



## THE THIRD PLACE Where people feel comfortable p. 32

More topics: When shops tell stories p. 10 | The modern shoppers from tomorrow p. 18 | Shopping centers between form and function p. 44

## 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 flexibility 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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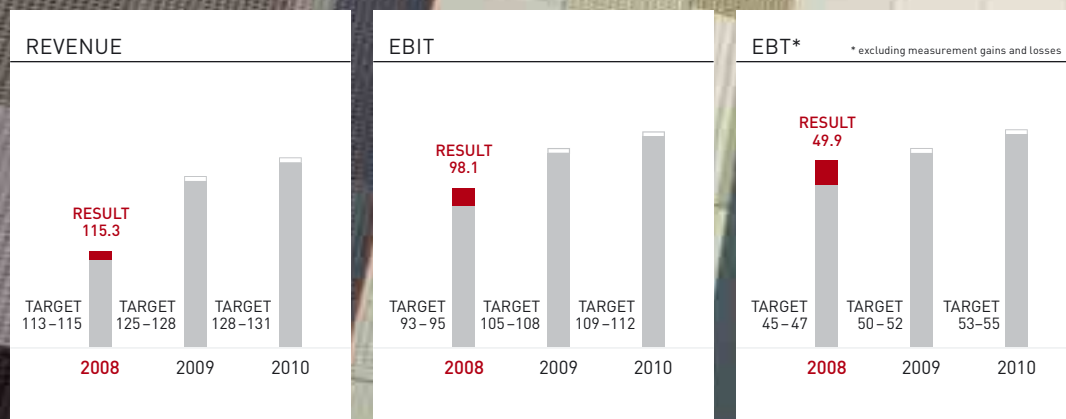
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# DEUTSCHE EUROSHOP OVERVIEW

EARNINGS PER  
SHARE

2.00 €

## TARGET-PERFORMANCE COMPARISON



### KEY DATA

€ million	2008	2007	Change
Revenue	115.3	95.8	20%
EBIT	98.1	78.5	25%
Net finance costs	-48.2	-39.6	-22%
EBT	87.0	77.8	12%
Consolidated profit	68.9	94.2	-27%
Earnings per share (€)	2.00	2.74	-27%
FFO per share (€)	1.45	1.12	29%
Equity*	977.8	974.0	0%
Liabilities	1,029.1	1,002.3	3%
Total assets	2,006.8	1,976.3	2%
Equity ratio (%)*	48.7	49.3	
LTV-ratio (%)	46.0	47.0	
Gearing (%)*	105	103	
Cash and cash equivalents	41.7	109.0	-62%
Net asset value	942.8	925.1	2%
Net asset value per share (€)	27.43	26.91	2%
Dividend per share (€)	1.05**	1.05	0%

\* incl. minority interest \*\* proposal

## 2008 HIGHLIGHTS

### JANUARY

Deutsche EuroShop once more overall winner of BIRD survey (Best Investor Relations Germany) by the investor magazine Börse-Online.

- Expansion of Altmarkt-Galerie in Dresden decided – 150 million investment.

- Deutsche EuroShop wins the Capital Investor Relations Prize 2008 in the MDAX category.

### MARCH

Grand opening of Stadt-Galerie Hameln

### JUNE

- Annual General Meeting on 19 June 2008 and distribution of a dividend of €1.05 per share.

### SEPTEMBER

Grand opening of Stadt-Galerie Passau.

## COVER PICTURE:

The cover picture shows the Stadt-Galerie Passau, which opened on 10 September 2008. Further information, e.g. on the unique facade of this center, can be found starting on page 38. In addition, we have compiled some interesting tips for you on pages 42–43 which provide some suggestions should you wish to visit Passau.



## OUR CENTERS

AS OF 2008

1. Sulzbach
2. Viernheim
3. Dresden
4. Hamburg
5. Hamm
6. Wetzlar
7. Dessau
8. Wolfsburg
9. Kassel
10. Wuppertal
11. Passau
12. Hameln
13. Gdansk
14. Klagenfurt
15. Pécs
16. Wroclaw



**FOREWORD BY THE  
EXECUTIVE BOARD**

CLAUS-MATTHIAS BÖGE



Dear Shareholders and Friends,

The headlines of the international capital markets remain dominated by one word in particular: crisis. There is still no sign at present of any sustained relief of the situation. The transaction volume for investments in shopping centers on the European continent declined in 2008 and the market came to a virtual standstill.

Despite this environment, Deutsche EuroShop managed not only to achieve all its business targets but even to exceed them. The solid foundation enabling this is made up of our outstanding interest and taxes (EBIT) were forecast to lie between €93 million and €95 million but instead rose by 25% to €98.1 million. We expected earnings before taxes (EBT) without measurement gains/losses of between €45 million and €47 million. At the end of the day these increased to €49.9 million, which is equivalent to growth of 29%.

We conservatively predicted revenue of €110 million to €113 million in 2008 and ultimately achieved €115.3 million, which represented a year-on-year increase of 20%. Earnings before interest and taxes (EBIT) were forecast to lie between €93 million and €95 million but instead rose by 25% to €98.1 million. We expected earnings before taxes (EBT) without measurement gains/losses of between €45 million and €47 million. At the end of the day these increased to €49.9 million, which is equivalent to growth of 29%.

Taking into account the measurement gains and losses and taxes that we do not normally forecast, consolidated profit decreased by 27% from €94.2 million to €68.9 million.

You will find in our reporting a new key statistic that has now established itself in the real estate business: funds from operations or FFO for short. The FFO is defined as the cash flows from operating activities and is used to finance ongoing investments in existing properties, scheduled payments on our long-term bank loans and the distribution of dividends. In 2008, an FFO of €49.8 million or €1.45 per share was posted, up from €38.5 million or €1.12 per share in the previous year.

Earnings per share were derived from several sources: €1.13 came from operations as against €0.94 in the previous financial year. A further €0.87 per share resulted from the valuation of the shopping centers (2007: €0.94). Total earnings per share fell from €2.74 to €2.00 albeit that in the previous year they contained additional earnings of €0.86 per share from the reversal of deferred tax provisions in connection with the corporate tax reform.

The net asset value of our Company rose from €925.1 million as at 31 December 2007 to €942.8 million at the end of 2008. This is equivalent to an increase of €17.7 million and a net asset value per share of €27.43.

After celebrating two new openings in 2008, our entire portfolio is now productive. In March we opened Stadt-Galerie Hameln and in September this was followed by Stadt-Galerie Passau. Both were fully let on a long-term basis at the outset as was the case with all our new openings in the past.



OLAF G. BORKERS

On the investment side we remained restrained and only carried out selected activity:

- Dresden's Altmarkt-Galerie, in which we have a 50% share, is to be expanded by almost 70%



**fr. left:** Thomas Armbrust, Dr. Michael Gellen, Manfred Zaß, Alexander Otto, Claus-Matthias Böge, Dr. Bernd Thiemann, Olaf G. Borkers, Dr. Jörn Kreke

We intend to maintain our long-term dividend policy geared towards continuity and on the basis of the forecast outlined above expect to distribute a dividend of €1.05 per share to our shareholders again in 2009 and 2010.

We would like to thank you for your confidence in Deutsche EuroShop and would be pleased if you remain loyal to us in the future.

Hamburg, April 2009

Claus-Matthias Böge

Olaf G. Borkers

On the investment side we remained restrained and only carried out selected activity:

- Dresden's Altmarkt-Galerie, in which we have a 50% share, is to be expanded by almost 70% or 18,000 m<sup>2</sup> of retail space by early 2011 for a total sum of € 150 million. Altogether around 90 new shops will be located here.
- At the start of 2009, we increased our stake in City-Point Kassel from 40% to 90%. Including the liabilities acquired, the investment volume came to some €53 million. By the end of the year around 7,000 m<sup>2</sup> of retail space is to be revamped for eight new speciality shops. City-Point Kassel will then have around 70 speciality shops, cafes and restaurants. The retail space will remain unchanged at roughly 20,000 m<sup>2</sup> and the area undergoing reconstruction has already been fully let out.

Our share coped comparatively well with the extremely difficult year on the stock markets. It started the year at €23.50 and closed slightly up at €24.30. Taking into account the dividend distribution of €1.05 per share, the performance of the Deutsche EuroShop share came to an annualised 7.9%. Compared with our European competitors we were therefore one of the top performers and achieved the fourth best result worldwide.

More and more companies are taking a very cautious stance in their predictions. However, since our business is predictable, stable and laid out on a long-term basis, we are prepared to venture a glimpse into the future and cite some key figures that we intend to take as a benchmark:

- For the 2009 financial year, we are anticipating revenue of between 125 million and 128 million. In the 2010 financial year revenue should increase to between 128 million and 131 million.
- We forecast earnings before interest and taxes (EBIT) in the current year of between 105 million and 108 million and rising to between 109 million and 112 million in 2010.
- We expect earnings before taxes (EBT) excluding measurement gains/losses to be between 50 million and 52 million in 2009 and between 53 million and 55 million in 2010.
- We expect funds from operations of between 1.45 and 1.50 and in the 2010 financial year of between 1.55 and 1.60.

We intend to maintain our long-term dividend policy geared towards continuity and on the basis of the forecast outlined above expect to distribute a dividend of €1.05 per share to our shareholders again in 2009 and 2010.

We would like to thank you for your confidence in Deutsche EuroShop and would be pleased if you remain loyal to us in the future.

Hamburg, April 2009



Claus-Matthias Böge



Olaf G. Borkers



**Claus-Matthias Böge, CEO**  
born 13 February 1959

After successfully qualifying as a bank clerk and completing a business administration degree, Mr. Böge began his professional career in 1987 at the Düsseldorf-based Privatbankhaus Trinkaus & Burkhardt in Mergers & Acquisitions. His work, for which he was made a Prokurist (authorised signatory) in 1989, focused on advising small and medium-sized companies on buying and selling companies and equity interests.

In 1990, Mr. Böge was appointed to the management of KST Stahltechnik GmbH, a subsidiary of the Austrian industrial plant construction group VA Technologie AG, where he was responsible for the financial control, personnel, legal, tax and administration departments. In autumn 1993, Mr. Böge moved to ECE Projektmanagement G.m.b.H. & Co. KG in Hamburg, the European market leader for the development, realisation, leasing and long-term management of shopping centers. It was here that he first became fascinated with the world of shopping centers. In addition to a series of management positions at subsidiaries in the ECE group, his work focused on concept planning, financing and ongoing profitability optimisation of property investments.

Mr. Böge joined the Executive Board of Deutsche EuroShop AG in October 2001.  
He is married and has two children.

**Olaf G. Borkers, CFO**  
born 10 December 1964

After serving as a ships officer with the German Federal Navy, Mr. Borkers qualified as a bank clerk with Deutsche Bank AG in 1990. He then studied business administration in Frankfurt/Main. From 1995, Mr. Borkers worked as a credit analyst for Deutsche Bank AG in Frankfurt and Hamburg. In 1998, he joined RSE Grundbesitz und Beteiligungs-AG, Hamburg, as assistant to the Executive Board. In 1999, Mr. Borkers was appointed to the Executive Board of TAG Tegernsee Immobilien und Beteiligungs-AG, Tegernsee and Hamburg, where he was responsible for finances and investor relations until September 2005. In addition, Mr. Borkers held various Supervisory Board and management positions within the TAG Group.

Olaf G. Borkers joined the Executive Board of Deutsche EuroShop AG in October 2005.  
He is married and has two children.

# REPORT OF THE SUPERVISORY BOARD

## DEAR SHAREHOLDERS,

During the 2008 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. The strategic orientation of the Company was coordinated with the Supervisory Board and the progress of strategy implementation discussed at regular intervals. The Supervisory Board 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 were informed on an ongoing basis of all significant factors affecting the business.

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 the turmoil on the capital markets. In these discussions, the Executive Board also presented various investment options to the Supervisory Board.

Other current topics were discussed by the Chairman of the Supervisory Board and the Executive Committee of the Supervisory Board together with the Executive Board as required. Transactions requiring the approval of the Supervisory Board were dis-

“PARTICULARLY INTENSIVE AND REPEATED DISCUSSIONS WITH THE EXECUTIVE BOARD FOCUSED ON THE COMPANY'S STRATEGY IN LIGHT OF THE TURMOIL ON THE CAPITAL MARKETS.”

cussed and resolved in meetings held according to plan. In addition, for transactions of the Executive Board requiring approval, an extraordinary meeting of the Supervisory Board and two conference calls of the Executive Committee were held and circular resolutions were passed in writing. All resolutions of the reporting period passed unanimously.

### MEETINGS

During the 2008 financial year, four regularly scheduled and one extraordinary Supervisory Board meetings took place. No Supervisory Board member participated in less than half of the Supervisory Board's meetings.

In the extraordinary meeting on 24 January 2008, the Executive Board presented two development projects to be implemented through joint ventures. The Supervisory Board granted its approval of these transactions. The higher development risk and the importance of these projects for the strategy of the Company in particular were discussed in this context.

In the first planned meeting on 17 April 2008, the annual review of efficiency of the Supervisory Board was completed and the agenda for the Annual General Meeting approved. In this context, we selected the auditor who was proposed to the shareholders for election. With regards to the audit of the annual financial statements, we once again attached great importance to the explanations of the Executive Board and those of the auditor on the real estate appraisals. The report of the Executive Board on the spot checks by the German Financial Reporting Enforcement Panel completed in March 2008 and the statements of the auditors and the Executive Board on the effects of the German business tax reform were also addressed.

In the meeting on 19 June 2008, the first action was to elect the undersigned once again as Chairman of the Supervisory Board and Dr. Gellen as Deputy Chairman pursuant to Section 107 of the Aktiengesetz (AktG – German Public Companies Act). Regular elections of members of the Supervisory Board took place in the Annual General Meeting concluded prior to this. In addition to a discussion of business development, we also passed a resolution to approve the expansion of Altmarkt-Galerie in Dresden.

In the third meeting on 18 September 2008, we discussed in depth the possible impact that dwindling economic prospects might have on our Company. The Executive Board also presented a shopping center in Germany as an investment opportunity. The Executive Board also informed us that one of the development project joint ventures approved in January was not realised because the necessary land had been bought by a competitor.

In the last meeting on 25 November 2008, the Executive Board presented its ideas on increasing the investment in City-Point in Kassel. The Supervisory Board discussed this investment and gave its approval for pursuing this opportunity further. In view of the approaching end of the year, the Executive Board reported to us on its assessment of the real estate portfolio appraisal. In consi-

deration of the worsening outlook for the retail sector, we monitored the statements of the Executive Board on the revenues of our tenants and the outstanding rents in our shopping centers more closely than ever. Because of the general scepticism about retail trends, we will continue to watch these figures in a timely fashion in order to assess their impact on our Company and initiate countermeasures at an early stage.

An extensive discussion also ensued on the projection and medium-term performance planning of the Company presented by the Executive Board.

## 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

“IN THE LAST MEETING ON 25 NOVEMBER 2008, THE EXECUTIVE BOARD PRESENTED ITS IDEAS ON INCREASING THE INVESTMENT IN CITY-POINT IN KASSEL.”

the reporting period, both committees met on 9 April 2008, with the Executive Committee of the Supervisory Board also convening in conference calls on 15 April 2008 and 17 December 2008.

## CORPORATE GOVERNANCE

In December 2008, together with the Executive Board, we issued an updated declaration of conformity with the 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 in December 2008. A separate report on implementation of the German Corporate Governance Code is included in this Annual Report. The members of the Supervisory Board and the Executive Board declared in writing at the beginning of 2009 that no conflicts of interest occurred.

## FINANCIAL STATEMENTS OF DEUTSCHE EUROSHOP AG AND THE GROUP FOR THE PERIOD ENDED 31 DECEMBER 2008

At the Audit Committee meeting on 7 April 2009 and the Supervisory Board meeting on 23 April 2009, 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 2008, as well as the management report and group management report for financial year 2008.

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 19 June 2008 – 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 7 April 2009 and the Supervisory Board meeting on 23 April 2009 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 adverse environment for the real estate sector persisted during financial year 2008 and was worse still than the previous year. The Company's conservative strategy has continued to prove successful.

The positive development of our Company in this environment is also a result of the dedication of the Executive Board and our employees. The Supervisory Board would like to express its gratitude for this to the Executive Board and to the employees.

Hamburg, 23 April 2009



Manfred Zaß, Chairman

## Customer Survey

at Altmarkt-Galerie in Dresden in Q3/2008

### Gender

- Female 58%
- Male 42%

### Age

- Up to 19 years 13%
- 20–29 years 29%
- 30–39 years 10%
- 40–49 years 15%
- 50–59 years 13%
- Over 60 years 20%

### Where do you live?

- 5 minutes' drive away 5%
- 15 minutes' drive away 28%
- 30 minutes' drive away 21%
- 45 minutes' drive away 5%
- Day trippers from Saxony (> 45 minutes' drive away) 5%
- Tourists from Germany 18%
- International tourists 18%

### Home country of international tourists

- Japan 22%
- Czech Republic 14%
- Russia 10%
- Poland 6%
- France 4%
- United Kingdom 3%
- Italy 3%
- Other 38%

### How often to you visit Altmarkt-Galerie?

- Daily 6%
- Several times a week: 20%
- Once a week 17%
- Every fortnight 14%
- Once a month 13%
- Four times a year 9%
- Twice a year 5%
- Less frequently 9%
- First visit 7%

### I always find everything I need at Altmarkt-Galerie:

- Fully agree 26%
- Generally agree 61%
- Tend to disagree 12%
- Fully disagree 1%

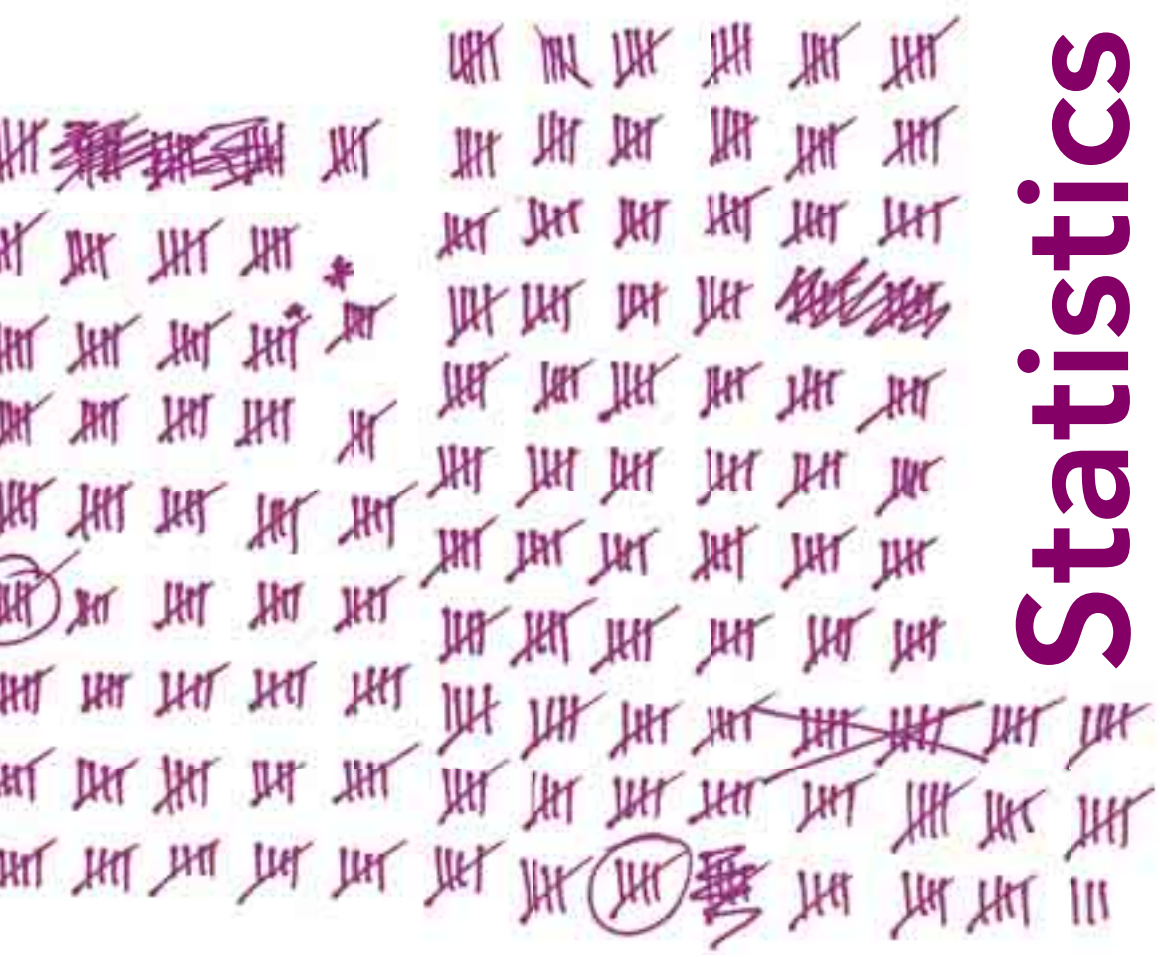
### The fashion range at Altmarkt-Galerie is always extremely varied

- Fully agree 35%
- Generally agree 45%
- Tend to disagree 20%
- Fully disagree 3%

### What school grade would you give Altmarkt-Galerie?

- Excellent 21%
- Very good 67%
- Good 11%
- Satisfactory 1%
- Poor 0%
- Insufficient 0%





# Statistics



At 14%, the Czechs were the second largest group of tourists who visited Altmarkt-Galerie last year after the Japanese. This is not only due to the proximity of the Czech border (which is less than 50km from Dresden) but also the result of special marketing measures. These include a Czech version of the website, billboards on the

main roads approaching Dresden on both sides of the border and the distribution of pocket guides at the main railway station. In addition, targeted PR activities are carried out to ensure that Altmarkt-Galerie is frequently mentioned in the Czech regional press.



# WHEN SHOPS TELL STORIES

DESIGNERS CREATE WALKABLE WORLDS OF BRANDS



They can look fancy or playful, futuristic or cosy, avant-garde or vintage. Those who go shopping today step into a new world each time they enter a store. One shop's merchandise rests on rough wooden palettes. Another hangs its wares in overseas travel trunk. There are also the stacks of shoeboxes in the open trailer of a small lorry while the next shop uses a tower built of champagne glasses as shelving.

**S**ome stores vie for attention with their wild-patterned wallpapers while others rely on a distanced, slick and simple look. While in one shop marble, fireplace and leather armchairs invite visitors on a time journey into the 19th century, the next one is flying into the future with a metallic and glass space-age design. The more noticeable the design, the more it attracts customers, or so goes the store owner's calculation. And those who succeed in making the customer extend his or her time in the shop as long as possible will have the highest sales figures. Customers nowadays are especially looking for entertainment, surprises and inspiration while shopping, which casts interior architecture in an increasingly important role. As today almost everyone can shop online, real shopping must offer something superior to its virtual cousin. It has to speak to all of the shopper's senses and create a positive feeling. For this reason, interior design experts try to create a leisure-time and well-being ambiance that puts potential customers in the mood to shop.

Admittedly, there is no patent solution for this. Indeed, there are many ways to win the customer's favour. Experts now agree that in general, after years of puristic shop design, stores may dare to look

more expressive again. For example, trends from fashion and interior design like the Asia look animal prints colourful wallpapers and ornamentation are spilling over into store construction. Yet, no one is saying things like "right now only glass and bare steel work" or "in spring everyone is doing a safari look". Any aesthetic laws or real trends are really nowhere to be found.

Actually though, stores cannot be completely refurbished each season. More often, they follow renovation cycles between 7 and 10 years, depending on their product. For this reason store designers try to walk that fine line between expressive and yet timeless design. "After all, stores should last long enough before customers start saying things like "been there, done that", explains Jeffrey Hutchison, which he says is a store owner's biggest fear. Hutchison designs flagship stores from Donna Karan to Polo Ralph Lauren. For this reason, it is important to design the store set up as a modular system that can be quickly changed and thus more easily adapted to new products and new collections.

<sup>1</sup> i.e. tiger prints, cow hide

<sup>2</sup> i.e. Asian drawings, black, white and red colour schemes and materials such as bamboo

Claus Schmidt from store construction company Assmann sees another reason for the lack of real trends in shop design. "Trends dissolve themselves into concepts". Each store design concept today needs a new approach that promises uniqueness to a store. Successful store design is marked by individuality, authenticity and personality.

As products are increasingly interchangeable, marketing strategies have to give them a larger emotional context. Marketing can infuse a product with an unmistakable "aura", what is referred to as the marketing message. This is primarily communicated through advertising. Nevertheless, shop design is an important means that

**"NEVERTHELESS, SHOP DESIGN IS AN IMPORTANT MEANS THAT PRACTICALLY STAGES MARKETING IDENTITY AS A THREE-DIMENSIONAL ROOM EXPERIENCE"**

practically stages marketing identity as a three-dimensional room experience.

The customer should be able to experience and feel a brand's spirit and uniqueness with all their senses. For example, this can be accomplished with the selection of specific materials. In this way, unfinished wood lends a rustic touch. Silk or linen provide a raw elegance. The more believable a brand's presentation at the point of sale, the more durable an impression it makes on the customer, explains interior architect Karl Schwitzke whose



*The atrium of the Stadt-Galerie Passau*

store designs include Escada and Esprit. His motto: "a good store is like an exciting story". Shop designers act like film directors, creating rooms that are designed to move the customer through an invisible storyboard. These rooms are never static because the customer is always changing their perspective – following a path and performing different activities like selecting, comparing, trying on and paying. Real stories can be woven into a designer's created story, rendering it even more emotional. Lacoste serves as a good example. Designers used the stories of René Lacoste's tennis career and that of the crocodile for the French sports label's flagship store. The design conveyed a message of competence in sports and at the same time

created an almost personal relationship to the customers.

Here especially it is increasingly important for internationally known brands to monitor their various regional markets carefully. If all stores of a specific label look the same worldwide, cosmopolitan customers become easily bored. Following the motto "think global, work local", local colour can in fact be that little added extra which makes all the difference. Successful design concepts integrate local references into the architectural givens of a project. For this reason, the Armani store in the elegant Neuer Wall in Hamburg has to look different than the one on Rodeo Drive in Los Angeles.

Technical innovations such as new materials support designers in their work. For example, polymers and actually all types of plastics are making a comeback, either as a material for interior store elements or as protective surfaces for metals and woods. Their advantages are obvious, explains New York materials expert Andrew Dent. "Plastic is always one of the least expensive, most flexible and durable materials. It can be formed into any shape, colourful or transparent and can even mimic other materials such as wood, metal or glass". Such developments are always opening up new possibilities in store design.

Also, experts estimate that aluminium, steel and brass will remain the most used metals in store systems, although the way they are used and the effects they can pro-



**“A STORE IS A  
CONSTANTLY CHANGING  
STAGE AND THE  
MERCHANDISE IS THE  
STAR”**



duce are changing. Copper and bronze are not able to compete with these metals. “They are too expensive and can quickly get a patina”, explains Dent.

Natural materials are in fashion, such as simple leather, woods, fabrics, bark and cork. Bamboo is also currently very popular as it currently epitomises the omnipresent in-concept of sustainability. Trend researchers like Marc Völler from the Hamburg Agency Neogard claim that sustainability is a megatrend and that in the future no company will be able to get around it. After all, today not only does the safety of a product’s ingredients classify it as environmental, the source of the product and its ingredients, fair trade with the producers, reduction of waste in production and energy-saving transportation all play an

important role. These are themes which good shop design can communicate.

For economic reasons, sustainability also plays an important role in shop design. For example, the use of a modern lighting system can significantly decrease a store’s energy consumption. Efficient lamps like LED and halogen use less electricity and release less heat, which in turn considerably reduces air-conditioning costs for a store.

“In view of noticeably higher energy costs, energy optimisation has become one of the highest priorities for projects”, observes the EHI Retail Institute in Cologne.

Generally, intelligent lighting planning is one of the

most important design elements in modern shop design. In fact, light can completely change a room. Light can emphasise a room’s limits, open it upward, or make it seem narrow or wide. Besides being light or dark, light can also be diffuse or bright, direct or indirect, static or dynamic, warm or cold, elegant or atmospheric, clinical or dramatic. To achieve this, targeted lighting effects must supplement the basic lighting system. The “right” lighting can pull customers into a store, lead them to a specific place, emphasise displays and put them in “the right light”, surprise the potential shopper and manipulate their mood - and all this varied throughout the day and season. After all, a person’s inner biological clock makes them expect sunlight or a cool lighting during the day but warmer lights in the evening

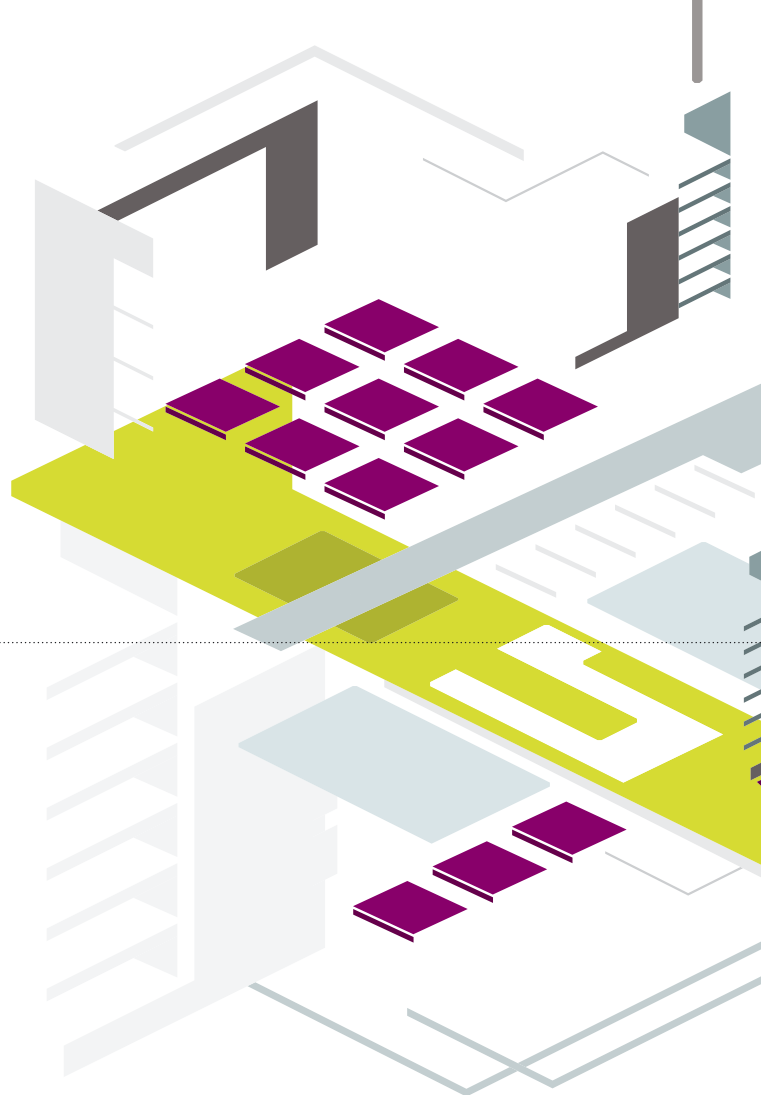
and toward sunset. For this reason, intelligent lighting systems change the mood of the lighting depending on the time of day or can be flexibly set with the push of a button to adapt to the shoppers’ needs. This enables store owners to adjust conditions to the customers’ mood and always be able to create the right atmosphere and favourable atmosphere to facilitate their decision-making process in shopping. Even modern lighting systems have put an end to the bad lighting often found in changing rooms. Sometimes the customers can even control the lighting themselves and look at their new outfit in various lights, say a tennis skirt in artificial sunlight or a formal dress in softer evening light. Modern light diodes can even be built into the furniture, floors, walls and any type of material. Hence light has become an integral part of architecture.

Modern lighting systems, new materials and individual approaches, forward-looking yet timeless, sensual, surprising and sustainable: modern shop design is today more than just putting up shelves. Interior architecture can even decisively influence a store’s success. The focus is to create concepts that are unmistakable and custom-tailored for the customer. Store designers create walkable worlds of brands, which aim to allure potential customers and seduce them to buy.

Contemporary materials, intelligent technology and lighting systems are all means to an end. They create a sensual shopping experience that surrounds the shopper yet is rendered invisible by technology.

Ultimately, says Brand Designer Alfred Leitl, “a store is a constantly changing stage and the merchandise is the star”.

◀ Nicolette Maurer



# INTERVIEW

WITH VIOLA RAEDER, ARCHITECT

*Ms. Raeder, what is your approach on a new project?*

First, together with the developer, we take a close look at the project's store's target customers and the product they sell. This gives us a sense of the atmosphere we need to create to make the shop inviting to customers. From this, we develop our initial ideas on basic design, materials and colour schemes as well as a schedule and budget for the project's realisation.

*Are there certain tricks that you use?*

There should always be an idea or a storyline as the basis of a project. I do not try to design a room by piling up popular design trends but rather develop the overall concept from a central theme, as if it were a leitmotif guiding the project's entire development. For example, in a home store, the feeling of "cocooning" or retreating into the privacy of the home is emphasised in the store's design. To do

this, areas nesting in one another are created, and appropriate lighting and the natural materials are used to give customers a feeling of protection.

*What are the most important design elements for you in shop design?*

Within the parameters of a given floor plan, an architectural plan is developed which leads customers through a room. This does not only contain colours and materials, but rather much more a solution to an individual room situation. An emphasis is placed on enabling the customer to experience something, to allow them to enter another world. To do this one needs to play with materials and lighting.

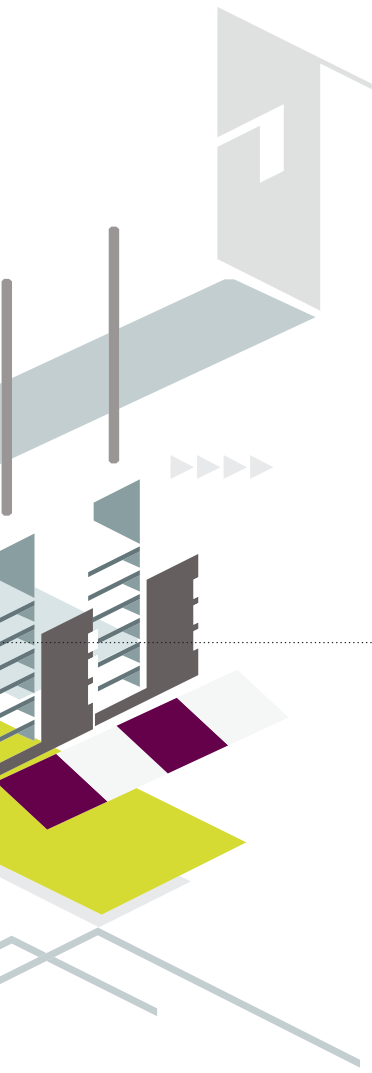
*How important is lighting in your concept?*

Lighting plays an essential role. Light is used to create important accents. Some products are staged so that the light emphasises

their quality. A room first becomes three-dimensional through lighting. Moreover, lighting can actively control a customer's point of focus. There is also a trend to link lighting and ventilation into one system. If a store experiences a lighting outage, even a partial one, the customers literally run from the store, which by the way also happens with too high or too low temperatures.

*Are there certain materials that you prefer to use?*

I often use natural materials such as wood, stone and cloth. These materials correspond well to people's current wish for sustainability as they create an atmosphere of well-being. In the meantime, many customers value an environmental lifestyle, which aims to strike a balance between satisfying consumption and responsibility for the environment.



*Where do you find inspiration for your concepts?*

Architecture has the greatest influence on me. Shop design is architecture on a small scale and likewise, it can have a positive influence on people's mood. Unlike "regular" architecture, location or the 'genius loci' usually plays a subordinate role in shop design. The character of the product itself serves instead as inspiration and underscores the design.

However, art, graphic design and fashion, such as say the current trend of vintage, are often the basis for a shop concept.

*What role does the store's business sector play in its design?*

*Where does one have the greatest freedom in design?*

Some sectors require special staging and lighting for the merchandise, for example jewellers or grocers. Some merchandise

sectors require a perfectly planned ordered system, which helps with orienting the customer, and this in fact, places certain borders on creativity.

The greatest creative freedom in design is where the concept can already find its form in the façade's development, and where a store design is required to be custom-made for the product and the store location. This is usually the case for the luxury sector.

*What are the most important new developments in recent years? What are the new trends?*

To counter balance the increasingly strong trend of online shopping, those factors only available in 'real' shopping situations must especially be emphasised. These include individual consulting, new services and communicative zones on the sales floor. The customer can now shop at home. Creating social situations will become an especially fundamental element to strengthen retail shops in the future.

Also, the merchandising or staging of products through events or special interactive multi-media devices for trying on or trying out merchandise, this will also play a larger role. Moreover, conversion or recycling of 'used' store display systems has become increasingly important.

*Are there national differences in shop design?*

One finds noteworthy designs worldwide. Particularly, the most exciting shop concepts originate in those large cities with a diverse design scene like New York, Tokyo, London and Amsterdam where one immediately feels their progressive character. However, I highly regard German shop design in an international context, as the desire for energy efficiency, sustainability and value is a common priority here.

*Ms. Raeder, thank you for speaking with us.*



**Viola Raeder**

*The 33-year old architect is specialised in store design and has worked on projects throughout Europe since 2002. In recent years she has planned and created stores on behalf of Gruschwitz GmbH for a world-famous fashion company.*

# CENTER TV

## INNOVATIVE INFOTAINMENT WITH AN ADVERTISING EFFECT

Since the end of 2008, almost all Deutsche EuroShop centers in Germany have had an additional, innovative highlight: flat info screens have been installed at locations within the centers with a steady flow of traffic, providing visitors with attractive adverts and entertainment. We make a continuous effort to offer our visitors an extraordinary shopping experience. For a long time, therefore, we have been analysing the market to find a digital signage solution that both meets our high aesthetic requirements and offers visitors, retailers and the branding industry true added value. We received decidedly positive feedback from visitors who participated in our extensive testing in the Alster-Einkaufszentrum in Hamburg and the Hessen-Center in Frankfurt.

**“THE NATIONAL BRANDING INDUSTRY IS ALSO ALREADY SHOWING A GREAT DEAL OF INTEREST”**

With the subsequent installation of the flat screens in Deutsche EuroShop’s centers, we have now succeeded in emphasising the high-end nature of our centers, while at the same time providing visitors with an extra service. An average of 20 screens per center display attractive programming consisting of news, up-to-the-minute center information, varied entertainment content and interesting advertisements. There is, of course, no sound broadcast, in order

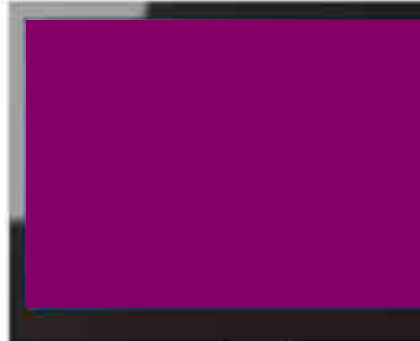
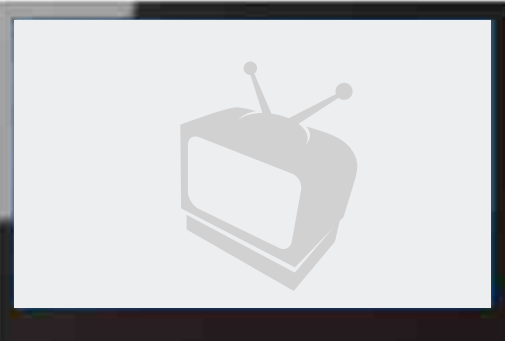
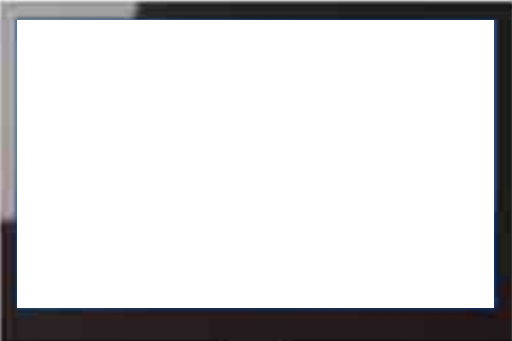
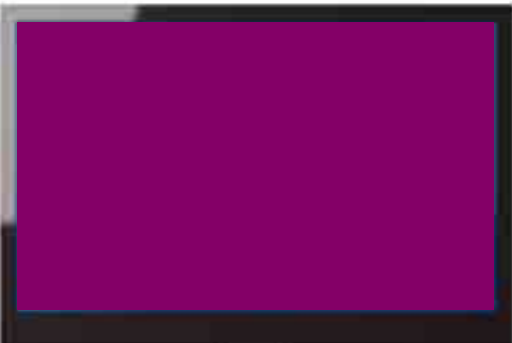
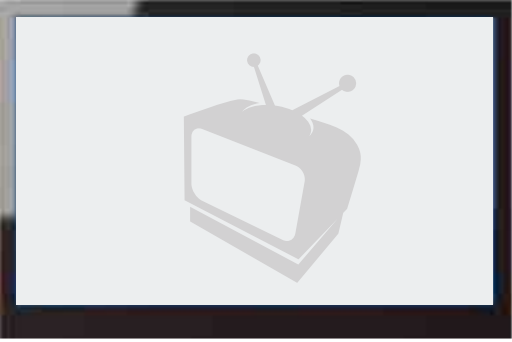
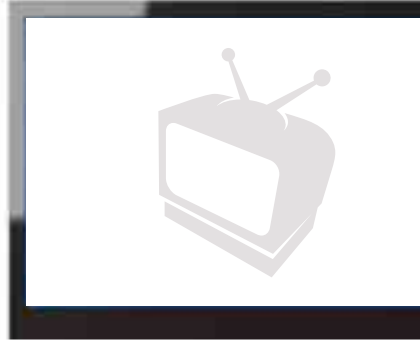
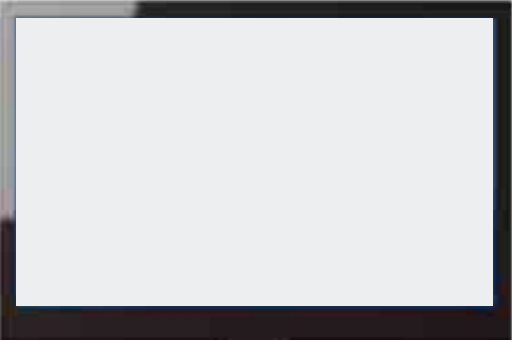
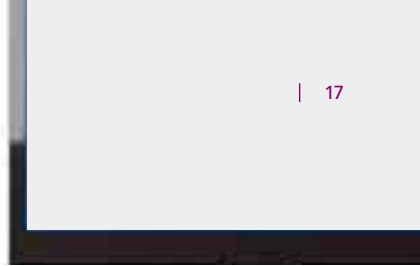
to avoid any negative effect on the premium shopping atmosphere in the centers. The screens are all situated at locations where they will attract a lot of attention and their pleasing aesthetic and technical quality makes them a positive addition to the centers.

For the centers’ tenants in particular, the digital screens offer an excellent opportunity to attract visitors’ attention directly at the point of sale and to trigger impulse purchases. However, the national branding industry is also already showing a great deal of interest in this unique network of advertising space. Processing of booking enquiries is performed by one central office for all of the centers, making the process extremely simple, quick and convenient for

companies wishing to advertise. In addition, advertising reservations can be tailored to individual requirements based on the fact that the screens are available nationally, whether it be a regional booking, a national booking or a booking relating only to certain centers. Particularly in conjunction with attractive promotions taking place in the centers, the advertisements are an ideal addition, e.g. in order to provide information about a market launch in advance and/or round out the launch with emotive images while visitors are in the center.

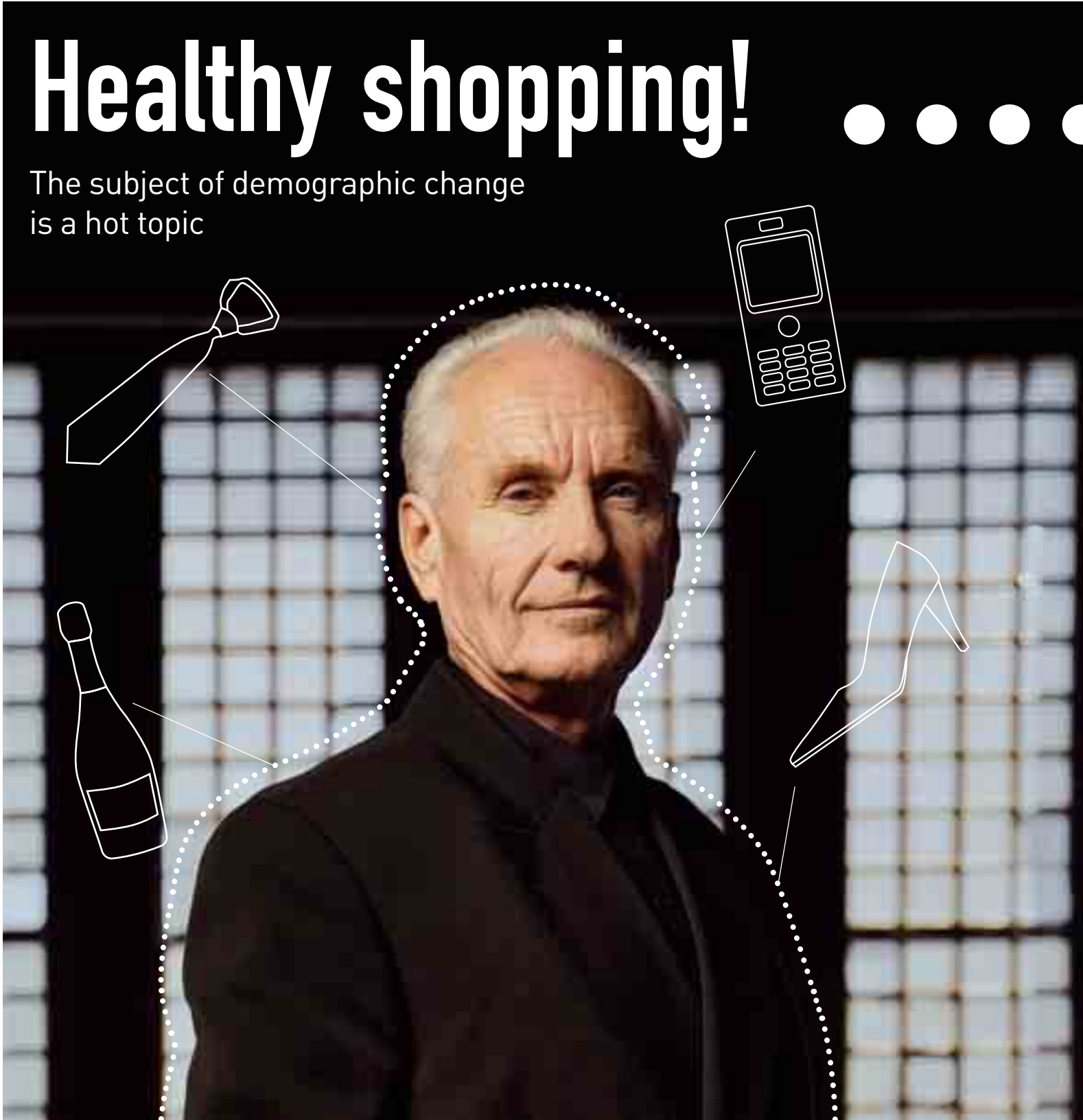
◀ **Lothar Franke**





# Healthy shopping!

The subject of demographic change is a hot topic



A

According to a study by the Berlin Chamber of Industry and Commerce, demographic change is primarily influenced by the following characteristics: for one,

people's life expectancy is getting longer – by 2050, the statistical life expectancy for a woman is 85 as opposed to 79 today and for men this will be 80 as opposed to 74 today, and for another, the population is declining – in Germany, the population is expected to fall to 60 million inhabitants by 2050 as a result of the decreasing birth rate. According to estimates, it is anti-

### “HEALTH IS NOT SIMPLY THE ABSENCE OF ILLNESS BUT RATHER A LIFE GOAL”

ipated that half of the population will be over 50 years old by 2040 – the so-called “best agers” group. As opposed to the majority of 50 year olds today, they want action or at least to be part of the action. The condition of their minds and bodies will also be better. They are expected to possess purchasing power, be consumption oriented and quality conscious as well as to carry important sales potential.

In the future, moving from the countryside to the city will become ever more attractive for older people as they expect to find a better quality of living here, such as proximity to doctors, shopping possibilities or cultural offerings.

According to Berlin Chamber of Industry and Commerce, the growing demand for senior-friendly products will dramatically change the market. Redefining target groups with adapted and freshly-developed marketing measures is unavoidable. At the same time, authors of the recently published “Greenomics” book – Dr Eike

Wenzel, Anja Kirig and Christian Rauch from the Zukunftsinstitut (German Institute of the Future) – have observed an additional phenomenon which will dominate society, markets and all industries by degrees: the “lifestyle of health and sustainability” (LOHAS). Diverse age groups, differing income groups and no affiliation to a distinct social class all mean that classification within a concrete target group is impossible.

Current surveys corroborate these forecasts. The German Wellness Association recently reported that the German healthcare market made up a volume of EUR 239 billion. This is 10.7% of the gross domestic product. By the year 2020, the healthcare market will be recording growth up to around EUR 453 billion. The key topics of nutrition, body, sport and quality of life are expected to lead to extended demand-driven markets. Thus health will become a key resource – a prime consumer goods and lifestyle product.

The authors of “Greenomics” identified the following LOHAS principles: health is not simply the absence of illness but rather a life goal. People can avoid pains, symptoms and chronic illnesses if they keep a

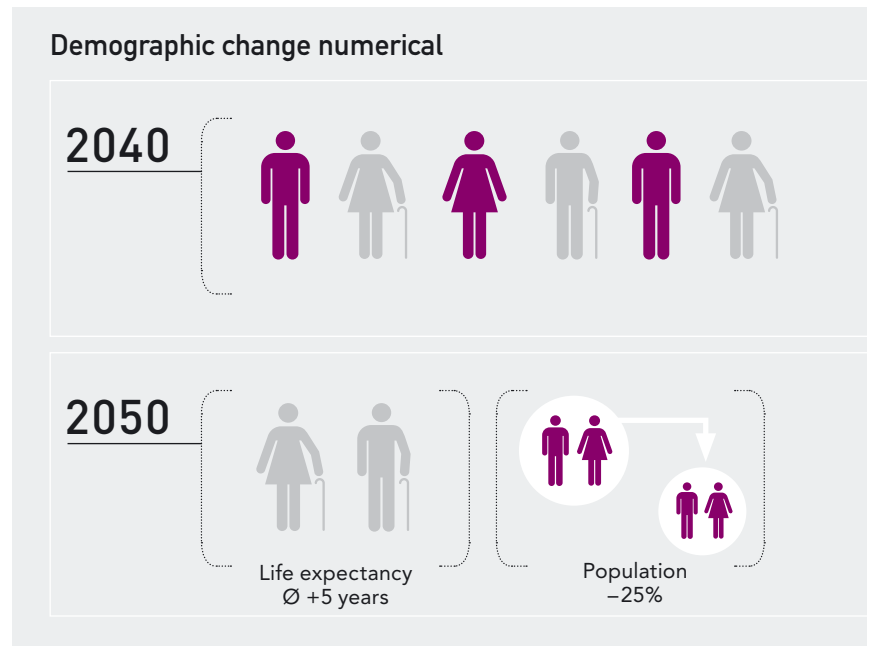
continual eye on their own life-work balance. Alongside a higher quality of life, the key LOHAS aspiration is the reversal of living practices to self awareness, freedom from stress and deceleration. The new healthcare markets can be based on these theses.

There are additional LOHAS characteristics that are indicative of a new future market:

- Consumers are proactively looking after their health
- Higher costs are acceptable
- Orientated towards substantial and subject-specific communication
- A desire for transparency and clarity when being addressed

Complex and promising business models for the future can be derived based on the assessments listed above.

In light of this, the demands on shopping centers will also change. We have attempted to present this graphically in the following future scenario: ►



# The modern shoppers of tomorrow

It is a Sunday evening in November 2020, around 9 pm and we find ourselves in a futuristic looking domed building made of glass, completely and self-sufficiently powered by a sophisticated solar energy system. The glass building is a shopping health center – SHOHEC for short – a place to satisfy all your needs: a shopping experience coupled with rest, relaxation and healthcare offerings. Hand in hand, a couple meander through a shopping center flooded with light. Right now, the light elements green and yellow are the dominating colours. The projected meadows and flowers suggest a stroll through a summer landscape. Unobtrusive scents, discernable solely in the subconscious, convey a pleasant atmosphere that simultaneously stimulate the desire to shop. Our two shopping strollers are “best agers”. Mid-fifties, in casual wear, both employed with well-thought-out time management and a conscious separation between career and their scarce leisure time.

Beforehand, they both entered their shopping needs into the center’s internet service module – a special service for regular customers and the interested public. Once they arrive at the SHOHEC, they register themselves by giving a fingerprint at the entrance and are immediately provided with a virtual sales assistant. The assistance they receive will be provided by means of an out-of-sight earphone with miniature buttons. Pursuant to the requirements that had previously been entered online, the center’s service staff have prepared the corresponding products and both customers are now being guided via their earphones to the relevant shops in line with their requests. The staff in each branch are impeccably prepared for the customer visit, are aware of sizes and taste thanks to the customer-data system and can therefore efficiently offer advice tailored to the customer. The pre-selection was perfect: they have quickly found a conventional suit for HIM and a rainproof walking suit for HER. This process saves the couple time that they can then put to better use spoiling themselves in the healthcare department. The SHOHEC offers a wide range of healthcare services. In addition to various cosmetic offerings, there are other healthcare areas that concentrate on prevention, physical therapy and relaxation treatment. SHE opts for an offering available on the discreetly insulated sports area: Knowledge Movement – 30 minutes movement on a multi-functional unit consisting of a stepper and an exercise bike whilst a digital presentation is given on the subject “New walking trails in the Harz”. In the meantime, he visits the “Minute Clinic”. As he already knows the easily understood treatment catalogue, he is aware that the trained staff here can diagnose and treat his skin irritation in just 15 minutes. He did not have the time during the week to visit the doctor. He buys the recommended

ointment in the Instant Pharmacy – a machine where the user is required to register, again by means of the individual fingerprint. He spends his remaining time unwinding in the “ReMass Lounge” relaxation area, waiting for his partner to return. In a relaxed atmosphere, he settles himself into the ReMass Massage Chair and enjoys a soothing shiatsu mas-

sage. Four of the massage rollers, emulating human hands, loosen up the back muscles on both sides of his spinal column. Within a few minutes of the treatment, he is already feeling a sense of well being and relaxation.

Finally, they treat themselves to a healthy meal in the stylishly furnished organic food area – they will be visiting this area again when they next visit the center. To round off their day, they indulge in a jasmine tea.

For our couple, visiting the SHOHEC has become a ritual, mixing business with pleasure. Because of their careers they spend a lot of time travelling Germany, which in turn affects their leisure time and they appreciate the fact that they can visit a SHOHEC in almost every German city.

Social change and the extremely popular trend of focussing more on health represent enormous opportunities for the German economy in general and particularly for the property and retail industries. Availing of these opportunities correctly is both a challenge and an entitlement.

◀ **Claudia Müller, Head of Marketing, ReMass**

## ABOUT ReMASS

*Established in 2005, the service provider ReMass specialises in installing massage chairs in the quiet areas in shopping centers and airports. In addition to sounding out potential rental floor space, the full-service provider is responsible for the installation as well as the management and maintenance of its locations in both Germany and Austria.*  
[www.remass.de](http://www.remass.de)





**Claus-Matthias Böge, CEO, Deutsche EuroShop**

"For my birthday I bought myself a driver that I really wanted to use to 'attack' with when golfing. But a good club just doesn't make a good golfer. So I probably will never improve my mediocre game after all."



**Lothar Franke, Deputy Managing Director of Center Management, ECE Projektmanagement**

"My purchase of the year in 2008 was my iPhone! Most of all, I like the pioneering design and the way it is absolutely simple to use, which even enables people like me who are not highly technically proficient to find important information within seconds."



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

"We needed our own garden for the children. Unfortunately, we couldn't find it in one of our shopping centers, so we bought our own little house in Hamburg in 2008. Certainly a good investment for retirement – besides the DES shares in the custody account."



**Jens-Ulrich Maier, Managing Director of Construction, ECE Projektmanagement**

"In 2008 I bought myself a typical gadget: a Seiko electronic dictionary. With business English and the Oxford Dictionary I am very well prepared for my future tasks, which will have a more international focus. The new functions, such as leafing through lists and automatic word recognition, are also great fun and make work so much simpler."



**Reinhold Niehoff, architect, ECE Projektmanagement**

"As an enthusiastic hobby cook, I treated myself to four particularly beautiful cookbooks from the publisher Teubner that contain lots of worthwhile knowledge: big books on meat, seafood, fish and herbs and spices. So I certainly won't be lacking recipe ideas for a while!"



**Viola Raeder, architect**

"I fulfilled a dream and finally bought myself a piano – a black Yamaha Silent model that both looks and sounds great. And if I ever want to play at unusual times of the day, this 'normal' piano can be switched over to headphone mode..."



**Christian Schiffmacher, Editor-in-Chief/Managing Director, Institutional Investment Real Estate magazine**

"Last year I bought an HTC S730 Smartphone that I use to retrieve and send e-mails. I'm very happy with the device and it's also very practical, especially on business trips."



## "What I bought for myself in 2008"



**Olaf G. Borkers, Member of the Executive Board, Deutsche EuroShop**  
"I bought myself a practical, bright red 'beach wallet' for the beach – a slim, waterproof thing made of plastic for keeping your credit cards and money in. Accompanied by a small neon-green mobile phone from Nokia, the swimming trunks are no longer overloaded and I'm equipped for the beach season."

**Birgit Schäfer, Executive Secretary, Deutsche EuroShop**

"A Panasonic Micro Hifi music system with a crystal clear sound for a heavenly listening experience."



**Nicolette Maurer, freelance journalist**

"I bought a new sunshade for our terrace – a huge one, so that the whole family can finally sit in the shade. To match, I bought a really comfortable deckchair. Unfortunately, my husband thinks so too, so we'll probably need a second one this summer..."

**Nicolas Lissner, Manager Investor & Public Relations, Deutsche EuroShop**

"With my new media receiver I've come a little closer to the television of the future. Thanks to the function that allows you to pause programmes while they are running and to simply rewind, you are guaranteed never to miss anything important again."



**Kirsten Kaiser, Head of Accounting, Deutsche EuroShop**

"I'm totally caught up in the iPod: I went and bought myself two of the little wonders. So now I always have a musical companion in my handbag to keep me in time!"

**Ralf Flierl, Editor-in-Chief, Smart Investor**

"In times of crisis such as these, many things suddenly lose their value while others become more important. The silver coins I bought myself are attractive to look at and should hold their value in the inflationary times I am expecting. My wife would have been more in favour of a nice piece of jewellery instead, but that's a different story..."





# MOVIE TIP

## “SHOPAHOLIC”

With her best seller “Confessions of a Shopaholic” Sophie Kinsella scored a post-2000 success with a run of over 15 million copies. Must reading for all shopping enthusiasts.

In March 2009, the movie “Confessions of a Shopaholic” appeared, in which the action is moved from London to the unrivalled fashion and shopping capital of the world, New York. The film is a charming comedy and one that is quite worth a visit to the cinema or a film evening at home.

Rebecca Bloomwood (played by Isla Fisher) spends her life shopping and thrives on her life in glamorous Manhattan. She has 12 credit cards in her purse and even keeps one in reserve in her freezer. Like many girls, as a teenager she dreamed of a career as a fashion journalist.

When the credit card bill comes, she’s horrified. Previously Rebecca had noticed that her international luxury items from Gucci, Dior and co. were always reliable and accessible, unlike some of her male acquaintances. Though she was never disappointed in principle with them, now she’s facing bankruptcy with this sum.

With no more cash or available credit card balances to turn to, and even a pink slip from the job in the mailbox, now she feels the pressure to land a new job, and a lucrative one. What could be better than to use this practical opportunity to apply with Alette, a world-famous fashion magazine. But instead of landing the glamorous financial editor job, Rebecca ends up sitting in the applicant’s chair at the business magazine Successful Saving, which is located in the same building.

Now a lightning quick reaction is needed, as she doesn’t really have any clue about assets and reserves, though does seem to be lucrative in any case. And though she has to google difficult terms like “effective interest rate” and consult with cheap financial advisers to acquire basic knowledge of the industry, her boss Luke Brandon (Hugh Dancy) nonetheless gives her a chance. And the finance column she writes is not just well received by him. In the column she describes a financial transaction involving the purchase of shoes and in fact knows exactly what she’s talking about.

Her shopping sprees of course continue in the meantime. And even the “Shopaholics Anonymous”, to which she sends her best friend and roommate, don’t seem to be able to keep up.

Through the film Rebecca attempts to iron out her past mistakes using all kinds of tricks and zany ideas. Of course there’ll be time for love in all the confusion: She conveniently discovers a few things she has in common with her boss editor Luke, who like her can “speak Prada”. But here again - and how could it be otherwise? - things don’t go according to plan. But in the end Rebecca ultimately realizes what the most important things in life are and that they have no price tag. ◀ NL



# BOOK TIPS

## OPEN – THE STOREBOOK

“The World’s Best New Fashion Stores” is the subtitle of the large coffee table book which is dedicated to the innovative elite in the world of modern shop design. The lavishly illustrated book contains portraits of around 100 outstanding multi- and mono-brand stores. OPEN features over 250 high-quality photographs of shop interior designs and also provides detailed information on location, product line, shop size – and of course – the architects and designers.

Meanwhile with “Volume II” the next instalment of the trend-setting reference work appears around the world of the young retail trade.

## ECE ARCHITECTURE 2004 – 2008

The continued development of European cities depends on having a future-oriented building culture as an essential foundation. Anywhere that public spaces are being planned, it’s the architects, developers and investors who hold special responsibility. ECE is aware of this and is working in cooperation with the local authorities to develop individual solutions for each location. Here city planning, preservation of historical sites and fine architecture all play a vital role in this process.

This book displays selected projects from the years 2004–2008 and thus provides an overview of the entire architectural breadth offered by ECE: including the cathedral renovation, the futuristic shopping center, the corporate headquarters, Vienna’s Bahnhof-City, the logistics center and the sporting arena. Important partial aspects of the architectural process and city planning are investigated in greater detail in text articles and interviews.



*Sportswear International: OPEN – The World’s Best New Fashion Stores*  
Deutscher Fachverlag, 194 pages,  
ISBN: 978-3866411357  
approx. 79,90 € (published in English)



*ECE Architecture 2004–2008,*  
Societäts-Verlag, 188 pages,  
ISBN: 978-3797311146,  
approx. 19,90 €



# OUR SHOPPING CENTERS





We celebrated the opening of two new locations in 2008: In March, the Stadt-Galerie Hameln welcomed its first visitors and the Stadt-Galerie Passau followed in September. All 16 shopping centers in our portfolio are now open for business.

	Germany	Abroad	Total
No. of centers	12	4	16
Leasable space in m <sup>2</sup>	491,400	153,300	644,700
No. of shops	1,125	550	1,675
Occupancy rate including office space	99%	100%	99%
Inhabitants in catchment area in mio.	9.8	3.3	13.1

Our shopping centers, which include twelve in Germany, two in Poland, and one each in Austria and Hungary, provide space for a total of 1,675 stores in a rental space of 644,700 m<sup>2</sup>. We are especially proud to note that we currently have a rental rate of over 99%, which has been at this level consistently for many years. With a 84% the focus of our investments clearly lies in Germany.

### TAILOR-MADE INDIVIDUAL CREATIONS

Each of our shopping centers, thanks to its careful integration with the urban milieu, is specifically designed to suit its particular environment. Thus we take particular care to ensure that the makeup of the tenants adds to the richness of the inner city in specific ways. As integrated components, our centers play an active role in the city marketing campaign. The architecture of each property is individually customised to suit its surroundings through collaboration with distinguished architecture firms and in coordination with the responsible authorities. This takes place partly through integration of ultra-modern and futuristic elements, authentic facades or a combination of both. The interiors are designed with a striking air of gracefulness: Fine materials, a flawless climate control system and innovative water and light staging are designed to make the experience as pleasant

as possible for visitors. Here we also place more and more emphasis on our little citizens, so many of our centers have their own play areas for children.

### RIGHT WHERE THE ACTION IS

In our culture the marketplace has been the central location for the society for centuries, as it's here that goods have been traded. That's why with our centers we focus on the city centres. Our city centres are mainly situated directly adjacent to local pedestrian zones. In addition, with the Main-Taunus-Zentrum near Frankfurt and the Rhein-Neckar-Zentrum at the Mannheim city limits, our portfolio features two established exurban sites which are perfectly accessible by car and just a few minutes drive from significant roadway junctions. ▶



## THINKING ABOUT TOMORROW TODAY

The topic of environmental protection plays a vital role for us. The majority of our centers in Germany now already have certified green energy and in the future this form of supply with regenerative energy is planned for all the centers in Germany and abroad. Heat exchangers and energy saving lamps further reduce energy consumption in our properties. These concepts are continually being optimised.

## FLEXIBILITY WITH THE FUTURE

For several years now there has been a growing demand in the retail market for larger retail spaces in order to provide customers with a more and more diverse range of products. With our shopping centers we are able to offer precisely this space since unlike most city centre retail property the floor plans allow for a high degree of flexibility in customising to suit specific needs. It is thus possible to expand existing space without much additional cost but also for example to partition areas off and thereby free up space for a new concept. For us this is a sign of the future viability of our properties. And it's also the only opportunity many of our tenants have to find an appropriate inner city location, which otherwise provides no suitable retail space. Ultimately this will enhance what cities are able to offer in the area of retail trade.

## OPTIMAL ACCESSIBILITY

An additional success factor with our shopping centers is the fact that they are ideally located for connecting to public transportation. Our newly opened centers in Hameln and Passau for example are located in the immediate vicinity of the central public bus stations. In our shopping centers we provide visitors coming by car with comfortable and affordable parking facilities.

## STRATEGIC CHOICE OF LOCATION

The total catchment area for our shopping centers is 13.1 million people, 9.8 million of which are in Germany alone. Thus theoret-

ically almost one in every eight German citizens is a potential customer of one of our centers.

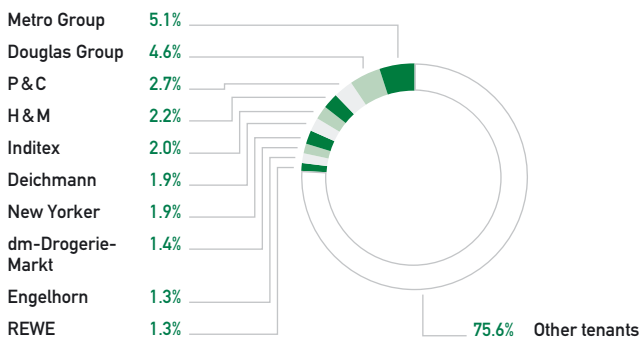
For us the crucial factor in choosing a location is not the population of the city but the potential catchment area. This is the estimated number of potential visitors to the shopping center based on the various local offerings. In more rural areas, for example, shoppers are accustomed to a driving time of up to 45 minutes to have access to the wide selection of goods provided by the center. Here our historical data shows that the fashion expertise on display in our shopping centers that is constantly remarked on by our visitors in customer satisfaction surveys plays a decisive role.



View of the main entrance to the Forum Wetzlar

### THE 10 LARGEST TENANTS

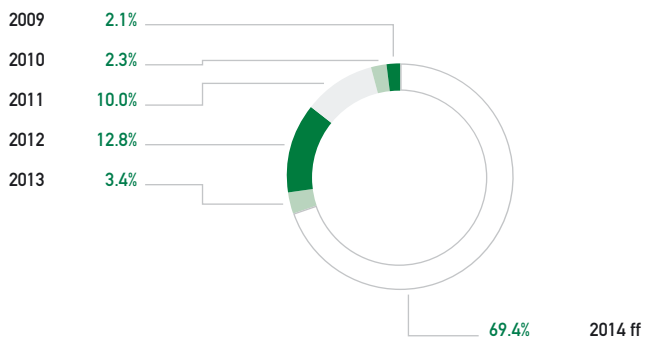
share of rental income in %



Total of the top 10 tenants: 24.4%

### LONG-TERM RENTAL AGREEMENTS

term of agreements, share in %



## GROWTH IN HAMELN AND PASSAU

We were joined by financial analysts, investors and shareholders from the region in celebrating the openings of the Stadt-Galeries in Hameln and Passau. There were hundreds of guests on hand at the events including media representatives, shop owners, political figures, socialites and honorary local figures. The program included festive speeches, a few initial forays into the brand-new shopping spaces and a dinner to round out the evening's festivities.

The festivities began on 11 March 2008 with the opening celebration of Hameln's new shopping attraction - centrally located at the Pferdemarkt and thus directly accessible to the pedestrian zone, the Stadt-Galerie is open for business and with its almost 100 specialty shops, service providers, cafes and restaurants, offers visitors a retail mix that is ideally suited for the city. A special highlight is the integration of the historic Kreishaus with the center. The approx. 19,000 m<sup>2</sup> of retail space was already fully rented months before opening. Around 500 parking spaces are provided for visitors on two parking decks and the catchment area contains approximately 400,000 people.

The Stadt-Galerie Passau opened on 10 September 2008. Around 90 long-term let out speciality shops, service providers, cafes and restaurants in approximately 21,000 m<sup>2</sup> of retail space now receive visitors in the "Neue Mitte" district of the city in the centre of the pedestrian zone and behind an attractive facade. The parking decks offer over 500 parking spaces. There are approximately 400,000 people in the catchment area, which extends as far as Austria.

## OUR TOP 10 TENANTS

With a 5.1% share, the Metro Group is our largest tenant. It is represented in our shopping centers by its selling brands Galeria Kaufhof, Media Markt, Real and Saturn. With a combined share of 4.6%, the Douglas group is next in line, with its perfumeries of the same name, Thalia bookstores, Christ jewellers, Appelrath-Cüpper



*The facade of City-Point Kassel*

fashion stores and Hussel confectioners. However, the fact that both groups account for only a relatively small proportion of our rental income demonstrates how diversified our tenant structure is. Altogether, our 10 largest tenants account for less than 25% of our rental income. Thus, there are no dependencies on individual tenants.

## LONG-TERM RENTAL AGREEMENTS

We generally sign agreements of over 10 years with our tenants. The weighted residual term of rental agreements in our portfolio is around 7 years. Over 69% of our rental agreements are secured until at least 2014.



## 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 contracted with us to conduct the upcoming expansion of the Altmarkt-Galerie Dresden and was also responsible for example for the development of the two properties opened in 2008 in Hameln and Passau.

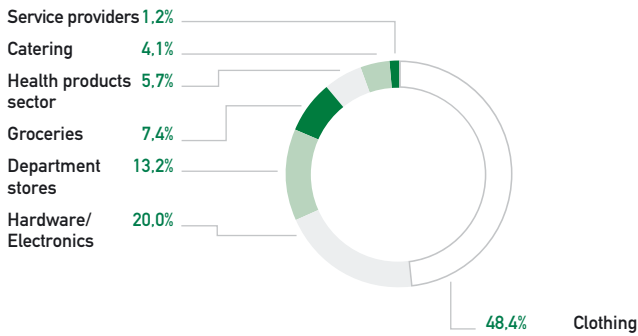
ECE has been developing, planning, implementing, leasing and managing shopping centers since 1965. With 112 facilities under its management, the company is Europe's market leader for shopping centers.

We, as German EuroShop, benefit from this experience both inside Germany and abroad. With our streamlined structure, we are able to focus on our core business and competence, portfolio management.

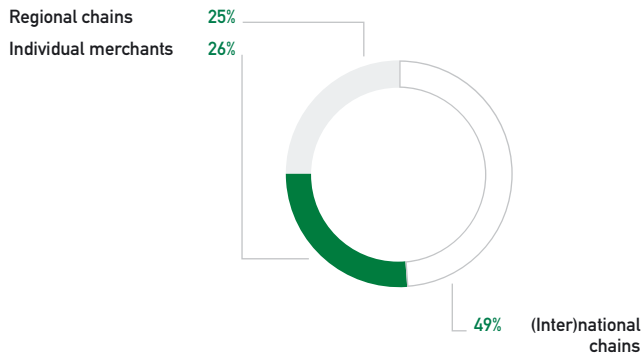
[www.ece.com](http://www.ece.com)



RETAIL MIX in % of space



REGIONAL RENTAL MIX in % of space



### LEASE OPTIMISATION

The primary task of the center management is to put together a customised retail mix for each center that is ideally tailored to suit the specific location based on a careful analysis of local retail offerings.

The important aspect here that with each transaction the focus is not the leasing each individual store, but the shopping center property as a whole. To make sure that the visitors are provided with an attractive mix of retail shops, a special system is used in renting out the individual shop spaces on a long-term basis. Here rents are calculated based primarily on the sales potential of the specific trades. This way businesses are also represented in our shopping centers which in recent years have been increasingly driven from the old city centres because they can no longer afford the exorbitant rents there, an example of which are toys or pet supplies. This principle is especially beneficial for local businesses and entrepreneurs, though ultimately all the tenants in the shopping center benefit from the greater volume of visitors this produces.

Instead of focusing entirely on short-term maximisation of rents, this model allows us to achieve optimisation of our rental agreements in the long term.

In addition, the visitors to our shopping centers also benefit from this system since they have access to the full range of retail

trade, from drug stores to clothing shops to specialised services such as bank branches and travel agencies. Fast-food restaurants, cafes and ice cream shops further enhance the experience and provide for relaxation while shopping.

### RETAIL MIX

The retail mix provides each of our shopping centers a unique character. Each of our centers is distinguished from the increasingly uniform high streets in the city centres, which are over 90 % chain stores. In our properties we pay special attention on providing a healthy mix of regional and local vendors as well as national and international chain stores.

### WHO'S WHO IN THE RETAIL BUSINESS

It is our tenants who are primarily responsible for the success of our shopping centers, including for example Aldi, Bench, Bijou Brigitte, Breuninger, Burger King, C&A, dm-Drogerie Markt, 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 Hilfinger, Vero Moda, WMF and Zara.

### SHOPPING IN PERFECTION

While each business in the German city centres has its own business hours, with our shopping centers customers can rely on standard hours of business.



The historic section of the Stadt-Galerie Hameln





*The facade of the Stadt-Galerie Passau*



Each of our shopping centers has its own advertising association in which each of the tenants is a member. The task of this association is to plan marketing campaigns that will provide visitors with ever new shopping experiences spread evenly over the entire year. This includes exhibits and events on various topics, often with a local flavour. For example, in November a large ice hockey exhibit was put on at the Phoenix Center in Hamburg with the Hamburg Freezers hockey team. But the marketing association also has the role of providing expensive decorations during

Easter and Christmas season and designing the fashion shows where the newest collections from our tenants are presented to the public.

An additional area of focus for the marketing association is coordinating a coherent advertising effort for the entire shopping center and editing a shopping center newspaper which is distributed as a leaflet to the daily newspapers in the region in the catchment area, and even running radio ads and City Light advertising posters. ◀

# SHOPPING AS AN EXPERIENCE:

A selection of the diverse activities in our centers

**1** The Hessian Police made arrangements for a whole week of highlights in the Main-Taunus-Zentrum. With its motto "All of us in Hessen – working with the police", the visitors were provided with a range of programs. This included exhibitions of weapons and counterfeit money, consultations on crime prevention and training demonstrations that were provided by a seizure unit. Other highlights were various emergency vehicles for up-close viewing, flight demonstrations by police helicopters, an appearance by the cavalry division and autograph sessions with police officials who had recently returned from the Olympics in Beijing. There was also a stand providing information to the curious young visitors on training opportunities with the police.

**2** At the Königsplatz in Kassel, residents enjoyed an exciting mix of sports, beach atmosphere and a vacation feeling during the summer. A large sand arena was constructed in front of the City-Point for the beach Volleyball Cup from 7–10 August 2008. Close matches between amateur teams and the high-calibre duels among elite beach volleyball players from across Hessen drew crowds. Along with athletic entertainment, there were music, competitions and fashion shows to bring good cheer to the visitors.



1. FRIENDS AND ASSISTANTS IN THE MAIN-TAUNUS-ZENTRUM



2. SPIKING AND DIGGING THE VOLLEYBALL WITH A BEACH-LIKE FEEL IN KASSEL



**3** In October the City-Galerie of Wolfsburg played host to an extraordinary exhibition. The Minimundus leisure park from Austria displayed some of its models of famous structures at the middle of the mall in the center. The Statue of Liberty, the Parisian Eiffel Tower and Vienna's Ferris Wheel were on display. The shopping stroll then quickly turned to foray in time travel through the various epochs of human culture and architectural styles. Anecdotes and stories on the 13 exhibitions abounded among the Minimundus employers on hand whose organised tours were well-received by the visitors.

**4** Everyone was thrilled, and not just the children: in September the Roncalli circus built its ring amidst the Rhein-Neckar-Zentrum. Though it was naturally a smaller version, it included the original artist entryway of 1976. There were multiple shows each day in the program during which there were plates, pins and rings airborne in the Center and comical skits by a clown were all well-received. A separate participatory circus was organised for children. An exhibition simultaneously displayed vitrines and showcases containing treasures from the rich and colourful Roncalli history.



3. SMALL WORLD IN WOLFSBURG



4. SHOWTIME AT THE RHEIN-NECKAR-ZENTRUM



# The Third Place

In every city there is a place which seemingly magically attracts tourists as well as locals. Places like Times Square in New York, the square in front of the Centre Pompidou in Paris or Unter den Linden Boulevard in Berlin.

Places where social life happens, where people conduct their business, can linger without pressure, exchange ideas or simply pass the time. Places replete with history, architecturally interesting or where nature is particularly beautiful. Places which have a social, cultural or commercial meaning, or maybe even all three. American sociologist Ray Oldenburg calls such places "third places". Oldenburg is referring to one of Sigmund Freud's theses, namely that the modern person only needs two places to be happy, a workplace and the home. However, Oldenburg contends that every person occasionally needs a "third place" as an escape which offers them social and cultural interaction beyond work and family. Hallmarks of "third places" are that they are inexpensive or even free, that food and drink are available, that they are inviting, comfortable and easily accessible and that they are frequented by people who come regularly as well as the occasional passer-by. Not only can special places of interest serve as a "third place", any public place where a person can relax or feel part of a community qualifies. ►



**3rd PLACE**



This is actually not a pioneering discovery. In fact, there have always been places throughout history where people met, did their business or discussed the news, be it the "agora" in ancient Greece or the market in the Middle Ages. Places that brought together social, cultural and economic needs. However, since the Industrial Revolution, such places have been disappearing. Big city blocks often lack comfortable cafes or neighbourhood bars. An influx of cars and more and more traffic inhibits people from walking down the street and many places are often so built up that they have no welcoming character whatsoever. In the 20th century, public places have been successively made anonymous and dissocialised.

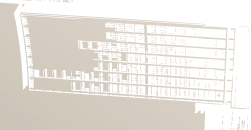
## "Crystallising point of community life"

The American architect Victor Gruen already recognised this situation some 80 years ago. A Jewish immigrant who left Vienna for America, Gruen missed the warmth and friendliness of a city steeped in history. His answer to the missing "third place" was to invent the shopping center as a "crystallising point of community life in the suburbs". The concept was meant to make shopping easier for housewives living far outside the city; but also to create a microcosm that would simulate public life. Thus, the first shopping

centers had libraries, kindergartens and club rooms to counteract the suburbs' isolation. In later designs, Gruen even envisioned entire cities grouped around a shopping mall. It was a concept that was met with unforeseen success. After all, shopping centers epitomise the typical ideal values of suburban lifestyle, namely order, cleanliness and safety. Additionally, they became decentralised bunkers and evacuations areas during the Cold War when fear was high that there might be enemy atomic attacks on big cities.

The fear of an atomic war is fortunately not as acute today but yearning for a "third place" is still strong. For this reason many people have disappeared into a virtual world, especially young people. "Generation 2.0" chats, twitters, skypes and can easily slip into the roll of an artificial avatar. A development which according to experts has already peaked. Futurologist Matthias Horx notes an increasing digital overdose in Trend Report 2009 because "virtual worlds can only conditionally replace the real world". "I'm getting bored of facebook", is the new song of the new internet objectors. According to Horx's estimates, millions of internet users in Germany have already significantly reduced their internet use and this will continue to rise. After all, people are recognising that the internet takes up too much time and reduces personal contact in the real world.

A longing for physical presence is the counter pole to globalisation and worldwide telecommunications says media analyst and philosopher Norbert Bolz.



"The Media revolution demands a human compensation: the urban environment through architectural cult places: large public squares, football stadiums, parks, the protection of these little paradises." Places where one can find human contact are more in demand today than ever.

## "The desire for urban living is on the increase"

A development that one also sees happening in the cities. The decades of fleeing to the countryside have stopped and the new trend is to return to the city. Friedrichshain instead of Friedrichsfelde, Eimsbüttel rather than Poppenbüttel, Schwabing and not Starnberg, so goes the new motto. Horst W. Opaschowki from the Stiftung für Zukunftsfragen (Foundation for Future Studies) also notes a renaissance in city centres. "The desire for urban living is on the increase; without cities you can no longer create a country." And thus in the last ten years major efforts were made to create a quality of life in city centres everywhere. In newly created parks, in pedestrian zones, in coffee shops, city dwellers look to sate their desire for more social contact and urban quality of life. Even shopping centers, now no longer built in the middle of a field but rather since the 80s increasingly integrated into existing public spaces, have today become an important element of the urban city environment. The shopping

center's visitors naturally want to accomplish their errands and shopping. To this end, each shopping center primarily contains fashion and lifestyle stores, inexpensive grocers, drug store chains and home electronics, hairdressers, cosmetic studios, shoe repair, cleaners, pharmacies, doctors, bakeries, restaurants and of course enough parking spaces.

Yet today's shopping center visitors do not just come to shop. They are looking for the "third place". They simply want to spend time

and hang around, see and be seen, have some fun and entertainment, and that even after the stores close, on weekends and especially when the weather is bad. In fact, modern consumers are looking for well-being, as trend researchers observe. Besides their search for identity, modern consumers are even driven by a desire to "break out of normality, to re-enchant and eroticise consumption". Today's shopping center operators must accommodate customer wishes to assure that the center is generally accepted as a "third place". For this reason, the centers are equipped with leisure time facilities such as fitness clubs, ballet schools, indoor playgrounds and children's entertainment, cinema and discotheques. ►



The temples of shopping are mutating into multi-optional leisure activity oases, easily accessible via public transportation or car. A center planned for Berlin will even offer a pier for small watercraft.

An architecture in line with these trends helps associate the center's image with the concept of well-being. Sometimes this can be something spectacular such as with the Galeria Balticka in Gdansk, Poland or more often a center that has been integrated into the existing cityscape such as the Altmarkt-Galerie in Dresden. The interior is of high quality with marble walls and wooden floors, Greek columns and glass cupolas, fountains and tropical plants, leather armchairs and massage chairs.



## “The temples of shopping are mutating into multi-optional leisure activity oases”

Moreover, spectacular special events and theme worlds are an added attraction: a fashion show, a circus performance, an ice-skating rink, or a store is transformed into a jungle complete with its own Tarzan who swings from tree to tree. The center becomes a stage on which stories can occasionally be told to attract and entertain visitors.

A look at our neighbours shows us what future developments to expect. There is still great growth potential for restaurant services as Southern Europeans are proving. Food Courts with food from all corners of the globe is one of the main attractions. A shopping center in Madrid entices visitors with a ski hall, open all year long. The Polish now go to the mall after church to take their Sunday walk, especially young people who meet here regularly. In Turkey, an outing to the shopping center is a downright event. It is a meeting point like the market used to be and people meet there to go to the cinema or even to the theatre in Ankara. The Swiss “Westside-Zentrum” in Bern has also adapted to the demographic change. It boasts a water park with fitness centre, a hotel and even a home for the elderly.

In USA it is commonplace to find shopping malls with zoos, aquariums and gigantic amusement parks. While the first shop-

ping centers sprung up all over the place some 50 years ago, these have recently become the middle point of social life and some even for decades already. Many Americans more or less grow up in the mall, meet there and even get married in the center's “Wedding Chapel”. And more and more arrive with their laptops now, sitting wherever there is free wireless internet. The so-called “Kinkos Generation”, a group of young white-collar workers and self-employed individuals first discovered public space as work space. Instead of sitting alone at home, they sit in the “third place” and enjoy an atmosphere which is intimate yet anonymous, inspiring yet conducive to concentration needed for work.

And after work comes play. Already now, people can spend their entire holiday in the “Mall of America” in Minneapolis. This concept serves as a role model for the planners of the new “Megahubs” in the Persian Gulf states.







The "Mall of Arabia", opened in 2009 with almost 2 million square meters of retail space, is set to become the world's largest "Urban Entertainment Center", almost a city in itself, where customers arrive by air and can spend their entire holiday there.

In this way shopping centers are being transformed from "Consume Temples" into "arenas for the re-enchantment of the world", something we all long for because, as philosopher Norbert Bolz explains, every trace of magic, aura, charisma and charm has been extinguished from our enlightened daily lives. At the same time, current

studies show that worldwide most people identify the wish for an authentic life as one of their greatest needs. With the right mix of enchantment and authenticity, shopping centers will be a real success as a "third place" along with the café down the street and Unter den Linden Boulevard.

◀ Nicolette Maurer





THE 200  
COLOUR SHADES  
OF STADT-GALERIE  
PASSAU



Passau's architecture is characterised by its fragmented old town. In order to accommodate this aspect, the facade of the Stadt-Galerie shopping center has been divided into sections imitating the structure of the old town.

This way the building links the old town surrounding Ludwigsplatz in an unobtrusive but at the same time self-confident manner with the new town centre. By offsetting the eaves lines and shear walls against each other, an enclosed street layout with a compact sequence of small subdivided houses has been created in the same way as in the old town. These typical Passau elements have been incorporated by means of contemporary interpretation.

The same also applies to the incorporation of the building colours of the old town and the materials deployed in the facade with steel and glass.




*The new elements in the facade have been carefully integrated into the historic cityscape*

The facade is composed of differently coloured sections with ten base colours. The subtly distinguished colour picture of an individual section of the facade is made up of 20 different types of metal panel with varying hole sizes and colour shades from bright to dark in the colour range of the applicable base colour.

This accordingly results in 200 different shades of colour across the entire facade of the Stadt-Galerie shopping center, with each shade allocated to a specific hole size and increasing from bright to dark.

**“THIS ACCORDINGLY RESULTS IN 200 DIFFERENT SHADES OF COLOUR ACROSS THE ENTIRE FACADE OF THE STADT-GALERIE”**

The double-partition wall construction provides an illumination that is varyingly dispersed by the differently perforated metal facade elements and lends the building a theatrical air. 





This enables fields of light to appear at dusk in accordance with a specific trait that deliver a unique interpretation of the traditional Passau facade.

The entrances to the Stadt-Galerie shopping center on Bahnhofstrasse and Ludwigplatz

are highlighted by means of illuminated shop windows. The entrance at the central bus station is phased into the building in line with the pattern of the steps and is accentuated by means of covered lighting.

A further special feature is the 'fifth' view – the roofing. This takes up the fragmented structure of the facade and continues it in the form of flying roofs to provide the

higher surrounding developments with a varied view of the parking area.

The integration of the historic building "Bahnhofstrasse 1" ultimately shows how well old and new can be combined to form a single unit. The listed building has been restored to its old charm and now houses the shopping center management.

◀ Reinhold Niehoff



## FACTS ABOUT STADT-GALERIE PASSAU

*The Stadt-Galerie is directly connected with the pedestrian zone and the central bus station via several entrances.*



### NEW FACADE

With its differentiated facade and the varying heights of its eaves, the new construction harmonises with the city's architecture and makes a bold and self-confident addition to the old city's characteristic structure of small buildings.



### OLD FACADE

The listed building at Bahnhofstrasse 1 was carefully integrated into the new Stadt-Galerie and now houses the offices of the center management.

PURCHASE BY	DEUTSCHE EUROSHOP //	DECEMBER 2006
LAYING THE //	FOUNDATION STONE	20 APRIL 2007
TOPPING OUT //		11 OCTOBER 2007
GRAND OPENING //		10 SEPTEMBER 2008
LEASABLE SPACE //		approx. 27,400 m <sup>2</sup>
OF WHICH RETAIL SPACE //		approx. 21,000 m <sup>2</sup>

The Stadt-Galerie is the shopping attraction in the centrally located and newly developed Neue Mitte district of Passau. On three elegant sales levels, around 90 specialty shops, service providers, cafes and restaurants present a retail mix tailored to Passau and southeast Bavaria.

Around 700 jobs have been created since the Stadt-Galerie opened. An average of 26,000 people visit the shopping center every day.

# PASSAU –

## THE VENICE OF BAVARIA

**W**hen the green water of the Inn emerges from the Alps and flows into the blue Danube and the black waters of the marshy Ilz beneath the Veste Oberhaus, one of Europe's largest fortresses, this provides observers with a very special natural spectacle. This is undoubtedly one of the reasons why every year numerous river cruise liners anchor in Passau before embarking on or continuing their journey towards Austria, Hungary or even the Black Sea.

However, the town on three rivers does not just offer the fascinating sight of the Danube carrying three colours for a short stretch. The romantic old town is situated on a narrow peninsula with St. Stephan's Cathedral crowning its hill.





This is not only the largest baroque cathedral north of the Alps but also home to the world's largest cathedral organ with over 17,000 pipes. The alleyways drop down on both sides of the cathedral with some steep steps and offer a southern flair that no doubt influenced the various Italian architects who have left their traces here.

At the heart of the old town, just a stone's throw from the cathedral, lies the Residenzplatz, where the New Bishop's Residence is situated and which is decorated by a large number of historic town houses. A stroll along the sunny and picturesque Inn promenade is also particularly to be recommended. Museum fans will certainly get their money's worth in Passau, with the Passauer Glasmuseum (Passau Glass Museum) containing the world's largest

collection of glass and the Römermuseum Kastell Boiotro (Roman Museum) among the highlights.

The streets and alleyways surrounding the bustling Ludwigsstrasse are very pleasant to stroll through. Here there are shops and cafés with terraces that on sunny days are occupied by both tourists and residents alike. The Stadt-Galerie shopping center opened just last September is situated at the heart of the pedestrian zone and comprises around 90 shops spanning a broad range of products from electronic equipment through to fashion to suit every taste. One can relax and fortify oneself in the evening with a local beer in one of the traditional beer gardens. Thanks also to the many students there is always a lively atmosphere in the bars and pubs of this university town until late at night.

There is also a lot to see in the vicinity, with beautiful towns, ancient culture and outstanding cuisine to be discovered on excursions to the two nearby neighbouring countries of the Czech Republic and Austria. Furthermore, a detour to the Glasstrasse is also very rewarding and can be combined perfectly with a tour of the Bavarian Forest. ◀

## TIPS //

### ACCOMMODATION //

- \* **Hotel Residenz:** Very centrally situated (Fritz-Schäffer-Promenade)  
[www.residenz-passau.de](http://www.residenz-passau.de)
- \* **Hotel Wilder Mann:** Sissi once stayed here (Am Rathausplatz)  
[www.wilder-mann.com](http://www.wilder-mann.com)

### RESTAURANTS //

- \* **eataly:** Inexpensive, contemporary Italian cuisine (in the Stadt-Galerie shopping center)  
[www.eataly-passau.de](http://www.eataly-passau.de)
- \* **Bayerischer Löwe:** Traditional hostelry with chestnut tree beer garden (Dr.-Hans-Kapfinger-Straße)  
[www.wirtshaus-passau.de](http://www.wirtshaus-passau.de)

“THE PARTICULAR CHALLENGE IS TO DEVELOP FUNCTIONAL AND AESTHETIC CONCEPTS IN KEEPING WITH CITY PLANNING ISSUES AND ADAPTED TO THE SPECIFIC CONDITION OF A LOCATION”

Since humankind first started building houses, each structure has been based on a builder’s specific design idea. Ideas that were in accordance with the style of the time and thus transformed themselves from era to era. In this way architecture followed clear rules until the end of the 19th century, rules which stipulated that beauty and style are the priority. This also applied to commercial architecture. Accordingly, neo-classical elements were used to decorate the first department stores. But a changing Zeitgeist meant changing expectations for architecture. Following the basic tenet “form follows function” coined by Bauhaus architect Le Corbusier, a purely pragmatic mind-set came to dominate architecture at the beginning of the 20th century.

# BETWEEN FORM AND FUNCTION

INTEGRATING SHOPPING CENTERS INTO A CITY





Consequently department stores from the 1930s to the 1950s typically had unadorned Bauhaus facades. Even the first shopping center in the middle of a field looked like oversized concrete blocks with a purely functional character. In the 70s stores with anonymous "system facades" started popping up in German city shopping districts. This bare uniform look from architects such as Eugen Eiermann (known for the restoration of the Berliner Memorial Church) banned any architectural relationship to the surrounding environment. As the first shopping centers made their way into German city centres in the 80s, they looked like arbitrarily landed space ships, oversized and in stark contrast to a cityscape which had evolved over time, because architects

and city planners had failed to adapt the size and style of the department stores to their surroundings.

Today we have learned from the mistakes of the past. Since there is no longer a uniform, architectural building style, architects, developers and city planners now make efforts to beautify and harmonise downtown areas. Architectural blun-

ders from the post-war years were cautiously undone and historical facades were rebuilt; old buildings are often now protected by historic monument laws and strict rules also govern new construction. The goal was and is to create a renaissance of the city centre as a lively social, cultural and commercial epicentre.

Today along with pedestrian zones, shopping centers are an integral part of German city centres. This trend is projected to continue, according to estimates from the EHI Retail Institute, with around 95 percent of the currently planned new-construction centers located in central business districts and city neighbourhood centres. Their interiors mostly rely on a functional building typology, usually a mall with two or three sales floors. However, the exterior of each building must now be individually tailored to suit its location and the architectural character of the city itself. "The particular challenge is to develop functional and aesthetic concepts in keeping with city planning issues and adapted to the specific condition of a location", explains Andreas Fuchs, an architect specialised in the design of shopping centers.

For example, planners must incorporate existing street connections into a project, integrate existing public spaces or create entirely new ones. Moreover, architects must perform a balancing act between traditional and modern design for old city centres by referencing the old city's style in their interpretation of a modern building's basic architectural elements. For example, curtain walls in glass and stone must fit in harmoniously with a historical city streetscape. ➤



Sometimes entire facades are reconstructed according to historical models like with the City Arkaden in Klagenfurt. For this project, parts of a historical streetscape were entirely rebuilt, including the original balconies with wrought-iron railings.

Another example is the Stadt-Galerie in Hameln, a new construction project that had to account for the old city's network of small neighbourhoods and its half-timbered wind-bent houses. A modern, gigantic building would have destroyed the unique cityscape. To keep in line with the centuries-old Weser Renaissance style, architects preserved the landmark-protected façade of a historic administration building located in the heart of the old town centre on the Pferdmarkt and integrated the Stadt-Galerie into the site. In this way, a modern center was created whose interior had the requisite space for retail shops and met customers' expectation, all the while keeping in compliance with the strict requirements of historic monument status for the exterior.

While many shopping centers are thus carefully integrated into existing city streetscapes, other centers are intentionally designed

to supplement a city's development or add to the cityscape, such as for example by emphasising certain geographical conditions. For example, a shopping center on say a riverbank can channel currents of people to its doors and thus become a new geographical point of attraction for a city. Besides a commercial purpose, the center also satisfies a city planning function.

Furthermore, a spectacular shopping center can be an enormous improvement for locations that have few inherent attractions. This is known as the "Bilbao Effect", named after the Basque city that became world-famous thanks to architect Frank O. Gehry's sensational Guggenheim Museum. Whereas once all religious and aristocrat buildings were accorded major, symbolic significance, whereas castles and churches gave a location its identity, in more recent times it is the cultural buildings, transportation centres (like airports or rail stations), sports stadium and also commercial buildings which can attain almost cult status through exceptional design. Here architecture becomes a trademark, indeed a brand.

19TH CENTURY:  
NEOCLASSICISM

1930:  
BAUHAUS

1970:  
PREFABRICATED FACADES

TODAY:  
EVERYTHING IS POSSIBLE



## “IN THIS WAY WE CREATE AN EMOTIONAL CONNECTION FOR THE VISITOR, A UNIQUENESS”

It is also an effect of size, seemingly irresistible, as described by the media analyst and philosopher Norbert Bolz. “Apparently functionalism is discomfoting; people are again searching for substance, a symbol, meaning and identity”. In this way, monumental architecture creates powerful symbolism which in turn rubs off on a city.

For other shopping centers, a specific motto may run through the overall concept’s architecture and substance. So-called theme malls are an internationally important trend, such as the Galeria Baltycka in the Polish seaport of Gdansk. Like the name suggests, the place is all about the Baltic Sea .

The ceiling windows are reminiscent of sails, one side to the water being blue and the other toward the land an earthy brown. Interior design elements repeatedly rely on water, beach, dunes and forests. In addition,

a map of the Baltic Sea region has been inlayed into the flooring. “In this way we create an emotional connection for the visitor, a uniqueness”, explains the lead architect Renate Müller. This enables the customers to identify better with the building and the architecture. Moreover, for locals as well as tourists the building inevitably creates a seaside holiday feeling, which boosts the mood for shopping.

There are many approaches to the construction of retail buildings. Depending on the location, either existing stylistic condition or a building’s functional goals may be the dominant issue. From the perfectly integrated center in an historical city to theme malls to the identity-creating monumental structure, today everything is possible, making every new center an exciting challenge for architects, developers and city planners. ◀ Nicolette Maurer

CAREFUL INTEGRATION:  
CITY ARKADEN KLAGENFURT

INTERPLAY OF PERIODS:  
THE STADT-GALERIE PASSAU



Once a big concept becomes fashionable, it threatens to deteriorate quickly into a pure marketing symbol. “Sustainability” is such a concept. There is hardly a company currently not talking up their sustainability. No wonder – language researchers have noted that sustainability has become the buzz word and environmental groups complain about “greenwashing”.

would like to make it very clear: a shopping center is not a nature reserve. And a solar energy system screwed onto a roof does not come close to making a building sustainable.

The correct approach for architects and project developers I believe is more a basic one: How can I plan real estate, carry out the plans, operate it so that it will have the most possible positive effects on its environment for the long-term, and at the same time have minimal side effects.

Firstly, the decisive factor here is the project authors’ conceptual and planning perspective. Those who want to create real estate with the largest margins in the shortest period generally are not interested in sustainable real estate development. And those who do not feel the need to show any reference projects, are often not sensitive to the consequences of such a short-term and usually short-sighted approach. Things can be different. As European shop-

ping center market leader, the ECE is in the public eye. Politicians and city governments are taking a look at our urban gallery structures before they make decisions for their own cities. Moreover, we remain onsite as leasing agent and manager and assume long-term responsibilities for our planned real estate projects.

In this way, the ECE was already using sustainable planning before the concept was even a concept. In 1970, we opened the Alstertal Shopping Center in Hamburg. Closely adhering to the Hamburg Senate’s city planning goals, we chose a site directly in front of a major commuter rail station, slated to become the centre of a new city neighbourhood. Flexible column spacing enabled for a simpler reorganisation without major construction, as originally, furniture dealers opened stores in the basement but these were in time replaced by many other types of businesses as per customer requests. As leasing agent, we have won over strong local partners, some of whom

are still loyal to the location today. In addition, we completed almost all renovations and expansions without having to use additional natural ground.

In the decades to follow, ECE’s project developers, architects, engineers and center managers continually worked to further improve the sustainability of our shopping centers. The goals are an improved handling of building land, land recycling, high durability and universal usability for buildings, unproblematic alterations or demolition if necessary, use of environmental, safe building materials and products, comprehensive materials management, energy conservation and minimising the land use criteria.

These procedures are not spectacular – but they are having an effect in their details. Just the use of the most recent type of energy-efficient light bulbs saves about 20 percent on energy. In times when energy prices are significantly increasing, these

# SUSTAINABILITY BEYOND SYMBOLISM

by Jens-Ulrich Maier



issues are more and more an economic concern. For this reason the ECE systematically informs tenants about technical possibilities and has started a cooperative program with Philips called "cool down".

Of course, we are also asking ourselves how their shopping centers can be directly supplied with renewable resources. For example, for the Rhein Galerie in Ludwigshafen we examined all current available alternatives. Here it became clear that fuel cells are not currently suitable for shopping centers as these need large quantities of warm water and have high energy consumption throughout the day. Other technologies like geothermal energy have had

many questionable and often illegal side effects at many locations, such as the heating of ground water. However, we have increased

our fundamental research in cooperation with different universities to develop new approaches and to test their feasibility and their real impact on the environment.

Parallel to this we continue to look for improvements through innovative detail solutions. An example of these efforts can be found at the Ernst-August Galerie in Hanover:

## INNOVATIVE RETAIL SOLUTIONS

- \* An intelligent control system enables natural aeration and exhaust via the roofs. Mechanical cooling is no longer necessary as positive pressure in the stores has been reduced and the stored night-time coolness is now sufficient to create a pleasant temperature. In this way 162,000 kWh energy consumption has been saved on air-conditioning, which corresponds to 35 tons of CO<sub>2</sub>.
- \* To satisfy both the requirements of modern design and sustainable energy usage, ECE has asked that new LEDs for façade lighting be developed.
- \* As an escalator uses relatively a lot of energy, a new control system has been designed for intermittent operation. This essentially makes the escalators traffic-dependent. With high customer traffic, the escalators are fully operational. If the flow of customers decreases, the escalators slow down and speed up again when a customer steps onto the system. Only with very low customer traffic do the escalators go into stand-by mode.
- \* Additionally a 250 kilowatt photovoltaic plant has been integrated into the Ernst-August Galerie's roof system which saves 50 tons of CO<sub>2</sub> annually.

For us, sustainability also means using our own resources to get other people involved. For example, environmental groups operate information booths in the centers' mall and introduce the public to energy-efficient products. The fight against global warming must not be allowed to stop at the shopping center's exit. ►



## ARCHITECTURE

Shopping centers are only heated a few days a year. Unlike many buildings, which rely on optimising insulation to save on energy costs, here the smallest possible heat input is the decisive cost-saving method:

- \* Solar control glass reduces air-conditioning needs and provides the necessary light intensity in the stores.
- \* Extensive "green roofs" create valuable biotopes in the city, balance swings in temperature and contribute to energy cost savings.
- \* Energy-efficient motors with low SFP values (specific-fan-power) handle the center's ventilation. Generously large heat exchangers with a reclamation index of 70 percent help reduce heating and air-conditioning needs.
- \* The rooms for cast resin transformers are primarily in the outer walls to avoid the necessity of a separate mechanical cooling process.
- \* Strict standards apply to insulation used in vehicle-accessible roofs. Foam glass is used for this purpose, also called cellular glass. Mostly recycled glass is ground up, heated, mixed with carbon and expanded.

- \* Use of durable German products (Jura marble, regional sand stone, native lumber) reduces transportation needs. And unlike the case when using materials from China, South America or Egypt, we can be sure that the native supplying quarries are restored.

It is especially important that shopping centers be able to adapt to the continually changing customer needs and retail trends without having to carry out major construction:

- \* By using static construction systems (no pre-stressed construction, no continuous beams) with sufficient load reserves, retail areas can usually be flexibly divided and converted.
- \* For the same reason, reserve space is planned into building technical systems for eventual changes in usage. The power supply system for the leased areas is equipped with electrical lines with variable connected loads.



*Tinted glass reduces the need for cooling*



# SOME CONCRETE EXAMPLES

*Aerial photo of the Stadt-Galerie Passau*

## SITE SELECTION

- \* Urban city sites reduce traffic as increasingly more customers travel to them with public transport, on foot or by bicycle.
- \* Furthermore, urban sites are an expansion of existing developed structures and can serve to strengthen them.
- \* Compact, developed sites reduce the necessary sealed natural ground; a shopping center's use of space is thus much better than that of a normal department store, as many functions (personnel rooms, restrooms, elevators) can take advantage of a shopping center's inherent synergy.
- \* Most sites do not undergo new construction but are rather converted. For this reason no new ground is sealed. Comprehensive construction and ground water experts assure that no significant ground water lowering will occur which can sometimes require major soil restoration.

## REALISATION

- \* For every construction site, detailed equipment plans and logistics concepts are developed to create optimal operations on the construction site. Supply and clean up of construction sites are handled via rail or water transportation whenever possible. It is also determined if a stationary concrete mixing facility can help to reduce traffic around the site.
- \* Special construction debris collection bins assure that waste and trash is already sorted during construction.
- \* Reusable system formworks help to save on resources.
- \* The use of sound-absorbing enclosures for construction equipment protects construction site neighbours as well as workers from noise exposure.

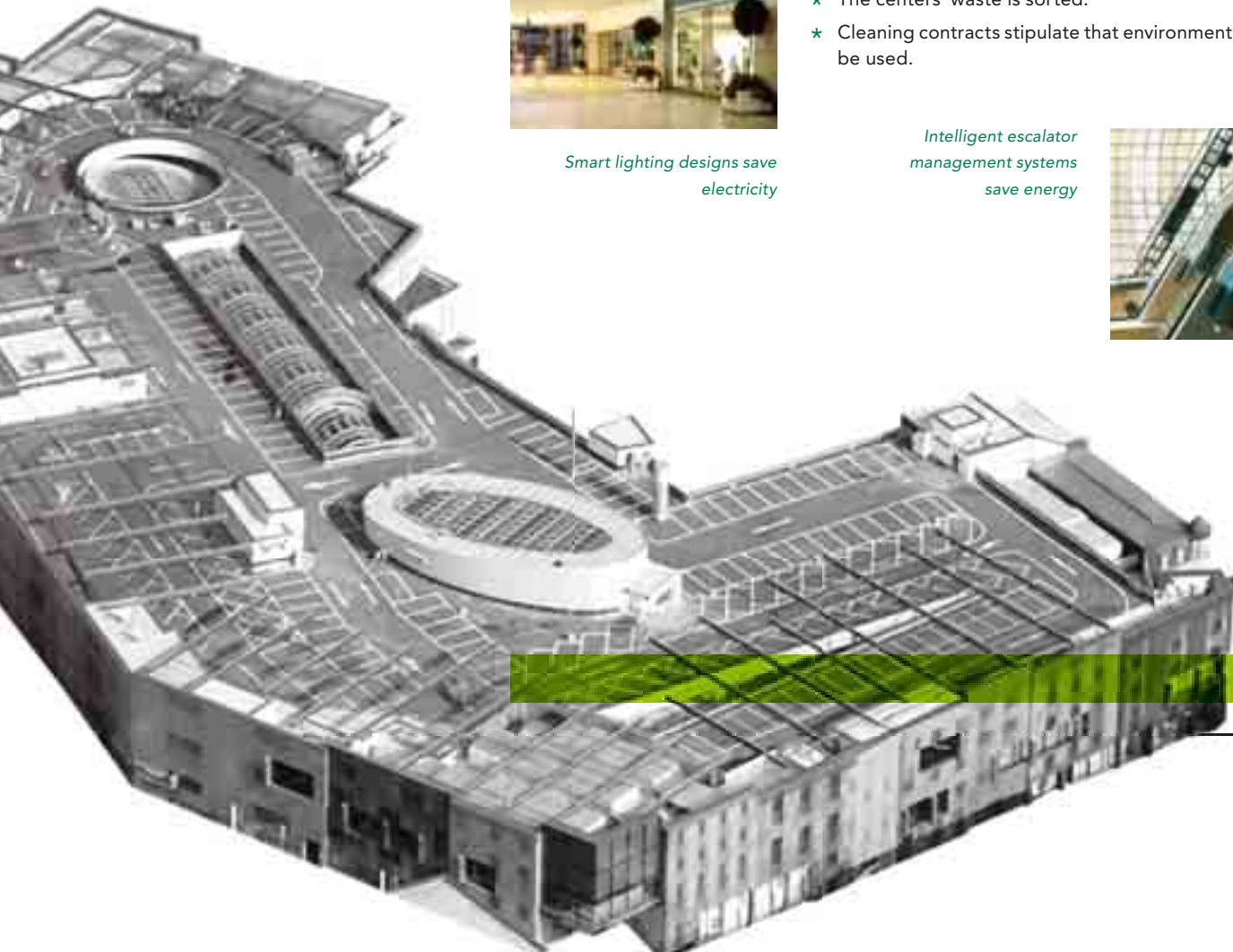


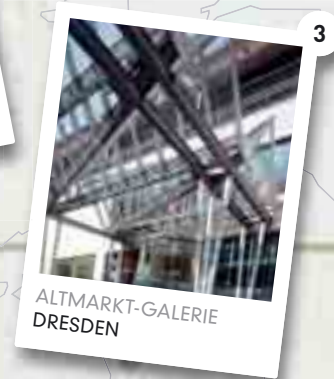
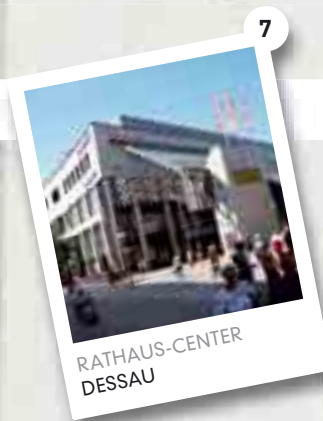
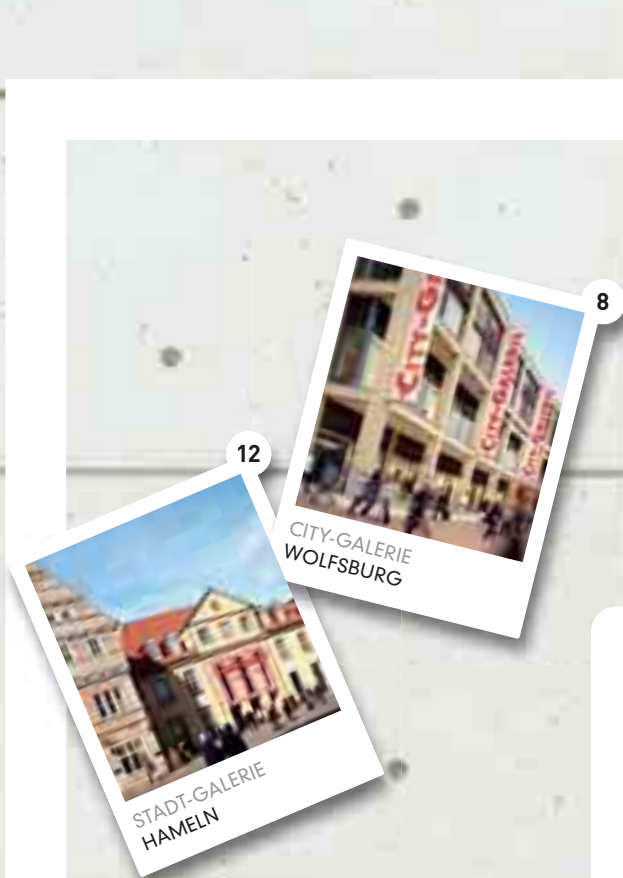
*Smart lighting designs save electricity*

## OPERATION

- \* With the help of modern, computer supported control panels (DDC system, direct digital control) heating, air-conditioning and ventilation are continually monitored and dynamically adjusted to actual needs.
- \* Energy-saving lighting, motion detectors and changing light levels throughout the day save on electricity.
- \* The center's air-conditioning is turned off 30 minutes before closing time to reduce energy consumption.
- \* By comparing operating costs of all ECE managed centers, higher-than-average usage is identified and corrected.
- \* District heat supply and green electricity reduce CO<sub>2</sub> emissions. Conservative estimates indicate that the conversion of most of DES shopping centers to green electricity has alone cut back CO<sub>2</sub> emissions by 10,000 tons annually, the equivalent of 450 2-person households.
- \* The centers' waste is sorted.
- \* Cleaning contracts stipulate that environmental products must be used.

*Intelligent escalator management systems save energy*

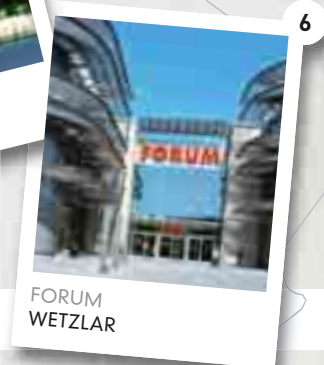




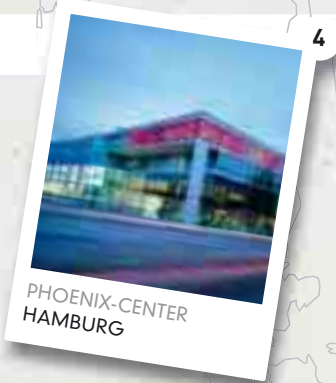
## The centers

4 COUNTRIES, 16 CITIES

Complex one-of-a-kind entities, outstanding transport connections, shopping as an experience. These keywords describe our shopping centers perfectly. They are all situated in unique locations and offer an ideal mix of sectors tailored to each individual city – something that the customers and tenants of our centers appreciate, as do our shareholders.

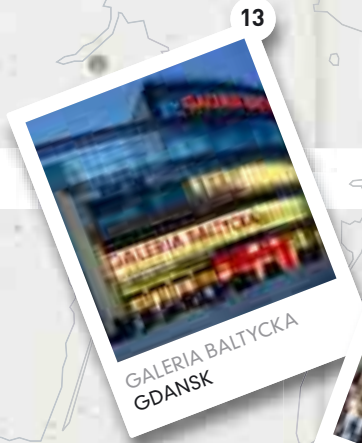






PHOENIX-CENTER  
HAMBURG

4



GALERIA BALTYCKA  
GDANSK

13



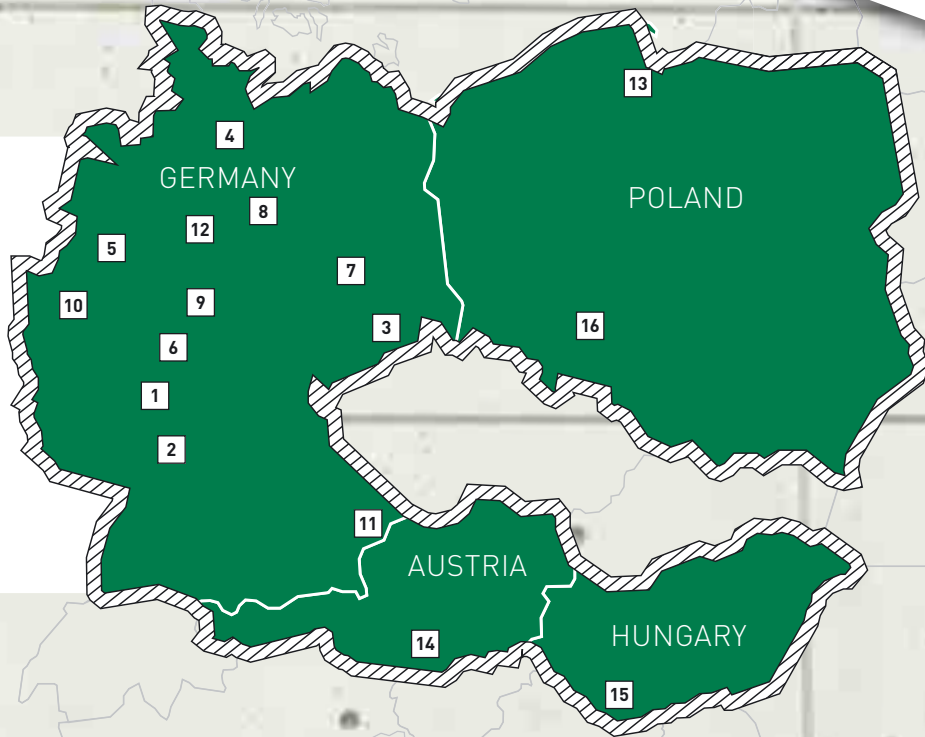
GALERIA DOMINIKANSKA  
WROCLAW

16



ÁRKÁD  
PÉCS

15



GERMANY

POLAND

AUSTRIA

HUNGARY



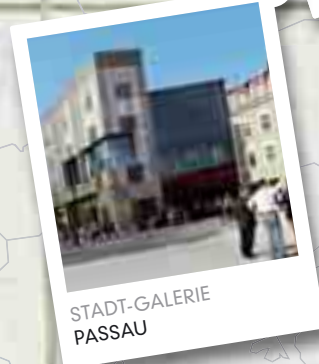
MAIN-TAUNUS-ZENTRUM  
SULZBACH

1



RHEIN-NECKAR-ZENTRUM  
VIERNHEIM

2



STADT-GALERIE  
PASSAU

11



CITY ARKADEN  
KLAGENFURT

14

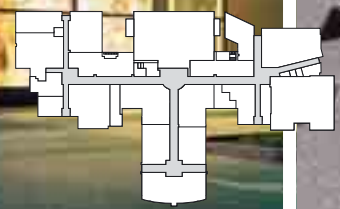
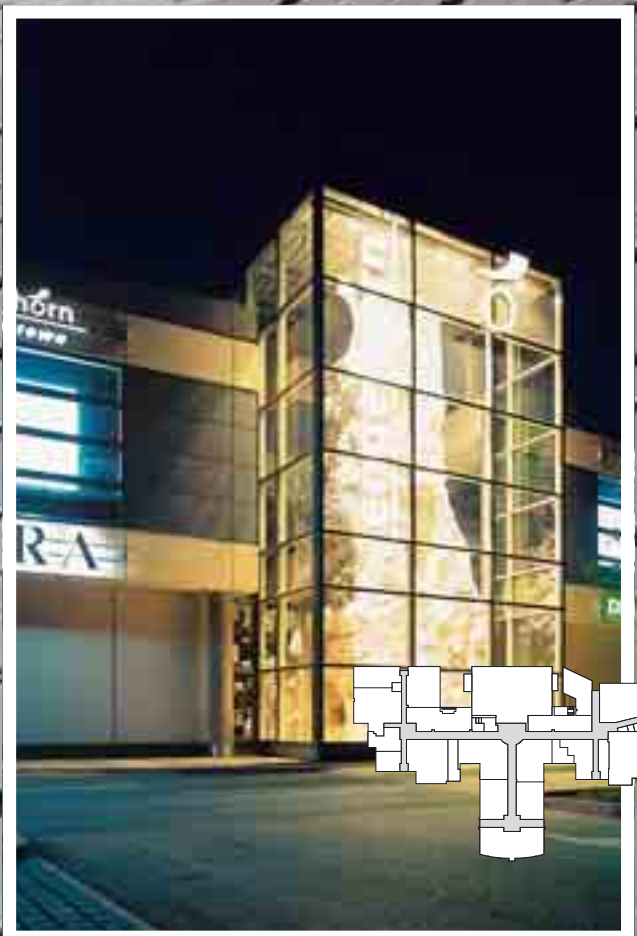
# AT A GLANCE SHOPPING CENTERS

## GERMANY

01. Sulzbach
02. Viernheim
03. Dresden
04. Hamburg
05. Hamm
06. Wetzlar
07. Dessau
08. Wolfsburg
09. Kassel
10. Wuppertal
11. Passau
12. Hameln

# MAIN-TAUNUS-ZENTRUM SULZBACH //

# RHEIN-NECKAR-ZENTRUM VIERNHEIM //



Investments: 43,1%  
 Purchased by DES: September 2000  
 Leasable space: around 103.400 m<sup>2</sup>  
 of which retail space: around 79,000 m<sup>2</sup>  
 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

Web: [www.main-taunus-zentrum.de](http://www.main-taunus-zentrum.de)

Investment: 99.9%  
 Purchased by DES: September 2000  
 Leasable space: around 63,900 m<sup>2</sup>  
 of which retail space: around 60,000 m<sup>2</sup>  
 No. of shops: around 100  
 Occupancy rate: 100%  
 Catchment area: around 1.4 m. inhabitants  
 Parking: around 3,500  
 Grand opening: 1972  
 Renovation/modernisation: 2000–2002  
 Anchor tenant: Engelhorn Active Town, Peek&Cloppenburg, H&M, Zara, C&A

Web: [www.rhein-neckar-zentrum-viernheim.de](http://www.rhein-neckar-zentrum-viernheim.de)

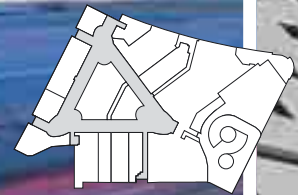
## ALTMARKT-GALERIE DRESDEN //



Investment:	50.0%
Purchased by DES:	September 2000
Leasable space:	around 44,500 m <sup>2</sup>
of which retail space:	space 26,000 m <sup>2</sup>
No. of shops:	around 110
Occupancy rate:	99%
Catchment area:	around 1.0 m. inhabitants
Parking:	around 500
Grand opening:	2002
Anchor tenant:	Saturn, SinnLeffers, SportScheck, Zara

Web: [www.altmarkt-galerie.de](http://www.altmarkt-galerie.de)

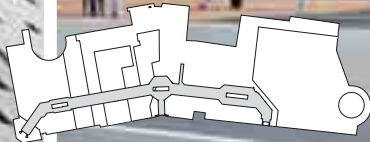
## PHOENIX-CENTER HAMBURG //



Investment:	50.0%
Purchased by DES:	August 2003
Leasable space:	around 39,200 m <sup>2</sup>
of which retail space:	around 26,500 m <sup>2</sup>
No. of shops:	around 110
Occupancy rate:	99%
Catchment area:	around 0.6 m. inhabitants
Parking:	around 1,600
Grand opening:	2004
Anchor tenant:	Media Markt, SportScheck, New Yorker, H&M, C&A, REWE

Web: [www.phoenix-center-hamburg.de](http://www.phoenix-center-hamburg.de)

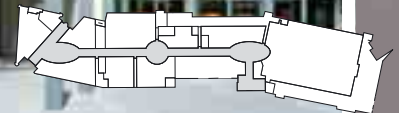
# ALLEE-CENTER HAMM //



Investment:	88.9%
Purchased by DES:	April 2002
Leasable space:	around 35,100 m <sup>2</sup>
of which retail space:	around 21,000 m <sup>2</sup>
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

Web: [www.allee-center-hamm.de](http://www.allee-center-hamm.de)

# FORUM WETZLAR //



Investment:	65.0%
Purchased by DES:	October 2003
Leasable space:	around 34,300 m <sup>2</sup>
of which retail space:	around 23,500 m <sup>2</sup>
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

Web: [www.forum-wetzlar.de](http://www.forum-wetzlar.de)

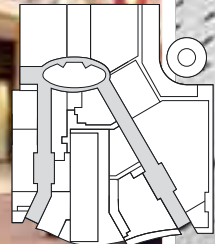
## RATHAUS-CENTER DESSAU //



Investment:	94.9%
Purchased by DES:	November 2005
Leasable space:	around 30,400 m <sup>2</sup>
of which retail space:	around 20,000 m <sup>2</sup> (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

Web: [www.rathaus-center-dessau.de](http://www.rathaus-center-dessau.de)

## CITY-GALERIE WOLFSBURG //

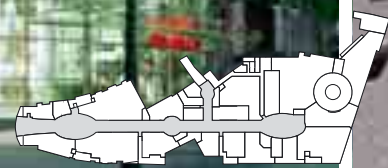
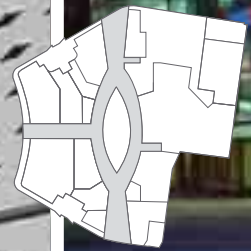


Investment:	89.0%
Purchased by DES:	September 2000
Leasable space:	around 30,000 m <sup>2</sup>
of which retail space:	around 20,000 m <sup>2</sup>
No. of shops:	around 95
Occupancy rate:	100%
Catchment area:	around 0.3 m. inhabitants
Parking:	around 800
Grand opening:	2001
Renovation/modernisation:	2006
Anchor tenant:	Extra, Saturn, SportScheck, New Yorker

Web: [www.city-galerie-wolfsburg.de](http://www.city-galerie-wolfsburg.de)

# CITY-POINT KASSEL //

# CITY-ARKADEN WUPPERTAL //



Investment: 90.0%  
 Purchased by DES: September 2000  
 Leasable space: around 29,500 m<sup>2</sup>  
 of which retail space: around 20,000 m<sup>2</sup>  
 No. of shops: around 60  
 Occupancy rate: 100%  
 Catchment area: around 0.8 m. inhabitants  
 Parking: around 220  
 Grand opening: 2002  
 Renovation/modernisation: 2009  
 Anchor tenant: Hugendubel, Saturn

Investment: 72.0%  
 Purchased by DES: September 2000  
 Leasable space: around 28,700 m<sup>2</sup>  
 of which retail space: around 20,000 m<sup>2</sup>  
 No. of shops: around 85  
 Occupancy rate: 100%  
 Catchment area: around 0.7 m. inhabitants  
 Parking: around 650  
 Grand opening: 2001  
 Renovation/modernisation: 2004  
 Anchor tenant: Akzenta, MediMax, Zara

Web: [www.city-point-kassel.de](http://www.city-point-kassel.de)

Web: [www.city-arkaden-wuppertal.de](http://www.city-arkaden-wuppertal.de)

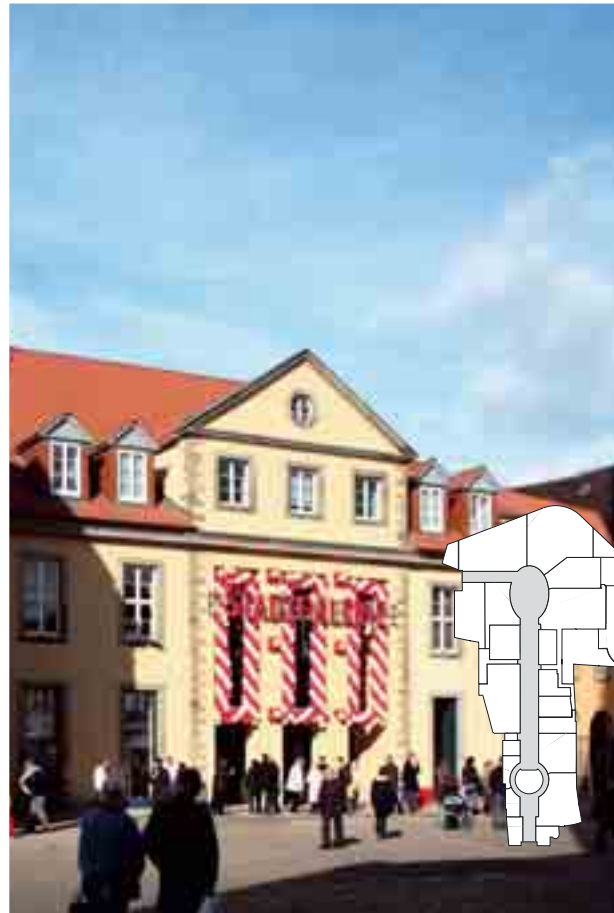
## STADT-GALERIE PASSAU //



Investment:	75.0%
Purchased by DES:	December 2006
Leasable space:	around 27,400 m <sup>2</sup>
of which retail space:	around 21,000 m <sup>2</sup>
No. of shops:	around 90
Occupancy rate:	100%
Catchment area:	around 0.4 m. inhabitants
Parking:	around 500
Grand opening:	2008
Anchor tenant:	Saturn, C&A, Esprit

Web: [www.stadtgalerie-passau.de](http://www.stadtgalerie-passau.de)

## STADT-GALERIE HAMELN //



Investment:	94.9%
Purchased by DES:	November 2005
Leasable space:	around 25,000 m <sup>2</sup>
of which retail space:	around 19,000 m <sup>2</sup>
No. of shops:	around 90
Occupancy rate:	100%
Catchment area:	around 0.4 m. inhabitants
Parking:	around 500
Grand opening:	Spring 2008
Anchor tenant:	Müller Drogerie, New Yorker, Real

Web: [www.stadt-galerie-hameln.de](http://www.stadt-galerie-hameln.de)



# AT A GLANCE SHOPPING CENTERS

## **ABROAD**

- 13. Gdansk
- 14. Klagenfurt
- 15. Pécs
- 16. Wroclaw

## GALERIA BALTYCKA GDANSK // POLAND



Investment:	74.0%
Purchased by DES:	August 2006
Leasable space:	around 48,600 m <sup>2</sup>
of which retail space:	around 48,000 m <sup>2</sup>
No. of shops:	around 200
Occupancy rate:	100%
Catchment area:	around 1.1 m. inhabitants
Parking:	around 1,000
Grand opening:	2007
Anchor tenant:	Saturn, Peek & Cloppenburg, Zara

Web: [www.galeriabaltycka.pl](http://www.galeriabaltycka.pl)

## CITY ARKADEN KLAGENFURT // AUSTRIA



Investment:	50.0%
Purchased by DES:	August 2004
Leasable space:	around 36,700 m <sup>2</sup>
of which retail space:	around 27,000 m <sup>2</sup>
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, Zara

Web: [www.city-arkaden.at](http://www.city-arkaden.at)

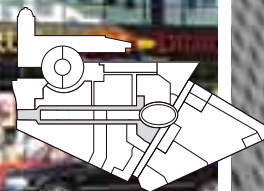
## ÁRKÁD PÉCS // HUNGARY



Investment:	50.0%
Purchased by DES:	November 2002
Leasable space:	around 35,200 m <sup>2</sup>
of which retail space:	around 35,000 m <sup>2</sup>
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

Web: [www.arkadpecs.hu](http://www.arkadpecs.hu)

## GALERIA DOMINIKANSKA WROCLAW // POLAND



Investment:	33.3%
Purchased by DES:	December 2003
Leasable space:	around 32,800 m <sup>2</sup>
of which retail space:	around 30,500 m <sup>2</sup>
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, Carrefour

Web: [www.galeria-dominikanska.pl](http://www.galeria-dominikanska.pl)

# THE SHOPPING CENTER SHARE



## SHARE PRICE: CAUGHT BY THE FINANCIAL CRISIS

Deutsche EuroShop shares began the year at €23.50 and by May 2008 recovered from the losses experienced in the fourth quarter of 2007. On 13 May, it posted an annual high of €28.40 on the basis of the Xetra closing price. From June to September, the share price levelled out at around the €24 mark following the dividend payment. In October, our shares were also affected by the sharp price falls on the global stock markets and the price moved down to €18.50 as of 20 November. A noticeable recovery phase then began in December. The share price ended the year with a slight plus at €24.30. This resulted in the market capitalisation of Deutsche EuroShop rising by around €27 million in 2008 from €808 million to €835 million.

## AGAINST THE CURRENT

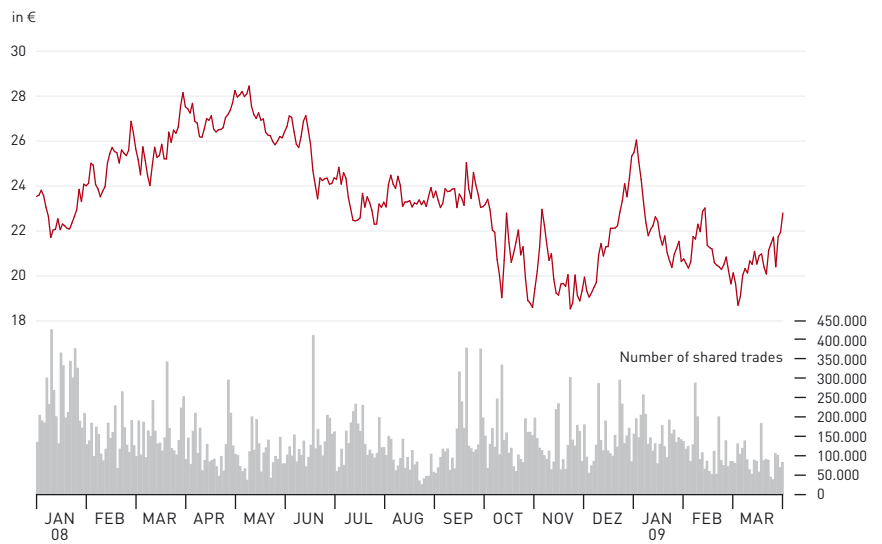
Taking into account the dividend paid of €1.05 per share, the performance of Deutsche EuroShop shares amounted to 7.9% year-on-year. The share price rose by 3.4%. Our shares exceeded the European benchmark, the EPRA index (-48.6%) by a substantial margin and in comparison with European peers, they came out at the top end of the field.

<sup>1</sup> Corio, Eurocommercial Properties, Klepierre, Liberty International and Unibail-Rodamco

The Hamburg-Hanover stock exchange, the newspaper "Die Welt" and Hamburger Sparkasse bestowed Deutsche EuroShop with the Haspax Award for Top Performer 2008 in recognition of its positive share performance.

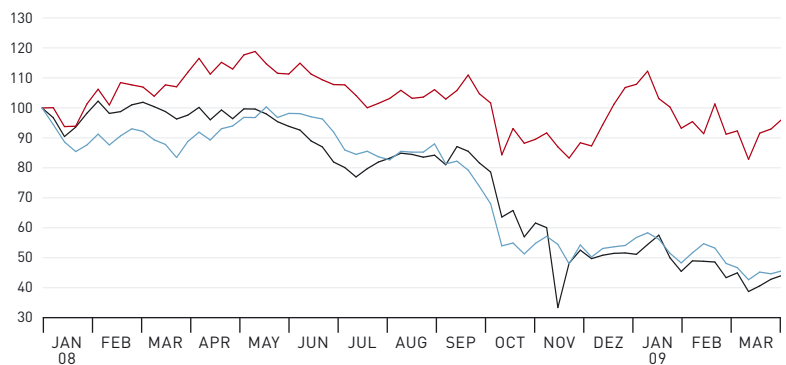
Open-ended property funds – our competitors for investor capital alongside other property management companies – achieved an average performance of 4.7% in the past year (2007: 5.7%) and, despite all market distortions, had cash inflows of around €0.6 billion (2007: €6.7 billion).

### TREND OF SHARE



### TREND OF SHARE (INDEXED)

in %



■ Deutsche EuroShop incl. dividend ■ EPRA ■ MDAX

## HIGHER ATTENDANCE AT ANNUAL GENERAL MEETING

The Annual General meeting was held on 19 June 2008 in Hamburg. Approximately 400 shareholders were in attendance at the "Alte Dressurhalle" at the Hagenbeck Zoo in Hamburg, representing 56.1% of the capital (previous year: 46.4%) and approved all the items on the agenda.

## SHARE PRICE IN THE ANALYSTS' SPOTLIGHT

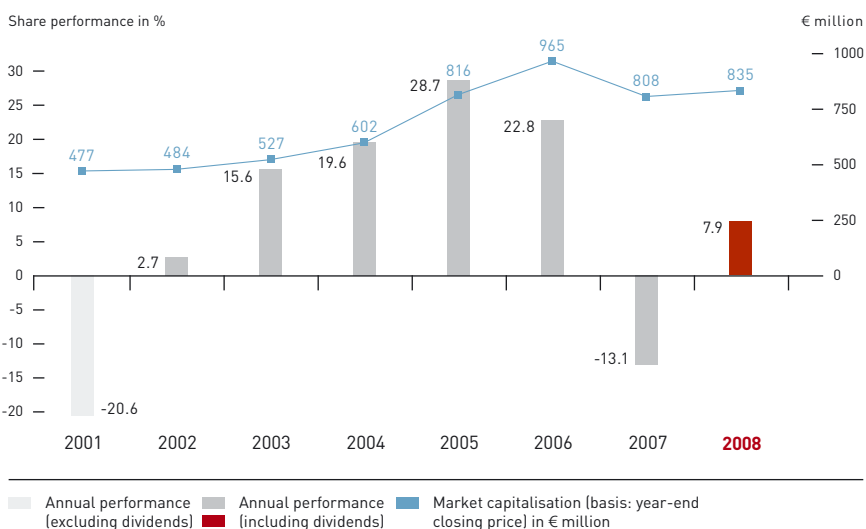
Our share is now regularly followed by 24 analysts (as at 31 March 2009, compared with 19 a year earlier) from well-known German and international financial institutions and their recommendations introduce us to new groups of investors. This puts Deutsche EuroShop among those property companies in Europe with the best coverage meaning that it does not need to shy away

from comparison within the MDAX (average of 21 analysts). Particularly good news is that other banks intend to begin covering Deutsche EuroShop shares in 2009. Information on the recommendations is available at:

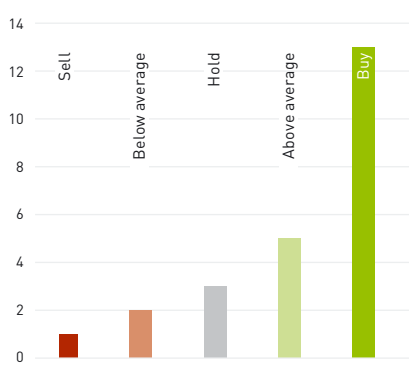
[www.deutsche-euroshop.com/research](http://www.deutsche-euroshop.com/research)

**The majority of analysts give positive recommendations for Deutsche EuroShop shares (as at 31 March 2009)**

### SHARE PERFORMANCE AND MARKET CAPITALISATION SINCE THE IPO



### DIVERSITY OF ANALYST'S OPINION



<sup>1</sup> Aurel, Bankhaus Lampe, Berenberg Bank, CB Seydler Research, Commerzbank, Credit Suisse, Deutsche Bank, DZ Bank, equinet, Hamburger Sparkasse, HSBC, HSH Nordbank, Kempen & Co., Macquarie, Merrill Lynch, Metzler, M.M. Warburg & Co, Petercam Bank, Rabobank, Sal. Oppenheim, Silvia Quandt Bank, Societe Generale, Unicredit and West LB

## 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 share (no-par value registered shares)	34.374.998
Indices	MDAX, HDAX, DAX International Mid 100, EPRA, GPR 250, MSCI Small Cap, Dow Jones EURO STOXX TMI, EPIX 30, HASPAX
Official market	Prime Standard Frankfurt Stock Exchange and Xetra
OTC markets	Berlin-Bremen, Düsseldorf, Hamburg, Hannover, Munich and Stuttgart

## AWARD-WINNING IR WORK

In July, Deutsche EuroShop received for the third consecutive time the Capital Investor Relations Prize for first place in the MDAX category for its investor relations activities. No other company in the competition has achieved this three times in a row. 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 2008 (Beste Investor Relations Deutschlands – Germany’s Best Investor Relations) for the third time in a row. The investor magazine Börse Online awarded for the sixth time those companies whose capi-

tal market information is regarded as particularly open, honest and fair by private investors. We thus succeeded in 2008 not only in defending our top position in the MDAX, but equally in remaining ahead in the overall evaluation of 160 companies from the DAX, the MDAX, the SDAX and the TecDAX.

The 2007 annual report with its motto “The changing face of retail” won tenth place among over 3,000 entries in the LACP 2008 Vision Awards Annual Competition. The LACP is the League of American Communications Professionals. With 98 of a possible 100 points, the Deutsche EuroShop annual report was awarded platinum in the “Real Estate/REIT category”.

In addition, the international specialist magazine Institutional Investor awarded

Deutsche EuroShop and its IR managers the Best European Investor Relations prize. We also received the Deutscher Investor Relations Preis 2008 prize in the MDAX and IR Managers categories as awarded by DIRK (Deutscher Investor Relations Verband – German Investor Relations Association).

In the pan-European Extel Survey, we are happy to point out that the capital market team emerged among the top five in the industry in the relevant categories on a continual basis.

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



## SLIGHT SHIFTS IN THE SHAREHOLDER STRUCTURE

At around 7,800, the number of shareholders remained stable in 2008 (as of 31 March 2009, previous year: 7,750). Structural distribution has changed slightly – institutional investors now hold almost 56% of shares (previous year: 55%) and private investors

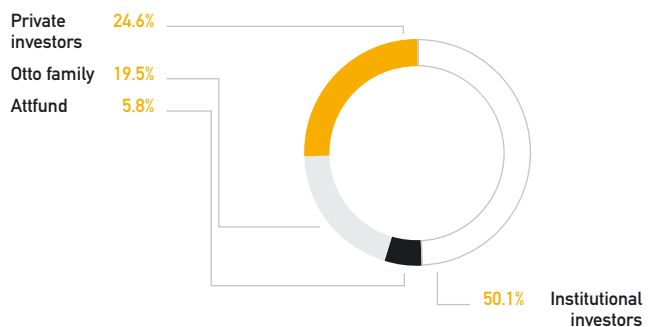
hold around 25% (previous year: 26%). The Otto Family stake remained stable at around 19.5%. South Africa-based Attfund Ltd. reported holding a stake of almost 5.8%.

However, the share of foreign investors has fallen by 2 percentage points. There were slight changes to the country distribution, particularly to the share of French investors which has dropped by 2.3 percentage points to 4.7%. ▶

SHAREHOLDER'S STRUCTURE



SHAREHOLDER'S STRUCTURE



	2008	2007	2006	2005	2004	2003	2002	2001
Market capitalisation, (basis: year-end closing price) (€m)	835	808	965	816	602	527	484	477
High (€)	28,40 (13.05.08)	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 (€)	18,50 (20.11.08)	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) (€)	24,30	23.50	28.08	23.73	19.26	16.88	15.50	15.25
Dividend per share (€)	1,05 <sup>1</sup>	1.05	1.05	1.00	0.96	0.96	0.96	0.96
Dividend yield (31 Dec) (%)	4,3	4.5	3.7	4.2	5.0	5.7	6.2	6.3
Annual performance excl./incl. dividend	3,4%/7,9%	-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)	143.297	144,361	93,744	76,786	36,698	12,438	3,558	5,512
EPS (€) (undiluted)	2,00	2.74	2.92	1.55	0.89	0.61	-0.09 <sup>2</sup>	-0.48 <sup>2</sup>
CFPS (€)	1,60	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

<sup>1</sup>proposal <sup>2</sup>HGB accounting

## DIVIDEND CONTINUITY

The Executive and Supervisory Boards will propose payment of a dividend of €1.05 again per share for the 2008 financial year to the Annual General Meeting of 30 June 2009 in Hamburg. With our long-term strategy of a dividend policy based on continuity, and a comparatively high yield of 4.3% (based on the 2008 year-end closing price of €24.30), we hope to cement further 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.

### DIVIDEND



## TAX-FREE DIVIDEND

Dividends paid to shareholders domiciled in Germany are generally subject to income or corporation tax. Private investors are charged with the definitive withholding tax at a flat rate of 25% plus the solidarity surcharge as from 2009. 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. The dividend payment constitutes untaxable (i.e. tax-free) income for shareholders in accordance with section 20 (1) clause 1 sentence 3 of the Einkommensteuergesetz (German Income Tax Act). However since 2009 these distributions are taxable due

to the new legal status, as capital gains from securities are subject to tax if they are bought after 31 December 2008. In this case the acquisition costs are reduced by the dividends and lead to higher capital gains at the time of the disposal.

Would you like further informations?  
Then please visit our website or call us:

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# EVENTS

## HAMBURG EXCHANGE CONVENTION

Deutsche EuroShop made its fourth consecutive appearance at the Hamburg Exchange Convention, which took place on 6 September in the historic trading rooms of the Hamburg Chamber of Commerce. Organisers of the largest finance trade show for private investors in Northern Germany were the Hamburg Stock Exchange and the Hanseatischer Börsenkreis at the University of Hamburg.

Over 5,500 visitors took the opportunity to learn more from the over 100 exhibitors which included many companies from all over Germany who are listed on the stock exchange. In addition, there were 70 presentations given on current topics from the world of economy and finance which were intended for both non-experts and well-versed traders alike.

Once again, Deutsche EuroShop's stand at the trade show was quite popular among attendees. Shareholders and other curious attendees took the opportunity to speak personally with the company employees and members of the Executive Board in attendance.

In 2009 Deutsche EuroShop will once again participate in the event, which is free of charge to visitors: The next Hamburg Exchange Convention takes place on 7 November.



[www.boersentag.de](http://www.boersentag.de)

## REAL ESTATE SHARE INITIATIVE

In 2001 Deutsche EuroShop formed the Real Estate Share Initiative with four other real estate companies. The purpose of the association, which began as an informal arrangement, was to generate publicity for German real estate shareholders among a wider audience. Today the initiative consists of 29 member companies who give presentations once a year at a jointly organised specialist- and capital market conference. Over 300 participants, including company representatives, inves-

tors, financial analysts and journalists, met on 20 and 21 October 2008 at the Westin Grand Hotel in Frankfurt for the 8th specialist conference, which has become a fixture in the industry calendar of yearly events.

Along with the opportunity to mix with the most important players in the market, participants enjoyed the opportunity to gain information by attending reports, podium discussions and company presentations on the newest developments and

trends in real estate and the financial market.

Olaf G. Borkers gave a presentation before a large audience on Deutsche EuroShop's current developments and strategy. In addition, the Executive Board joined with the Investor Relations Team in leading around 18 individual and group discussions with investors, analysts and journalists.

The next specialist conference by the Real Estate Share Initiative will be on 20 October 2009 in Frankfurt.



[www.initiative-immobilienaktie.de](http://www.initiative-immobilienaktie.de)

## ANNUAL GENERAL MEETING



The Annual General Meeting of Deutsche EuroShop took place on 19 June 2008 at a special location: Over 400 shareholders met in the historical ambience of the "Old Circus Hall" at the world-famous Hagenbeck Zoo, which for many years was used as a circus hall.

The Executive and Supervisory Boards presented detailed reports to shareholder on the 2007 financial year, new developments from Deutsche Euro-

Shop's shopping center portfolio and on the current situation in the real estate and capital market.

With an attendance rate at above 56% at the time of the vote, the shareholders approved all the points on the agenda; which included the regular (re-)election of three Supervisory Board members.

It's already a tradition at Deutsche EuroShop's main shareholder meetings to have the opportunity to personally meet

and interact with the Executive Board as well as the employees who are available to answer questions at one of the informational stands. After the meeting, many visitors took advantage of the proximity to the zoo for a short excursion.

Deutsche EuroShop shareholders have once again been invited to the "Old Circus Hall" for this year's general meeting on 30 June 2009.

[www.deutsche-euroshop.com/ir](http://www.deutsche-euroshop.com/ir)

# STOCK MARKET

**ANNUS HORRIBILIS**



One can spin it any which way. However, there is no longer anything good to say about the stock market's performance in 2008. After the previous year when already the US credit crisis became the market's defining feature, the pessimists took over completely in 2008. Falling real estate prices and an increase in the expected number of defaults in the so-called sub-prime sector resulted in trading with structured mortgage products coming to a standstill across the board. This in turn essentially ripped out the commercial basis of the major American investment banks. In March, Bear Stearns could only be saved with audacious measures. In summer, mortgage lenders Fannie Mae and Freddie Mac were sucked into the crisis and had to be completely nationalised. Next in September Lehman Brothers declared bankruptcy and started a chain reaction that dragged down the entire banking sector. State and

national central banks were forced to use all conceivable financial instruments to prevent the worst from happening.

### IN THE RED, DARK RED

One cannot rule out the possibility that the financial crisis will increasingly affect the US real economy in the coming year. Moreover, the crisis has continued to expand into other regions. By the end of the fourth quarter, the rampant virus had infected Europe and Asia. Almost all the important stock indexes lost more than 30% of their value in 2008. The American S&P 500 declined 38%. Germany's own DAX lost almost 40%. In newly industrialising countries, it was commonplace to see indexes sink more than 50% and sometimes even significantly more, as in China with 63%. Since the epicentre of the crises was the highly inflated real estate market in the US, this sector completely fell apart. For

instance, the European real estate index EPRA fell an incredible 49% in 2008 after it had already fallen 34% in the previous year. Share profits from the last five years for this market segment basically disappeared into thin air. In Germany, it was especially the mortgage real estate sector's write-offs in the double-digit billions of euros that prompted political intervention. Only one publicly traded German real estate company managed to escape this negative trend: the German concern EuroShop was able to go against the general decline of 2008 and delivered its investors a respectable 7.9% increase in stock value.

◀ Ralf Flierl

## PROPERTY SHARES SIGNIFICANTLY UNDER PRESSURE ACROSS THE GLOBE IN 2008

In the course of the financial crisis and economic downturn, property shares throughout the world came under significant pressure in 2008. This development affected companies from sectors and regions. The EPRA/NAREIT Europe Index went down by 48.6% last year while the EPRA/NAREIT Global Index lost 45%. In Asia the fall in property share prices amounted to as much as 50%,

while in North America it was 37.6%. Within Europe, property shares from Norway posted the greatest loss at -91.5% followed by Spain (-87.4%) and Austria (-85.5%). Switzerland was the only country to register a slight price gain of 1.1% for property shares (source: EPRA). The performance of the EPRA/NAREIT Germany Index was in line with the European average at -52.7%.

Deutsche EuroShop AG successfully combated the negative sector trend in 2008 with a 7.9% gain in its share price. The share of Deutsche EuroShop AG accordingly achieved the fourth best performance of all shares represented globally in the EPRA/NAREIT indices and the best performance of all European real estate companies contained in the EPRA/NAREIT indices. In terms of market

capitalisation, the Deutsche EuroShop share grew to become the largest German real estate company with €835.3 million as per 31 March 2009.

◀ Christian Schiffmacher



# ROAD SHOWS AND CONFERENCES IN 2008

In order to maintain contact with existing investors and introduce the Deutsche EuroShop share to new investor groups as an attractive investment, the Executive Board and Investor Relations team once more held a large number of roadshows and attended capital market conferences in 2008.

The focus of our roadshow activities was on the European financial centres, with visits to Frankfurt, London, Paris and Zurich. However, we also presented Deutsche EuroShop again in cities that at first glance are not in the top league of stock exchanges:

In Hamburg, Munich, Amsterdam, Brussels, Dublin, Edinburgh, Helsinki, Copenhagen, Lisbon, Madrid, Milan, Stockholm, Vaduz and Vienna we held talks with institutional investors such as fund and portfolio managers and informed them about the current business development of Deutsche EuroShop. One trip took us to New York and Chicago in the USA as well as to Canada where we scheduled meetings in Montreal.

The roadshows are organised by various banks which carry out a precise analysis in advance to ascertain which customers

have already invested or can be considered potential investors and have prepared specific questions for the company. Getting to know the management of a company personally often acts as a decisive investment criterion for this target group. Up to ten individual and/or group events are held during a roadshow on any one day. The Deutsche EuroShop team is often accompanied on such trips by representatives of the organising bank such as analysts and account executives.

We also make use of the opportunity to attend capital market conferences to which



we are invited throughout the year by various investment companies. Professional investors like to attend these events as they enable them to come into contact with representatives of many companies at a single venue on the same day. In addition to hosting corporate presentations for interested audiences, the conferences also provide us with the opportunity to provide in-depth and targeted answers to the questions put forward by investors and analysts at so-called one-on-one meetings.

In 2008, we introduced Deutsche EuroShop at conferences in Dusseldorf, Frankfurt,

Munich, Amsterdam, London, Milan and New York.

However, many investors from Germany and abroad also visited us at our headquarters in Hamburg and put their questions about the company directly to the Executive Board. We often made use of this opportunity and subsequently showed our guests the Phoenix-Center in order to provide them with an insight into the high quality of our portfolio.

Altogether, we held 21 road shows last year and visited 12 conferences, which enabled

us to meet individually with over 350 investors and analysts.

We also aim to maintain and enhance the close contact with our investors in 2009. To this end we plan once again to hold various roadshows and attend capital market conferences. You will find some dates on page 145 in our financial calendar. You can also keep up to date with our investor relations activities at all times on our website at [www.deutsche-euroshop.com/ir](http://www.deutsche-euroshop.com/ir).

# MARKETING

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 the investment brand in shopping centers.

## “THE CHANGING FACE OF RETAIL” ADVERTISEMENT SERIES

In 2008, we expressed “The changing face of retail” motto for our annual report by means of unusual advertisement motives by using historical photographs from the 1960s. This allowed us to emphasise our successful business performance in specialist publications. Our image and financial advertising was designed to coincide with the publication of our current financial figures with exceptional emphasis on target groups and exact timing.



## MEDIA ATTENTION DOWN SLIGHTLY

Deutsch EuroShop is still enjoying a large media presence. It is primarily business 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 editions of these media fell by 11% from 31.0 million in the previous year to 27.6 million copies, the equivalent advertising value through reports in newspapers and magazines rose significantly from almost €3.3 million to around €4.3 million in 2008 (up 30%).

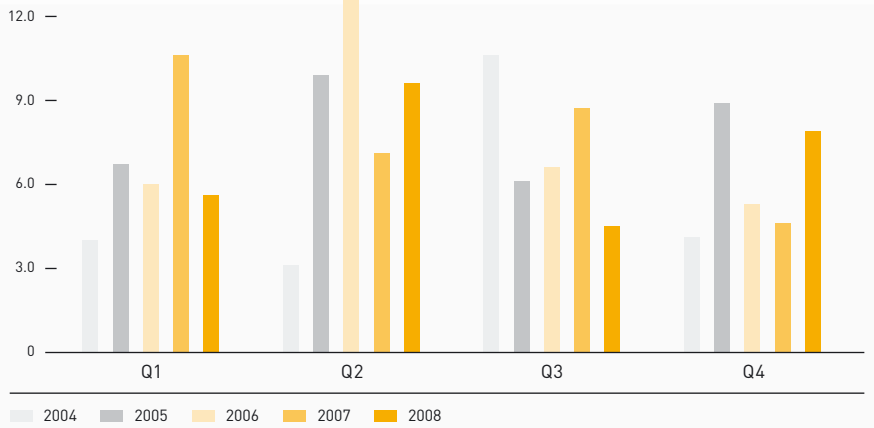
## WEBSITE WITH INCREASING HITS

The trend towards higher visitor figures on our accessible website continued throughout 2008. What is noticeable however is that the number of visits diminished yet the number of pages viewed climbed considerably. Our Internet presence can be found at

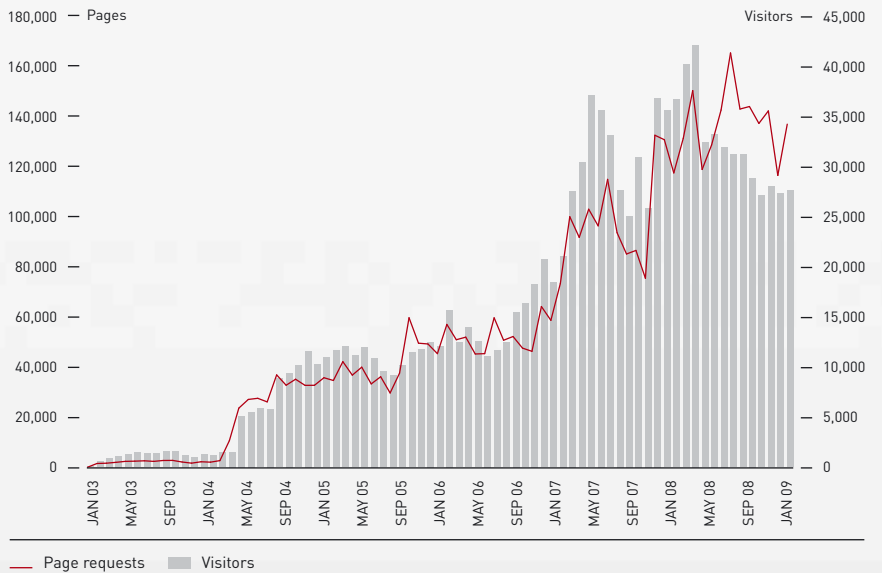
[www.deutsche-euroshop.com](http://www.deutsche-euroshop.com)

### TREND IN MEDIA PRESENCE

Number in mio.



### PAGE REQUESTS AND HITS PER MONTH



**D**eutsche 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 6 June 2008. 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 2008 can be found in its report on pages 6 to 7.

# CORPORATE GOVERNANCE





In financial year 2008, 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 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 conflicts of interest.

## 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 on page 81, and in the notes on page 135.

## SHAREHOLDINGS

### Executive Board

As at 31 December 2008, the Executive Board held a total of 21,700 shares, less than 1% of Deutsche EuroShop's share capital.

### Supervisory Board

As at 31 December 2008, the Supervisory Board held a total of 4,300,571 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 2008 in accordance with section 15a of the Wertpapierhandelsgesetz (WpHG – Securities Trading Act):

Notifying party	Date of transaction	Transaction	Instrument	Number	Price (per share in in €)
Claus-Matthias Böge	07.01.2008	Purchase	Share	1,000	22.83
Claus-Matthias Böge	07.01.2008	Purchase	DES bonus cert.	1,000	24.14
AROSA Vermögensverwaltungsges. mbH	07.01.2008	Purchase	Share	22,103	23.00
AROSA Vermögensverwaltungsges. mbH	08.01.2008	Purchase	Share	32,521	22.80
Gabriele Cattarius-Armbrust	08.01.2008	Purchase	Share	5,000	22.59
Thomas Armbrust	09.01.2008	Purchase	Share	5,000	22.34
Olaf Borkers	09.01.2008	Purchase	Share	500	21.88
Claus-Matthias Böge	27.05.2008	Purchase	Share	500	25.95
Carlotta Böge	27.05.2008	Purchase	DES bonus cert.	200	27.05
Henry Böge	27.05.2008	Purchase	DES bonus cert.	200	27.05
Annette Armbrust	07.10.2008	Purchase	Share	230	21.60
Dr. Bernd Thiemann	07.10.2008	Purchase	Share	5,000	22.04
Claus-Matthias Böge	10.10.2008	Purchase	Share	1,000	18.00
CMB Böge Vermögensverwaltungs GmbH	05.12.2008	Sale	Share	2,000	19.67
Carlotta Böge	05.12.2008	Purchase	Share	1,000	19.67
Henry Böge	05.12.2008	Purchase	Share	1,000	19.67

## RELATIONSHIPS TO SHAREHOLDERS

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 activi-

ties. 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

The German Corporate Governance Code clarifies the rights of the shareholders, who provide the company with the required equity and who carry the entrepreneurial risk. Particularly in critical business situations with increasing risk, the 'discipline of the marketplace' will also have considerable influence on the scope of

corporate governance in practice. In future, this will also have an impact on the willingness of shareholders to place further equity at the disposal of a company.

## DECLARATION OF CONFORMITY

In December 2008, 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 2008 financial year in accordance with section 161 of the Aktiengesetz (AktG – German Public Companies Act). The declaration was made permanently available to the public on the Company's website at [www.deutsche-euroshop.de](http://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 6 June 2008), 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).

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 Management 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. This could counteract the long-term incentive effect of stock option programmes. For this reason, 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 force the retirement of a qualified and successful Executive Board member.

- The Supervisory Board did not establish a nomination committee (Section 5.3.3).

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

- There is no stipulated age limit for a Member of the Executive 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 successful 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) and does not comprise performance-based remuneration components (Section 5.4.7 (2) of the Code).

The Company believes that fixed remuneration for members of the Supervisory Board best reflects the Company's business model. The selection of shopping centers to be acquired and held, plus the quality of long-term leases, represent the key factors determining the Company's long-term success.

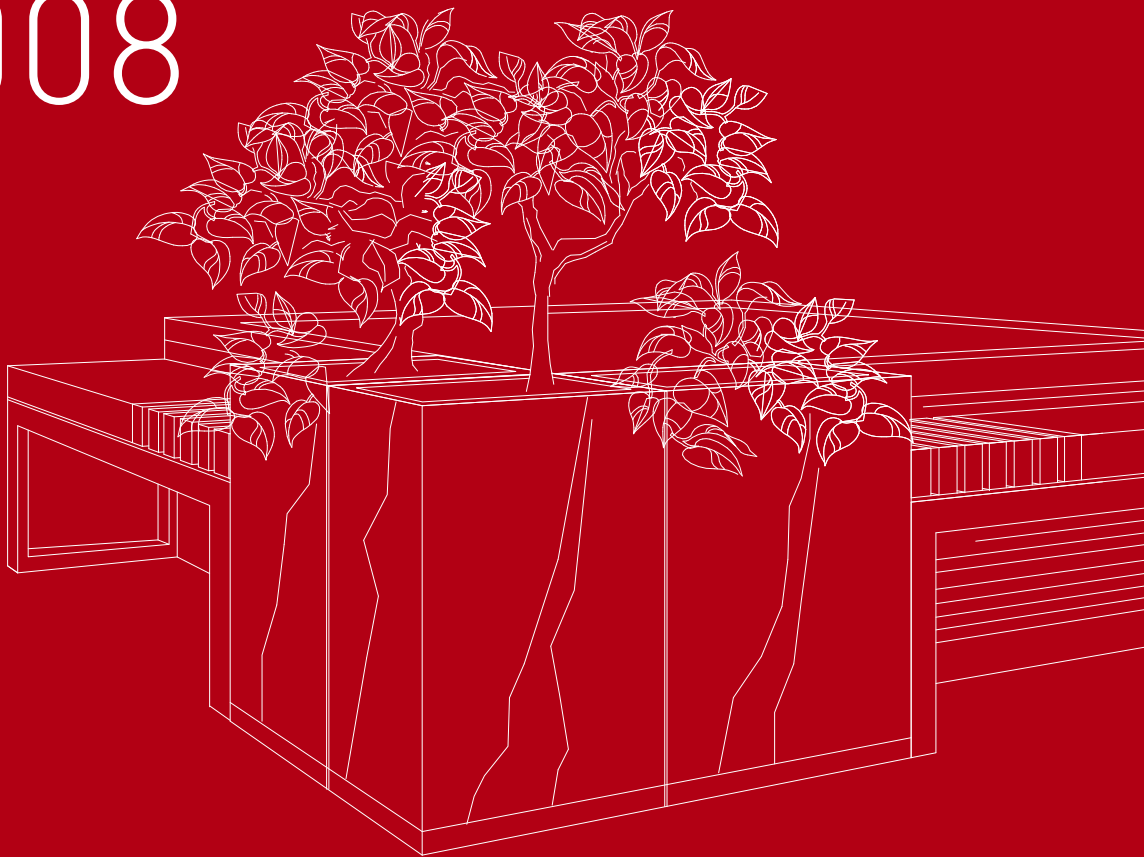
- The consolidated financial statements are published within 120 days of the end of the financial year (Section 7.1.2 of the Code)

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 2008

The Executive Board and the Supervisory Board  
Deutsche EuroShop AG

# DEUTSCHE EUROSHOP AG GROUP MANAGEMENT REPORT 2008



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## 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 (public company) under German law. The individual shopping centers are operated as separate companies. According to interest in the nominal capital, these are consolidated in the consolidated financial statements either fully, proportionately or using the equity method. 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 2008, 12.45% were owned by Alexander Otto (2007: 12.28%).

The share capital amounts to €34,374,998 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 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 €150,000,000 and maturities of up to 7 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.

### 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 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 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. In accordance with the Articles of Association, the compensation amounts to €50,000 for the chairman (previous year: €30,000), €37,500 for the deputy chairman (previous year: €22,500) and €25,000 for each of the other members of the Supervisory Board (previous year: €15,000). Membership in committees is not additionally taken into account when the compensation of the Supervisory Board is determined. Moreover, compensation does not contain any performance-based elements. The compensation is fixed based on the business model and size of the Company and hence the responsibility associated with the role. The Company's financial position is also taken into consideration. If a member of the Supervisory Board should leave the Supervisory Board during the financial year, the member shall receive the remuneration pro rata. Cash expenses are also reimbursed in accordance with section 8 (5) of 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 as part of joint ventures.

### 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

Deutsche EuroShop has a well-balanced, diversified portfolio of German and European shopping centers. We concentrate investment on properties in premier locations that are expected to generate a high yield and maintain their value in the long term, so as to guarantee a high level of investment security.

### Making the most of opportunities, maximising 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 centres 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 GmbH & Co. KG. ECE has been developing, planning, implementing, leasing and managing shopping centers since 1965. With currently 112 shopping galleries 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 16 shopping centers on average every day are fascinated by the variety of sectors represented, but also by our unusual, unconventional promotions such as "Desert Fascination" or "Roncalli". These turn shopping centers into marketplaces where something new and spectacular is constantly on offer.

## OVERVIEW OF THE COURSE OF BUSINESS

### Macroeconomic conditions

In 2008, growth in the German economy was considerably weaker than in the two previous years. Real (price adjusted) gross domestic product (GDP) rose by 1.3% in Germany (previous year: 2.5%). After adjustment for the negative calendar effect – the period under review had 2.7 more working days than the preceding year – the rise in GDP was 1.0% for 2008 (2007: 2.6% after adjustment for the calendar effect).

Although the German economy is still developing positively, this is attributable exclusively to the domestic economy.

In 2008, the domestic economy retained the momentum of previous years. Investments in construction and capital goods expanded fairly rapidly. In contrast, private consumption, the most substantial component of GDP, barely attained the level of the previous year (-0.1%). At 11.4%, the savings rate reached its highest value since 1994 (2007: 10.8%).

Exports, which had driven growth in the three previous years, slowed economic growth. The main reason for this was the considerably lower rise in foreign demand compared with previous

years combined with the continued trend towards imports in the Germany economy. Hence, although German exports increased by 3.9% in 2008 (2007: +7.5%), imports rose by 5.2% after adjustment for prices (2007: +5.0%).

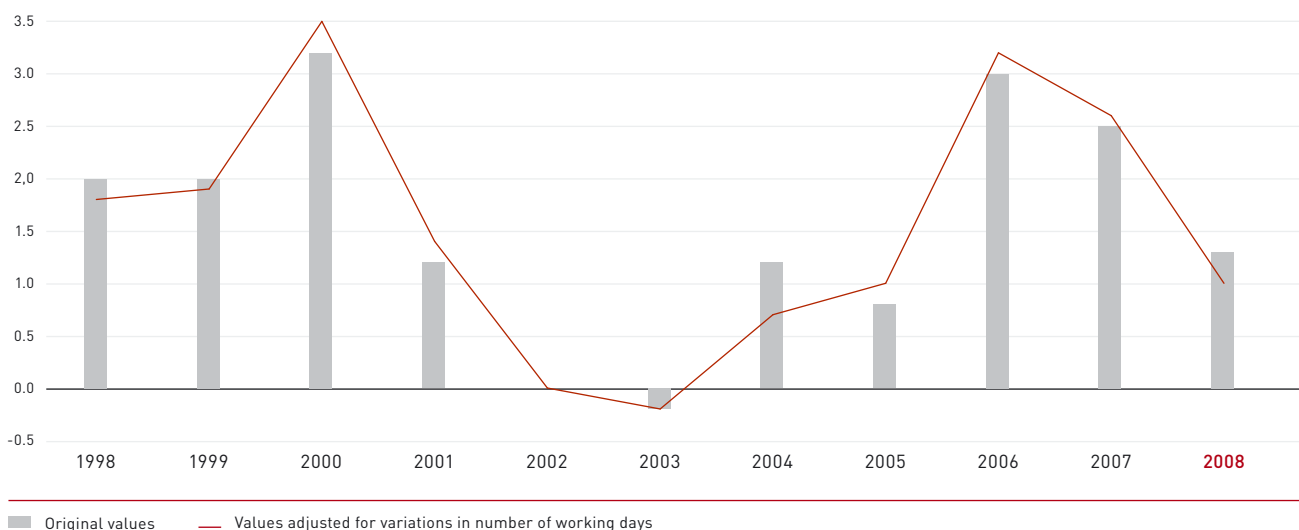
The average rate of inflation for the year was above that of the previous year (2.3%) at 2.6%. This was the highest annual increase since 1994. In particular, energy (+9.6%) and food prices (+6.4%) drove prices sharply upwards in the first quarters of 2008 and caused the average rate of inflation for the year to rise.

On an annual average, the unemployment rate fell to 7.8% (previous year: 9.0%); 3.27 million people (previous year: 3.78 million) were out of work. This significant, renewed, decline in unemployment primarily reflects a cyclical increase in employment liable to social security contributions.

In 2008, the European Monetary Union (EMU) continued to experience the economic boom of the preceding years, albeit to a lessened degree. According to the Statistical Office of the European Communities (Eurostat), real GDP increased by 0.9% in 2008 (previous year: 2.9%) in the EU-27. The euro zone inflation rate rose significantly in 2008 (+3.7%; previous year: +2.3%) and unemployment increased slightly to 7.5% (2007: 7.4%).

GROSS DOMESTIC PRODUCT IN GERMANY (AFTER ADJUSTMENT FOR PRICES)

Change against the previous year in %



## Economic conditions in the industry

### Retail sector

According to provisional figures from the Federal Statistical Office, in 2008 German retail sales rose by 2.1% in nominal terms while falling by 0.4% in real terms (after adjustment for prices). At €399.6 billion, sales in the retail sector in the narrower sense (excluding vehicle sales, service stations, fuels and pharmacies) were slightly up on the previous year (€395.3 billion). Thus the retail sector showed itself to be fairly robust in 2008 as the crisis sentiment closed in.

The non-food sector increased its sales in 2008, including after adjustment for prices. In contrast, food retailers suffered declines in revenue in real terms. According to the Hauptverband des deutschen Einzelhandels (HDE – German Retail Federation), one reason for this was the sharp increase in the price of food and semi-luxury foodstuffs in the first three quarters.

Handelsverband BAG (German Retail Trade Association) observed that retail space throughout Germany increased by 1.3 million m<sup>2</sup> in 2008, although this represented a lower increase than in the previous year. This mainly took place in the first half of the year. As of late summer/autumn, BAG noted a tangible decrease in the reporting of new retail space. The implementation of many retail projects was either postponed or abandoned completely. Including the new additions, large-scale retail space in Germany amounts to approximately 117.8 million m<sup>2</sup>.

According to BAG, this increase in retail space was primarily attributable to shopping centers, food and textiles discounters and specialty stores. Only a slight rise in retail space was recorded in east Germany, where new additions to space were offset by discontinued use of space in many cases. Once again, a certain non-typical development was observed in Berlin, where a large amount of new retail space has been created over the last few years. For the most part, the additions are in the west German states, where retail space has grown by around 1 million m<sup>2</sup> every year since 2006.

According to a survey by Kemper's Jones Lang LaSalle, a consultancy firm specialising in retail property, the highest proportion of floor-space in leases in 2008 was attributable to textile and shoe retailers, at 41% and 9% respectively, and to bookshops, telecommunications service providers, chemists and accessory retailers, at 6% each. Other important sectors in prime locations were restaurants, banks, sports shops and retailers of luxury products.

Retail spaces in the 100 m<sup>2</sup> to 250 m<sup>2</sup> size category were the most sought after in the past year. Larger spaces were also in demand: every fourth lease was for over 500 m<sup>2</sup>.

### Real estate market

According to a survey by Jones Lang LaSalle, the transaction volume for investments in retail property on the European continent (shopping centers, retail parks and factory outlets; excluding UK and Ireland) fell to €12.4 billion in 2008, a decline of 56% compared with the previous year (€28.2 billion). A significant reason for this development is certainly the wait-and-see attitude of investors, who are having to accept less favourable financing terms owing to the global financial crisis.

With a 55% share of the transaction volume, in 2008 shopping centers continued to be the focus of investors in mainland Europe, who are increasingly seeking defensive investment opportunities. They prefer stable market segments and favour prime locations, secure, long-term leases and high-quality tenants. However, the transaction volume for shopping centers also fell by almost 60% in Germany to €1.1 billion (2007: €2.6 billion).

However, the German market maintained its leading position with respect to retail property investments in continental Europe. At €2.5 billion, the volume in Germany represented a share of 20% (2007: 26%).

The yields from retail property increased over the course of the year due to the credit crisis. Nevertheless, the low number of transactions makes pricing in line with market rates more difficult. In addition, in individual cases investors are prepared to continue to pay higher prices and thus to accept lower yields. At the end of 2008, the yield generated by German shopping centers in prime locations as calculated by Jones Lang LaSalle was 5.75% (2007: 4.50%).

### Share price performance

Deutsche EuroShop shares began 2008 with a price of €23.50. On 13 May, they reached their high for the year of €28.40 on the basis of the Xetra closing price. As of early October, the intensifying international financial crisis sparked off a flurry of at times frantic share selling on the 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 €18.50 by 20 November. Thanks to a strong recovery phase in December, Deutsche EuroShop shares escaped the generally poor sentiment for financial and property shares to some extent and closed the year on a positive note at a price of €24.30.



### Evaluation of the financial year

The Executive Board of Deutsche EuroShop is very satisfied with performance in the past financial year. Thanks to the good development of the business, to which the recently opened centers in Poland (opened in 2007), Hameln and Passau made a substantial contribution, we raised our forecasts in November 2008.

Revenue was planned at between €113 million and €115 million and totalled €115.3 million as of the balance sheet date (2007: €95.8 million), corresponding to an increase of 20%. Earnings before interest and taxes (EBIT) of between €93 million and €95 million was planned; ultimately it increased by 25%, amounting to €98.1 million (2007: €78.5 million). We expected earnings before taxes (EBT) excluding measurement gains/losses of between €45 million and €47 million. They rose by 29%, totalling €49.9 million (2007: €38.9 million).

Just as in the previous year, we exceeded revenue and earnings forecasts. Deutsche EuroShop has proven once again that it has an outstanding shopping center portfolio and is well positioned, even in these difficult times for the economy and the real estate markets.

## RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

The 2008 financial year was a positive one for Deutsche EuroShop, despite the financial crisis. The Stadt-Galerie in Hameln was opened on schedule in March 2008 and the Stadt-Galerie in Passau was opened five weeks ahead of schedule. Both shopping centers had been let on a long-term basis long before the opening dates. These new openings, along with Galeria Baltycka in Gdansk, which contributed revenue for a full financial year for the first time, made a substantial contribution to the 20.4% growth in revenue from €95.8 million to €115.3 million. At €68.9 million, consolidated profit was down €25.2 million compared with the previous year (€94.2 million), which can be attributed to extraordinary tax income in the previous year in particular. Our net asset value per share increased by around 1.9% from €26.91 to €27.43. Earnings per share amounted to €2.00 (previous year: €2.74).

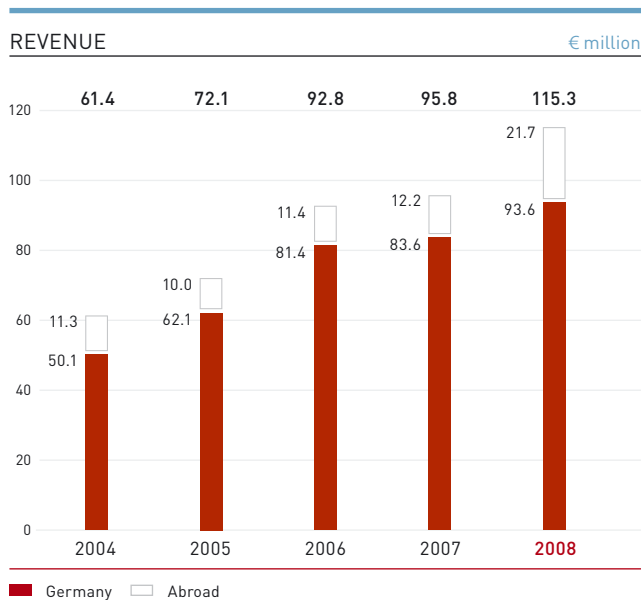
## RESULTS OF OPERATIONS

Although German retail sales rose by 2.1% in nominal terms in 2008, the tenants of our shopping centers achieved only a 0.6% 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 0.4%.

### Revenue development

#### Consolidated revenue up 20.4%

Consolidated revenue was up 20.4% from €95.8 million to €115.3 million in the financial year. The Stadt-Galerie in Hameln (nine months), the Stadt-Galerie in Passau (four months) and the Galeria Baltycka in Gdansk, which opened in October 2007, made a significant contribution to this growth in revenue.



### Higher rental income for almost all portfolio properties

For the most part, rental income for the portfolio properties developed positively. Only two properties posted slight revenue decreases due to lower settlement payments by former tenants. Total revenue rose by 2.0% on a like-for-like basis.

REVENUE			
€ thousand	2008	2007	2006
Rhein-Neckar-Zentrum, Viernheim	16,686	16,307	16,014
Main-Taunus-Zentrum, Sulzbach*	10,378	10,011	9,781
Allee-Center, Hamm	9,591	9,398	9,209
City-Arkaden, Wuppertal	8,559	8,233	7,925
City-Galerie, Wolfsburg	8,323	8,326	7,704
Forum, Wetzlar	8,265	8,137	7,982
Rathaus-Center, Dessau	8,149	8,207	7,941
Altmarkt-Galerie, Dresden*	6,548	6,386	6,214
Phoenix-Center, Hamburg*	5,634	5,538	5,270
Stadt-Galerie, Hameln	5,484	0	0
City-Point, Kassel*	3,057	3,031	2,980
Stadt-Galerie, Passau	2,925	0	0
<b>Total Germany</b>	<b>93,599</b>	<b>83,574</b>	<b>81,020</b>
Galeria Baltycka, Gdansk	12,794	3,439	0
City Arkaden, Klagenfurt*	5,256	5,159	4,024
Árkád, Pécs*	3,694	3,590	3,527
Centro Commerciale Tuscia, Viterbo	0	0	2,848
Shopping Etrembières, Annemasse	0	0	1,022
<b>Total abroad</b>	<b>21,744</b>	<b>12,188</b>	<b>11,421</b>
Other revenue	0	0	413
<b>Total</b>	<b>115,343</b>	<b>95,762</b>	<b>92,854</b>

\* = proportionately consolidated

### Vacancy rate stable at under 1%

As in the previous year, the vacancy rate was under 1%. At €0.3 million (2007: €0.2 million) or 0.2% (2007: 0.2%), the need for write-downs for rent losses remained at a very low level.

### Earnings development

#### Operating and administrative costs for property down slightly

Property operating costs declined by €2.0 million from €8.0 million to €6.0 million, which was attributable to lower maintenance costs and initial costs for new openings in particular. Property management costs climbed by €1.1 million from €6.1 million to €7.2 million due to the increase in revenue.

#### Other operating expenses up by €0.8 million

At €5.0 million, other operating expenses were €0.8 million higher than in the previous year, which was chiefly attributable to higher personnel expenses, an increase in the compensation of the Supervisory Board and higher consulting costs.

#### Net finance costs rise

Net finance costs were up €8.6 million to €48.2 million, after €39.6 million in the previous year. This rise is attributable firstly to a higher interest expense (€+5.9 million compared with the previous year) and secondly to a higher share of operating profit attributable to minority shareholders, which was €2.6 million above the level of the previous year (€3.6 million) at €6.2 million.

In the period under review, for the first time only minority shareholders' share of operating profit was recognised in net finance costs. The pro rata share of measurement gains attributable to minority shareholders is now recognised in Measurement gains. The previous year's figures were adjusted accordingly.

Both the higher interest expense and the higher share of profit attributable to minority shareholders were due mainly to the new shopping centers in Gdansk, Hameln and Passau. At €2.4 million, interest income was down €0.3 million on the previous year, while income from investments was €0.2 million above the level of the previous year at €1.7 million and contained the dividend distributions of our Polish property company in Wrocław.

#### Measurement gains less than in the previous year

Measurement gains fell year-on-year by €1.9 million from €39.0 million to €37.1 million. Initial measurement of the shopping centers in Hameln and Passau resulted in net measurement gains of €12.0 million. Measurement of the portfolio properties led to net measurement gains of €54.3 million. This contains exchange gains of €38.1 million resulting from the translation of euro-based market values into Polish zloty or Hungarian forint, which led to a decline in non-current assets. Based on the euro values, the market values of the portfolio properties increased by €16.2 million. This corresponds to an average increase in market value of around 1%. This rise in value is mainly attributable to the Galeria Baltycka in Poland, whose earnings to date far exceed original planning, resulting in a market value around 19% higher than the level of the previous year. In addition, the value of four further portfolio properties appreciated by between 0.1% and 2.7%. The market value of nine properties was between 0.4% and 3.3% below that of the previous year.

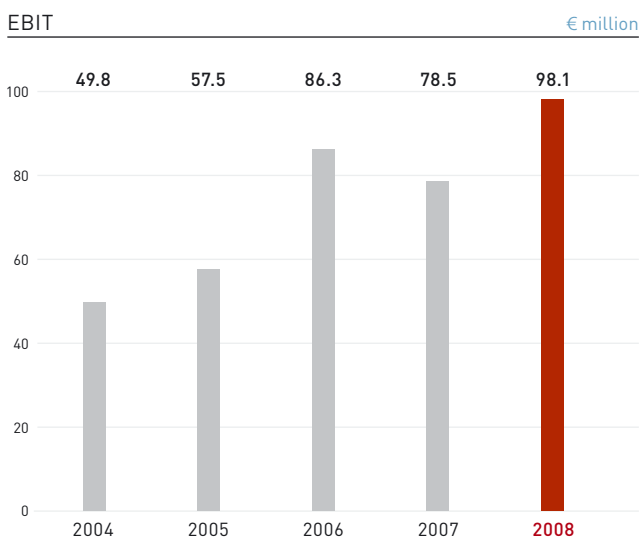
We also posted unrealised exchange losses (net) amounting to €16.3 million from the exchange measurement of monetary items and bank loans of our Polish and Hungarian property companies as at the reporting date in the Measurement gains item. At €11.7 million, the share of measurement gains attributable to minority shareholders was €1.2 million above that of the previous year (€10.5 million). This was chiefly due to the high measurement gains attributable to Galeria Baltycka.

### Tax item almost exclusively comprises deferred income taxes

Following net tax income of €16.3 million in the previous year due to a reversal of deferred tax provisions that was recognised in income as a result of the German business tax reform, the tax burden in the period under review amounted to €18.1 million. Of this amount, €18.0 million was attributable to deferred income tax and €0.1 million to German and foreign income tax paid.

### Consolidated profit totals €68.9 million

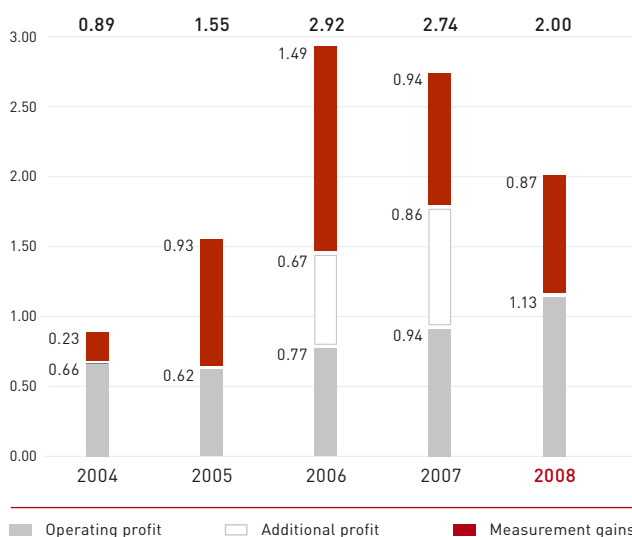
Earnings before interest and taxes (EBIT) climbed 25% from €78.5 million to €98.1 million in the reporting year. At €87.0 million, pre-tax profit (EBT) was 12% higher than in the previous year (€77.8 million). Consolidated profit fell by 27% from €94.2 million to €68.9 million.



### Earnings per share

Earnings per share (basic) amounted to €2.00 compared with €2.74 in the previous year. Of this amount, €1.13 (2007: €0.94) was attributable to operations (+20%) and €0.87 (2007: €0.94) to measurement gains (-8%). Furthermore, in the previous year additional profit of €0.86 per share was generated from the reversal of deferred tax provisions.

### EARNINGS PER SHARE in €, basic



### Funds from operations (FFO)

In the last few years, the funds from operations (FFO) ratio has gained increasing importance. For this reason, we have incorporated it into the Group's reporting. FFO is defined as the cash flows from operating activities and is calculated by adjusting net income for the period for measurement gains/losses and deferred income tax expense. FFO is used to finance ongoing investments in portfolio properties, scheduled payments on our long-term bank loans and the distribution of dividends. In the period under review, an FFO of €49.8 million or €1.45 per share was posted, up from €38.5 million or €1.12 per share in the previous year.

€ thousand	2008	2007
Net income for the period	68,872	94,177
plus deferred taxes	18,010	-16,719
less measurement gains/losses	-37,071	-38,956
<b>FFO</b>	<b>49,811</b>	<b>38,502</b>
FFO per share (€)	1.45	1.12

### Dividend proposal: €1.05 per share

Due to the successful financial year, the Executive Board and Supervisory Board will propose to the shareholders at the Annual General Meeting on 30 June 2009 in Hamburg that an unchanged dividend of €1.05 per share be distributed for the 2008 financial year.

## FINANCIAL POSITION AND NET ASSETS

### 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 (including minority interests) should not fall below 45%.

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.

### Financing analysis

As of 31 December 2008, Deutsche EuroShop reported the following key financial data:

€ million	2008	2007	Change
Total assets	2,006.9	1,976.3	+30.6
Equity (incl. minority interests)	977.8	974.0	+3.8
Equity ratio (%)	48.7	49.3	-0.6
Bank loans and overdrafts	899.8	895.9	+3.9
Loan to value ratio (%)	46.0	47.0	-1.0

At €977.8 million, the economic capital of the Group, which comprises the equity of the Group shareholders (€860.5 million) and the equity of the minority shareholders (€117.3 million), is €3.8 million higher than in the previous year. The equity ratio decreased slightly by 0.6 percentage points to 48.7%.

Current and non-current bank loans and overdrafts rose from €895.9 million to €899.8 million in the reporting year, corresponding to an increase of €3.9 million. Long-term loans totalling €32.2 million were raised in the period under review. Of this amount, €28.4 million served to finance the Stadt-Galerie Passau and the purchase of property for expanding Altmarkt-Galerie Dresden. The remaining €3.8 million was used to replace an expiring loan in the Allee-Center Hamm. Meanwhile, loans amounting to €28.3 million were repaid.

The bank loans and overdrafts in place at the end of the year exclusively serve to finance non-current assets. Thus around 46% of non-current assets were financed by loans.

As in previous years, in the 2008 financial year Deutsche EuroShop had €100 million available in credit facilities, around €11 million of which was taken up as of the end of the year (2007: €35 million). This is in line with the average utilisation of credit facilities in the financial year.

Overall, the debt finance terms as of 31 December 2008 remained fixed at 5.33% p.a. (previous year: 5.36% p.a.) for an average period of 7.0 years (previous year: 7.7 years). Deutsche EuroShop maintains credit facilities with 20 banks, which – with the exception of one Austrian bank – are all German banks.

### LOAN STRUCTURE as of 31 December 2008

Interest lockin	Duration	Principle amounts (€ thousand)	Share of total loan	Average interest rate
Up to 1 year	1.0	59,485	6.6%	5.93%
1 to 5 years	4.7	348,155	38.9%	5.28%
5 to 10 years	7.2	367,405	41.1%	5.38%
Over 10 years	17.3	119,900	13.4%	5.05%
<b>Total</b>	<b>7.0</b>	<b>894,945</b>	<b>100%</b>	<b>5.33%</b>

In 2009, the interest lock-in for a loan of around €50 million will expire and scheduled repayments amounting to €9.5 million will be made from cash flow during the course of the financial year. From 2010 to 2013, loans will be repaid at an average rate of €12.8 million per year. Interest lock-ins for loans in the amount of €26.9 million will expire in 2012, while those for loans amounting to €259.1 million expire in 2013. Our credit line is due to be extended in 2010.

Bank loans and overdrafts totalling €899.8 million were recognised in the balance sheet as of the reporting date. The difference compared with the amounts given here of €894.9 million relates to deferred interest and repayment obligations that were settled at the beginning of 2009.

### Investment analysis

The Stadt-Galerie Hameln and Stadt-Galerie Passau were completed during the period under review. Following investment of €144.3 million in these two properties in the preceding years, a further investment of €66.0 million was made in the reporting year. Around €150 million is budgeted for investments for expanding the Altmarkt-Galerie Dresden. The share attributable to the Group amounts to around €75 million, of which approximately €21 million was invested in the purchase of property and planning costs in

the period under review. We assume that the construction measures can commence in summer 2009 and that completion will follow in spring 2011.

### Liquidity analysis

The Group's operating cash flow of €55.1 million (2007: €40.6 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 and payments to minority shareholders. The rise of €14.5 million compared with the previous year chiefly results from the opening of the shopping centers in Gdansk, Hameln and Passau.

In addition to operating cash flow, cash flow from operating activities contains changes in receivables and other assets and other liabilities and provisions. At €79.8 million, cash flow from operating activities was up €2.9 million on the previous year (€76.9 million).

Investments in the reporting year amounted to €91.2 million and were thus considerably lower than in the previous year, in which €144.3 million was invested.

The outflow of funds from financing activities totalled €39.1 million. An increase of €3.9 million in bank loans and overdrafts was offset by payments to Group shareholders and minority shareholders of our property companies amounting to around €43.0 million.

Thus cash and cash equivalents decreased by €67.3 million in the period under review and amounted to €41.7 million on the balance sheet date.

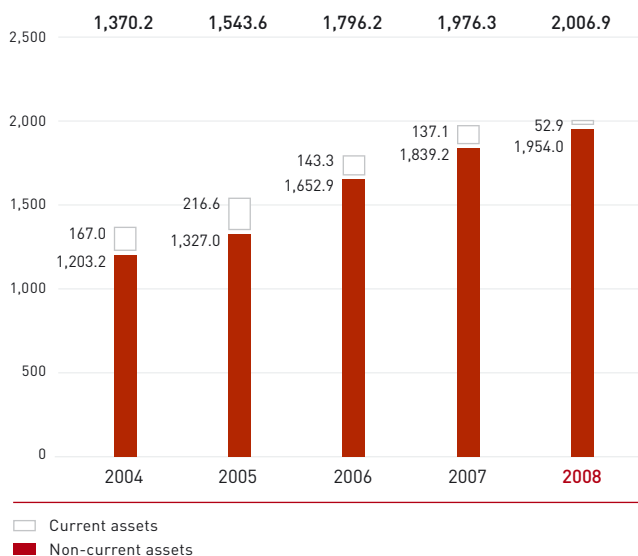
### Balance sheet analysis

The Group's total assets increased by around €30.5 million in the 2008 financial year.

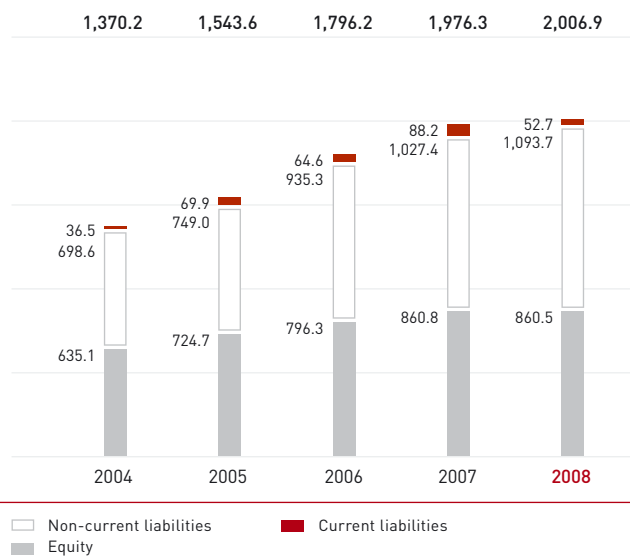
## BALANCE SHEET STRUCTURE

€ million

### ASSETS



### LIABILITIES



□ Current assets  
■ Non-current assets

□ Non-current liabilities  
■ Equity

### Current assets

As of year-end, current assets totalled €52.9 million, which corresponds to a decrease of €84.2 million compared with the previous year. This is largely attributable to the decline in other assets and lower cash and cash equivalents.

As at the balance sheet date, cash and cash equivalents amounted to €41.7 million, compared with €109.0 million in the previous year. The cash has been invested as short-term deposits and time deposits.

### Non-current assets

In the period under review, non-current assets climbed from €1,839.2 million to €1,954.0 million, which represents an increase of €114.8 million.

Overall, property, plant and equipment declined by €123.1 million to €21.2 million following the opening of Stadt-Galerie Hameln and Stadt-Galerie Passau. Following completion, these shopping centers were reclassified to Investment properties and recognised at their market value for the first time as of 31 December 2008. At the end of the year, only the investments incurred to date for the expansion of Altmarkt-Galerie Dresden remained under the Property, plant and equipment item.

Investment properties grew by €239.6 million compared with the previous year. Costs for Stadt-Galerie Hameln and Stadt-Galerie Passau totalled €210.3 million. The Investment properties item increased by a further €29.3 million due to measurement effects recognised in income and recognised directly in equity.

Other non-current assets declined by €1.7 million.

### Current liabilities

Current liabilities fell €35.5 million from €88.2 million to €52.7 million due in particular to the decrease in current bank loans and overdrafts (€-26.0 million).

### Non-current liabilities

Non-current liabilities rose by €66.3 million from €1,027.4 million to €1,093.7 million. This is chiefly attributable to higher non-current financial liabilities (€+29.8 million) and recognition of further deferred tax provisions (€+18.0 million).

### Equity

At €860.5 million, Group equity in the period under review remained at the level of the previous year (€860.8 million). Significant changes resulted from measurement of the interest swap and currency translation adjustments which reduced equity by €31.9 million. The measurement of interests attributable to Group shareholders in accordance with IAS 39 reduced equity by €0.9

million. This was largely offset by the difference of €68.9 million in consolidated profit and the dividend of €36.1 million paid in June 2008, which increased equity.

### Net asset value

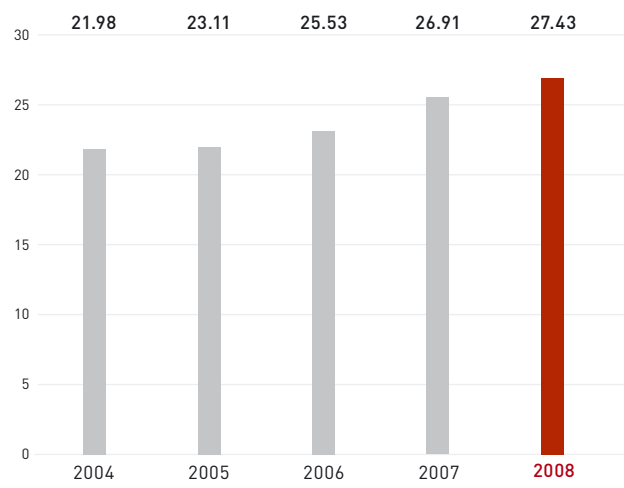
Net asset value as at 31 December 2008 was €942.8 million (€27.43 per share) compared with €925.1 million (€26.91 per share) in the previous year.

#### NET ASSET VALUE

€ thousand	2008	2007
Equity	860,450	860,798
plus deferred taxes	82,313	64,303
<b>Net asset value of Deutsche EuroShop = net asset value</b>	<b>942,763</b>	<b>925,101</b>
Number of shares	34,374,998	34,374,998
<b>Net asset value per share (€)</b>	<b>27.43</b>	<b>26.91</b>

#### NET ASSET VALUE

per share (€)



## OVERALL COMMENT ON ECONOMIC SITUATION

The past financial year confirmed the Deutsche EuroShop Group's good position. Despite the global financial crisis, we more than met our own expectations once again without any notable events.

## 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 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, which opened in 2008, have also received their certified green electricity from the 'EnergieVision' organisation with the renowned 'ok-power' accreditation.

The ten participating shopping centers used a total of around 41 million kWh of the certified green electricity for 2008. This represented over 75% of the electricity requirements in our German shopping centers. Thus, according to conservative calculations, this meant a reduction of around 10,000 metric tonnes in carbon dioxide emissions – this equates to the annual CO<sub>2</sub> emissions of 450 two-person households.

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

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.

## REPORT ON POST-BALANCE SHEET DATE EVENTS

Effective 2 January 2009, Deutsche EuroShop Verwaltungs GmbH increased its interest in City-Point Kassel from 40% to 90%. Including liabilities acquired on a pro rata basis, the total investment volume amounted to some €53 million.

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

## 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

Based on the US real estate markets, as of summer 2007 the attention of banks and insurance companies initially focused on extensive write-downs on mortgage-backed securities. Ultimately, it was the general climate of diminishing confidence in the financial markets that took its toll on the banks in particular, since liquidity supplies for short-term funding were no longer assured due to the interbank markets drying up, thus posing a threat to the banks' existence. We are all experiencing the direct effects of this at present. Since September 2008, state rescue packages for financial institutions have been launched around the world to contain the effects of the financial crisis, which has now also intensified in Germany. No one is able to predict further developments with any certainty.

The German economy grew by 1.3% in the period under review, although the downturn gained significant momentum in the second half of the year. The German government is expecting negative economic performance of 2.3% for 2009.

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 2008, the retail sector increased its revenue by 2.1% in nominal terms compared with a decline of 1.3% in the previous year due to the rise in value added tax. It must be assumed that retailers will face a difficult year in 2009.

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 of the consolidated financial statements 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 up 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 5.33%, 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 transaction and the party to the contract fulfils the contract. Consequently, the ongoing changes in value of these items in the consolidated financial statements 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, 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

The world economy is undergoing rapid decline, which is increasingly affecting Germany as an exporting nation. Thus it can currently be assumed that the supportive measures taken by governments and central banks to date will not be sufficient to steer the economy back into growth.

The forecasts published by the German government and economic research institutes to date, which assume that GDP will decrease moderately in 2009 and that growth will resume as soon as 2010, increasingly appear to display pure calculated optimism. Economists now concede that it is not possible to produce accurate forecasts at present as the economic reality can no longer be mapped in existing macroeconomic models. Similarly, many companies no longer consider it possible to provide an outlook for the 2009 financial year owing to the difficult economic environment.

### Crisis cannot be measured as yet

As yet, there are no indications that the Deutsche EuroShop Group's economic situation will be significantly impaired in 2009. All the figures available so far indicate that buying patterns will remain stable. However, if the economic environment continues to deteriorate significantly, it cannot be ruled out that retailers in our shopping centers may also experience financial difficulties due to falling revenue and may no longer be able to fulfil the obligations under their leases or may not be able to fulfil them in full. Overall, however, we assume that the Deutsche EuroShop Group would only incur comparatively moderate losses in such a case.

### Well-positioned portfolio

With the exception of a small amount of office space, our shopping centers are currently fully let. The average residual term of our leases is just over seven years. For the most part, the leases due to expire in 2009 have been prolonged or new tenants have been found. Currently, no shopping centers are under construction, with the result that no rental risks arise in this respect. Outstanding rents and necessary valuation allowances remain at a low level.

### Situation on the financial markets impacts growth potential

Further shopping center acquisitions will depend on the possibility of obtaining new equity from the stock exchange under reasonable terms. As this cannot be foreseen at present, we assume that no further acquisitions will take place in 2009.

### Restructuring measures in Kassel and Hamm

Our shopping center in Kassel, in which we increased our investment from 40% to 90% in January 2009 through acquiring shares from Arcandor AG, and the Allee-Center in Hamm are undergoing restructuring.

In Kassel, the department store space formerly occupied by Hertie is being divided up and leased to several small and medium-sized retailers. The investment required for this measure, including estimated rent losses and ancillary costs during construction, amounts to around €5.1 million. The spaces are leased on a long-term basis as far as possible.

In the Allee-Center Hamm, the lease with a hypermarket operator was terminated early. Following the renovation (investment costs: €1.8 million), a supermarket and a large textiles operation will open in this space in autumn 2009.

### Altmarkt-Galerie Dresden to be expanded

We expect to be able to commence expansion of the Altmarkt-Galerie in Dresden this year. The required property has already been acquired, the demolition of existing buildings has begun and archaeological excavations are currently underway. The Altmarkt-Galerie is to be expanded by around 30,000 m<sup>2</sup>. Of this area, approximately 25,000 m<sup>2</sup> will be allocated to retailers, service providers and service areas and around 5,000 m<sup>2</sup> to office space. In total, the investment volume amounts to some €150 million, of which €75 million is attributable to Deutsche EuroShop. 50% of the investment is to be debt-financed over the long term. The financing has already been secured.

### Agreed transactions are the foundation for revenue and earnings planning

The Deutsche EuroShop Group's revenue and earnings planning for 2009 and 2010 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. However, we must assume that we will report measurement losses for the first time in the current year if the economic circumstances deteriorate further.

Forecasts about the future revenue and earnings situation of our Group are based on:

- a) the development of revenue and earnings of the existing shopping centers
- b) the assumption that there will be no substantial reduction in revenue in the retail sector, in which case a number of retailers would no longer be able to meet the obligations under their existing leases.

### Revenue climbs by 10% in 2009; increase of 2% expected in 2010

For the 2009 financial year, we are anticipating revenue of between €125 million and €128 million. The openings of the Stadt-Galerie shopping centers in Hameln and Passau, which will contribute to revenue for a full financial year for the first time, will have an effect in this regard, as will the first-time consolidation of the City-Point in Kassel, in which we increased our investment from 40% to 90% in January 2009. In the 2010 financial year, revenue should increase to between €128 million and €131 million.

### Slight growth in earnings over the next two financial years

Earnings before interest and taxes (EBIT) amounted to €98.1 million in 2008. According to our forecast, EBIT will amount to between €105 million and €108 million in the current financial year. This is expected to increase to between €109 million and €112 million in 2010.

Earnings before tax (EBT) excluding measurement gains and losses amounted to €49.9 million during the period under review. We expect the corresponding figure to be between €50 million and €52 million for financial year 2009 and between €53 million and €55 million for financial year 2010.

### FFO climbing steadily

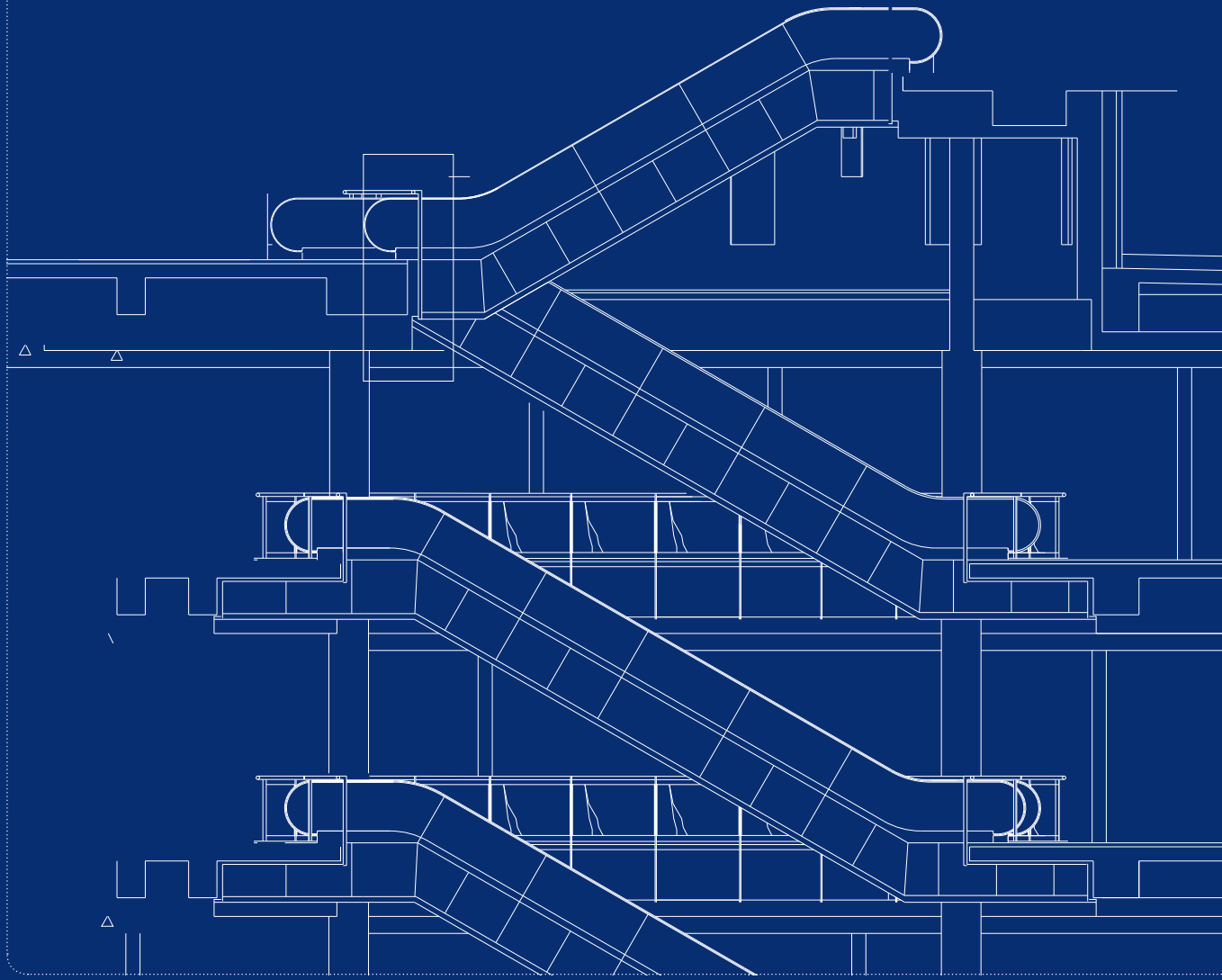
Funds from operations (FFO) amounted to €1.45 per share in the period under review. We expect this figure to be between €1.45 and €1.50 in 2009 and between €1.55 and €1.60 in the 2010 financial year.

### Dividend policy

We intend to maintain our long-term dividend policy geared towards continuity and to distribute a dividend of €1.05 per share to our shareholders again in 2009 and 2010.

### 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 FOR FINANCIAL YEAR 2008

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Deutsche EuroShop AG, Hamburg

# CONSOLIDATED FINANCIAL STATEMENTS

## IFRS CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2008

ASSETS			
in € thousands	Notes	31 Dec 2008	31 Dec 2007
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	1.	32	8
Property, plant and equipment	2.	21,199	144,353
Investment properties	3.	1,897,767	1,658,200
Non-current financial assets	4.	30,316	32,851
Investments in equity-accounted associates	5.	3,740	0
Other non-current assets	6.	930	3,802
<b>Non-current assets</b>		<b>1,953,984</b>	<b>1,839,214</b>
<b>Current assets</b>			
Trade receivables	7.	2,717	3,179
Other current assets	8.	6,737	21,269
Other financial investments	9.	1,740	3,681
Cash and cash equivalents	10.	41,671	108,993
<b>Current assets</b>		<b>52,865</b>	<b>137,122</b>
<b>Total assets</b>		<b>2,006,849</b>	<b>1,976,336</b>

## EQUITY AND LIABILITIES

in € thousands	Notes	31 Dec 2008	31 Dec 2007
<b>Equity and liabilities</b>			
<b>Equity and reserves</b>			
Issued capital		34,375	34,375
Capital reserves		546,213	546,213
Retained earnings		279,862	280,210
<b>Total equity</b>	11.	<b>860,450</b>	<b>860,798</b>
<b>Non-current liabilities</b>			
Bank loans and overdrafts	12.	879,078	849,258
Deferred tax liabilities	13.	82,313	64,303
Right to redeem of limited partners	14.	117,320	113,249
Other non-current liabilities	19.	14,941	540
<b>Non-current liabilities</b>		<b>1,093,652</b>	<b>1,027,350</b>
<b>Current liabilities</b>			
Bank loans and overdrafts	12.	20,730	46,694
Current trade payables	15.	3,039	8,651
Liabilities to other investees and investors		35	0
Tax provisions	16.	662	520
Other provisions	17.	18,221	25,070
Other current liabilities	18.	10,060	7,253
<b>Current liabilities</b>		<b>52,747</b>	<b>88,188</b>
<b>Total equity and liabilities</b>		<b>2,006,849</b>	<b>1,976,336</b>

## IFRS CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

in € thousands	Notes	2008	2007
Revenue	20.	115,343	95,762
Property operating costs	21.	-5,957	-8,015
Property management costs	22.	-7,151	-6,082
<b>Net operating income (NOI)</b>		<b>102,235</b>	<b>81,665</b>
Other operating income	23.	870	1,057
Other operating expenses (corporate costs)	24.	-5,000	-4,212
<b>Earnings before interest and taxes (EBIT)</b>		<b>98,105</b>	<b>78,510</b>
Income from investments	25.	1,715	1,505
Interest income		2,370	2,682
Interest expense		-46,079	-40,193
Profit/loss attributable to limited partners	26.	-6,191	-3,622
<b>Net finance costs</b>		<b>-48,185</b>	<b>-39,628</b>
<b>Measurement gains</b> of which measurement losses attributable to equity-accounted associates -1,255 (previous year: 0.00)	27.	<b>37,071</b>	<b>38,956</b>
<b>Earnings before tax (EBT)</b>		<b>86,991</b>	<b>77,838</b>
Income tax expense	28.	-18,118	16,344
Other taxes		-1	-5
<b>Consolidated profit</b>		<b>68,872</b>	<b>94,177</b>
Basic earnings per share (€)		2.00	2.74
Diluted earnings per share (€)		2.00	2.74



## IFRS CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

in € thousands	Notes	1 Jan to 31 Dec 2008	1 Jan to 31 Dec 2007
<b>Profit after tax</b>		<b>68,872</b>	<b>94,177</b>
Income from the application of IFRS 3		-892	0
Profit/loss attributable to limited partners		17,915	14,087
Depreciation of property, plant and equipment		10	16
Changes in value of investment property in accordance with IAS 40		-66,316	-46,759
Other non-cash income and expenses		17,506	-4,216
Deferred taxes		18,009	-16,719
<b>Operating cash flow</b>		<b>55,104</b>	<b>40,586</b>
Changes in receivables		17,866	32,243
Changes in other financial investments		1,940	-993
Changes in non-current tax provisions		0	-136
Changes in current provisions		-6,707	5,739
Changes in liabilities		11,632	-524
<b>Cash flow from operating activities</b>		<b>79,835</b>	<b>76,915</b>
Payments to acquire property, plant and equipment		-87,331	-144,345
Inflows and outflows for investments in non-current financial assets		-3,897	17
<b>Cash flow from investing activities</b>		<b>-91,228</b>	<b>-144,328</b>
Changes in interest-bearing financial liabilities		3,856	119,332
Contributions of minority interests		0	7
Payments to Group shareholders		-36,094	-36,094
Payments to minority shareholders		-6,897	-4,052
<b>Cash flow from financing activities</b>		<b>-39,135</b>	<b>79,193</b>
<b>Net change in cash and cash equivalents</b>		<b>-50,528</b>	<b>11,780</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>108,993</b>	<b>94,214</b>
Currency related changes		1,329	3,695
Other changes		-18,123	-696
<b>Cash and cash equivalents at end of period</b>		<b>41,671</b>	<b>108,993</b>

## STATEMENT OF CHANGES IN EQUITY AS OF 31 DECEMBER 2008

in € thousands	Share capital	Capital reserves
<b>1 January 2007</b>	<b>22,000</b>	<b>558,588</b>
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		
<b>31 December 2007</b>	<b>34,375</b>	<b>546,213</b>
<b>1 January 2008</b>	<b>34,375</b>	<b>546,213</b>
Change due to IAS 39 measurement of investments		
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	34,375	546,213
Dividend payments		
<b>31 December 2008</b>	<b>34,375</b>	<b>546,213</b>

	Other retained earnings	Legal reserve	Total
	<b>213,688</b>	<b>2,000</b>	<b>796,276</b>
	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
	<b>278,210</b>	<b>2,000</b>	<b>860,798</b>
	<b>278,210</b>	<b>2,000</b>	<b>860,798</b>
	-920		-920
	-16,429		-16,429
	-15,939		-15,939
	162		162
	-33,126	0	-33,126
	68,872		68,872
	313,956	2,000	896,544
	-36,094		-36,094
	<b>277,862</b>	<b>2,000</b>	<b>860,450</b>

# NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE 2008 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 2008 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 23 April 2009.

## BASIS OF CONSOLIDATION AND CONSOLIDATION METHODS

### BASIS OF CONSOLIDATION

#### **Subsidiaries**

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 2008, the basis of consolidation comprised, in addition to the parent company, 12 (previous year: 12) 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.

### Associates

Previously, companies with no business operations or with a low volume of business were not included in the consolidated financial statements for reasons of materiality. In accordance with IAS 28, Deutsche EuroShop exercises a significant influence but no control over these companies and generally holds 20% to 50% of the shares. This relates to the following companies:

City-Point Beteiligungs GmbH, Pöcking  
 Kommanditgesellschaft Sechzehnte ALBA Grundstücksgesellschaft mbH & Co., Hamburg  
 EKZ Vier Errichtungs- und Betriebs Ges.m.b.H., Vienna

In the period under review, Deutsche EuroShop Verwaltungs GmbH invested in three shelf companies for a purchase price of €0. This relates to the following companies:

Kommanditgesellschaft PANTA Dreiunddreißigste Grundstücksgesellschaft m.b.H. & Co., Hamburg  
 Kommanditgesellschaft PANTA Achtundvierzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg  
 Kommanditgesellschaft PANTA Fünfundsiebzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg

The abovementioned companies were accounted for using the equity method pursuant to IAS 28 for the first time.

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 2008, 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.

For associates carried in the consolidated financial statements using the equity method, the cost of the investment is recognised in income at an amount increased or reduced by the changes in equity corresponding to the equity interest of Deutsche EuroShop.

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 264.78 (previous year: HUF 253.73) and an average rate of HUF 251.51 (previous year: HUF 251.35) were used in the translation of the Hungarian single-entity financial statements from forint to euros. A closing rate of PLN 4.1724 (previous year: PLN 3.593) and an average rate of PLN 3.5121 (previous year: PLN 3.783) 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 2008. The following IFRSs were applied for the first time during the year under review:

- IAS 39 A Reclassification of Financial Assets
- IAS 39 A Reclassification of Financial Assets – Effective Date and Transition
- IFRS 7 A Reclassification of Financial Assets
- IFRIC 12 Service Concession Arrangements
- IFRIC 14 IAS 19 – The limit on a Defined Benefit Asset, Minimal Funding Requirements and their Interaction

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 2008 but are not yet required to be applied as of the balance sheet date:

- IFRS 2 A Vesting Conditions and Cancellations
- IFRS 8 Operating Segments
- IAS 1 A Presentation of Financial Statements
- IAS 23 A Borrowing Costs
- IFRIC 13 Customer Loyalty Programmes

## SIGNIFICANT ACCOUNTING POLICIES

### REVENUE AND EXPENSE RECOGNITION

Revenue and other operating income are 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 at 20% 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.

Borrowing and initial rental 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 depreciation and the depreciation period are reviewed annually at the end of each financial year.

### INVESTMENT PROPERTIES

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.

As in previous years, the fair values of the property in the period under review were determined by the Feri EuroRating Services AG/GfK GeoMarketing appraisal team using the discounted cash flow method (DCF). In accordance with the DCF method, future cash flows from the property concerned are discounted back to the measurement date. In addition, the net income from the respective property is determined over a detailed planning period of 10 years. A resale value is forecast for the end of the 10-year detailed planning phase. The net income is then capitalised over the remaining life. In a second step, the resale value is discounted back to the measurement date.

Averaged across all properties, net income amounts to 86.9% of rental income, i. e. 13.1% of rental income is deducted for management and administrative costs.

The capitalisation rate comprises a forecast interest rate for a 10-year German federal bond and a mark-up that takes account of the individual risk profile of the property. Around 150 individual indicators are used to determine the risk profile. These include a forecast of population development over the long term, the rate of employment and the resulting effects on retail demand, the development of the competitive environment and construction activity.

The capitalisation rate averaged 6.68% compared with 6.38% in the previous year. The rate is composed of a yield from a 10-year German federal bond of 4.58% (2007: 4.78%) compared with the current yield of 2.95% (as at 31 December 2008) and an average risk premium of 2.1% (2007: 1.6%).

On the basis of the expert appraisals, the real estate portfolio has an initial net yield of 5.64% for the 2009 financial year, compared with 5.49% in the previous year.

## LEASE AGREEMENTS

In line with IAS 17, the rental agreements in the Deutsche EuroShop Group are classified as operating leases. The operating lease 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. The interest rate hedges have terms that run until 2026.



## 2. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are classified as Available-for-Sale and include an investment in a Polish corporation that is a joint venture managed by Deutsche EuroShop jointly with the other venturers. As Deutsche EuroShop does not exercise control over this company, the investment is 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. In addition, an investment in CASPIA Investments Sp. z o.o., Warsaw, which was not included in the scope of consolidation in the period under review due to the difficulty of obtaining company data, was reported under Non-current financial assets. This is a small property company which generated revenue of PLN 1,373 thousand in the period under review and a net profit for the period of PLN 891 thousand. Deutsche EuroShop has a direct interest of 74% in CASPIA and plans to include it in the consolidated financial statements of the coming financial year by way of full consolidation.

## 3. INVESTMENTS IN EQUITY-ACCOUNTED ASSOCIATES

Companies with a small scope of business in which Deutsche EuroShop generally has an interest of 20% to 50% but over which it does not exercise control are included in the consolidated financial statements as equity-accounted associates. Here, the cost of investment is recognised in income on an annual basis in the amount of the change in the equity of such companies corresponding to the equity interest of Deutsche EuroShop.

## 4. RECEIVABLES AND OTHER CURRENT ASSETS

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

## 5. 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. The resulting gains on disposal are recognised in income in the Other operating income item. 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.

## 6. 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.

## 7. 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.

## 8. TRADE PAYABLES

Trade payables are carried at their repayment amount.

## 9. OTHER LIABILITIES

Other liabilities are recognised at amortised cost.

## 10. 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 are 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. A uniform corporation tax rate of 15% 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

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

<b>Concessions, industrial and similar rights and licenses in such rights and assets</b>	
in € thousands	<b>2008</b>
<b>Costs as of 1 January</b>	<b>25</b>
Currency differences	0
Additions	28
Disposals	0
Reclassifications	0
<b>as of 31 December</b>	<b>53</b>
<b>Amortisation as of 1 January</b>	<b>-17</b>
Currency differences	0
Additions	-4
Reversals of impairment losses	0
Disposals	0
<b>as of 31 December</b>	<b>-21</b>
<b>Carrying amount 1 January</b>	<b>8</b>
<b>Carrying amount 31 December</b>	<b>32</b>

This item essentially includes software licenses.

## 2. PROPERTY, PLANT AND EQUIPMENT

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

in € thousands	Property, advance payments and assets under construction	Other equipment, operating and office equipment	Total 2008
<b>Costs as of 1 January</b>	<b>144,567</b>	<b>83</b>	<b>144,650</b>
Currency differences	0	0	0
Additions	87,089	32	87,121
Disposals	0	0	0
Reclassifications	-210,269	0	-210,269
<b>as of 31 December</b>	<b>21,387</b>	<b>115</b>	<b>21,502</b>
<b>Depreciation as of 1 January</b>	<b>-230</b>	<b>-67</b>	<b>-297</b>
Currency differences	0	0	0
Additions	0	-6	-6
Reversals of impairment losses	0	0	0
Disposals	0	0	0
<b>as of 31 December</b>	<b>-230</b>	<b>-73</b>	<b>-303</b>
<b>Carrying amount 1 January</b>	<b>144,337</b>	<b>16</b>	<b>144,353</b>
<b>Carrying amount 31 December</b>	<b>21,157</b>	<b>42</b>	<b>21,199</b>

The additions to the Property, advance payments and assets under construction item firstly concern the expansion measures in Dresden. In addition, further payments were made for the two centers in Hameln and Passau, which opened in 2008. On the balance sheet date, costs of €210.3 million relating to these two properties were reclassified to Investment properties.

The carrying amount as of the balance sheet date includes interest capitalised in the financial year amounting to €181 thousand which was incurred during construction. The capitalisation rate is 5.6%.

### 3. INVESTMENT PROPERTIES

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

	<b>Investment properties</b>
in € thousands	<b>2008</b>
<b>Costs as of 1 January</b>	<b>1,495,632</b>
Currency differences	-38,129
Additions	0
Investments during the current year	172
Disposals	0
Reclassifications	210,269
<b>as of 31 December</b>	<b>1,667,944</b>
<b>Depreciation and amortisation/impairment losses and reversals as of 1 January</b>	<b>162,568</b>
Currency differences	0
Additions	0
Reversals of impairment losses	89,947
Depreciation and amortisation	-23,631
Disposals	939
<b>as of 31 December</b>	<b>229,823</b>
<b>Carrying amount 1 January</b>	<b>1,658,200</b>
<b>Carrying amount 31 December</b>	<b>1,897,767</b>

The reclassifications relate to the properties in Hameln und Passau, which opened in March and September and were reported at fair value under IAS 40 for the first time.

The properties are secured by mortgages. Land charges exist in the amount of €899,808 thousand.

The rental income of the property valued in line with IAS 40 amounted to €115,343 thousand. The direct operating expenses amounted to €13,108 thousand.

## 4. NON-CURRENT FINANCIAL ASSETS

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

	Non-current financial assets
in € thousands	2008
<b>Costs as of 1 January</b>	<b>18,961</b>
Currency differences	-518
Additions	0
Disposals	0
Reclassifications	83
<b>as of 31 December</b>	<b>18,526</b>
<b>Write-downs and impairments/impairment losses and reversals as of 1 January</b>	<b>13,890</b>
Currency differences	0
Additions	0
Reversals of impairment losses	0
Write-downs and impairments	-920
Disposals	0
Reclassifications	-1,180
<b>as of 31 December</b>	<b>11,790</b>
<b>Carrying amount 1 January</b>	<b>32,851</b>
<b>Carrying amount 31 December</b>	<b>30,316</b>

The reclassifications within costs relate firstly to the reclassification of associates accounted for using the equity method for the first time in an amount of €1,541 thousand and secondly to adjustments to historic cost allocated to write-downs and impairments/impairment losses and reversals amounting to €1,624 thousand. This did not have an effect on the closing balance

As of the balance sheet date, the investments in Ilwro Joint Venture Sp. zo. o., Warsaw and CASPIA Investments Sp. zo. o., Warsaw were reported under Non-current financial assets.

In the period under review, the investment in Ilwro Joint Venture Sp. zo. o., Warsaw was written down by €920 thousand, resulting in a net carrying amount of €27,171 thousand as of 31 December 2008. The net carrying amount of CASPIA Investments Sp. zo. o., Warsaw is €3,145 thousand.

## 5. INVESTMENTS IN EQUITY-ACCOUNTED ASSOCIATES

The additions relate to the acquisition of investments in Kommanditgesellschaft Panta Fünfundsiebzigste Grundstücksgesellschaft m.b.H. & Co., Kommanditgesellschaft Panta Achtundvierzigste Grundstücksgesellschaft m.b.H. & Co. and Kommanditgesellschaft Panta Dreiunddreißigste m.b.H. & Co.

	Investments in equity-accounted associates
in € thousands	<b>2008</b>
<b>Costs as of 1 January</b>	<b>0</b>
Currency differences	0
Additions	3,900
Disposals	-2
Reclassifications	1,541
<b>as of 31 December</b>	<b>5,439</b>
<b>Amortisation/impairment losses and reversals as of 1 January</b>	<b>0</b>
Currency differences	0
Additions	0
Reversals of impairment losses	0
Amortisation	-1,255
Disposals	0
Reclassifications	-444
<b>as of 31 December</b>	<b>-1,699</b>
<b>Carrying amount 1 January</b>	<b>0</b>
<b>Carrying amount 31 December</b>	<b>3,740</b>

The companies hold leased office properties. Some of these properties are included in project development plans.



The reclassifications concern Kommanditgesellschaft 16. ALBA Grundstücksgesellschaft mbH & Co., Hamburg, EKZ Eins Errichtungs- und Betriebs Ges.m.b.H & Co OEG, Vienna and City-Point Beteiligungs GmbH, Pöcking. These investments were previously reported under Non-current financial assets and were reclassified in the period under review. For the first time they were measured using the equity method in accordance with IAS 28.

The investments were written down by €1,255 thousand in 2008.

## 6. OTHER NON-CURRENT ASSETS

The item essentially includes the present value of a long-term receivable of €852 thousand attributable to our Polish property company. Annual cash flows of €207 thousand will flow to the company until 2016.

in € thousands	31 Dec 2008	31 Dec 2007
Other non-current assets	930	3,802
	<b>930</b>	<b>3,802</b>

## 7. TRADE RECEIVABLES

in € thousands	31 Dec 2008	31 Dec 2007
Trade receivables	3,440	4,166
Allowances for doubtful accounts	-723	-987
	<b>2,717</b>	<b>3,179</b>

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

## 8. OTHER CURRENT ASSETS

in € thousands	31 Dec 2008	31 Dec 2007
Unpaid contributions	0	11,326
Value added tax receivables	3,204	6,766
Deductible withholding tax on dividends/solidarity surcharge	321	209
Interest rate swap	207	207
Income tax receivables	0	39
Miscellaneous assets	3,005	2,722
	<b>6,737</b>	<b>21,269</b>

Value added tax receivables essentially concern our investment in Gdansk.

Miscellaneous assets primarily consist of other receivables from tenants as well as location securing costs.

## RECEIVABLES

in € thousands	Total	Up to 1 year	Over 1 year
Trade receivables	2,717	2,717	0
	(3,179)	(3,179)	(0)
Other current assets	7,667	6,737	930
	(25,071)	(21,269)	(3,802)
	<b>10,384</b>	<b>9,454</b>	<b>930</b>
	<b>(28,250)</b>	<b>(24,448)</b>	<b>(3,802)</b>

Previous year's figures in brackets

## 9. OTHER FINANCIAL INVESTMENTS

in € thousands	31 Dec 2008	31 Dec 2007
Time deposits with a term of over 3 months	1,600	0
Other securities	140	3,681
	<b>1,740</b>	<b>3,681</b>

DWS money market fund units which have been recognised at fair value are reported, as are longer-term invested cash balances.

## 10. CASH AND CASH EQUIVALENTS

in € thousands	31 Dec 2008	31 Dec 2007
Short-term time deposits	6,229	100,029
Current accounts	35,427	8,770
Cash	15	194
	<b>41,671</b>	<b>108,993</b>

## DISCLOSURES ON THE CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

### 11. EQUITY AND RESERVES

Changes in equity are presented in the statement of changes in equity.

On 6 August 2007, Deutsche EuroShop AG implemented a capital increase from own funds with a 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 share capital amounts to €34,374,998 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 €17,187,499 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 €150,000,000 and maturities of up to 7 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 30 June 2009. The previous year's unappropriated surplus was distributed in full to the shareholders.

The Retained earnings item essentially contains the remeasurement reserves and currency items recognised at the time of transition to IFRSs.

### 12. BANK LOANS AND OVERDRAFTS

in € thousands	31 Dec 2008	31 Dec 2007
Non-current bank loans and overdrafts	879,078	849,258
Current bank loans and overdrafts	20,730	46,694
	<b>899,808</b>	<b>895,952</b>

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 €940,764 thousand (previous year: €897,972 thousand).

Bank loans and overdrafts relate to loans raised to finance real property acquisitions and investment projects. Land charges on company properties amounting to €899,808 thousand (previous year: €895,952 thousand) serve as collateral.

Discounts are amortised over the term of the loan. In the period under review, €6,077 thousand (previous year: €5,756 thousand) was recognised in income.

Currently, 6 out of a total of 27 loan agreements contain provisions on covenants. In all cases, these relate to debt service cover ratios (DSCR) prescribing minimum values of between 110% and 165%. One loan is subject to an additional condition of a maximum loan-to-value ratio of 60%. This condition is reviewed every 3 years. The next review will take place in March 2010 based on an appraiser's opinion of value. The loan conditions have not been breached thus far and will not be breached according to current planning for 2009 – 2013.

### 13. DEFERRED TAX LIABILITIES

in € thousands	As of 1 Jan 2008	Utilisation	Reversal	Addition	As of 31 Dec 2008
Deferred tax liabilities	64,303	0	0	18,010	82,313

Deferred tax liabilities relate primarily to properties reported at fair value in accordance with IAS 40. At the balance sheet date, they amounted to €98,937 thousand (previous year: €79,687 thousand) and were partially offset by deferred tax assets on tax loss carryforwards of €16,624 thousand (previous year: €15,564 thousand).

Additions for companies in Germany amounted to €5,642 thousand, while additions of €12,368 thousand were made for companies abroad.

### 14. RIGHT TO REDEEM OF LIMITED PARTNERS

in € thousands	31 Dec 2008	31 Dec 2007
Right to redeem of limited partners	117,320	113,249
	<b>117,320</b>	<b>113,249</b>

### 15. CURRENT TRADE PAYABLES

in € thousands	31 Dec 2008	31 Dec 2007
Construction services	2,281	7,295
Fees	0	729
Others	758	627
	<b>3,039</b>	<b>8,651</b>

### 16. TAX PROVISIONS

in € thousands	As of 1 Jan 2008	Utilisation	Reversal	Addition	As of 31 Dec 2008
Other income taxes	213	44	0	49	218
Real property tax	307	0	0	137	444
	<b>520</b>	<b>44</b>	<b>0</b>	<b>186</b>	<b>662</b>

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.

## 17. OTHER PROVISIONS

in € thousands	As of 1 Jan 2008	Utilisation	Reversal	Addition	As of 31 Dec 2008
Maintenance and construction services already performed but not yet invoiced	20,676	18,286	1,793	487	1,084
Fees	65	65	0	14,488	14,488
Others	4,329	3,529	652	2,501	2,649
	<b>25,070</b>	<b>21,880</b>	<b>2,445</b>	<b>17,476</b>	<b>18,221</b>

The fees contain a performance-based development fee for Stadt-Galerie Passau. All provisions have a term of up to one year.

## 18. OTHER CURRENT LIABILITIES

in € thousands	31 Dec 2008	31 Dec 2007
Rental deposits	1,469	1,572
Value added tax	1,727	1,459
Service contract liabilities	4,122	779
Debtors with credit balances	252	338
Others	2,490	3,105
	<b>10,060</b>	<b>7,253</b>

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

## 19. OTHER NON-CURRENT LIABILITIES

In connection with loans, interest rate hedges were concluded to hedge against increasing capital market interest. Their present value amounted to €14,546 thousand on the balance sheet date.

in € thousands	31 Dec 2008	31 Dec 2007
Interest rate swap	14,546	201
Others	395	339
	<b>14,941</b>	<b>540</b>

## LIABILITIES

in € thousands	Total	Current	Non-current
Bank loans and overdrafts	899,808	20,730	879,078
	(895,952)	(46,694)	(849,258)
Current trade payables	3,039	3,039	0
	(8,651)	(8,651)	(0)
Other current liabilities	25,001	10,060	14,941
	(7,793)	(7,253)	(540)
thereof taxes	1,494	1,494	0
	(1,503)	(1,503)	(0)
	927,848	33,829	894,019
Previous year's figures in brackets	<b>(912,396)</b>	<b>(62,598)</b>	<b>(849,798)</b>

## DISCLOSURES ON THE CONSOLIDATED INCOME STATEMENT

## 20. REVENUE

in € thousands	2008	2007
Minimum rental income	112,118	92,077
Turnover rental income	2,301	2,271
Other revenue	924	1,414
	<b>115,343</b>	<b>95,762</b>
thereof investment property under IAS 40 directly attributable rental income	115,343	95,762

Other revenue relates primarily to 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-terminable rental agreements must be disclosed up to the end of the term.

## The following maturities arise from the minimum leasing payments:

in € thousands	2008	2007
Maturity within a year	119,459	108,147
Maturity from 1 to 5 years	401,125	425,781
Maturity after 5 years	274,531	329,794
	<b>795,115</b>	<b>863,722</b>

## 21. PROPERTY OPERATING COSTS

in € thousands	2008	2007
Center marketing	-1,926	-2,048
Maintenance and repairs	-807	-1,659
Real property tax	-755	-693
Insurance	-400	-426
Write-downs of rent receivables	-267	-213
Others	-1,802	-2,976
	<b>-5,957</b>	<b>-8,015</b>
thereof investment property under IAS 40 directly attributable operating expenses	-5,957	-4,990

In the previous year, this item included rental costs from properties under construction in the amount of €1,339 thousand which were reclassified to Measurement gains in the period under review.

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

## 22. PROPERTY MANAGEMENT COSTS

in € thousands	2008	2007
<b>Center management/agency agreement costs</b>	<b>-7,151</b>	<b>-6,082</b>
thereof investment property under IAS 40 directly attributable operating expenses	-7,151	-5,208

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

## 23. OTHER OPERATING INCOME

in € thousands	2008	2007
Gains on the sale of current financial instruments	268	433
Income from the reversal of provisions	201	131
Exchange rate gains	126	30
Others	275	463
	<b>870</b>	<b>1,057</b>

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

## 24. OTHER OPERATING EXPENSES

in € thousands	2008	2007
Personnel expenses	-1,359	-1,179
Legal and consulting costs, tax consultant fees and audit expenses	-1,474	-1,276
Marketing costs	-415	-458
Supervisory Board compensation	-314	-134
Appraisal costs	-240	-151
Exchange rate losses	-127	-21
Others	-1,071	-993
	<b>-5,000</b>	<b>-4,212</b>

The Legal and consulting costs, tax consultant fees and audit expenses item includes €322 thousand in fees for the audit of Group companies. €294 thousand of this figure is attributable to BDO Deutsche Warentreuhand AG.

## 25. INCOME FROM INVESTMENTS

in € thousands	2008	2007
Income from investments	1,715	1,505
	<b>1,715</b>	<b>1,505</b>

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

## 26. PROFIT/LOSS ATTRIBUTABLE TO LIMITED PARTNERS

in € thousands	2008	2007
Minority interest in commercial partnerships	-6,191	-3,622
	<b>-6,191</b>	<b>-3,622</b>

In the period under review, measurement gains/losses attributable to limited partners were reclassified (see item no. 27). The previous year's value was adjusted accordingly.

## 27. MEASUREMENT GAINS

in € thousands	2008	2007
Fair value gains in accordance with IAS 40	89,947	46,759
Fair value losses in accordance with IAS 40	-23,631	0
Exchange rate losses (previous year: gains)	-16,250	4,010
Excess of identified net assets acquired over cost of acquisition resulting from changes in the consolidated Group in accordance with IFRS 3 in the consolidated Group in accordance with IFRS 3	892	-9
Measurements using the equity method	-1,255	0
Others	-908	-1,339
Minorities	-11,724	-10,465
	<b>37,071</b>	<b>38,956</b>



## 28. INCOME TAX EXPENSE

in € thousands	2008	2007
Current tax expense	-108	-375
Deferred tax liabilities – domestic companies	-5,642	19,576
Deferred tax liabilities – foreign companies	-12,368	-2,857
	<b>-18,118</b>	<b>16,344</b>

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 2008, a tax rate of 15% was used for the companies in Germany. 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.

In the previous year, deferred tax items were reversed in light of the corporation tax reform and the associated reduction of corporation tax rates.

## TAX RECONCILIATION

The income taxes in the amount of €18,118 thousand during the period 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	2008	2007
<b>Consolidated profit before income tax</b>	<b>86,934</b>	<b>77,838</b>
<b>Theoretical income tax 15.825%</b>	<b>-13,757</b>	<b>-12,318</b>
Tax rate differences for foreign Group companies	-1,906	-695
Foreign tax expense incurred in prior periods	-2,601	0
Others	146	-330
<b>Effective income tax</b>	<b>-18,118</b>	<b>-13,343</b>
Reversal due to tax rate reduction	0	29,687
<b>Current income taxes</b>	<b>-18,118</b>	<b>16,344</b>

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 Gewerbesteuer-gesetz (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, €52 thousand in trade tax expense was included in the effective tax expense.

In financial year 2008, the effective income tax rate was 21%.

## 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.

in € thousands	31 Dec 2008	31 Dec 2007
Cash and cash equivalents	41,671	108,993
	<b>41,671</b>	<b>108,993</b>

Cash and cash equivalents consist of bank balances and cash.

### OPERATING CASH FLOW

After adjustment of the profit for the period for non-cash income and expenses, the operating cash flow amounts to €55,104 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 €2.4 million (previous year: €2.7 million)
- interest expense in the amount of €40.0 million (previous year: €34.4 million)
- income taxes paid in the amount of €0.1 million (previous year: €0.4 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. This item contains interest inflows amounting to €147 thousand and interest outflows amounting to €1,608 thousand.

## CASH FLOW FROM FINANCING ACTIVITIES

In the 2008 financial year, a dividend of €36,094 thousand was paid to the shareholders and distributions of €6,897 thousand made to the minority shareholders.

## CURRENCY RELATED AND OTHER CHANGES

This item is primarily the result of equity effects in the amount of €1,329 thousand relating to currency translation of foreign investments. Interest rate hedge changes totalling €17,101 thousand and other changes totalling €1,022 thousand are also reported under this item.

## CASH FLOW PER SHARE

in € thousands	<b>2008</b>	<b>2007</b>
Average outstanding shares	34,374,998	34,374,998
Operating cash flow	55,104	40,586
Operating cash flow per share	1.60	1.18
Cash flow from operating activities	79,835	76,915
Cash flow per share	2.32	2.24

## 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.

in € thousands	<b>2008</b>	<b>2007</b>
Shares in circulation	34,374,998	34,374,998
Consolidated net profit attributable to Group shareholders	68,872	94,177
Earnings per share (basic)	2.00	2.74
Earnings per share (diluted)	2.00	2.74

## OTHER DISCLOSURES

### 29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Carrying amounts, valuations and fair values according to measurement category

in € thousands			
	Valuation category in line with IAS 39	Carrying amount 31 Dec 2008	Carried cost
<b>Financial assets</b>			
Non-current financial assets			
Investments in equity-accounted associates	AFS	30,316	3,145
Trade receivables	AfS	3,740	1,095
Other current assets *	LaR	2,717	2,717
Other financial investments	LaR	2,093	1,034
Cash and cash equivalents	HfT	1,740	1,740
	LaR	41,671	41,671
<b>Financial liabilities</b>			
Bank loans and overdrafts			
Right to redeem of limited partners	FLAC	899,808	899,808
Current trade payables	FLAC	117,320	117,320
Other non-current liabilities *	FLAC	3,039	3,039
	FLAC	25,001	10,455
Aggregated according to measurement category in line with IAS 39:			
Loans and receivables (LaR)		46,481	45,422
Available-for-Sale (AfS)		34,056	4,240
Held-for-Trading (HfT)		1,740	1,740
Financial liabilities measured at amortised cost (FLAC)		1,045,168	1,030,622

\* 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 recognised in income	Fair value 31 Dec 2008	Carrying amount 31 Dec 2007	Carried cost	Costs	Fair value reported in equity	Fair value 31 Dec 2007
	15,381	11,790		30,316	32,851	4,759	15,381	12,711	32,851
	3,900		-1,255	3,740					
				2,717	3,179	3,179			3,179
		1,059		2,093	15,951	12,026		3,925	15,951
				1,740	3,681	3,681			3,681
				41,671	108,993	108,993			108,993
				940,764	895,952	895,952			897,972
				117,320	113,249	113,249			113,249
				3,039	8,651	8,651			8,651
		14,546		25,001	3,936	3,625		311	3,936
		1,059		46,481	128,123	124,198		3,925	128,123
	19,281	11,790	-1,255	34,056	32,851	4,759	15,381	12,711	32,851
				1,740	3,681	3,681			3,681
		14,546		1,086,124	1,021,788	1,021,477		311	1,023,808

Non-current financial assets include an investment defined as available-for-sale, which was reported in equity on the balance sheet date. In addition, the investment in a property company in Poland was recognised at amortised cost corresponding to fair value.

Investments measured using the equity method for the first time are reported at fair value. Any write-downs in the period under review are recognised in net profit or loss for the period.

Trade receivables, other assets and cash and cash equivalents have predominantly short residual terms, unlike interest rate swaps, which are accounted for at present value. The carrying amounts thus correspond 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 €46,079 thousand is included in net finance costs.

Trade payables and other liabilities usually have short residual terms, unlike interest rate swaps, which are accounted for at present value. 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 €6,191 thousand is included in net finance costs.

Allowances on receivables are reported in other operating expenses.

## MARKET RISKS

### LIQUIDITY RISKS

The liquidity of the Deutsche EuroShop Group is continuously monitored and planned. The subsidiaries regularly have sufficient 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 2008:

in € thousands	Carrying amount 31 Dec 2008	Cash flows 2009	Cash flows 2010 until 2013	Cash flows from 2014
Bankverbindlichkeiten	899,808	102,053	502,585	616,325

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 2009.

## 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 €266 thousand (previous year: €213 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 also include 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 5.64% for the 2008 financial year. An increase in the initial net yield of 100 basis points would result in a profit reduction of €286,000 thousand. A reduction of 100 basis points would result in a profit increase of €409,000 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. An increase in the market interest rate of 100 basis points would lead to an increase in equity of €14,856 thousand. The majority of the loan liabilities have fixed interest conditions. On the balance sheet date, credit of €157,400 thousand (previous year: €110,600 thousand) 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 Dec 2008	31 Dec 2007
<b>Equity</b>	<b>977,770</b>	<b>974,047</b>
Equity ratio (%)	48.72	49.29
<b>Net financial debt</b>	<b>-856,397</b>	<b>-783,278</b>

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 and Passau. In addition, in 2008 payments totalling €42,991 thousand were made to Group shareholders and minority shareholders.

## 30. JOINT VENTURES AND EQUITY-ACCOUNTED ASSOCIATES

### Joint ventures

Joint ventures, in which Deutsche EuroShop AG together with third parties has a majority of the voting rights, are proportionately included as joint ventures 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 Dec 2008	31 Dec 2007
Current assets	19,299	14,579
Non-current assets	582,583	564,154
Current liabilities	8,673	4,890
Non-current liabilities	278,845	268,493
Earnings	39,483	50,805
Expenses	-24,808	19,500

### Equity-accounted associates

Small property companies in which Deutsche EuroShop indirectly or directly has an interest of 50% are part of the Group. Deutsche EuroShop exercises control over these companies together with other shareholders. In 2008, these companies were included in the consolidated financial statements and accounted for using the equity method for the first time. In this process, the share in these companies' equity was compared to the net carrying amount and any differences recognised in income. In the period under review, a cumulative loss of €1,255 thousand was incurred from the measurement of these investments and is reported under measurement gains.

During the financial year, the equity-accounted companies posted the following assets and liability items and expenses and earnings:

in € thousands	31 Dec 2008	31 Dec 2007
Current assets	388	0
Non-current assets	10,655	0
Current liabilities	174	0
Non-current liabilities	7,200	0
Earnings	772	0
Expenses	-874	0



## 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 staff 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 Dec 2008	31 Dec 2007
Due 2009 (previous year 2008)	80	80
Due 2010 (previous year 2009)	42	80
Due after 2010 (previous year after 2009)	10	89
	<b>132</b>	<b>249</b>

Leasing expenses of €80 thousand were incurred in the current financial year.

## OTHER DISCLOSURES

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

## EVENTS AFTER THE BALANCE SHEET DATE

Effective 2 January 2009, Deutsche EuroShop Verwaltungs GmbH increased its interest in City-Point Kassel from 40% to 90%. Including liabilities acquired on a pro rata basis, the total investment volume amounts to some €53.0 million.

No further 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

- a) Hypo Real Estate Holding AG, Munich  
(since 17 November 2008)

Dr. Michael Gellen, Cologne, Deputy Chairman  
Independent lawyer

- b) Rhein-Pfalz Wohnen GmbH, Mainz  
(until 25 January 2008)  
MT Wohnen GmbH, Frankfurt am Main  
(until 25 January 2008)  
Rhein-Main Wohnen GmbH, Frankfurt am Main  
(until 25 January 2008)  
Rhein-Pfalz Wohnen GmbH, Mainz  
(until 25 January 2008)  
Main-Taunus Wohnen GmbH & Co. KG, Frankfurt  
am Main (until 12 September 2008)

Thomas Armbrust, Hamburg  
Member of the management of KG CURA Vermögens-  
verwaltung 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)  
LBBW Equity Partners GmbH & Co. KG, Munich  
LBBW Equity Partners Verwaltungs GmbH, Munich

Dr. Jörn Kreke, Hagen  
Businessman

- a) Douglas Holding AG, Hagen/Westphalia  
(Chairman)  
Capital Stage AG, Hamburg (since 28 May 2008)
- b) Kalorimeta AG & Co. KG, Hamburg  
Urbana Gruppe, Hamburg

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 (until 6 March 2008)
- b) Peek & Cloppenburg KG, Dusseldorf

Dr. Bernd Thiemann, Kronberg im Taunus  
Management consultant

- a) EM.Sport Media AG, Munich (Chairman)  
EQC AG, Osnabrück  
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  
Würth Gruppe, Künzelsau (Deputy Chairman)  
Odewald & Companie, Berlin (Deputy Chairman)  
M.M. Warburg & Co. KGaA Holding, Hamburg

### EXECUTIVE BOARD

Claus-Matthias Böge, Hamburg (Speaker of the Executive Board)

Olaf G. Borkers, Hamburg

The **remuneration of the members of the Supervisory Board** amounted to €312 thousand in the period under review, and is broken down as follows:

in € thousands	<b>Total 2008</b>	<b>Previous year</b>
Manfred Zaß	83.30	35.70
Dr. Michael Gellen	62.49	26.77
Thomas Armbrust	41.65	17.85
Alexander Otto	41.65	17.85
Dr. Jörn Kreke	41.65	17.85
Dr. Bernd Thiemann	29.75	17.85
Incl. 19% value added tax	312.39	133.87

In accordance with the Annual General Meeting resolution of 19 June 2008, the remuneration of the Supervisory Board was increased to €188 thousand p.a. (plus value added tax). In addition to the remuneration for 2008, the reported amount includes the increases for 2007. No advances or loans were granted to the members of the Supervisory Board.

The **remuneration of the Executive Board** amounted to €894 thousand, and is broken down as follows:

in € thousands	<b>Fixed remuneration</b>	<b>Variable remuneration</b>	<b>Other benefits</b>	<b>Total</b>	<b>Total previous year</b>
Claus-Matthias Böge	300	250	66	616	544
Olaf G. Borkers	168	100	10	278	243

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 2008.

## 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 €5,731 thousand (previous year: €4,807 thousand) was generated in the financial year from the Douglas Group under existing rental contracts.

Fees for service contracts amounting to €31,984 thousand (previous year: €24,548 thousand) were paid to the ECE Group. €19,594 thousand (previous year: €3,552 thousand) of this amount related to properties under construction and €12,390 thousand (previous year: €20,996 thousand) to operational properties. This was partially offset by income from rental contracts with the ECE Group in the amount of €3,815 thousand (previous year: €3,246 thousand).

Hamburg, 7 April 2009

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 Vermögensverwaltungs-gesellschaft 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
UBS AG, Zurich/Switzerland	21 April 2008	Exceeds threshold (3)	3.07	3.05	0.02
UBS AG, Zurich/Switzerland	3 June 2008	Falls below threshold (3)	1.85	1.85	0.00

## SHAREHOLDINGS

### LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 285 OF THE HGB AS AT 31 DECEMBER 2008:

Company name and domicile	Interest in equity	thereof indirect	thereof direct	Equity as of 31 December 2008 in €	HGB profit/loss 2008 in €
<b>Fully consolidated companies:</b>					
Deutsche EuroShop Verwaltungs GmbH, Hamburg	100.00%	–	100.00%	14,279,224.97	-97,808.13
Deutsche EuroShop Management GmbH, Hamburg	100.00%	–	100.00%	81,222.20	34,196.05
Rhein-Neckar-Zentrum KG, Hamburg	99.90%	–	99.90%	23,318,705.95	1,725,094.60
Stadt-Galerie Hameln KG, Hamburg	94.90%	–	94.90%	72,250,144.41	1,886,598.69
Rathaus-Center Dessau KG, Hamburg	94.90%	–	94.90%	27,210,244.26	6,411,718.92
City-Galerie Wolfsburg KG, Hamburg	89.00%	–	89.00%	-4,146,429.27	1,058,516.98
Allee-Center Hamm KG, Hamburg	88.93%	–	88.93%	-38,202,966.22	3,546,519.71
Stadt-Galerie Passau KG, Hamburg	75.00%	–	75.00%	115,061,020.11	78,604.09
City-Arkaden Wuppertal KG, Hamburg	72.00%	–	72.00%	-2,515,098.85	305,040.36
Forum Wetzlar KG, Hamburg	65.00%	–	65.00%	19,470,970.28	541,661.20
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co.KG, Hamburg	74.00%	–	74.00%	49,785,071.63	2,326,519.22
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Sp. kom., Warsaw, Poland	74.00%	74.00%	–	478,263,184.21	274,093,031.05
<b>Proportionately consolidated companies:</b>					
Altmarkt-Galerie Dresden KG, Hamburg	50.00%	–	50.00%	21,913,724.01	173,943.44
Einkaufs-Center Arkaden Pécs KG, Hamburg	50.00%	–	50.00%	27,594,046.30	2,128,092.14
CAK City-Arkaden Klagenfurt KG, Hamburg	50.00%	–	50.00%	28,641,941.80	-50,064.61
EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OEG, Vienna	50.00%	50.00%	–	16,531,508.08	186,153.51
Immobilien KG FEZ Harburg, Hamburg	50.00%	–	50.00%	-12,641,051.53	1,367,330.65
Objekt City-Point Kassel GmbH & Co. KG, Pöcking	40.00%	40.00%	–	-13,636,902.02	-698,933.70
Main-Taunus-Zentrum Wieland KG, Hamburg	43.12%	37.38%	5.7 %	-20,648,516.14	12,975,458.30
DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG, Hamburg	40.77%	–	40.77%	100,505,946.60	9,103,574.25
<b>Equity-accounted companies:</b>					
Kommanditgesellschaft Sechzehnte ALBA Grundstücksgesellschaft mbH & Co., Hamburg	50.00%	50.00%	–	1,758,441.45	-13,391.85
Kommanditgesellschaft PANTA Fünfundsiebzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%	–	3,679,564.99	-71,038.05
Kommanditgesellschaft PANTA Dreiunddreißigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%	–	3,773,208.36	-64,329.48
Kommanditgesellschaft PANTA Achtundvierzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%	–	140,867.60	1,120.41
City-Point Beteiligungs GmbH, Pöcking	40.00%	–	40.00%	29,023.17	3,458.57
EKZ Vier Errichtungs- und Betriebs Ges.m.b.H., Vienna	50.00%	50.00%	–	881,337.91	-48,980.84
<b>Investees:</b>					
Ilwro Joint Venture Sp. zo.o., Warsaw, Poland	33.33%	–	33.33%	340,114,656.57	56,421,403.68
CASPIA Investments Sp. zo.o., Warsaw, Poland	74.00%	74.00%	–	14,394,743.74	890,812.71

## RESPONSIBILITY STATEMENT BY THE EXECUTIVE BOARD

We declare that to the best of our knowledge, in line with the accounting policies to be applied, the consolidated financial statements present 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, 7 April 2009



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 2008. 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 (HG B – 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.

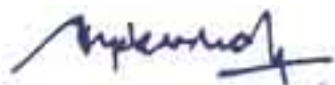
We conducted our audit of the consolidated financial statements in accordance with section 317 of the HG B and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit 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 HG B 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 2009

BDO Deutsche Warentreuhand  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft



Dyckerhoff  
Auditor



ppa. Jensen  
Auditor

 Dear Mr. Kiss and Mr. Lissner,

Thank you for providing the 2007 annual report. As an interested reader, I can tell that once again you have succeeded in creating an appealing, informative and substantive annual report that is worth taking time to study.

In layout and structure I consider it is quite possibly the best annual report I have ever had the privilege to read in Germany from 2007. And I've examined around 90 reports this year.

Keep up the good work.

Sincerely yours,  
Wolfgang Fuhrmann, Berlin

 Dear Mr. Böge,  
Dear Mr. Borkers,

I would like to commend you on yet another very successful annual report! It's a pleasure each year to discover with your company that this otherwise very dry business of working with numbers can nonetheless include refreshing elements. I also want to commend you for the brilliant job you've done in introducing a non-expert like me to the world of real estate.

I'm already looking forward to your 2008 annual report!

Sincerely yours,  
Dr. Ottmar Vollmer, Frankfurt

 Dear Sir or Madam,

As a long-standing shareholder in your company, I would like to ask you what effects the introduction of the new withholding tax will have on the taxation of your previously tax-free dividends?

Thanks in advance for your response.

Sincerely yours,  
Karl-Heinz Schorr, Munich (by e-mail)

 Dear Sir  
or Madam,

I have now had the pleasure on two occasions of attending your general meeting and have been very taken with the pleasant atmosphere and effective organisation that are on display. Would it perhaps be possible so soon to find out when and where your next shareholder meeting is planned?

Hans Schmitt, Rostock

**DES:** We're happy to explain to you the new tax situation for our dividends. Dividends paid to shareholders domiciled in Germany are generally subject to income or corporation tax. Beginning in 2009 the unified withholding tax rate for private investors is 25%, plus solidarity surcharge. 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. The dividend payment according to section 20, number 1, clause 3 of the German Income Tax Act does not represent taxable income. However, under the new legal arrangement these distributions are subject to taxation because earnings from the sale of shares acquired after 31 December 2008 are considered taxable. In this case the distributions lower the acquisition costs of the investment in Deutsche EuroShop and thus result in greater capital gains at the time of the sale.

**DES:** Our next general meeting will be held on 30 June 2009 and as last year in the Hagenbeck circus hall in Hamburg. And of course it would be our pleasure to see you again there.

# Readerletters





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**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 surpluses 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.

# glos

**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).

**Food Court//** Catering area of a shopping center, in which different vendors sell food at stations about a common seating area.

**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

payment of debt, dividend payments and to meet funding requirements.

**Funds from Operations (FFO)**// Cash flows from operating activities. DES-calculation: net income for the period adjusted for measurement gains/losses and deferred income tax expense.

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.

**L** **Loan to value (LTV)**// Ratio that expresses the amount of a mortgage as a percentage of the market value of real property.

**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.

**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.

**Roadshow**// Corporate presentations to institutional investors.

**S** **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** **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.

# sary

**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 Re-

## LEGAL

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Deutsche EuroShop AG

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#### Authored articles

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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](http://www.deutsche-euroshop.com) in PDF format and as an interactive online version.



## MULTI-YEAR-OVERVIEW

€ million	2003	2004	2005	2006	2007	Q1/08	Q2/08	Q3/08	Q4/08	2008
Revenues	57.9	61.4	72.1	92.9	95.8	26.9	28.3	28.9	31.2	115.3
EBIT	39.5	49.8	57.5	86.3	78.5	22.5	23.5	23.5	28.6	98.1
Net finance costs	-22.0	-25.3	-31.4	-41.0	-39.6	-11.9	-12.2	-11.9	-12.2	-48.2
EBT	26.9	37.3	81.1	117.7	77.8	12.3	14.0	11.6	49.1	87.0
Consolidated profit	19.0	27.7	48.7	100.3	94.2	10.2	11.4	9.7	37.6	68.9
Earnings per share (€) (undiluted)	0.61	0.89	1.55	2.92	2.74	0.30	0.33	0.28	1.09	2.00
FFO per share (€)	0.82	0.86	0.97	1.08	1.12					1.45
Equity*	695.3	684.4	787.4	897.9	974.0					977.8
Liabilities	545.2	685.8	756.1	898.3	1,002.3					1,029.1
Total assets	1,240.5	1,370.2	1,543.6	1,796.2	1,976.3					2,006.8
Equity ratio (%)*	56.1	49.9	51.0	50.0	49.3					48.7
Gearing (%)*	78	100	96	100	103					105
Cash and cash equivalents	102.0	150.3	197.2	94.2	109.0					41.7
Net asset value	682.5	686.8	794.5	877.4	925.1					942.8
Net asset value per share (€)	21.84	21.98	23.11	25.53	26.91					27.43
Dividend per share in (€)	0.96	0.96	1.00	1.05	1.05					1.05**

\* incl. minority interest

\*\*proposal

## FINANCIAL CALENDAR 2009

Our financial calendar is updated continuously.

Please check our website for the latest events: <http://www.deutsche-euroshop.com/ir>

04.02.	Roadshow Munich, DZ Bank	30.06.	Annual General Meeting, Hamburg
05.02.	Close Brothers Seydler Small & Midcap Conference, Frankfurt	30.06.	Supervisory Board meeting, Hamburg
12.02.	Roadshow Milan, Deutsche Bank	13.08.	Interim report H1 2009
19.02.	Roadshow Helsinki, equinet	26.08.	Roadshow London, WestLB
20.02.	Roadshow Stockholm, equinet	27.08.	Roadshow Edinburgh, CA Cheuvreux
25.02.	Roadshow Zurich, Silvia Quandt Bank	01.09.	Roadshow Cologne, Dusseldorf, WestLB
03.03.	Roadshow Frankfurt, M.M. Warburg	02.09.	Roadshow Brussels, Petercam
04.03.	HSBC Real Estate Conference, Frankfurt	03.-04.09.	EPRA Annual Conference, Brussels
07.04.	Audit Committee meeting, Hamburg	16.09.	Sal. Oppenheim Real Estate Forum, Amsterdam
23.04.	Supervisory Board meeting, Hamburg	17.09.	Supervisory Board meeting, Hamburg
24.04.	Annual earnings press conference, Hamburg	23.09.	UniCredit German Investment Conference, Munich
27.04.	Roadshow London, Metzler	01.10.	Société Générale Pan European Real Estate Conference, London
27.04.	Roadshow Zurich, HSBC	05.-07.10.	Expo Real, Munich
28.04.	Roadshow Paris, Société Générale	20.10.	Real Estate Share Initiative, Frankfurt
29.04.	Roadshow Frankfurt, UniCredit	07.11.	Hamburg Exchange Convention
14.05.	Interim report Q1 2009	12.11.	Interim report Q1 - 3 2009
20.05.	Roadshow Copenhagen, M.M. Warburg	16.11.	Roadshow Paris, Berenberg
26.05.	Roadshow Geneva, Bankhaus Lampe	16.11.	Roadshow London, M.M. Warburg
28.05.	Kempen & Co. European Property Seminar, Amsterdam	17.11.	Roadshow Zurich, Berenberg
29.05.	Société Générale European Mid and Small Caps Conference, Nice	17.11.	Roadshow Amsterdam, Rabobank
23.06.	Roadshow Dublin, UniCredit	19.11.	WestLB Deutschland Conference, Frankfurt
24.06.	Deutsche Bank German & Austrian Corporate Conference, Frankfurt	26.11.	Supervisory Board meeting, Hamburg

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\_\_\_\_\_

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Shareholder Reference Number (SRN) (if known): 200 - - - - -

\* We will send the annual report to our shareholders or interested parties  
only if desired. The quarterly reports will be available for download on our  
website on [www.deutsche-euroshop.com/ir](http://www.deutsche-euroshop.com/ir).

Franking  
optional

BUSINESS REPLY

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**DES**

Deutsche EuroShop