2009 to be renewed below 5.0% for durations of between 5 and 10 years.

Investment analysis

We invested a total of €136.6 million in the 2007 financial year for the completion of our shopping centers under construction. This included €24.3 million for the Stadt-Galerie in Hameln, €39.1 million for the Stadt-Galerie in Passau and €73.2 million for the Galeria Baltycka in Gdansk. They were opened on schedule on October 2007 (Galeria Baltycka) and in March 2008 (Stadt-Galerie Hameln). The Stadt-Galerie Passau will be opened in the autumn of 2008. Deutsche EuroShop will thus complete the simultaneous construction of 3 shopping centers and therefore its largest investment programme until now.

In 2008, we have planned investments of €43 million for the completion of the shopping centers in Hameln and Passau.

We aim to expand our portfolio on an annual basis by €150 million to €200 million on average per year and initial net yield of new investments of at least 5.5%. However, the great investor interest in retail real estate in Germany and Europe led in the 2007 financial year to high prices for properties and construction projects with initial net yield of significantly below 5.0%, meaning we were unable to realise our yield expectations. We were therefore reserved and did not make any new investments in the past financial year. We are currently witnessing a calming of the market.

Liquidity analysis

The Group's operating cash flow of €40.6 million (previous year: €36.9 million) is the amount which has been generated for the shareholders following deduction of all costs from the leasing of the shopping center floor space. It serves to finance the dividends of Deutsche EuroShop. The Galeria Baltycka in Gdansk contributed for the first time in the reporting year. However, the portfolio properties also showed positive development with an increase in revenue of 3.1%.

Cash totalling €144.3 million was necessary (investment activity) for centers under construction and for investments in financial assets. On the other hand, cash inflows resulted from the increase in financial liabilities of €119.3 million after €49.0 million in the previous year (financing activities). In contrast to the previous year, there were no cash inflows from the sale of shopping centers, which amounted to €80.9 million in 2006.

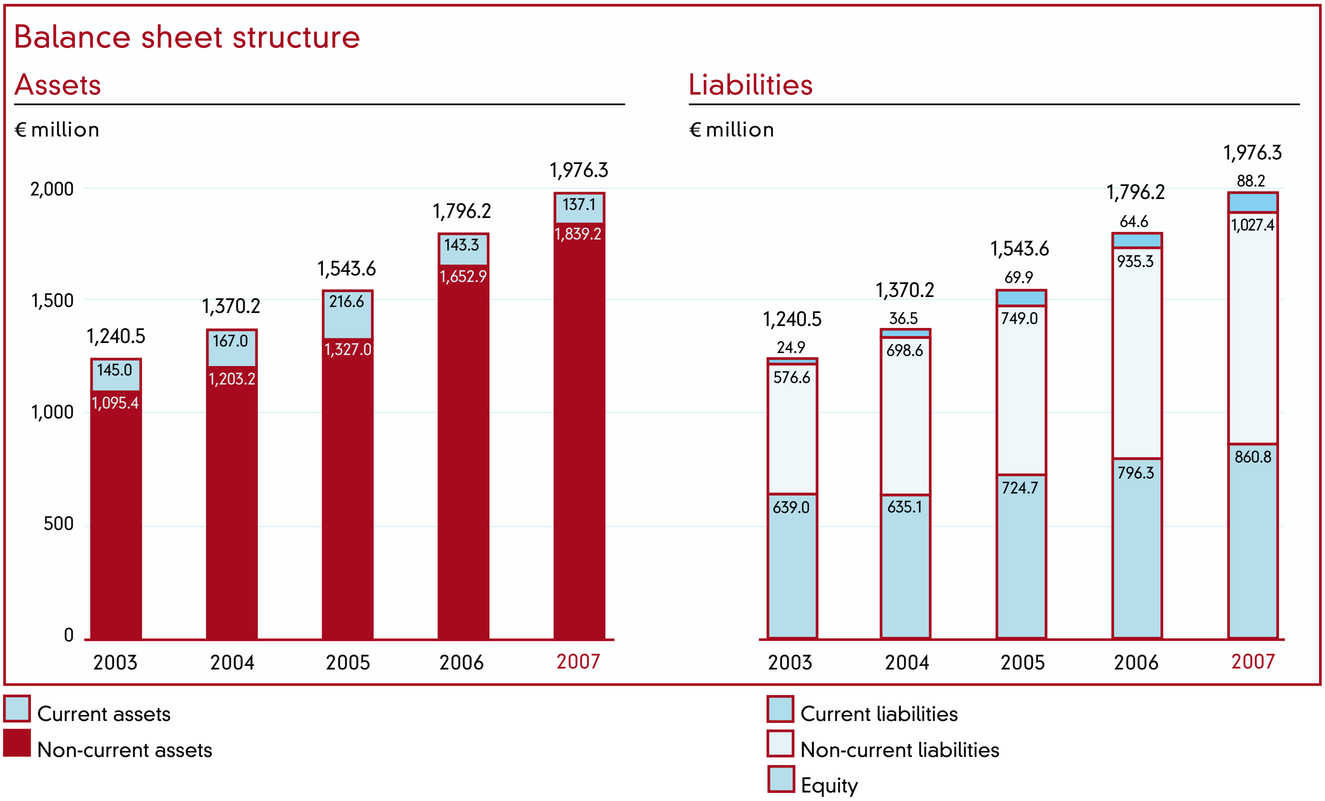
The long-term rental agreements in combination with long-term interest agreements and fixed cost structures result in well-plannable cash in- and outflows for Deutsche EuroShop. These essentially serve to pay for a reliable dividend to the shareholders. New investments must therefore be realised predominantly from equity and loans.

Non-current assets increase

In a year-on-year comparison, non-current assets rose overall by €199.0 million to €1,835.4 million. Investments in property, plant and equipment amounted to €138.8 million in 2007. These are offset against costs for the Galeria Baltycka of €149.7 million, which were transferred into investment properties. Over-

Net assets situation

The Group's total assets increased by €180.1 million to €1,976.3 million in the year under review.



all, property, plant and equipment declined by €10.9 million. The enhancement of the investment properties of €206.2 million has resulted on the one hand from the first-time recognition of the Galeria Baltycka at fair value, as well as increasing the market value of the portfolio real estate.

Deutsche EuroShop Group's property and property investment assets amounted to €1.84 billion as of 31 December 2007, €185 million more than at the end of the previous year. This change resulted from investments in the construction for Hameln, Passau and Gdansk, as well as from the higher valuation of our portfolio.

The 14 operating shopping centers, which are measured at fair value according to IAS 40, represented an asset value of €1.66 billion. The Galeria Baltycka in Gdansk was valued for the first time in line with IAS 40 following its opening in the fourth quarter of 2007. Assets amounting to €144.3 million reflected the investments recognised in the balance sheet as at the reporting date for the shopping centers under construction in Hameln and Passau. Our shopping centers in Wroclaw will continue to be accounted for under the investments which have been accounted for overall with a value of €32.9 million.

At the end of 2007, the Deutsche EuroShop Group was thus 84% (previous year: 87%) invested in Germany and 16% (previous year: 13%) abroad. According to our strategy, the foreign share of our portfolio should not exceed 25%.

Cash increases to €109.0 million

Cash amounted to €109.0 million as of the reporting date. The increase against the previous year of €14.8 million is primarily subject to the reporting date. The cash has been invested for the most part as short-term deposits and time deposits.

Equity ratio unchanged
Group equity in the year under review increased by around €64.5 million to €860.8 million. The remeasurement of interests attributable to Group shareholders in accordance with IAS 39 resulted in a gain of €3.5 million. The value of the interest swap increased by €1.3 million and the consolidation Change item increased by €2.4 million. The remaining amount of €57.3 million is primarily the result of the difference between consolidated profit and the dividend payment of June 2007.

€64.3 million in deferred taxes
€13.0 million of the profit before tax was allocated to deferred tax liabilities. This was offset by a €29.7 million reversal of deferred income taxes recognised in the previous year due to the lower corporation tax in Germany from 2008. The net effect was a €16.9 million decrease in deferred taxes, from €81.2 million to €64.3 million.

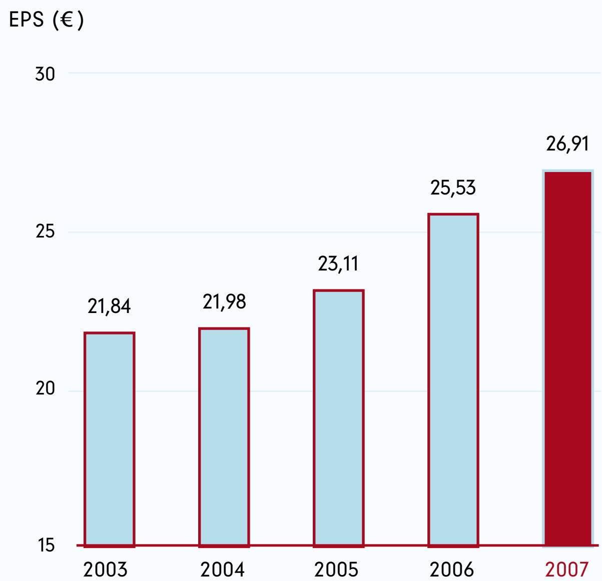
Bank loans and overdrafts higher due to investments
Current and non-current bank loans and overdrafts amounted to €896.0 million. This corresponds to a rise of €115.4 million compared with the previous year. The cash borrowed was essentially for financing construction of the Galeria Baltycka and both shopping centers in Hameln and Passau.

Net asset value rises by 5.5%
Net asset value as at 31 December 2007 was €925.1 million (€26.91 per share) compared with €877.4 million (€25.53 per share) in the previous year.

Net asset value

€ thousand	2007	2006
Non-current assets	1,839,214	1,652,890
Current assets	137,122	143,323
Total assets	1,976,336	1,796,213
less Non-current liabilities (excl. deferred taxes)	-963,047	-854,145
Current liabilities	-88,188	-64,634
Net asset value of Deutsche EuroShop = Net asset value	925,101	877,434
Number of shares	34,374,998	34,374,998
Net asset value per share (€)	26.91	25.53

Net asset value



Overall comment on economic situation

The past financial year confirmed the Deutsche EuroShop Group's good position. We exceeded our own expectations in a single financial year without any notable events in our own operating business and despite the sub-prime crisis.

ENVIRONMENT

Climate protection is one of the most important issues for Deutsche EuroShop. We believe that sustainability and profitability, the shopping experience and environmental awareness do not have to be opposites. Long-term thinking is part of our strategy. This includes playing our part in environmental protection.

Since 1 January 2008, eight out of ten operational shopping centers in our German portfolio have signed contracts with suppliers that use regenerative energy sources such as hydroelectric power for their electricity needs. From opening day onwards, the shopping centers in Hameln and Passau, due to open in 2008, will also procure their certified green electricity from the 'EnergieVision' organisation with the renowned 'ok-power' seal.

On a per year basis, the initial ten shopping centers will procure a total of around 41 million kWh of the certified green electricity for 2008. This represents over 75% of the electricity requirements in our German shopping centers. According to conservative calculations, this should mean a yearly reduction of around 10,000 metric tonnes in carbon dioxide emissions – this equates to the annual CO_2 emissions of 450 two-person households.

All other shopping centers in our portfolio are currently contractually bound to local electricity providers. In the years to come, these centers – and the shopping centers abroad – will be switched to green energy.

	Consumption in kWh (in million)	CO_2 reduction in metric tonnes
Allee-Center Hamm	3.6	1,277
City-Arkaden Wuppertal	5.3	1,515
City-Galerie Wolfsburg	2.9	800
City-Point Kassel	4.2	701
Forum Wetzlar	5.0	697
Phoenix-Center Harburg	6.3	875
Rathaus-Center Dessau	2.9	1,013
Rhein-Neckar-Zentrum Viernheim	5.7	1,203
Stadt-Galerie Hameln	3.3	1,387
Stadt-Galerie Passau	2.0	480
Total	41.2	9,948

* = estimated, opening 2008

In the past we have reduced the energy consumption of our shopping centers by using heat exchangers and energy-saving light bulbs. Since 2007, Deutsche EuroShop has been participating in the climate protection and energy efficiency initiative 'cool down' introduced by ECE and Philips. To increase energy efficiency, experts are currently working on the potential for optimising the energy consumption in our shopping centers.

REPORTS NOT INCLUDED

A **research and development (R&D)** report is not required as part of the Management Report because Deutsche EuroShop does not need or pursue any research and development in line with its original business purpose.

The Company's business purpose, which is to manage assets, does not require **procurement** in the traditional sense. For this reason, this topic is not covered by a separate section of the Management Report.

At the reporting date, Deutsche EuroShop employed only 4 persons and therefore did not prepare a separate **human resources report**.

EVENTS SINCE THE END OF THE INTERIM REPORTING PERIOD

No events of particular significance took place following the end of the 2007 financial year.

RISK REPORT

Risks and opportunities management system

Principles, methods and objectives of risk management
Our approach to risk is in line with our strategy of increasing the value of our company and of sustainable growth. Our policy is to minimise risks as far as is possible. Risk management is therefore an integral part of the planning and implementation of our business strategies. Due to the small number of staff our Company employs, the Executive Board is directly involved in all risk-relevant decisions.

Under existing service contracts, the Executive Board of Deutsche EuroShop is continuously briefed about the business performance at individual property holding companies. Financial statements and financial control reports are submitted on a quarterly basis, and medium-term corporate planning is submitted annually for every shopping center. The Executive Board regularly reviews and analyses these reports, using the following key information to assess the level of risk:

1. Portfolio properties

- Trends in accounts receivable
- Occupancy rates
- Retail sales trends in the shopping centers
- Variance against projected income from the properties

2. Centers under construction

- Pre-letting levels
- Construction status
- Budget status

Risks are identified by observing issues and changes that deviate from the original planning and budgets. The systematic analysis of economic data such as consumer confidence and retail sales trends is also incorporated in risk management. The activities of competitors are also monitored continually.

The Company's risk management activities are documented once a quarter and the results submitted to the Supervisory Board at its meetings.

Presentation of material individual risks

Cyclical and macroeconomic risks
In 2007, the German economy developed positively and gained in momentum. GDP grew by 2.5%. However, this development is accompanied by a wide risk environment, since the energy, raw materials and currency markets determine future economic development to a greater extent than was previously the case. It is equally unpredictable what effects the current financial market crisis will have on the global economy and on the previously good economic prospects for Germany. If concern relating to a weakening of US growth become reality, this is likely to also leave its mark on the German economy.

The increase in sales tax, the constant rise in energy and raw material prices and the sharply risen basic food prices have led to consumption in Germany which lagged behind expectations. Price-adjusted household spending declined by 0.3%. As long as the upturn among consumers is more in the form of inflation and does not arise as a result of increased wages and salaries, reservation among consumers is not likely to change.

Deutsche EuroShop is not as strongly affected by economic developments as other sectors are in terms of its business model – long-term, inflation-proofed letting of retail space – and the associated risks. Past experience has demonstrated that by locating our shopping centers in prime inner city locations and by ensuring broad diversification within the centers, we can achieve commercial success even during periods of stagnation.

Market and sector risks
Structural changes have taken place in the retail sector in recent years and these must also be included in a differentiated approach to risk management issues. Deutsche EuroShop's business model enables it to benefit from a general shift of the market share away from the traditional specialist retailers in favour of larger retail parks and well-managed shopping centers. This development is more of an opportunity for us, as a decline in consumer behaviour in macroeconomic terms would not necessarily have a negative impact on retailers' revenue in our shopping centers. The circumstances described are leading to a divergence of the various retail segments in terms of their success.

In 2007, retail revenue sank in nominal terms by 1.2% (provisional figure from the Federal Statistical Office). Retailers expect at best stagnating revenue in 2008.

We minimise market and sector risks through in-depth market intelligence and by concluding long-term contracts with tenants of all sectors with strong credit ratings.

Risk of rent loss
It is possible that tenants may be unable to meet their obligations under existing leases or that the previous rents may no longer be obtained in the case of new and follow-on rentals. As a result, income would turn out to be less than budgeted, and distributions to shareholders might have to be reduced. If the rental income for a property holding company is no longer sufficient to meet the interest and repayment obligations, this could lead to the loss of the entire property. Tenants' revenue trends and the accounts receivable trends are regularly analysed in this respect, and measures to find new tenants are initiated at an early stage if there are signs of any negative developments.

The tenants furnish security deposits against the risk of default. Additionally, write-downs are recognised in individual cases.

Cost risk
Expenditure on current maintenance or investment projects can turn out higher than expected on the basis of experience. We minimise risks from cost overruns in current investment projects by costing in all identifiable risks in the planning stage as a precautionary measure. In addition, construction contracts are only awarded on a fixed-price basis to prime contractors with strong credit ratings. During the building phase, professional project management is performed by the companies we commission. However, it is impossible in principle to completely avoid cost overruns in ongoing construction projects in individual cases.

Valuation risk
The value of a property is essentially determined by its capitalised earnings value, which in turn depends on factors such as the level of annual rental income, the underlying location risk used, the evolution of long-term interest rates and the general condition of the property. A reduction in rental income or a deterioration of the location risk necessarily involves a lower capitalised earnings value. Thus the appreciation of the properties is also significantly influenced by a variety of macroeconomic or regional factors as well as developments specific to the property that can neither be foreseen nor influenced. The factors described are taken into account in the annual market valuations of our portfolio properties by independent appraisers. Changes in value are recognised in the income statement in accordance with the requirements of IAS 40 and may thus lead to increased volatility of the consolidated profit. However, as a rule this has no effect on the Group's solvency.

Currency risk
Deutsche EuroShop's activities are limited exclusively to the European economic area. Manageable currency risks arise in the case of the Eastern European investees. Because of the translation of the annual financial statements at the reporting date, the Group's income statement is affected by unrealised translation gains and losses, and is thus exposed to an incalculable volatility. These risks are not hedged because this is purely an issue of translation at the reporting date and therefore does not expose the Company to cash flow risks. The currency risk from operations is largely hedged by linking rents and loan liabilities to the euro. A risk could arise if the Hungarian forint or the Polish zloty were to plummet against the euro and the tenants were no longer able to pay what would then be considerably higher rents denominated in foreign currency.

Financing and interest rate risks
We minimise the interest rate risk for new property financing as far as possible by entering into long-term loans with fixed-interest periods of 10 to 20 years. It cannot be ruled out that refinancing is only possible at higher interest rates than before. The interest rate level is materially determined by the underlying macroeconomic conditions and is thus not predictable by us. The possibility cannot be completely excluded that – for example owing to deterioration of the Company's results of operations – banks may not be prepared to provide refinancing or to extend credit lines. We monitor the interest rate environment closely so as to be able to react appropriately to interest rate changes with alternative financing concepts or hedging if necessary. At an average interest rate of 5.36%, this does not currently represent a significant risk within the Group, particularly as the most recent refinancing was concluded at lower interest rates than the original financing and the present average interest rate.

Deutsche EuroShop uses derivatives that qualify for hedge accounting to hedge interest rate risks. An interest rate swap is an effective hedge if the principal amounts, maturities, repricing or repayment dates, the dates for interest payments and principal repayments, and the basis of calculation used to determine the interest rates for the hedge are identical to those of the underlying and the party to the contract fulfils the contract. Consequently, the ongoing changes in value of these items are recognised directly in equity. A test of effectiveness for the hedges described is regularly implemented.

Risk of damage
The individual property holding companies bear the risk of total or partial destruction of the properties. The insurance payouts due in such a case might be insufficient to compensate fully for the damage. It is conceivable that sufficient insurance cover for all theoretically possible losses does not exist or that the insurers may refuse to provide compensation.

IT risk
Deutsche EuroShop's information system is based on a centrally managed network solution. Corrective and preventive maintenance of the system is carried out by an external service provider. A virus protection concept and permanent monitoring of data traffic with respect to hidden and dangerous content are designed to protect against external attacks. All data relevant to operations is backed up on a daily basis. In the event of a hardware or software failure in the system, all data can be reproduced at short notice.

Personnel risk
In respect of the low number of employees of Deutsche EuroShop AG, the Company is dependent upon individual persons in key positions. The loss of the key staff would lead to a loss of expertise and the recruitment of replacement personnel and their induction could temporarily impair ongoing day-to-day business.

Legal risk
The concept for our business model is based on the current legal situation, administrative opinion and court decisions, all of which can change at any time.

Evaluation of the overall risk position

On the basis of the monitoring system described, Deutsche EuroShop has taken appropriate steps to identify at an early stage developments jeopardising its continued existence and to counteract them. The Executive Board is not aware of any risks that could jeopardise the continued existence of the Company.

OUTLOOK

Germany remains the most important market for Deutsche EuroShop AG. The uninterrupted upward trend of the euro, a higher oil price and the continued turbulence on the international financial markets could lead to a weakening of global economic growth. Despite these factors, the Federal Government of Germany expects a stable domestic economy in 2008 and an increase in the domestic growth rate of 1.7%. Positive development in the labour market, rising wages and salaries could brighten the situation and stimulate consumption. For retail, the HDE expects a nominal increase in revenue of 2.0%, or 0.5% in real terms. The price trend represents the greatest risk for the retail economy.

Difficult market environment
Investors' interest is moving in the direction of commercial properties, in particular retail property. Shopping centers are especially in demand and the portfolio transactions of larger investors have been at a high level in 2007 despite the financial crisis. Investors are increasingly interested in pure office and retail property, since as an investment it has several advantages over residential property: a lower number of tenants, for example, long-term leases or a lower default risk on the part of the tenant. We are assuming that the demand for high-quality retail property will not significantly weaken over the current year and the purchase prices will remain high. Coupled with the increased costs for the capital procurement, it is therefore difficult for us to foresee more acquisitions. However, our most important objective remains the growth of our Company.

Complementary investment in shopping center project developments

We are currently examining additional investment opportunities, for example in the area of shopping center project developments, although these are associated with a level of higher risk than was previously the case. It is therefore our aim to limit the volume of the cash to be invested in the area of project development, in order that the Company's capacity to pay dividends is not restricted. In the event that these projects are not realised, this will be reported.

Three shopping centers to open in 2008

The construction of the Stadt-Galerie in Hameln was successfully concluded on schedule at the beginning of March 2008. It was opened on 12 March 2008 with the active participation of the local population. Approximately 100 retail outlets, restaurants and service providers across over 25,000 m^2 of rental floor space invite visitors to shop and spend time.

The Stadt-Galerie in Passau is expected to open its doors mid-September 2008. Over 85% of the rental income was already contractually secured with long-term leases by the end of February. We are expecting that the most recent rental agreements will be concluded in the coming weeks, meaning there will be full letting at the time of opening.

With the successive opening of the shopping centers still under construction, revenue and earnings should continue to improve.

Agreed transactions are the foundation for revenue and earnings planning

The Deutsche EuroShop Group's revenue and earnings planning for 2008 and 2009 does not include the purchase or sale of any properties. The results of the annual appraisal of our shopping centers and exchange rate factors are similarly not included in our planning, since they are not foreseeable. Forecasts about the future revenue and earnings situation of our Group are thus based on:

a) the development of revenue and earnings of the existing shopping centers,

b) the construction activities described above for the shopping centers in Hameln and Passau as well as the resulting revenue and earnings performance following their opening.

Revenue in 2008 climbs 18%; increase of 8% expected in 2009

For the 2008 financial year, we are anticipating revenue of between €110 million and €113 million. Not only the openings in Hameln and Passau had an effect, the Galeria Baltycka in Gdansk also delivers revenue contributions for the first time for a full financial year.

In 2009, the shopping centers in Hameln and Passau will also contribute for the first time to revenue over 12 months. We are therefore expecting that revenue will increase during the 2009 financial year to between €119 million and €121 million. Deutsche EuroShop will continue to grow organically: Until 2012, we are expecting annual increases for revenues in single-digits and a double-digit rise in EBIT.

Significant earnings growth over the next two financial years

Earnings before interest and taxes (EBIT) were €77.2 million in 2007. According to our forecast, EBIT will amount to between €90 million and €92 million in the current financial year. In 2009, once all properties still under construction have opened, this is expected to increase to between €100 million and €102 million.

Earnings before tax (EBT) excluding measurement gains and losses amounted to €37.7 million during the year under review. We expect the corresponding figure to be between €43 million and €45 million for financial year 2008 and between €49 million and €51 million for financial year 2009.

Dividend policy

It is our intention to pursue a long-term dividend policy in future focussing on continuity. We seek an increase in the dividends only where a distribution at this new minimum level is feasible in subsequent years. On the basis of our forecasts, we believe at the present moment that an increase of the dividend from 2008 is possible.

Forward-looking statements

This Management Report contains forward-looking statements based on estimates of future developments by the Executive Board. The statements and forecasts represent estimates based on all of the information available at the current time. If the assumptions on which these statements and forecasts are based do not materialise, the actual results may differ from those currently being forecast.

Consolidated financial statements

Deutsche EuroShop AG

07

Deutsche EuroShop AG, Hamburg

CONSOLIDATED FINANCIAL STATEMENTS

IFRS CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2007

ASSETS in € thousands	Notes	31.12.2007	31.12.2006
ASSETS			
Non-current assets			
Intangible assets	1.	8	13
Property, plant and equipment	2.	144,353	155,290
Investment properties	3.	1,658,200	1,452,002
Non-current financial assets	4.	32,851	29,077
Other non-current assets	5.	3,802	16,508
Non-current assets		**1,839,214**	**1,652,890**
Current assets			
Trade receivables	6.	3,179	2,337
Receivables from other investees and investors		0	2,184
Other current assets	7.	21,269	41,900
Other financial investments	8.	3,681	2,688
Cash and cash equivalents	9.	108,993	94,214
Current assets		**137,122**	**143,323**
Total assets		**1,976,336**	**1,796,213**

EQUITY AND LIABILITIES in € thousands	Notes	31.12.2007	31.12.2006
EQUITY AND LIABILITIES			
Equity and reserves			
Issued capital		34,375	22,000
Capital reserves		546,213	558,588
Retained earnings		280,210	215,688
Total equity	10.	**860,798**	**796,276**
Non-current liabilities			
Bank loans and overdrafts	11.	849,258	752,100
Deferred tax liabilities	12.	64,303	81,158
Right to redeem of limited partners	13.	113,249	101,642
Other non-current liabilities		540	403
Non-current liabilities		**1,027,350**	**935,303**
Current liabilities			
Bank loans and overdrafts	11.	46,694	28,529
Current trade payables	14.	8,651	6,497
Tax provisions	15.	520	1,308
Other provisions	16.	25,070	18,543
Other non-current liabilities	17.	7,253	9,757
Current liabilities		**88,188**	**64,634**
Total equity and liabilities		**1,976,336**	**1,796,213**

IFRS CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

in € thousands	Notes	2007	2006
Revenue	18.	95,762	92,854
Other operating income	19.	1,057	15,997
Property operating costs	20.	-9,354	-10,409
Property management costs	21.	-6,082	-5,755
Other operating expenses	22.	-4,212	-6,346
Earnings before interest and taxes (EBIT)		**77,171**	**86,341**
Income from investments	23.	1,505	1,940
Interest income		2,682	2,346
Interest expense		-40,193	-38,874
Profit/loss attributable to limited partners	24.	-14,087	-6,376
Net finance costs		**-50,093**	**-40,964**
Measurement gains	25.	**50,760**	**72,299**
Profit before tax (EBT)		**77,838**	**117,676**
Income tax expense	26.	16,344	-17,365
Other taxes		-5	-4
Consolidated profit		**94,177**	**100,307**
Basic earnings per share (€)		2.74	2.92
Diluted earnings per share (€)		2.74	2.92

IFRS CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2007

in € thousands	2007	2006
Profit after tax	**94,177**	**100,307**
Gains on the disposal of non-current assets	0	-14,829
Profit/loss attributable to limited partners	14,087	6,376
Depreciation of property, plant and equipment	16	18
Impairment losses on non-current financial assets	0	443
Changes in value of investment property in accordance with IAS 40	-46,759	-66,491
Other non-cash income and expenses	-4,216	-5,808
Deferred taxes	-16,719	16,866
Operating cash flow	**40,586**	**36,882**
Changes in receivables	32,243	-4,065
Changes in other financial investments	-993	-2,688
Changes in non-current tax provisions	-136	-5,534
Changes in current provisions	5,739	-4,837
Changes in liabilities	-524	-5,101
Cash flow from operating activities	**76,915**	**14,657**
Proceeds from the sale of consolidated companies	0	80,921
Payments to acquire consolidated companies	0	-164,457
Payments to acquire property, plant and equipment	-144,345	-43,160
Payments to acquire non-current financial assets	17	-4,889
Cash flow from investing activities	**-144,328**	**-131,585**
Changes in interest-bearing financial liabilities	119,332	49,048
Contributions of minority interests	7	0
Payments to Group shareholders	-36,094	-34,375
Payments to minority shareholders	-4,052	-4,017
Cash flow from financing activities	**79,193**	**10,656**
Net change in cash and cash equivalents	**11,780**	**-106,272**
Cash and cash equivalents at beginning of period	**94,214**	**197,192**
Changes in consolidated Group	0	2,687
Currency related changes	3,695	0
Other changes	-696	607
Cash and cash equivalents at end of period	**108,993**	**94,214**

STATEMENT OF CHANGES IN EQUITY AS OF 31 DECEMBER 2007

in € thousands	Share capital	Capital reserves
01.01.2006	**21,999**	**558,588**
Change in first-time application reserves IAS 39		
Change in first-time application reserves IAS 40		
Change due to IAS 39 measurement of investments		
Change due to IAS 39 measurement of deferred taxes		
Cashflow hedge		
Change in profits brought forward		
Other changes	1	
Total of earnings recognised directly in equity	1	0
Consolidated profit		
Total profit	22,000	558,588
Dividend payments		
31.12.2006	**22,000**	**558,588**
01.01.2007	**22,000**	**558,588**
Change due to IAS 39 measurement of investments		
Change in first-time application reserves IAS 12		
Change in first-time application reserves IAS 40		
Change in cash flow hedge		
Change due to currency translation effects		
Other changes		
Total of earnings recognised directly in equity	0	0
Consolidated profit		
Total profit	22,000	558,588
Capital increase from own funds	12,375	-12,375
Dividend payments		
31.12.2007	**34,375**	**546,213**

Other retained earnings	Legal reserve	Total
142,067	**2,000**	**724,654**
-18,964		-18,964
3,688		3,688
3,428		3,428
-284		-284
2,011		2,011
15,464		15,464
346		347
5,689	0	5,690
100,307		100,307
248,063	2,000	830,651
-34,375		-34,375
213,688	**2,000**	**796,276**
213,688	**2,000**	**796,276**
3,519		3,519
136		136
-861		-861
1,263		1,263
2,445		2,445
-63		-63
6,439	0	6,439
94,177		94,177
314,304	2,000	896,892
0		0
-36,094		-36,094
278,210	**2,000**	**860,798**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR 2007 FINANCIAL YEAR

GENERAL DISCLOSURES

The Group parent is Deutsche EuroShop AG, Hamburg, Germany. The Company's registered office is Oderfelder Strasse 23, 20149 Hamburg, Germany and is entered in the Hamburg commercial register under HRB 91799.

The consolidated financial statements of Deutsche EuroShop AG have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), including the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the HGB. All IFRSs and IFRIC interpretations endorsed by the European Commission and required to be applied as of 31 December 2007 have been applied.

In addition to the consolidated balance sheet and the consolidated income statement, the consolidated financial statements comprise the statement of changes in equity, the cash flow statement and the notes.

Amounts are presented in thousands of €.

Since it began operating in 2000, Deutsche EuroShop AG has focused on acquiring, managing, using and selling investments of all kinds, and in particular investments in retail properties.

The preparation of the consolidated financial statements necessitates the use of estimates and assumptions. These affect the reported amounts of assets, liabilities and contingent liabilities at the balance sheet date, as well as the recognition of income and expenses during the reporting period. The actual amounts can differ from these estimates. Expected cash flows and the discount factor are essential parameters for the measurement of investment properties.

The consolidated financial statements were approved for publication by the Executive Board on 17 April 2008.

BASIS OF CONSOLIDATION AND CONSOLIDATION METHODS

Basis of consolidation

The consolidated financial statements include all material subsidiaries in which Deutsche EuroShop AG directly or indirectly holds a majority of voting rights, plus those companies which are joint ventures.

As of 31 December 2007, the basis of consolidation comprised, in addition to the parent company, 12 (previous year: 13) fully consolidated domestic and foreign subsidiaries and 8 (previous year: 8) proportionately consolidated domestic and foreign companies.

Investments over which Deutsche EuroShop AG does not exercise control are measured at fair value, in line with the provisions of IAS 39. This includes the investment in Ilwro Joint Venture Sp. zo.o., Warsaw.

Companies with no business operations or with a low volume of business are not included in the consolidated financial statements. Overall, they account for less than 1% of consolidated revenue and earnings. These are the investments in City-Point Beteiligungs GmbH, Pöcking, Kommanditgesellschaft Sechzehnte ALBA Grundstücksgesellschaft mbH & Co., Hamburg, Caspia Investments Sp. zo.o.,Warsaw, and EKZ Vier Errichtungs- und Betriebs Ges.m.b.H., Vienna, which was acquired during the reporting year at a purchase price of €21 thousand.

In December 2007, Centro Commerciale Friuli Claus Matthias Böge & Co. S.a.s., Milan, Italy, was wound up.

A detailed list of the companies included in the consolidated financial statements is included as part of the notes. A list of shareholdings in accordance with section 285 no. 11 of the Handelsgesetzbuch (HGB – German Commercial Code) and section 313(2) nos. 1 to 4 and (3) of the HGB is published in the electronic Federal Official Gazette.

The annual financial statements of the consolidated companies were prepared as at 31 December 2007, the reporting date of the consolidated financial statements.

Consolidation methods

For purchase accounting, the cost is eliminated against the parent's interest in the re-valued equity of the subsidiaries at the date of acquisition or initial consolidation. Any remaining excess of cost of acquisition over identified net assets acquired is recognised as goodwill in intangible assets, unless it can be allocated to the carrying amounts of properties.

Joint ventures are included proportionately in the consolidated financial statements in accordance with IAS 31. Alternatively, the equity method is also permissible. The assets and liabilities as well as the income and expenses of jointly controlled entities are included in the consolidated financial statements according to the interest held in these entities. Proportionate consolidation and accounting for goodwill follows the same principles applied to the consolidation of subsidiaries.

Intragroup transactions are eliminated as part of the consolidation of intercompany balances and of income and expenses.

CURRENCY TRANSLATION

The Group currency is the euro (€)

Ongoing transactions in foreign currencies are translated at the middle rate on the date of the respective transaction. Realised translation differences are recognised in the income statement.

The companies located outside the European Monetary Union that are included in the consolidated financial statements are treated as foreign entities. Under IAS 21, annual financial statements prepared in foreign currencies are translated using the functional currency method. All assets and liabilities are translated at closing rates. The items in the income statement are measured at average rates. The resulting translation differences are taken to equity in the Change item due to currency translation effects.

Differences from the consolidation of intercompany balances and of income and expenses are recognised in profit or loss.

A closing rate of HUF 253.73 (previous year: HUF 251.77) and an average rate of HUF 251.35 (previous year: HUF 264.26) were used in the translation of the Hungarian single-entity financial statements from forint to euros. A closing rate of PLN 3.593 (previous year: PLN 3.831) and an average rate of PLN 3.783 (previous year: PLN 3.896) was taken as a basis for translating the single-entity financial statements of the Polish property company.

CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board (IASB) has issued several amendments to the existing International Financial Reporting Standards (IFRSs), as well as a number of new IFRSs, which are required to be applied effective 1 January 2007. The following IFRSs were applied for the first time during the year under review:

- IAS 1 „Capital Disclosures“
- IFRS 7 „Financial Instruments: Disclosures“
- IFRIC 7 „Applying the Restatement Approach“
- IFRIC 8 „Scope of IFRS 2“
- IFRIC 9 „Reassessment of Embedded Derivatives“
- IFRIC 10 „Interim Financial Reporting and Impairment”

The application of these interpretations did not result in any changes of accounting policies within the Group.

The following new or revised Standards and Interpretations relevant to the Group’s business activities were published as of 31 December 2007 but are not yet required to be applied as of the balance sheet date:

- IAS 1 „Capital Disclosures“
- IAS 23 „Borrowing Costs“
- IFRS 8 „Operating Segments“

SIGNIFICANT ACCOUNTING POLICIES

Revenue and expense recognition

Revenue and other operating income is recognised once the relevant service has been rendered or once the risk has passed to the customer. Operating expenses are recognised once the service has been utilised or at the time when they are incurred. Interest income and expense are accrued.

Intangible assets

Intangible assets relate exclusively to software purchased by Deutsche EuroShop AG. Additions are measured at cost. These are amortised using the straight-line method over the expected useful life of 5 years. The method of amortisation and the amortisation period are reviewed annually at the end of each financial year.

Property, plant and equipment

Property, plant and equipment is reported at cost less depreciation and, where applicable, impairment losses.

Properties constructed or developed for future use as investment property are initially reported as property, plant and equipment and then, following completion, as investment property. In the year under review, the Stadt-Galerie Hameln and Stadt-Galerie Passau under construction were reported under property, plant and equipment.

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are included in the cost of that asset until the time at which the asset is largely ready for its intended use. Income from the temporary investment of specifically borrowed funds is deducted from the borrowing costs of these assets to be capitalised until the latter are used to obtain qualifying assets.

All other borrowing costs are recognised in income in the period in which they occur.

Maintenance measures relating to property, plant and equipment are recognised as an expense in the year in which they occur.

Operating and office equipment comprises office equipment, fittings and technical equipment belonging to Deutsche EuroShop AG, and is depreciated using the straight-line method over 3 to 13 years. The method of amortisation and the amortisation period are reviewed annually at the end of each financial year.

Investment property

Under IAS 40, investment property must initially be measured at cost at the date of acquisition. The costs for the shopping centers under construction are transferred from Property, plant and equipment to Investment properties following their completion. The initial valuation at fair value takes place at the end of the financial year in which the property was completed.

Subsequently, all properties must be measured at their fair value, and the annual net changes recognised in income in measurement gains. Investment property is property held long term to earn rentals or for capital appreciation. Under IAS 40, investment property measured using the fair value model is not depreciated.

The fair values of the property in the period under review were determined by recognised independent external appraisers using the discounted cash flow method. Fair value is the amount that a purchaser would be willing to pay to the seller at the time the property is valued. The purchaser would also be required to bear additional transaction costs, such as real estate transfer tax or estate agent's fees.

The fair values correspond to the present value of future net cash flows discounted back to the reporting date. Cash flows is the rental income from the property less the management costs of administration, operation, maintenance and rent loss. In the case of the expert appraisals prepared in 2007, average management costs of 13.3% (previous year: 13.6%) were applied.

The average interest rate of 6.38% (previous year: 6.44%) used for discounting future net income is based on the expected yield of 10-year German federal bonds, which was forecast by the experts at an average of 4.78% (previous year: 4.73%) compared with the current 4.36% (as at 31 December 2007). Risk premiums for the individual properties are added to this. The level of the risk premium depends on trends for a large number of individual indicators. Assessment of regional economic development plays a decisive role here.

This assessment includes a long-term forecast of population development, the level of employment and the associated effects on retail demand, a forecast of the development of the competitive environment and also of construction activity. The experts applied average risk premiums of 1.60% (previous year: 1.71%).

On the basis of the expert appraisals, the real estate portfolio has a theoretical initial net yield of 5.40% for the 2007 financial year, compared with 5.39% in the previous year. The inclusion of the Galeria Baltycka, which was measured in the financial year for the first time, raises initial net yield to 5.49%.

Lease agreements

In line with IAS 17, the rental agreements in the Deutsche EuroShop Group are classified as operating leases. The operating leasing agreements relate to investment property owned by the Group with long-term rental periods. Rental income from operating leases is recognised in income on a straight-line basis over the term of the corresponding lease agreement. The lessee has no opportunity to acquire the property at the end of the term.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions governing the financial instrument.

1. Derivative financial instruments

Derivatives that qualify for hedge accounting in accordance with IAS 39 are used to hedge interest rate risks. They are fixed-rate swaps to limit the interest rate risk of a variable-interest rate loan. These interest rate hedges are recognised at fair value under Other assets or Other liabilities. As long as the conditions of the underlying and hedge transaction are identical, changes are recognised directly in equity. A test of effectiveness for the hedges is regularly implemented. Present value is calculated based on discounted cash flows using current market rates.

2. Non-current financial assets

Non-current financial assets are classified as Available-for-Sale and consist exclusively of the Other investments item under the HGB. Investments over which Deutsche EuroShop AG does not exercise control are measured at fair value, in line with the provisions of IAS 39. The measurement gains and losses are recognised directly in equity. The fair value of financial instruments for which there are no quoted market prices is estimated on the basis of the market values of the properties determined by appraisals, less net indebtedness. The determination of fair value assumes the existence of a going concern.

For reasons of materiality no fair value is reported for the investments in City-Point Beteiligungs GmbH, Pöcking, Kommanditgesellschaft Sechzehnte ALBA Grundstücksgesellschaft mbH & Co., Hamburg and in CASPIA Investments Sp. zo.o., Warsaw, Poland. Our Austrian property company also acquired an investment in EKZ Vier Errichtungs- und Betriebs Ges.m.b.H., Vienna in July 2007. This is a property company with no significant business operations and has therefore not been included in the consolidated financial statements. These investments are carried at cost.

3. Receivables and other current assets

Receivables and other current assets are carried at amortised cost less write-downs.

4. Other financial investments

Other financial investments relate on the one hand to money market fund units that are classified as Held-for-trading and carried at their fair value at the balance sheet date in accordance with IAS 39. On the other hand, investments with a term of over 3 months are included at their fair value in these items and their interest income is included in net financial income. The resulting gains on disposal are recognised in income in the Other operating income item.

5. Right to redeem of limited partners

The distinction between equity and liabilities is set out in IAS 32 Financial Instruments: Disclosure and Presentation. In accordance with this Standard, the equity interests of minority shareholders in commercial partnerships are reclassified as liabilities due to the shareholders' potential right of redemption. In accordance with sections 131 et seq of the HGB, shareholders in commercial partnerships have an ordinary legal right of termination of six months to the end of the fiscal year, which the shareholders' agreement can define in greater detail, but not exclude. As a result of this stipulation, a liability rather than equity is recognised in the balance sheet. This liability must be measured at fair value.

6. Bank loans and overdrafts

Liabilities to banks/bank loans and overdrafts are reported at cost. Discounts have been deducted, which under IAS 39 must be amortised over the term of the loan agreement and recognised annually as an expense.

7. Trade payables

Trade payables are carried at their repayment amount.

8. Other liabilities

Other liabilities are recognised at amortised cost.

9. Cash and cash equivalents

Cash and cash equivalents include cash and bank balances at their principal amounts.

Deferred taxes

In accordance with IAS 12, deferred taxes were recognised for all differences between the tax accounts and the IFRS balance sheet, using the currently enacted tax rate. Deutsche EuroShop AG calculates its deferred taxes on the basis of the on-balance liability method. In light of the corporation tax reform and the associated reduction of corporation tax rates from 2008, a uniform corporation tax rate of 15% at present plus the solidarity surcharge of 5.5% is used for German companies and the local tax rates for foreign companies. In accordance with IAS 12.74 deferred tax assets on existing loss carryforwards are offset at present against deferred tax liabilities.

Other provisions

Under the IFRSs, other provisions may only be recognised if an obligation exists to a third party and settlement is probable. Non-current provisions are discounted.

DISCLOSURES ON THE CONSOLIDATED BALANCE SHEET – ASSETS

1. Intangible assets

	Concessions, industrial and similar rights and licenses in such rights and assets
in € thousands	**2006**
Costs as of 1 January	**25**
Currency differences	0
Additions	0
Disposals	0
Reclassifications	0
as of 31 December	**25**
Amortisation as of 1 January	**-7**
Currency differences	0
Additions	-5
Reversals of impairment losses	0
Disposals	0
as of 31 December	**-12**
Carrying amount 1 January	**18**
Carrying amount 31 December	**13**

	Concessions, industrial and similar rights and licenses in such rights and assets
in € thousands	**2007**
Costs as of 1 January	**25**
Currency differences	0
Additions	0
Disposals	0
Reclassifications	0
as of 31 December	**25**
Amortisation as of 1 January	**-12**
Currency differences	0
Additions	-5
Reversals of impairment losses	0
Disposals	0
as of 31 December	**-17**
Carrying amount 1 January	**13**
Carrying amount 31 December	**8**

This item includes essentially software licenses.

Amortisation is based on a useful life of between 2 and 5 years. It is calculated linearly at 20% to 50%.

2. Property, plant and equipment

2006 in € thousands	Property, advance payments and assets under construction	Other equipment, operating and office equipment	Total
Costs as of 1 January	**71,887**	**67**	**71,954**
Currency differences	0	0	0
Additions	26,860	8	26,868
Disposals	0	0	0
Reclassifications	-58,490	0	-58,490
Changes in consolidated Group	115,243	0	115,243
as of 31 December	**155,500**	**75**	**155,575**
Amortisation as of 1 January	**0**	**-42**	**-42**
Currency differences	0	0	0
Additions	-230	-13	-243
Reversals of impairment losses	0	0	0
Disposals	0	0	0
as of 31 December	**-230**	**-55**	**-285**
Carrying amount 1 January	**71,887**	**25**	**71,912**
Carrying amount 31 December	**155,270**	**20**	**155,290**

2007 in € thousands	Property, advance payments and assets under construction	Other equipment, operating and office equipment	Total
Costs as of 1 January	**155,500**	**75**	**155,575**
Currency differences	8,034	0	8,034
Additions	130,775	8	130,783
Disposals	0	0	0
Reclassifications	-149,742	0	-149,742
as of 31 December	**144,567**	**83**	**144,650**
Amortisation as of 1 January	**-230**	**-55**	**-285**
Currency differences	0	0	0
Additions	0	-12	-12
Reversals of impairment losses	0	0	0
Disposals	0	0	0
as of 31 December	**-230**	**-67**	**-297**
Carrying amount 1 January	**155,270**	**20**	**155,290**
Carrying amount 31 December	**144,337**	**16**	**144,353**

The additions to the Property, advance payments and assets under construction item concern the newly built properties in Hameln and Passau, as well as advance payments of Galeria Baltycka, which was opened in October 2007. The reclassifications are the result of the recognition of this property at its market value in line with IAS 40 as of the balance sheet date.

The total amount includes interest capitalised in the financial year amounting to €2,080 thousand, which was incurred during construction.

3. Investment properties

in € thousands	Investment properties 2006
Costs as of 1 January	**1,078,774**
Currency differences	0
Additions	386
Investments during the current year	3,418
Disposals	-73,411
Reclassifications	58,490
Changes in consolidated Group	268,536
as of 31 December	**1,336,193**
Depreciation and amortisation/impairment losses and reversals as of 1 January	**59,497**
Currency differences	0
Additions	0
Reversals of impairment losses	66,491
Disposals	-10,179
as of 31 December	**115,809**
Carrying amount 1 January	**1,138,271**
Carrying amount 31 December	**1,452,002**

The previous year's figures for cost and depreciation and amortisation/impairment losses have been adjusted.

Costs in € thousands	Investment property 2007
Costs as of 1 January	**1,336,193**
Currency differences	-373
Additions	0
Investments during the current year	2,921
Disposals	0
Reclassifications	156,891
as of 31 December	**1,495,632**
Depreciation and amortisation/impairment losses and reversals as of 1 January	**115,809**
Currency differences	0
Additions	0
Reversals of impairment losses	46,759
Disposals	0
as of 31 December	**162,568**
Carrying amount 1 January	**1,452,002**
Carrying amount 31 December	**1,658,200**

Reclassifications relate to Galeria Baltycka, which was reported for the first time at fair value under IAS 40. Since the final statement of the entire investment is still outstanding, the fair value was estimated properly by Deutsche EuroShop for a new shopping center, taking into account a provisional valuation report of 2006.

Furthermore, reversals of impairment losses of €46,759 thousand were made on the property in line with IAS 40.

The properties are secured by mortgages. Land charges exist in the amount of €1,077,481 thousand.

The rental income of the property valued in line with IAS 40 amounted to €95,762 thousand. The direct operating expenses amounted to €11,537 thousand.

4. Non-current financial assets

	Non-current financial assets
Costs in € thousands	**2006**
Costs as of 1 January	**109,455**
Currency differences	0
Additions	4,889
Disposals	0
Reclassifications	0
Changes in consolidated Group	-95,639
as of 31 December	**18,705**
Depreciation and amortisation/impairment losses and reversals as of 1 January	**7,349**
Currency differences	0
Additions	0
Reversals of impairment losses	3,777
Disposals	-754
as of 31 December	**10,372**
Carrying amount 1 January	**116,804**
Carrying amount 31 December	**29,077**

Costs in € thousands	Non-current financial assets 2007
Costs as of 1 January	**18,705**
Currency differences	273
Additions	526
Disposals	-543
Reclassifications	0
as of 31 December	**18,961**
Depreciation and amortisation/impairment losses and reversals as of 1 January	**10,372**
Currency differences	0
Additions	0
Reversals of impairment losses	3,518
Disposals	0
as of 31 December	**13,890**
Carrying amount 1 January	**29,077**
Carrying amount 31 December	**32,851**

The additions involve a capital increase in the case of Sechzehnte Alba Grundstücksgesellschaft mbH & Co. of €50 thousand, in which Deutsche EuroShop Verwaltungs GmbH has an interest.

Our Austrian real estate company, EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OEG, Vienna, also acquired shares in EKZ Vier Errichtungs und Betriebs Ges.m.b.H., Vienna, for a purchase price of €21 thousand in July 2007.

The disposals include an equity repayment of the Polish property company, CASPIA Investments Sp. zo.o. to the shareholders of €543 thousand.

Sechzehnte Alba Grundstücksgesellschaft mbH & Co., EKZ Vier Errichtungs- und Betriebs Ges.m.b.H. and CASPIA Investments Sp. zo.o are not included in the consolidated financial statements for reasons of materiality.

Non-current financial assets contain investments that are not included in the consolidation but that are classified as available-for-sale in accordance with IAS 39 and recognised at their fair values. During the year under review, an impairment loss relating to Ilwro Joint Venture Sp. zo.o., Warsaw, was reversed in the amount of €3,518 thousand and recognised directly in equity. At the balance sheet date, the net carrying amount of the investment amounted to €28,092 thousand.

In addition, the ending balance contains the investment in City-Point Beteiligungs GmbH, Pöcking. The company's activities are limited to acting as the general partner of City-Point Kassel KG, Pöcking. The net carrying amount is €13 thousand. The company has not been consolidated for reasons of materiality.

5. Other non-current assets

in € thousands	31.12.2007	31.12.2006
Other non-current assets	3,802	16,508
	3,802	**16,508**

The item essentially includes the present value for interest rate swaps of €3,718 thousand.

In connection with loans, Deutsche EuroShop AG has concluded interest rate hedges for hedge against increasing capital market interest. Their present value amounted to €2,563 thousand on the balance sheet date.

The item also includes the present value of a long-term option contract of €1,155 thousand, which our Polish property company concluded in 2006. This business will provide the company with annual cash flows of €207 thousand until 2016.

In the previous year, it essentially included letting costs paid in advance and capital contributions still to be paid.

6. Trade receivables

in € thousands	31.12.2007	31.12.2006
Trade receivables	4,166	3,894
Allowances for doubtful accounts	-987	-1,557
	3,179	**2,337**

Receivables result primarily from rental settlements and uncharged payments for investments. Guarantees, cash security deposits and letters of comfort serve as collateral.

7. Other current assets

in € thousands	31.12.2007	31.12.2006
Unpaid contributions	11,326	15,273
Value added tax receivables	6,766	19,978
Deductible withholding tax on dividends/solidarity surcharge	209	1,092
Interest rate swap	207	207
Income tax receivables	39	2,360
Miscellaneous assets	2,722	2,990
	21,269	**41,900**

Unpaid contributions refer to capital contributions yet to be paid by minority shareholders for Stadt-Galerie Passau KG and Stadt-Galerie Hameln KG.

Value added tax receivables essentially concern our investments in Hameln, Passau and Gdansk. Miscellaneous assets primarily consist of other receivables from tenants as well as location securing costs.

The interest rate swap concerns the current part of the receivable, which is explained under Other non-current assets and which is attributable to our Polish property company in 2008.

Receivables

in € thousands	Total	up to 1 year	over 1 year
Trade receivables	3,179	3,179	0
	(2,337)	(2,337)	(0)
Other current assets	25,071	21,269	3,802
	(58,408)	(41,900)	(16,508)
	28,250	**24,448**	**3,802**
	(60,745)	**(44,237)**	**(16,508)**

Previous year's figures in brackets

8. Other financial investments

in € thousands	31.12.2007	31.12.2006
Time deposits with a term of over 3 months	0	1,720
Other securities	3,681	968
	3,681	**2,688**

DWS money market fund units are reported, which have been recognised at fair value and longer-term invested cash balances, which were included in cash and cash equivalents in the previous year.

9. Cash and cash equivalents

in € thousands	31.12.2007	31.12.2006
Short-term time deposits	100,029	66,132
Current accounts	8,770	28,059
Cash	194	23
	108,993	**94,214**

During the reporting year, securities and time deposit investments were reclassified to Other financial investments. The previous year's figures were adjusted accordingly.

DISCLOSURES ON THE CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

10. Issued capital and capital reserves

On 6 August 2007, Deutsche EuroShop AG implemented a capital increase from own funds with subsequent two-for-one share split. The share capital is thus divided into 34,374,998 no-par value registered shares and amounts to €34,374,998 following the changeover.

The notional value of each share is €1.00.

According to section 5 of the Articles of Association dated 31 August 2007, the Executive Board is authorised, with the approval of the Supervisory Board, to increase the Company's share capital by up to a total of €17,187,499 on one or several occasions until 20 June 2012 by issuing up to 17,187,499 no-par value registered shares against cash or non-cash contributions.

The Executive Board is authorised, with the approval of the Supervisory Board, until 21 June 2011 to issue convertible bonds with a nominal value of up to a total of €150,000 thousand and maturities of up to seven years and to grant bond holders or creditors conversion rights to up to 7,500,000 new no-par-value registered shares in the Company with a proportionate amount of share capital of up to €7,500,000 as detailed in the terms and conditions for convertible bonds to be published by the Executive Board, with the approval of the Supervisory Board.

As the parent company of the Group, Deutsche EuroShop AG has reported an unappropriated surplus of €36,094 thousand. The Executive Board and Supervisory Board will propose to distribute this amount as a dividend of €1.05 per share at the Annual General Meeting on 19 June 2008. From unappropriated surplus of the previous financial year of €45,092 thousand, a dividend of €36,094 thousand will be distributed to the shareholders and an amount of €8,998 thousand will be carried forward on new account.

11. Bank loans and overdrafts

in € thousands	31.12.2007	31.12.2006
Non-current bank loans and overdrafts	849,258	752,100
Current bank loans and overdrafts	46,694	28,529
	895,952	**780,629**

Bank loans and overdrafts are recognised at amortised cost on the balance sheet date. The present value of loans is re-determined on the balance sheet date. To do so, the annuities due up to this time, together with any residual amount according to the redemption schedule, are discounted to the balance sheet date at market rates of interest plus a margin. The fair value of the bank loans and overdrafts at the balance sheet date amounts to €897,972 thousand (previous year: €795,854 thousand).

Bank loans and overdrafts relate to loans raised to finance real property acquisitions and investment projects. Land charges on company properties amounting to €1,077,481 thousand (previous year: €871,829 thousand) serve as collateral.

Discounts are amortised over the term of the loan. In the year under review, €5,756 thousand (previous year: €5,310 thousand) was recognised in income.

12. Deferred tax liabilities

in € thousands	as of 01.01.2007	Utilisation	Reversal	Addition	as of 31.12.2007
Deferred tax liabilities	**81,158**	**0**	**29,823**	**12,968**	**64,303**

As a result of the lowering of the corporate tax rate as of 2008 from 25% to 15%, deferred tax of €29,687 thousand was reversed in income. Within the scope of a tax audit, €136 thousand tax provisions were also reversed in equity.

The deferred tax liabilities were recognised for the current consolidated profit for the period. Additions for companies in Germany amounted to €10,111 thousand, while additions of €2,857 thousand were made for companies abroad.

Deferred tax liabilities relate primarily to properties reported at fair value in accordance with IAS 40. At the balance sheet date, they amounted to €79,867 thousand (previous year: €107,502 thousand) and were partially offset by deferred tax assets on tax loss carryforwards of €15,564 thousand (previous year: €26,344 thousand).

13. Right to redeem of limited partners

in € thousands	31.12.2007	31.12.2006
Right to redeem of limited partners	113,249	101,642
	113,249	**101,642**

14. Current trade payables

in € thousands	31.12.2007	31.12.2006
Construction services	7,295	5,208
Fees	729	107
Others	627	1,182
	8,651	**6,497**

15. Tax provisions

in € thousands	as of 01.01.2007	Utilisation	Reversal	Addition	as of 31.12.2007
Other income taxes	957	767	63	86	213
Real property tax	351	56	0	12	307
	1.308	**823**	**63**	**98**	**520**

Trade tax provisions were recognised for Deutsche EuroShop AG and Deutsche EuroShop Verwaltungs GmbH under the minimum taxation requirements, and corporation tax provisions were recognised for Deutsche EuroShop Management GmbH.

Real property tax provisions relate exclusively to companies in Germany.

16. Other provisions

in € thousands	as of 01.01.2007	Utilisation	Reversal	Addition	as of 31.12.2007
Maintenance and construction services already performed but not yet invoiced	7,597	7,067	124	20,270	20,676
Fees	5,712	5,712	0	65	65
Others	5,234	2,529	66	1,690	4,329
	18,543	**15,308**	**190**	**22,025**	**25,070**

The provisions for maintenance and construction services already performed but not yet invoiced relate primarily to the properties in Gdansk and Hameln, which are currently under construction.

All provisions have a term of up to one year.

17. Other current liabilities

in € thousands	31.12.2007	31.12.2006
Rental deposits	1,572	752
Value added tax	1,459	1,113
Service contract liabilities	779	2,492
Debtors with credit balances	338	189
Others	3,105	5,211
	7,253	**9,757**

The Miscellaneous item mainly comprises liabilities for supplementary heating and ancillary costs, as well as prepaid rent for the following year.

Liabilities

in € thousands	Total	up to 1 year	1 to 5 years	over 5 years
Bank loans and overdrafts	895,952	46,694	68,974	780,284
	(780,629)	(28,529)	(34,230)	(717,870)
Current trade payables	8,651	8,651	0	0
	(6,497)	(6,497)	(0)	(0)
Other non-current liabilities	7,793	7,253	339	201
	(10,160)	(9,757)	(214)	(189)
thereof taxes	*1,503*	*1,503*	*0*	*0*
	(1,114)	*(1,114)*	*(0)*	*(0)*
	912,396	**62,598**	**69,313**	**780,485**
	(797,286)	**(44,783)**	**(34,444)**	**(718,059)**

Previous year's figures in brackets

DISCLOSURES ON THE CONSOLIDATED INCOME STATEMENT

18. Revenue

in € thousands	2007	2006
Minimum rental income	92,077	89,101
Turnover rental income	2,271	2,049
Other revenue	1,414	1,704
	95,762	**92,854**
thereof investment property under IAS 40 directly attributable rental income	*95,762*	*92,441*

Other revenue relates primarily to ancillary costs that were uncharged and compensation for use and settlement payments made to former tenants.

The amounts reported here as operating leasing agreements relate to rental income from the investment property with long-term rental periods. With these types of leasing agreements, future minimum leasing payments from non-cancellable rental agreements must be given up to the end of the term.

The following maturities arise from the minimum leasing payments:	2007	2006
Maturity within a year	108,147	88,138
Maturity from 1 to 5 years	425,781	330,147
Maturity after 5 years	329,794	229,137
	863,722	**647,422**

The statements were made in line with IAS 17 for the first time in the 2007 financial year. They were not made in the previous year (IAS 8).

19. Other operating income

in € thousands	2007	2006
Gains on the sale of current financial instruments	433	302
Income from the reversal of provisions	131	75
Income from the sale of properties	0	14.829
Exchange rate gains	30	179
Others	463	612
	1,057	**15,997**

Other income no longer necessary for allowances on receivables is reported in this item.

20. Property operating costs

in € thousands	2007	2006
Center marketing	-2,048	-1,780
Maintenance and repairs	-1,659	-507
Rental costs	-1,339	-1,487
Real property tax	-693	-822
Insurance	-426	-680
Write-downs of rent receivables	-213	-271
Ancillary operating costs France	0	-204
Others	-2,976	-4,658
	-9,354	**-10,409**
thereof investment property in line with IAS 40 directly attributable operating expenses	*-6,329*	*-8,396*

The disclosures on directly attributable operating expenses in line with IAS 40 Investment Properties relate to properties that are recognised at fair value.

21. Property management costs

in € thousands	2007	2006
Center management/agency agreement costs	**-6,082**	**-5,755**
thereof investment property in line with IAS 40 directly attributable operating expenses	*-5,208*	*-5,655*

The disclosures on directly attributable operating expenses in line with IAS 40 Investment Properties 40 relate to properties that are recognised at fair value.

22. Other operating expenses

in € thousands	2007	2006
Personnel expenses	-1,179	-1,034
Marketing costs	-458	-451
Appraisal costs	-151	-160
Exchange rate losses	-21	-35
Amortisation	-16	-462
Others	-2,387	-4,204
	-4,212	**-6,346**

Other expenses includes €275 thousand in fees for the audit of Group companies. €245 thousand of this figure is attributable to BDO Deutsche Warentreuhand AG. €10 thousand were also spent on consulting services from BDO Warentreuhand AG.

23. Income from investments

in € thousands	2007	2006
Income from investments	1,505	1,940
	1,505	**1,940**

In the year under review, this item included the dividend paid by Ilwro Joint Venture Sp. zo.o. and City-Point Beteili-gungs GmbH.

24. Profit/loss attributable to limited partners

in € thousands	2007	2006
Minority interest in commercial partnerships	-14,087	-6,376
	-14,087	**-6,376**

The increase in profit/loss attributable to minority shareholders as against the previous year is essentially due to the fact that a higher profit/loss share was attributed to minority interests in line with IAS 40 with the first-time valuation of the Galeria Baltycka.

In the reporting year, €10,658 thousand (previous year: €3,458 thousand) was attributable to measurement gains and €3,429 thousand (previous year: €2,918 thousand) to current results.

25. Measurement gains

in € thousands	2007	2006
Fair value gains in accordance with IAS 40	46,759	66,491
Exchange rate gains	4,010	1,053
Excess of identified net assets acquired over cost of acquisition resulting from changes in the consolidated Group in accordance with IFRS 3	-9	4,560
Others	0	195
	50,760	**72,299**

26. Income tax expense

in € thousands	2007	2006
Current tax expense	-375	-500
Deferred tax liabilities – domestic companies	19,576	-20,647
Deferred tax liabilities – foreign companies	-2,857	3,782
	16,344	**-17,365**

In measuring deferred taxes, the tax rates applicable in accordance with IAS 12 are the ones valid under current legislation at the date at which the temporary differences will probably reverse. In light of the corporation tax reform and the associated reduction of corporation tax rates, deferred tax was calculated for the domestic companies with a tax rate of 15% in 2007. In addition, a solidarity surcharge of 5.5% on the calculated corporation tax was recognised. The respective local tax rates were recognised for companies abroad.

Tax reconciliation

The income taxes in the amount of €16,344 thousand during the year under review are derived as follows from an expected income tax expense that would have resulted from the application of the parent company's statutory income tax rate to the profit before tax. This was calculated using a corporation tax rate of 15% plus the 5.5% solidarity surcharge.

in € thousands	2007	2006
Consolidated profit before income tax	**77,838**	**117,676**
Theoretical income tax 15.825 % (previous year: 26.375%)	**-12,318**	**-31,037**
Reversal of deferred income taxes	0	10,011
Tax-free income	0	3,452
Tax rate differences for foreign Group companies	-695	528
Others	-330	-319
Effective income tax	**-13,343**	**-17,365**
Reversal due to tax rate reduction	29,687	0
Current income taxes	**16,344**	**-17,365**

Deutsche EuroShop AG is a commercial enterprise by virtue of its legal form and its trade income is subject to trade tax.

However, since 2003 Deutsche EuroShop AG has met the requirements for the extended reduction of trade tax in accordance with section 9(1) sentence 2 of the Gewerbesteuergesetz (GewStG – Trade Tax Act). As a result, no significant trade tax payments have been made to date.

At present, the trade tax is only applied to income not covered by the extended reduction of trade tax, such as interest income. In the current year, €82 thousand in trade tax expense was included in the effective tax expense.

In financial year 2007, the effective income tax rate was 17%.

DISCLOSURES ON THE CONSOLIDATED CASH FLOW STATEMENT

Disclosures on the consolidated cash flow statement

The cash flow statement has been prepared in accordance with IAS 7 and is broken down into operating cash flow and cash flow from operating activities, cash flow from investing activities, and cash flow from financing activities. Cash and cash equivalents consist of cash and bank balances.

Cash and cash equivalents

in € thousands	31.12.2007	31.12.2006
Cash and cash equivalents	108,993	94,214
	108,993	**94,214**

Cash and cash equivalents consist of bank balances and cash. The previous year's value was corrected for investments in money market funds and term deposits which are invested for longer than 3 months. These amounts are now reported in the cash flow statement in the item Changes in other financial investments.

Operating cash flow

After adjustment of the profit for the period for non-cash income and expenses, the operating cash flow amounts to €40,586 thousand. All changes to cash flows from net finance costs are allocated to operating activities.

Cash flow from operating activities

Changes in receivables, provisions and liabilities are allocated to cash flow from operating activities.

Cash flows from operating activities include:

- interest income in the amount of €2.7 million (previous year: €2.3 million)
- interest expense in the amount of €34.4 million (previous year: €33.3 million)
- income tax paid in the amount of €0.4 million (previous year: €0.5 million)

Cash flow from investing activities

Cash additions/disposals of property, plant and equipment and non-current financial assets during the current year are disclosed.

Cash flow from financing activities

In the 2007 financial year, a dividend of €36,094 thousand was paid to the shareholders and distributions of €4,052 thousand made to the minority shareholders.

Currency related and other changes

This item is primarily the result of equity effects relating to currency translation of foreign investments.

Cashflow per share

		31.12.2007	31.12.2006
Average outstanding shares		34,374,998	34,374,998
Operating cash flow	€ thousand	40,586	36,882
Operating cash flow per share	€	1.18	1.07
Cash flow from operating activities	€ thousand	76,915	14,657
Cashflow per share	€	2.24	0.43

The presentation of the cash flow from operating activities has been changed and the previous year adjusted accordingly. The item now also includes the changes of other financial investments which were a component of the cash and cash equivalents in the previous year. Furthermore, the previous year's values were adjusted in view of the shares in circulation, with regard to the share split.

EARNINGS PER SHARE

In accordance with IAS 33, earnings per share are calculated by dividing the consolidated profit for the period by the weighted average number of shares in issue. This ratio can be diluted by 'potential' shares (convertible bonds and stock options) or by capital increases.

According to the share split of August 2007, the share capital of Deutsche EuroShop AG is composed of 34,374,998 no-par value registered shares.

		2007	2006
Shares in circulation		34,374,998	34,374,998
Consolidated net profit attributable to Group shareholders	€ thousand	94,177	100,307
Earnings per share (basic)	€	2.74	2.92
Earnings per share (diluted)	€	2.74	2.92

The previous year's figures were adjusted.

OTHER DISCLOSURES

27. Financial instruments and risk management

Carrying amounts, valuations and fair values according to measurement category

in € thousands	Valuation category in line with IAS 39	Balance sheet amount in line with IAS 39 Carrying amount 31.12.2007	Cost carried
Financial assets			
Non-current financial assets	AfS	32,851	4,759
Trade receivables	LaR	3,179	3,179
Other current assets*	LaR	15,951	12,026
Other financial investments	HfT	3,681	3,681
Cash and cash equivalents	LaR	108,993	108,993
Financial liabilities			
Bank loans and overdrafts	FLAC	895,952	895,952
Right to redeem of limited partners	FLAC	113,249	113,249
Current trade payables	FLAC	8,651	8,651
Other non-current liabilities*	FLAC	3,936	3,625
Aggregated according to measurement category in line with IAS 39:			
Loans and receivables (LaR)		128,123	124,198
Available-for-Sale (AfS)		32,851	4,759
Held-for-Trading (HfT)		3,681	3,681
Financial liabilities measured at amortised costs (FLAC)		1,021,788	1,021,477

* Only financial instruments in line with IAS 39 / IFRS 7

				Balance sheet amount in line with IAS 39			
Costs	Fair value reported in equity	Fair value 31.12.2007	Carrying amount 31.12.2006	Cost carried	Costs	Fair value reported in equity	Fair value 31.12.2006
15,381	12,711	32,851	29,077	4,504	15,381	9,192	29,077
		3,179	2,337	2,337			2,337
	3,925	15,951	29,256	27,245		2,011	29,256
		3,681	2,688	2,688			2,688
		108,993	94,214	94,214			94,214
		897,972	780,629	780,629			795,854
		113,249	101,642	101,642			101,642
		8,651	6,497	6,497			6,497
	311	3,936	8,017	8,017			8,017
	3,925	128,123	125,807	123,796		2,011	125,807
15,381	12,711	32,851	29,077	4,504	15,381	9,192	29,077
		3,681	2,688	2,688			2,688
	311	1,023,808	896,785	896,785			912,010

Non-current financial assets include an investment defined as available-for-sale, which was reported in equity on the balance sheet date. Furthermore, companies which are not included in the consolidated financial statements for reasons of materiality are recognised at cost, which corresponds to their fair value.

Trade receivables, other assets and cash and cash equivalents have predominantly short residual terms. The carrying amounts correspond therefore to the fair value.

Other assets and other financial investments include non-current amounts which have been recognised at present value, taking into account the interest and market price parameters applicable on the reporting date.

Bank loans and overdrafts have long-term durations and are recognised at cost. The fair value for Group loans is given in the Notes under item 12 Bank loans and overdrafts. In total, interest expense of €34,437 thousand is included in net financial costs.

Current trade payables and other liabilities regularly have short maturities. The carrying amounts thus correspond to the fair value.

Other liabilities include non-current amounts which have been recognised at present value, taking into account the interest and market price parameters applicable on the reporting date.

Interest from financial instruments is reported in net financial costs. The profit/loss share of minority shareholders of €14,087 thousand is included in net financial costs.

Allowances on receivables are reported in other operating costs.

MARKET RISKS

Liquidity risks

The liquidity of the Deutsche EuroShop Group is continuously monitored and planned. The subsidiaries regularly have cash to be able to pay for their current commitments. Furthermore, credit lines and bank overdrafts can also be made use of at short notice.

The contractually agreed future interest and principal repayments of the original financial liabilities and derivative financial instruments are to be shown in undiscounted form and are as follows as at 31 December 2007:

in € thousands	Carrying amount 31.12.2007	Cash flows 2008	Cash flows 2009 until 2012	Cash flows from 2012
Bank loans and overdrafts	895,952	86,089	284,512	904,332

The amounts relate to all contractual commitments existing on the balance sheet date. Of the trade payables reported at the end of the financial year and other financial liabilities, the majority will be due in 2008.

Credit risk

There are no significant credit risks in the Group. The trade receivables reported on the reporting date were predominantly paid up to the date of the preparation of the financial statements. During the reporting year, write-downs of rent receivables of €213 thousand (previous year: €271 thousand) are included in other operating expenses.

Currency and measurement risk

The Group companies operate exclusively in the European Economic Area and conduct the greater part of their business in euro. This does not entail currency risks. Only the inclusion of the Eastern European property companies causes translation gains or losses through the measurement of foreign currency liabilities on the balance sheet date, which are of minor importance in the view of the Group since they are non-cash items. These amounts are reported in measurement gains, which include essentially the changes in value from the property valuation.

On the basis of the expert appraisals, the property portfolio has a theoretical initial net yield of 5.40% for the 2007 financial year. An increase in the initial net yield of 100 basis points would result in a profit reduction of €235,000 thousand. A reduction of 100 basis points would result in a profit increase of €338,000 thousand.

Interest rate risk

A sensitivity analysis was implemented to determine the effect of potential interest rate changes. Based on the financial assets and liabilities underlying an interest rate risk on the balance sheet date, this shows the effect of a change on the Group's equity. Interest rate risks arose on the balance sheet date only for credit borrowed and the associated interest rate hedges, which have been accounted for at present value as cash flow hedges in equity. A change in the market interest rate of 100 basis points would lead to a change in equity of €9,541 thousand. The majority of the loan liabilities have fixed interest conditions.

On the balance sheet date, credit of €110,600 thousand (previous year: €30,000) was hedged with derivative financial instruments.

Capital management

The Group's capital management is designed to maintain a strong equity base. The Group's financial policies are also based on the annual payment of a dividend.

in € thousands	31.12.2007	31.12.2006
Equity	**974,047**	**897,918**
Equity ratio in %	49,29 %	50,00 %
Net financial debt	**-783,278**	**-683,727**

Equity is reported here including the share of the minority shareholders.

The net financial debt is determined from the financial liabilities on the balance sheet date less cash and cash equivalents and other financial investments. The increase in the net financial debt during the financial year was connected with our construction projects in Hameln, Passau and Gdansk.

28. Joint ventures

Joint ventures, in which Deutsche EuroShop AG together with third parties has a majority of the voting rights, are proportionately included as a joint venture in the consolidated financial statements. For the purposes of proportionate consolidation, the share of the assets which are jointly controlled and the share of liabilities for which Deutsche EuroShop AG is jointly responsible, are assumed into the consolidated balance sheet. The income statement includes the share of the earnings and expenses of the jointly managed companies.

During the financial year, assets and liability items as well as expenses and earnings of the subsidiaries defined as joint ventures in line with IAS 31.56 have been included in the consolidated financial statements in the following way:

in € thousands	31.12.2007	31.12.2006
Current assets	14,579	22,129
Non-current assets	564,154	544,768
Current liabilities	4,890	8,454
Non-current liabilities	268,493	267,673
Earnings	50,805	71,680
Expenses	19,500	20,481

The statements were made in line with IAS 31.56 for the first time in the 2007 financial year. They were not made in the previous year (IAS 8). The entities included proportionately in the consolidated financial statements are included in the list of shareholdings in line with section 285 of the Handelsgesetzbuch (HGB – German Commercial Code).

SEGMENT REPORTING

As a holding company, Deutsche EuroShop AG holds equity interests in shopping centers in the European Union. The investees are pure shelf companies without staffs of their own. Operational management is contracted out to external service providers under agency agreements, meaning that the companies' activities are exclusively restricted to asset management.

Due to the Company's uniform business activities within a relatively homogeneous region (the European Union), no separate segment reporting has been presented (single-product, single-region entity).

OTHER FINANCIAL OBLIGATIONS

Rental, lease and loan obligations

in € thousands	31.12.2007	31.12.2006
Due 2008 (previous year 2007)	80	52
Due 2009 (previous year 2008)	80	47
Due after 2009 (previous year after 2008)	89	46
	249	**145**

Leasing expenses of €77 thousand were incurred in the reporting year.

OTHER DISCLOSURES

An average of four staff were employed in the Group during the reporting year.

EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred between the balance sheet date and the date of preparation of the financial statements.

THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

Supervisory Board

a) Membership of other statutory supervisory boards

b) Membership of comparable German and foreign supervisory bodies of business enterprises

Manfred Zaß, Königstein im Taunus, Chairman

Banker

Dr. Michael Gellen, Cologne, Deputy Chairman

Lawyer

a) Reality Capital Partners AG, Bonn (until 30 November 2007)

b) Rhein-Pfalz Wohnen GmbH, Mainz
MT Wohnen GmbH, Frankfurt am Main
Rhein-Main Wohnen GmbH, Frankfurt am Main
Rhein-Mosel Wohnen GmbH, Mainz
Main-Taunus Wohnen GmbH & Co. KG, Frankfurt am Main

Thomas Armbrust, Hamburg

Member of the management of KG CURA Vermögensverwaltung G.m.b.H. & Co., Hamburg

a) C.J. Vogel Aktiengesellschaft für Beteiligungen, Hamburg (Chairman)
TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich (Chairman)
Verwaltungsgesellschaft Otto mbH, Hamburg
Platium AG, Hamburg (Chairman)

b) ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Deputy Chairman)
Spiegel Holdings, Inc., Chicago/USA

Dr. Jörn Kreke, Hagen

Businessman

a) Douglas Holding AG, Hagen (Chairman)

Alexander Otto, Hamburg

CEO of ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg

a) HSH Nordbank AG, Hamburg
   Verwaltungsgesellschaft Otto mbH, Hamburg
   British American Tobacco (Industrie) GmbH, Hamburg
   British American Tobacco (Germany) GmbH, Hamburg
   BATIG Gesellschaft für Beteiligungen, Hamburg
   Hamburg-Mannheimer Versicherungs AG, Hamburg

b) Peek & Cloppenburg KG, Düsseldorf

Dr. Bernd Thiemann, Frankfurt am Main

Co-owner of Drueker & Co., Frankfurt am Main (until 31 December 2007)

a) EM.Sport Media AG, Munich (Chairman)
   M.M. Warburg & Co. KGaA Holding, Hamburg (Deputy Chairman)
   Thyssen Krupp Stainless AG, Duisburg
   VHV Vereinigte Hannoversche Versicherung a.G., Hanover
   VHV Leben AG, Hanover
   Wave Management AG, Hamburg (Deputy Chairman)

b) Fraport AG, Frankfurt am Main
   Würth Gruppe, Künzelsau (Deputy Chairman)
   Odewald & Companie, Berlin (Deputy Chairman)

Executive Board

Claus-Matthias Böge, Hamburg, Spokesman

Olaf G. Borkers, Hamburg

The remuneration of the members of the Supervisory Board amounted to €134 thousand in the year under review, and is broken down as follows:

in € thousands	Total	Total previous year
Manfred Zaß	35.70	34.80
Dr Michael Gellen	26.77	26.10
Thomas Armbrust	17.85	17.40
Alexander Otto	17.85	17.40
Dr Jörn Kreke	17.85	17.40
Dr Bernd Thiemann	17.85	17.40
Incl. 19% value added tax (previous year 16%)	**133.87**	**130.50**

No advances or loans were granted to the members of the Supervisory Board.

The remuneration of the Executive Board amounted to €787 thousand, and is broken down as follows:

in € thousands	Fixed remuneration	Variable remuneration	Other benefits	Total	Total previous year
Claus-Matthias Böge	278	200	66	544	491
Olaf G. Borkers	168	70	5	243	188

Other benefits include the provision of a car for work or private use as well as contributions to a pension scheme.

No advances or loans were granted to members of the Executive Board. The Company has not entered into any contingencies or commitments in favour of these persons. For further details, please see the supplementary disclosures on remuneration contained in the management report.

Corporate Governance:

The Declaration of Conformity with the German Corporate Governance Code required by section 161 of the Aktiengesetz (AktG – German Public Companies Act) has been issued jointly by the Supervisory Board and the Executive Board, and was made available to shareholders via publication on the Internet in December 2007.

RELATED PARTIES IN ACCORDANCE WITH IAS 24

Deutsche EuroShop AG's subsidiaries as well as the members of its Executive Board and the Supervisory Board are regarded as related parties in accordance with IAS 24. In the ordinary course of business, the Company maintained relationships involving the provision of goods and services with this group of persons and companies; the relevant terms and conditions fulfil the criteria for arm's length transactions.

Income of €4,807 thousand (previous year: €4,291 thousand) was generated in the financial year from the Douglas Group under existing rental contracts.

Fees for service contracts amounting to €24,548 thousand (previous year: €47,050 thousand) were paid to the ECE Group. €20,996 thousand (previous year: €36,985 thousand) of this amount related to properties under construction and €3,552 thousand (previous year: €10,065 thousand) to operational properties. This was partially offset by income from rental contracts with the ECE Group in the amount of €3,236 thousand (previous year: €3,246 thousand).

In addition, a prime contractor agreement worth €91,400 thousand was signed with the ECE Group for the Stadt-Galerie Passau. Instalment payments amounting to €39,200 thousand (previous year: €12,900 thousand) were made

in the year under review.

Hamburg, 9 April 2008

Deutsche EuroShop AG

The Executive Board

Claus-Matthias Böge | Olaf G. Borkers

Other disclosures

In line with section 160(1) no. 8 of the AktG, we give notice that the following investments and changes to voting rights in line with the duty of disclosure and in accordance with section 21 of the Wertpapierhandelsgesetz (WpHG – Securities Trading Act) have been registered to our Company:

Shareholder	Stock report as of	Event (in brackets: share threshold in %)	New voting rights share in %	of which own holdings in %	of which indirectly attributable in %
Benjamin Otto, Hamburg	2 April 2002	Exceeds threshold (5)	7.74	0.00	7.74
"Bravo-Alpha" Beteiligungs G.m.b.H., Hamburg	2 April 2002	Exceeds threshold (5)	7.74	3.71	4.03
Alexander Otto, Hamburg	25 November 2005	Exceeds threshold (5.10)	12.27	0.91	11.36
AROSA Vermögensverwaltungsgesellschaft m.b.H., Hamburg	25 November 2005	Exceeds threshold (5.10)	11.36	11.36	0.00
Stockshare Nominees (Pty) Ltd., Waverly/South Africa	29 November 2007	Exceeds threshold (5)	5.29	5.29	0.00
Attfund Ltd, Pretoria/South Africa	29 November 2007	Exceeds threshold (5)	5.29	0.00	5.29
"Juliett-Alpha" Beteiligungs G.m.b.H., Hamburg	22 February 2008	Falls below threshold (3)	2.98	2.98	0.00

SHAREHOLDING

List of shareholdings in accordance with section 285 of the HGB as at 31 December 2007:

Company name and domicile	Nominal equity in €	Interest in nominal capital in %	thereof indirect in %	thereof direct in %	HGB profit/ loss 2007 in €
Fully consolidated companies					
Deutsche EuroShop Verwaltungs GmbH, Hamburg	50,000.00	100.00	–	100.00	15,608.08
Deutsche EuroShop Management GmbH, Hamburg	25,000.00	100.00	–	100.00	22,026.15
Rhein-Neckar-Zentrum KG, Hamburg	235,000,000.00	99.90	–	99.90	2,319,390.25
City-Galerie Wolfsburg KG, Hamburg	50,000,000.00	89.00	–	89.00	1,140,273.24
Allee-Center Hamm KG, Hamburg	21,630,000.00	87.74	–	87.74	3,010,835.21
City-Arkaden Wuppertal KG, Hamburg	50,000,000.00	72.00	–	72.00	-52,841.90
Forum Wetzlar KG, Hamburg	44,700,000.00	65.00	–	65.00	742,366.49
Stadt-Galerie Hameln KG, Hamburg	82,000,000.00	94.90	–	94.90	-2,246,309.79
Rathaus-Center Dessau KG, Hamburg	46,200,000.00	94.90	–	94.90	6,398,444.17
Stadt-Galerie Passau KG, Hamburg	125,900,000.00	75.00	–	75.00	-635,021.72
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Hamburg	54,960,000.00	74.00	-	74.00	-68,309.18
	in PLN				**in PLN**
Centrum Handlowe Polska 5 Sp. z o.o. Sp. kom., Warsaw, Poland	200,001,100.00	74.00	74.00	–	18,586,916.88
Proportionately consolidated companies	**in €**				**in €**
Altmarkt-Galerie Dresden KG, Hamburg	83,000,000.00	50.00	–	50.00	7,872,778.02
Einkaufs-Center Arkaden Pécs KG, Hamburg	41,300,000.00	50.00	–	50.00	1,841,407.56
Objekt City-Point Kassel GmbH & Co. KG, Pöcking	42,400,000.00	40.00	40.00	–	-737,700.04
DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG, Hamburg	150,000,000.00	40.77	–	40.77	5,985,241.54
Main-Taunus-Zentrum KG, Hamburg	12,688,000.00	43.12	37.38	5.74	9,670,625.80
CAK City-Arkaden Klagenfurt KG, Hamburg	51,700,000.00	50.00	–	50.00	-51,441.06
EKZ Eins Errichtungs- und Betriebs Ges.m.b.H & Co OEG, Wien	48,001,000.00	50.00	50.00	–	188,097.15
Immobilien KG FEZ Harburg, Hamburg	40,700,000.00	50.00	–	50.00	1,033,973.29
Investees	**in PLN**				**in PLN**
Ilwro Joint Venture Sp. z o.o., Warsaw, Poland	21,000,000.00	33.33	–	33.33	36,217,450.88
CASPIA Investments Sp. z o.o., Warsaw, Poland	50,000.00	74.00	74.00	–	468,485.89
	in €				**in €**
City-Point Beteiligungs GmbH, Pöcking	25,564.60	40.00	–	40.00	7,586.48
Kommanditgesellschaft Sechzehnte ALBA Grundstücksgesellschaft mbH & Co., Hamburg	25,000.00	50.00	50.00	–	-10,397.11
EKZ Vier Errichtungs- und Betriebs Ges.m.b.H., Wien	35,000.00	50.00	50.00	–	-13,402.63

LEGAL REPRESENTATIVES' DECLARATION

We declare that to the best of our knowledge, in line with the accounting policies to be applied, the consolidated financial statements presents a true and fair view of the net assets, financial position and results of operations of the Group and the Group Management Report presents the situation of the Group and the course of business including business performance which is a fair and accurate view, and describes the essential opportunities and risks of the likely development of the Group.

Hamburg, 9 April 2008

Claus-Matthias Böge

Olaf G. Borkers

AUDITOR'S REPORT

We have audited the consolidated financial statements – comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and the notes – and the Group management report prepared by Deutsche EuroShop AG, Hamburg, for the financial year from 1 January to 31 December 2007. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (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 standards 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 the 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 the companies included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements, the accounting and consolidation principles used and significant estimates made by 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 IFRSs as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the 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, as a whole provides an accurate view of the Group's position and accurately presents the opportunities and risks of future development.

Hamburg, 9 April 2008

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Signed	Rohardt	zu Inn- u. Knyphausen
	Auditor	Auditor

READER'S LETTERS

Dear Mr Kiss,
Dear Mr Lissner,

I would like to congratulate you and your team on a successful annual report! Great ideas and implementation.

Regards from a satisfied shareholder,

Hubertus Leonhardt. Tübingen
(Via e-mail)

DES

The company "Deutsche EuroShop",
Unique in its kind, is simply "top"!
All DES - shopping centers are very well positioned
So that investment and commitment are ever so efficient.
All members of the DES-team
are highly motivated, work really hard
And have always done so,
being reliable and resourceful, right from the start.
The direct contact with IR is super and
conveys a lot of excellent information value
Helping to establish trust and to create
the DES top image, this much I can tell you.
Shareholders, get to know and appreciate
the beautiful historic cities in Germany,
And enjoy exploring the gorgeous DES- shopping centers,
there is such a lot to buy and to see!
The shoppers` paradise is always
free from rain, heat, snow and ice,
And the very special atmosphere is
always welcoming and really nice.
So, dear DES - team, carry on just like that with
your work, enthusiasm and commitment,
We, the shareholders, will gladly promise
to shop to our hearts` content!!!

Lydia Schaefer, Solingen

Dear Mr Borkers,

It was with great pleasure that I received your 2006 Annual Report in the post yesterday.

To sum it up: I have never taken such a long or close look at an annual report. This is a great success for you! Congratulations on this excellent annual report (and of course on the excellent earnings)!

Best regards,

Holger Grandt, Barum

Dear Colleagues,

Congratulations on the excellent and brave layout of your 2006 Annual Report which I discovered at an event on annual reports in Hamburg. I was not the only one impressed with your layout – colleagues from other companies were equally thrilled with it.

Keep up the good work.

Best regards,

Angelika Obermann
Project Manager – Annual Reports
Arcandor AG, Essen
(Via e-mail)

Dear Sir/Madam,

I have been a shareholder of your company for a few years now and follow your performance with interest. In so doing, I have realised that I did not receive any quarterly reports whatsoever from you in 2007. Is there a particular reason for this?

Richard Pleininger, Konstanz

Dear Mr Pleininger,

Thank you for your question. For cost reasons and due to the wishes of shareholders on many occasions, we only publish the quarterly reports as PDF files for downloading on our investor relations website at www.deutsche-euroshop.com/ir.

Please note that we will only send out the annual report in future at the shareholder's request. We would be happy to add you to the corresponding distribution list.

Best regards,

The Deutsche EuroShop
Investor Relations Team

Dear Sir/Madam,

It was with interest that I read your new style of annual report. I believe that this is an alternative worth considering, especially for a company like Deutsche EuroShop. However as a shareholder, I always had the costs, which are sure to be higher, in the back of my mind.

I particularly read the report on Gdansk closely. However, the statement on page 77 about Gdansk being destroyed amazed me because my sources speak of the city being destroyed by the Soviet Red Army and not, as you write, by German attacks.

Since I am interested in the historical background, I would be extremely grateful if you could provide information on your sources.

Best regards,

Jürgen Hackemann, Bochum

Dear Mr Hackemann,

Thank you for your letter. We are extremely pleased that you, as a shareholder, have taken such a close look at our annual report.

As regards your comment about the report on Gdansk, we can only apologise to you profusely. Despite intensive research, our author seems to have made a mistake. Please excuse this mistake.

Kind regards,

The Deutsche EuroShop
Investor Relations Team

darauf freu' ich mich!
STADTGALERIE
Die neue Shopping-Vielfalt in Passau
90 Fachgeschäfte, Cafés und Restaurants
700 Arbeitsplätze und 70 Ausbildungsplätze
20.000 Quadratmeter Verkaufsfläche
Eröffnung im Herbst 2008
STADTGALERIE PASSAU

glossary

A

Advertising Value Equivalence
Index number for the assessment of the monetary value of an editorial article. It is based on the advertising rate of the medium.

Anchor tenant
The key tenant used to attract other tenants. Its high customer footfall attracts increased traffic to the entire shopping center. The smaller tenants clustered around the anchor tenant profit from the higher customer footfall of their larger neighbour. A rational center structure in terms of the organisation of the shops and the range of goods offered is crucial to its success.

Annual financial statements
Under German (HGB) accounting principles, the annual financial statements consist of a company's balance sheet, profit and loss account, the notes to the financial statements and the management report. The annual financial statements of a public company are prepared by its executive board, audited by a certified public accountant (in Germany: Wirtschaftsprüfer) and adopted by the supervisory board.

C

Cash flow per share (CFPS)
The cash flow per share is calculated by dividing the cash flow by the number of shares issued by a company. The cash flow per share is taken as the basis for calculating the price-cash flow ratio.

Class of assets
Division of the capital and real estate market into different classes of assets or asset segments.

Consumer price index
Also called the cost-of-living index, this is calculated in Germany by the Federal Statistical Office on a monthly basis. The CPI is the most important statistical indicator of a change in prices; the price of a basket of goods during a given period is compared with the price of the same basket during the base year. This change is also known as the inflation rate.

Corporate governance
The rules for good, value-driven corporate management. The objective is to control the company's management and to create mechanisms to oblige executives to act in the interests of their shareholders.

Coverage
Information provided on a listed public company by banks and financial analysts in the form of studies and research reports.

D

DAX
Germany's premier equity index. The composition of the DAX is established by Deutsche Börse AG on the basis of the share prices of the 30 largest German companies listed in the Prime Standard in terms of market capitalisation and market turnover.

Discounted cash flow model (DCF)
Method for the assessment of companies which is used to determine the future payments surplusses and discount them to the valuation date.

Dividend
The share of the distributed net profit of a company to which a shareholder is entitled in line with the number of shares he or she holds.

E

EBIT
Earnings before interest and taxes.

EBT
Earnings before taxes.

E-commerce
Direct commercial relationship between supplier and buyer via the internet including the provision of services.

EPRA
European Public Real Estate Association. Based in Amsterdam, the EPRA is an organisation that represents the interests of the major European property management companies and supports the development and market presence of European public property companies. The well-known international index named after it, the EPRA index, tracks the performance of the largest European and North American listed property companies.

EPS
Earnings per Share

F

Fair value
According to IFRS, a potential market price under ideal market conditions for which an asset value may be traded or an obligation between competent and independent business partners, willing to make a contract, may be settled.

FERI-Rating
Short for FERI real estate rating. A science-based system for the determination of an achievable sustained market value (criteria: predicted net earnings, taking into account the location's and property's attractiveness) and property rating (risk/return ratio).

Free cash flow
The surplus cash generated from operating activities recognised in the profit and loss account. This expresses a company's internal financing power, which can be used for investments, the repayment of debt, dividend payments and to meet funding requirements.

GALERIA DOMINIKAŃSKA

WROCŁAW

Twoje miejsce **w sercu miasta**

G

Gearing

Ratio which shows the relationship between liabilities and equity.

H

Hedge accounting

Financial mapping of two or more financial instruments that hedge one another.

I

ifo Business Climate Index

The ifo Business Climate Index is an important forward indicator for economic development in Germany. In order to calculate the index, the ifo Institute asks approximately 7,000 companies every month for their assessment of the economic situation and their short-term corporate planning.

Interest rate swap

Exchange of fixed and variable interest payable on two nominal amounts of capital for a fixed period. By means of an interest rate swap, interest rate risks may be controlled actively.

International Financial Reporting Standards (IFRSs)

International Financial Reporting Standards are based on International Accounting Standards (IASs). Since 1 January 2005, listed companies have been required to apply IFRSs. IASs/IFRSs focus on the decision-usefulness of accounts. The key requirement with regard to the annual financial statements is fair presentation that is not qualified by aspects of prudence or risk provision.

M

Mall

Row of shops in a shopping center.

Market capitalisation

The current quoted price for a share multiplied by the number of shares listed on the stock.

MDAX

German mid-cap index comprising the 50 most important securities after the DAX members. exchange. Market capitalisation is calculated for individual companies, sectors, and entire stock markets, thus enabling comparisons between them.

Multi channelling

Using a combination of online and offline communication tools in marketing.

N

Net asset value (NAV)

The value of an asset after deduction of liabilities. With regard to shares, the NAV constitutes their intrinsic value. The net net asset value (NNAV) is calculated by deducting deferred taxes from the NAV.

P

Peer group

A share price performance benchmark consisting of companies from similar sectors, put together on the basis of individual criteria.

Performance

The term performance describes the percentage appreciation of an investment or a securities portfolio during a given period.

R

REIT

REIT stands for “Real Estate Investment Trust”. REITs are listed real estate corporations that are exempt from tax at the company level. To qualify, a minimum of 75% of their income must come from real estate rental, leasing and sales and 90% of profits must be distributed to shareholders as dividends.

Roadshow

Corporate presentations to institutional investors.

S

SDAX

The small-cap index comprising the 50 most important securities after the members of the DAX and the MDAX.

Savings ratio

Share of savings of the income available in households.

Subprime

Mortgage loan to borrower with a low degree of creditworthiness.

T

TecDAX

The successor to the NEMAX 50, comprising the 30 largest German listed technology securities in terms of market capitalisation and market turnover.

V

Retail space

Space in a building and/or an open area that is used for sales by a retail operation and that is accessible to customers. Service areas required for operational and legal purposes are not taken into account, nor are stairways or shop windows. The retail space is part of the leasable space of a business.

Volatility

Statistical measure for price fluctuations. The greater the fluctuations in the price of a security, the higher its volatility.

X

Xetra

An electronic stock exchange trading system that, in contrast to floor trading, uses and open order book, thus increasing market transparency. The trading hours are currently 9.00 a.m. to 5.30 p.m.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I would like to get information
on Deutsche EuroShop AG regularly*:

- ☐ Newsletter by e-mail
- ☐ printed version of annual report (annually)

Ich bin
- ☐ a DES shareholder
- ☐ just interested

Something I have always wanted to tell you
(positive and negative feedback, etc.):

____

Name: ______________________________

Street: ______________________________

Postcode and city: ______________________________

E-Mail: ______________________________

Shareholder Reference Number (SRN) (if known):
200 _ _ _ _ _ _ _

*From now on, we will send the annual report to our shareholders only if desired. The quarterly report will be available for download on our Investor Relations website. (www.deutsche-euroshop.com/ir)

Franking optional

BUSINESS REPLY

Deutsche EuroShop AG
Investor & Public Relations
Oderfelder Straße 23

D-20149 Hamburg/Germany

index


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Financial Calendar 2008

15.01.	Morgan Stanley German Property Day, London
23.01.	Cheuvreux German Corporate Conference, Frankfurt
30.01.	WestLB Capital Markets Day, Düsseldorf
15.02.	Roadshow London, Silvia Quandt Bank
27.02.	HSBC Trinkaus Real Estate Conference, Frankfurt
27.02.	Roadshow Madrid, M.M. Warburg
28.02.	Roadshow Lisbon, Bankhaus Lampe
11.03.	Grand opening of Stadt-Galerie Hameln
09.04.	Audit Committee meeting, Hamburg
17.04.	Supervisory Board meeting, Hamburg
18.04.	Annual earnings press conference, Hamburg
21.04.	Roadshow New York, Vontobel
22.04.	Dresdner Kleinwort Real Estate Investor Day, New York
22.04.	Roadshow Zurich, Commerzbank
23.–24.04.	Roadshow USA and Canada, Dresdner Kleinwort
23.04.	Roadshow Frankfurt, Deutsche Bank
24.04.	Roadshow London, Berenberg
25.04.	Roadshow Dublin, equinet
07.05.	Roadshow Edinburgh, Bankhaus Lampe
14.05.	Interim report Q1 2008
16.05.	Commerzbank Real Estate Konferenz, Frankfurt
20.05.	Roadshow Vienna, equinet
20.05.	Roadshow Brussels, DZ Bank
21.05.	Roadshow Geneva, UBS
21.05.	Roadshow Paris, Deutsche Bank
22.05.	Dresdner Kleinwort Speed Investing, Milan
27.05.	Roadshow Munich, Sal. Oppenheim
28.05.	Roadshow Liechtenstein, Metzler
28.05.	Kempen & Co. European Property Seminar, Amsterdam
19.06.	Annual General Meeting, Hamburg
	Supervisory Board meeting, Hamburg
14.08.	Interim report H1 2008
25.08.	Roadshow Copenhagen, Kempen & Co
Sept.	Grand opening of Stadt-Galerie Passau
04.–05.09.	EPRA Annual Conference, Stockholm
06.09.	Hamburg Exchange Convention
17.09.	Roadshow London, Lehman Brothers
18.09.	Supervisory Board meeting, Hamburg
18.09.	Roadshow Paris, MainFirst
23.09.	UniCredit German Investment Conference, Munich
06.–07.10.	Expo Real, Munich
16.10.	Société Générale Pan European Real Estate Conference, London
20. - 21.10.	Real Estate Share Initiative, Frankfurt
12.11.	WestLB Deutschland Conference, Frankfurt
14.11.	Interim report Q1-3 2008
25.11.	Supervisory Board meeting, Hamburg

Our financial calendar is updated continuously.
Please check our website for the latest events: http://www.deutsche-euroshop.com/ir

Multi-year-overview

2003 – 2007

in € million	2003	2004	2005	2006	Q1/07	Q2/07	Q3/07	Q4/07	2007
Revenues	57.9	61.4	72.1	92.9	22.6	23.0	23.2	26.9	95.8
EBIT	39.5	49.8	57.5	86.3	18.7	19.0	17.8	21.5	77.2
Net finance costs	-22.0	-25.3	-31.4	-41.0	-10.1	-9.6	-10.0	-20.4	-50.1
EBT	26.9	37.3	81.1	117.7	8.5	9.8	7.4	52.2	77.8
Consolidated profit	19.0	27.7	48.7	100.3	6.3	7.2	31.0	49.7	94.2
Earnings per share in € (undiluted)	0.61	0.89	1.55	2.92	0.18	0.21	0.90	1.45	2.74
Equity*	695.3	684.4	787.4	897.9					974.0
Liabilities	545.2	685.8	756.1	898.3					1,002.3
Total assets	1,240.5	1,370.2	1,543.6	1,796.2					1,976.3
Equity ratio in %*	56.1	49.9	51.0	50.0					49.3
Gearing in %*	78	100	96	100					103
Cash and cash equivalents	102.0	150.3	197.2	94.2					109.0
Net asset value	682.5	686.8	794.5	877.4					925.1
Net asset value per share in €	21.84	21.98	23.11	25.53					26.91
Dividend per share in €	0.96	0.96	1.00	1.05					1.05**

* incl. minority interest ** proposal

legal acknowledgements

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FORWARD-LOOKING STATEMENTS
This Annual Report contains forward-looking statements based on estimates of future developments by the Executive Board. The statements and forecasts represent estimates made on the basis of all available information at the present time. If the assumptions on which the statements and forecasts are based do not materialise, actual results may differ from those currently expected.

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PUBLICATIONS FOR OUR SHAREHOLDERS
· Annual Report (German and English)
· Interim Reports for the first, second and third quarters (German and English)

ONLINE ANNUAL REPORT
Deutsche EuroShop's Annual Report is available online at www.deutsche-euroshop.com in PDF format and as an interactive online version.

?

Please contact us!

1964

The photo on the back of our annual report was taken in 1964 during the opening of the Main-Taunus-Zentrum. Are you the young lady on the photo or do you recognise her?

We would be very happy, if we could invite "our model" to a shopping excursion in the Main-Taunus-Zentrum.

Simply give us a call: +49 (0)40 – 41 35 79 22 or send an e-mail to: info@deutsche-euroshop.de.

In our interim reports 2008 we will present further historic photos of the Main-Taunus-Zentrum.

www.shoppingcenter.ag

Deutsche EuroShop