Deutsche EuroShop

ANNUAL REPORT 09

feelestate.de

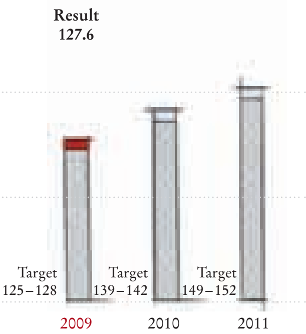
THE EUROSHOPPER

9 783000 245381 05

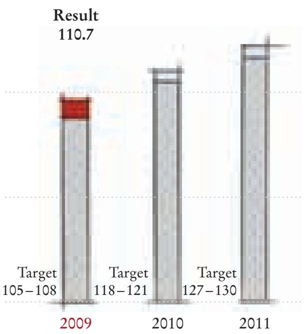
DEUTSCHE EUROSHOP

OVERVIEW

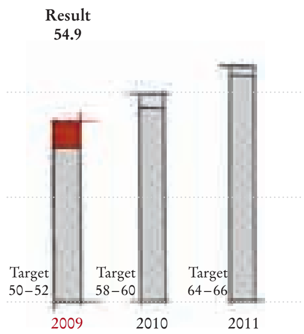
REVENUE
in € million



EBIT
in € million

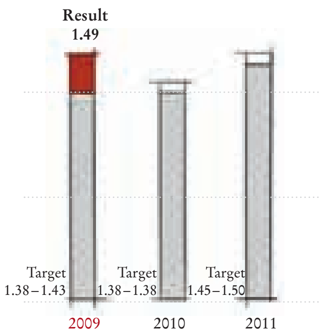


EBT*
in € million



* excluding measurement gains and losses

FFO PER SHARE
in €



KEY DATA

in € million	2009	2008	Change
Revenue	127.6	115.3	11%
EBIT	110.7	98.1	13%
Net finance costs	-55.9	-49.4	-13%
EBT	40.1	87.0	-54%
Consolidated profit	34.4	68.9	-50%
Earnings per share (€)	1.49	1.38	8%
FFO per share (€)	0.93	1.96	-53%
Equity*	1,044.4	977.8	7%
Liabilities	1,067.8	1,029.1	4%
Total assets	2,112.1	2,006.8	5%
Equity ratio (%)*	49.4	48.7	
LTV-ratio (%)	46.0	46.0	
Gearing (%)*	102	105	
Cash and cash equivalents	81.9	41.7	97%
Net asset value	1,006.9	942.8	7%
Net asset value per share (€)	26.63	27.43	-3%
Dividend per share (€)	1.05**	1.05	0%

* incl. minority interest
** proposal

Welcome

INTRODUCTION

SHOPPING

THE CENTERS

INVESTOR RELATIONS

GROUP MANAGAGEMENT REPORT

CONSOLIDATED FINANCIAL STATEMENTS

SERVICE

HIGHLIGHTS

JANUARY

Stake in City-Point Kassel raised to 90%

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

JUNE

Annual General Meeting on 30 June 2009

Deutsche EuroShop is awarded the "Capital Investor Relations Prize 2009" in the MDAX category

JULY

Distribution of a dividend of €1.05 per share on 1 July 2009

Placement of 3,437,498 new shares from an approx. 10% increase in the share capital with institutional investors

Start of construction for the expansion of Altmarkt-Galerie, Dresden

NOVEMBER

Ground-breaking ceremony for the expansion of Main-Taunus-Zentrum, Sulzbach

MULTI-YEAR SHARE OVERVIEW

	2009	2008	2007	2006	2005	2004	2003	2002	2001
Market capitalisation, (basis: year-end closing price) (€m)	895	835	808	965	816	602	527	484	477
Number of shares at year-end	37,812,496	34,374,998	34,374,998	34,374,998	34,374,998	31,250,000	31,250,000	31,250,000	31,250,000
Average number of shares in circulation	36,799,402	35,088,250	34,374,998	34,374,998	31,575,340	31,250,000	31,250,000	31,250,000	31,250,000
High (€)	26.00 (06.01.09)	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 (€)	18.66 (06.03.09)	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) (€)	23.67	24.30	23.50	28.08	23.73	19.26	16.88	15.50	15.25
Dividend per share (€)	1.05*	1.05	1.05	1.05	1.00	0.96	0.96	0.96	0.96
Dividend yield (31 Dec) (%)	4.4	4.3	4.5	3.7	4.2	5.0	5.7	6.2	6.3
Annual performance excl. / incl. dividend	-2,6% / 2,1%	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)	113,008	143,297	144,361	93,744	76,786	36,698	12,438	3,558	5,512
EPS (€)	0.93	1.96	2.74	2.92	1.55	0.89	0.61	-0.09**	-0.48**
CFPS (€)	1.72	1.57	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

* proposal ** HGB accounting

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.

FOREWORD BY THE EXECUTIVE BOARD

DEAR SHAREHOLDERS AND FRIENDS,

The important message with which we wish to begin is that we have once again achieved our goals. We also continue to look to the future with optimism.

This may at first seem surprising. After all, the economic situation inside and outside Germany remains anything from tense to crisis-ridden. Our confidence is based, however, on our stable business model, which has proven its worth over a long period of time. This model is based on an outstanding portfolio that is now made up of 17 shopping centers in prime locations in four European countries. These are almost entirely fully let and are generating long-term secured earnings. Signs that the property markets are returning to normal and recovering are also evident, and we therefore believe it is possible that we will be able to emerge stronger from the crisis.

We predicted revenue of €125 million to €128 million in 2009 and ultimately achieved €127.6 million, which represented a year-on-year increase of 11%. Earnings before interest and taxes were forecast to lie between €105 million and €108 million but instead rose by almost 13% to €110.7 million. We expected earnings before taxes (EBT) without measurement gains / losses of between €50 million and €52 million. At the end of the day these increased to €54.9 million, corresponding to growth of 10%.

Taking into account the non-cash measurement gains and losses that we do not normally forecast and the tax position, consolidated profit decreased by 50%, from €68.9 million to €34.4 million.

In 2009 we managed to increase our funds from operations (FFO), which we use to finance ongoing investments in portfolio properties, scheduled payments on our long-term bank loans and the distribution of dividends, by 10% to €54.8 million; this corresponded to €1.49 per share.

Earnings per share were reduced for the first time by a measurement loss. In the past we had always pointed out that there was no guarantee that valuations would carry on rising. However, as we have always employed conservative estimates, the valuation 2009 did not produce a dramatic result, falling by €14.8 million – even though the decline from €38.3 million has had a substantial visual impact on the income statement. Not on our operating profit, however. Our earnings per share were ultimately composed of an operating profit of €1.25 and a measurement loss of €-0.32 and came to €0.93 per share.

The net asset value of our Company rose from €942.8 million as at 31 December 2008 to €1,006.9 million at the end of 2009. This represents an increase of €64.1 million and a net asset value per share of €26.63.

We have good news to report with regard to our portfolio. At the beginning of 2009 we increased our share in City-Point Kassel from 40% to 90%. We were also able to start the expansions of the Altmarkt-Galerie Dresden and the Main-Taunus-Zentrum.
In early 2010, following three years of restrained investment, we once again acquired an attractive and profitable shopping center for our portfolio: the A10 Center in Wildau near Berlin. The total investment, including a planned modernisation and new construction (A10 Triangle) by 2011, will amount to around €265 million. A10 is one of the biggest and best known shopping centers in Germany. It was opened in 1996 and currently has around 120 specialist retail units, all of which are let. Anchor tenants at the center include Real, Karstadt Sport, P&C, C&A, H&M, Esprit, MediMax and Bauhaus. Once the A10 Triangle has opened in the spring of 2011, the A10 Center will offer in the region of 200 shops with a retail space of roughly 66,000m2.

Turning to the question of financing, we refinanced two loans with a total volume of €132.2 million for ten years at the start of July 2009. A loan for €82.2 million that will not mature until 2013 was included in a new loan agreement alongside a loan for €50.0 million due to be extended in October 2009. This refinancing will reduce our annual interest expense by more than €1 million. By the end of 2012, we will have no long-term borrowings to renegotiate.

> ”AT ALMOST 99.3% OUR OCCUPANCY RATE REMAINS STABLE AT AN EXTREMELY HIGH LEVEL.“

On 7 July 2009 we further improved the Company's equity base by means of a capital increase. The new shares were subscribed by institutional investors at a price of €19.50 per share via an accelerated bookbuilding process. This issue was oversubscribed roughly three times. Our Company's gross proceeds from this capital increase came to approximately €67 million. These were used, amongst other things, to finance the purchase of the share in City-Point Kassel and the expansion in Dresden.

To refinance the equity portion of the investment for the A10 Center amounting to €115 million (€150 million has been refinanced over the long term through loans), we carried out a rights issue in January 2010. We had long wanted to give our many loyal shareholders the opportunity to participate in a capital increase. The new shares, which qualify in full for a dividend for 2009, were acquired in their entirety by existing shareholders through the exercising of their subscription right and an oversubscription right granted by the Company. The subscription price was also €19.50 per share. This action raised around €123 million for Deutsche EuroShop. We regard the fact that the issue was oversubscribed almost five times as a clear indication of the confidence that our shareholders and the capital market have in the strategy and future of Deutsche EuroShop.

Our shares once again experienced a difficult and volatile year on the stock market. Starting at a price of €24.30, they ended 2009 slightly down at €23.67. Taking into account the dividend paid of €1.05 per share, the performance of Deutsche EuroShop shares amounted to just 2.1% year-on-year. They therefore performed below average in comparison with our European competitors. However, as most indices and competitors posted substantial share-price drops last year, in contrast to our own shares, when viewed over a longer period the development appears much more favourable for Deutsche EuroShop shares.

What does 2010 hold in store? As we mentioned above, we are expecting the property markets to return to normal and recover. Nevertheless, financing will remain a key issue. That will not only be the case for our own business, but also in particular for that of our tenants. Their business model means that they have a comparatively thin equity base and a substantial need for short to medium-term loans. The financing situation in the retail sector will therefore be a critical issue over the coming years and one that will need to be monitored.

To date, however, we have seen no sign of any perceptible slowdown in the retail sector or in consumer behaviour at our shopping centers. Our outstanding rents and write-downs of rent receivables continue to be low. At almost 99.3% our occupancy rate remains stable at an extremely high level. In view of Deutsche EuroShop's business model, which allows us to make very reliable predictions, we do not therefore consider it as a particular risk to look ahead, as we usually do, and cite some key figures that we intend to take as a benchmark: ►

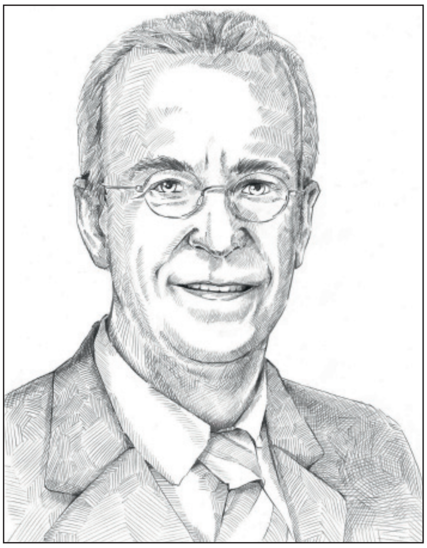
- For the 2010 financial year we are anticipating revenue of between €139 million and €142 million. In the 2011 financial year revenue should increase to between €149 million and €152 million.
- We forecast earnings before interest and taxes (EBIT) in the current year of between €118 million and €121 million, rising to between €127 million and €130 million in 2011.
- We expect earnings before taxes (EBT) excluding measurement gains/losses to be between €58 million and €60 million in 2010 and between €64 and €66 million in 2011.
- We expect funds from operations of between €1.33 and €1.38 in 2010 and in the 2011 financial year of between €1.45 and €1.50.

We will continue to pursue our strategy of selectively expanding our portfolio, which has proved to be extremely successful to date. Our dividend policy will also continue to be geared towards the long term and continuity. On the basis of the forecast outlined above we expect to be able to distribute a dividend of at least €1.05 per share to our shareholders in the coming years.

We would like to thank you for your confidence in Deutsche EuroShop and would be delighted if we can continue to count on your support in realising our plans and expanding our business in the future.

Hamburg, April 2010

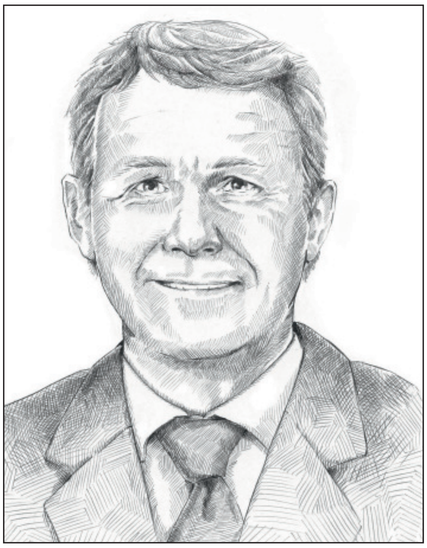
Claus-Matthias Böge   Olaf G. Borkers



Claus-Matthias Böge

CEO

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

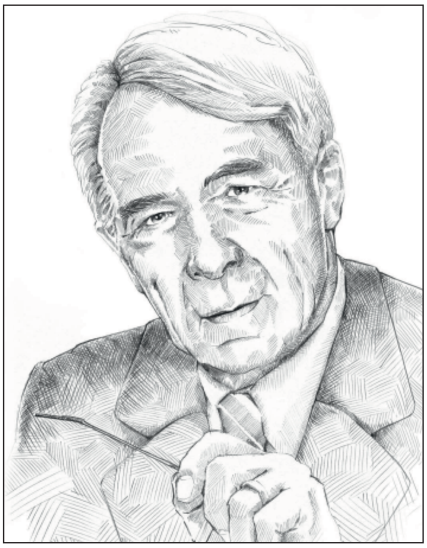
CFO

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 financial year 2009, 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 on its management of the business, and the Executive Board informed us regularly, promptly and in detail of business developments.



Manfred Zaß
Chairman of the Supervisory Board

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.

Intensive and repeated discussions were conducted with the Executive Board on the developments on the capital, credit, real estate and retail markets and the effects of these on the Company's strategy, as well as on the raising of equity. Various investment options were also discussed by the Executive Board and Supervisory Board. We received regular reports on the sales trends and payment patterns of our tenants.

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 discussed and resolved at the scheduled meetings. In addition, for transactions of the Executive Board requiring approval, a conference call of the Executive Committee was held and a circular resolution was passed in writing. All resolutions of the reporting period were passed unanimously.

Meetings

During financial year 2009, four scheduled Supervisory Board meetings took place. ►

All Supervisory Board members participated in at least half of the Supervisory Board's meetings.

> THE COMPANY'S CONSERVATIVE STRATEGY HAS CONTINUED TO PROVE SUCCESSFUL.

At the first scheduled meeting on **23 April 2009**, the Supervisory Board's annual review of efficiency 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 regard 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. In addition, the Executive Board reported to us in particular on the expansion of the Altmarkt-Galerie in Dresden and the preparation for the expansion measures for the Main-Taunus-Zentrum.

At the meeting on **30 June 2009** 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 at the Annual General Meeting concluded prior to this.

In addition to a discussion of business development, the implementation of a measure to increase capital was also discussed. Given the market environment, which continues to be very volatile, there was agreement that a decision could only be made on a very short-term basis. For this reason a "Capital Market" committee was formed as a precaution, to which the decision-making and execution authorities of the Supervisory Board were transferred with regard to the utilisation of the existing authorised capital. This committee is made up of Mr Armbrust, Dr Gellen and the undersigned (Chair).

At the third meeting on **17 September 2009**, together with the Executive Board, we drew conclusions from the capital increase without subscription right that took place in July 2009. In addition, the Executive Board and the Supervisory Board discussed various investment options. The Executive Board also presented us with information on the Gesetz zur Angemessenheit der Vorstandsvergütung (VorstAG – Appropriateness of Management Board Remuneration Act).

At the last meeting on **26 November 2009**, the Executive Board reported to us on the completion of the renovation measures at City-Point in Kassel and the Allee-Center in Hamm. Following a presentation, the possible acquisition of the A10 Center in Wildau was discussed intensively during this meeting, as was the external financing of this investment. A circular resolution on the acquisition of the A10 Center was passed in writing in December 2009 once further information resulting from the ongoing due diligence process became available. Against the background of the worsening outlook in general for the retail sector, the Executive Report also reported to us at this meeting on the revenues of our tenants and on the outstanding rents in our shopping centers. An extensive discussion also ensued on the projection and medium-term performance planning of the Company presented by the Executive Board.

Committees

In addition to the Executive Committee of the Supervisory Board and the Audit Committee (each with three members), the Supervisory Board formed a Capital Market Committee also consisting of three members on 30 June 2009. The authorities held by the Supervisory Board with regard to the utilisation of the existing authorised capital have been transferred to this committee to enable it to make decisions and take action independently. Given the size of the Company and the number of Supervisory Board members, we consider the number of committees and members to be appropriate.

During the reporting period, the Executive Committee and the Audit Committee met on 7 April 2009. The Executive Committee also convened in a conference call on 15 December 2009, and the Audit Committee discussed the quarterly financial reports with the Executive Board in conference calls on 12 May and 11 November 2009.

The Capital Market Committee passed its resolutions on the implementation of the capital increase in conference calls on 6 and 7 July 2009.

Corporate governance

In December 2009, together with the Executive Board, we issued an updated declaration of conformity with the recommendations of the government commission pursuant to section 161 AktG and made this permanently available on the Deutsche EuroShop website. A separate report on the 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 2010 that no conflicts of interest had arisen.

Financial statements of Deutsche EuroShop AG and the Group for the period ended 31 December 2009

At the Audit Committee meeting on 20 April 2010 and the Supervisory Board meeting on 28 April 2010, 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 (IFRS), each as at 31 December 2009, as well as the management report and group management report for financial year 2009.

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 30 June 2009 – Hamburg-based BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft – had audited the financial statements prior to this 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 the relevant accounting provisions. In addition, the auditor determined in the course of its assessment of the risk management system that the Executive Board has undertaken all required measures pursuant to section 91 (2) 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 of the annual financial statements and the consolidated financial statements on the occasions of the Audit Committee meeting on 20 April 2010 and the Supervisory Board meeting on 28 April 2010 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 and distribution of a dividend of €1.05 per share.

In financial year 2009, the real estate sector once again found itself in an adverse environment and had to deal with difficult credit markets. The Company's conservative strategy has continued to prove successful.

In addition to this, the pleasing development of our Company is also the result of the dedication shown by the Executive Board and employees. The Supervisory Board would like to express its particular gratitude for this to the Executive Board and the Company's employees.

Hamburg, 28 April 2010

Manfred Zaß, Chairman

WOLFGANG TWARDAWA & ROLF BÜRKL

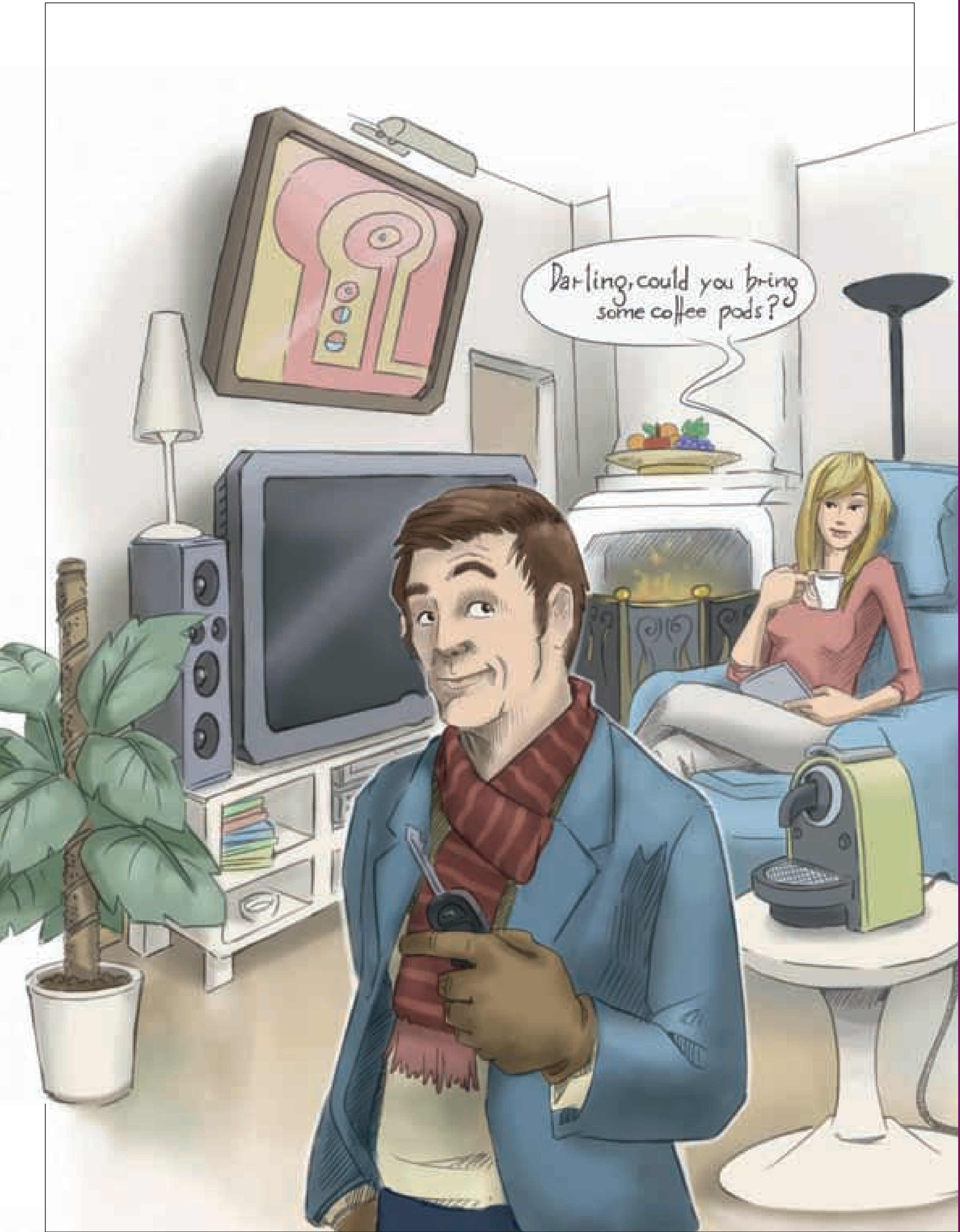
CRISIS – WHAT CRISIS?

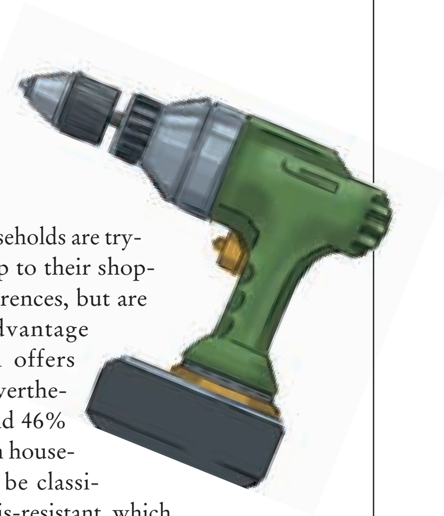
★★★

In 2009, the majority of the population in Germany did not experience any negative impact on their personal living circumstances as a result of the financial and economic crisis. The labour market was surprisingly robust, with an average of 3.4 million unemployed and an increase of just 155,000 over 2009. Around one million people for the year were protected from unemployment by short-time working. Private consumption was also supported by a historically low inflation rate of 0.4%. Falling prices, particularly for mineral oil products and food, boosted consumers' purchasing power. Accordingly, the propensity to buy, as surveyed as part of the GfK consumer climate study, rose significantly from January to September 2009.

Compared to other countries, German consumers revealed themselves to be the optimists of Europe: while here in Germany the propensity to buy recorded an average value for the year 2009 of +21 indicator points, the same survey produced a value of -26 points in Italy, -40 in Great Britain and even -45 indicator points in France. The consumer climate in Germany was not dealt a blow until late autumn. ►

GFK INDICATOR FOR CONSUMER CLIMATE

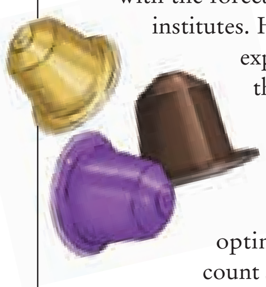

Darling, could you bring some coffee pods?



Growing fear of unemployment as well as of rising energy prices made for a more subdued consumer climate in German private households towards the end of last year.

MODEST CONSUMPTION PROSPECTS FOR 2010

With the start of 2010, consumers in Germany are expecting the economic recovery process to continue, though with reduced momentum. This assessment is in line with the forecasts of leading economic institutes. However, consumers and experts alike are anticipating that the labour market will deteriorate this year. Price development for the year as a whole is also being viewed less optimistically, although discount sales promotions in retail prompted an increase in the propensity to buy at the start of the year. Government economic stimulus packages, such as the increase in child benefits or child allowance as well as the improved tax deductibility of health insurance contributions, are set to ease the financial strain on consumers in 2010. However, at the same time, there is the threat of slightly higher inflation and various additional burdens as a result of additional health insurance contributions and rising communal taxes. GfK is expecting consumption among private households to stagnate in 2010, but not decline. It is likely that reductions in consumption will come into play in the second half of the year.



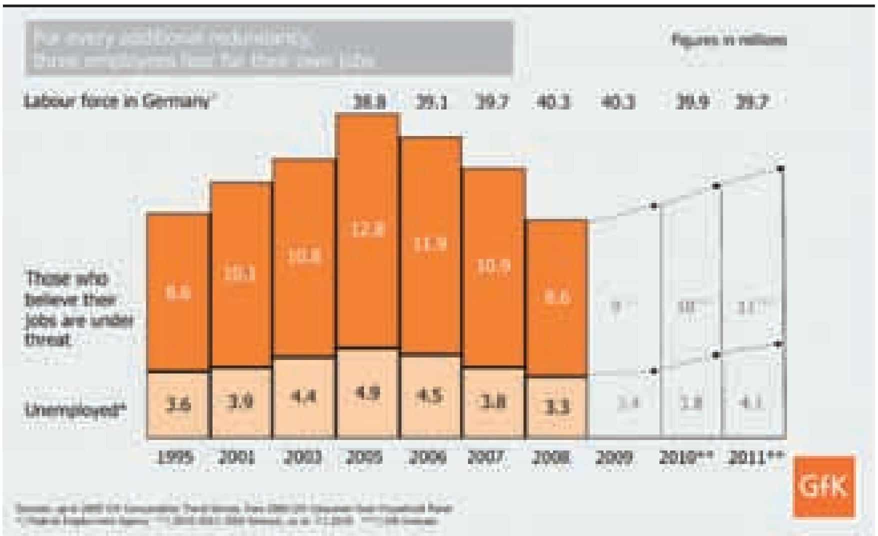
FEAR OF UNEMPLOYMENT WEIGHS HEAVILY ON CONSUMPTION

Unemployment and real fears of being made redundant are changing the behaviour of German consumers quite dramatically. In respect of day-to-day goods, affected households are reducing their consumption by around 10%. But the threat of unemployment does not just mean that consumers are spending less, they are also putting more money aside for a rainy day. This “precautionary saving” is also having a negative impact on consumption.

In 2009, around 23% of German households were either directly affected by unemployment or had a real fear of being made redundant. For 2010, GfK is expecting a rise in the number of these households affected by the crisis to around 27%. GfK also estimates that a similar number of households are at risk of being affected by the crisis in 2010.

These households are trying to keep to their shopping preferences, but are taking advantage of special offers more. Nevertheless, around 46% of German households can be classified as crisis-resistant, which is one percent down on the previous year. Consumption among these households is not suffering as a result of the crisis and is actually being boosted by keenly priced offers. At the same time, expectations regarding product quality and manufacturer are rising in this consumer group. Sustainability, fair trade and corporate social responsibility are influencing purchase decisions in crisis-resistant households to an ever greater extent.

UNEMPLOYMENT AFFECTS CONSUMER BEHAVIOUR BOTH DIRECTLY AND INDIRECTLY



Winners and Losers of the Crisis

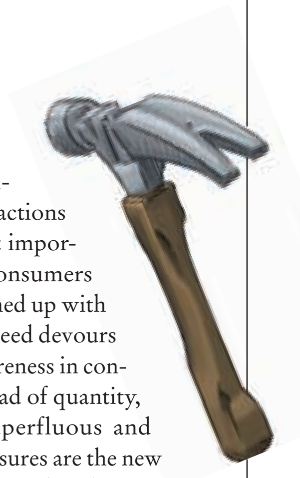
The reductions in private consumption were felt most acutely last year by the catering industry. Out-of-home consumption fell by around 8% in value terms, according to GfK's estimates. The crisis prompted consumers to focus their activities more on their own homes. The beneficiary in this was the food retail sector. Although this sector posted a drop in sales of around 1%, this was mainly the result of its own price cuts. The increased focus on the home, known as "homing", was particularly evident in DIY stores. Their sales rose by 2% last year. The consumer electronics sector also profited and generated sales that were level with the previous year.

Homing benefited some product groups in particular. For example, compared with 2008, around 7% more households improved their home surroundings with an open fireplace or tile stove. Turnover from plants was up 7%, and that from garden furniture and ornaments rose by 4%. The small electrical appliances segment also profited, with sales climbing around 5%. This rise was driven particularly by capsule espresso systems, which posted a sales increase of just under 14%, fully automatic coffee machines (up 9%) and cylinder vacuum cleaners (up 6%). Alcoholic drinks also recorded positive growth. Sales of sparkling wine rose by around 2%. And last year spirits were up 1% in sales volume and even around 3% in value terms. Retailers benefited here from the declining out-of-home sector.

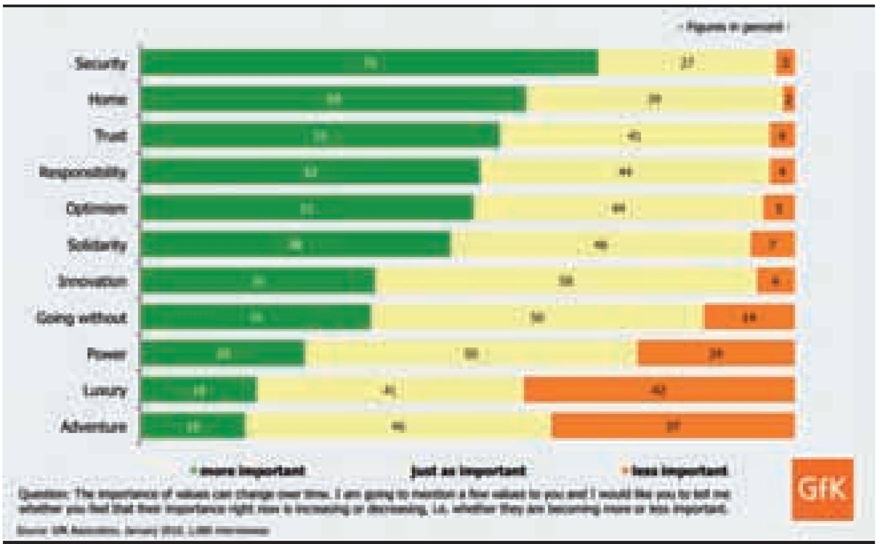
The trend towards homing will also have an effect on consumption in 2010. GfK is expecting a further fall in out-of-home consumption, and is anticipating that the food retail sector will post sales at roughly the same level as for the previous year. Consumer electronics will receive an additional boost from the football World Cup. DIY stores can expect to continue their positive growth.

Crisis Changes the Value Orientation of Consumers

Besides having a monetary impact, the financial and economic crisis has also changed the value orientation of consumers, particularly in the area of financial services, where blind trust has been shown to be the wrong attitude. As a consequence, consumers have become more cautious and are more reluctant to make a leap of faith. They are also questioning their thoughts and actions more. One of the most important discoveries that consumers have made can be summed up with the German saying "Greed devours the brain". Greater awareness in consumption, quality instead of quantity, elimination of the superfluous and enjoyment of small pleasures are the new trends among consumers. This change in value orientation is opening up new possibilities. Socially responsible companies, traditional brands and domestic products have a particularly good chance of qualitative growth in 2010. ■



Assessment of Shifts in Importance



STATISTICS

Customer Survey at Main-Taunus-Zentrum, Sulzbach in Q4/2009

★★★

Gender

Female	58%
Male	42%

Age

Up to 19 years	9%
20 – 29 years	20%
30 – 39 years	21%
40 – 49 years	21%
50 – 59 years	12%
Over 60 years	17%

Where do you live?

5 minutes' drive away	31%
15 minutes' drive away	32%
30 minutes' drive away	16%
45 minutes' drive away	14%
Other	6%

For what reason do you generally come to the MTZ?

Shopping	74%
Loafing	29%
Eating out	3%
Business	3%
Other	4%

How often do you visit the Main-Taunus-Zentrum?

Daily	5%
Several times a week	17%
Once a week	19%
Every fortnight	20%
Once a month	19%
Four times a year	9%
Twice a year	4%
Less frequently	4%
First visit	3%

The fashion range at the Main-Taunus-Zentrum is always extremely varied

Fully agree	31%
Generally agree	50%
Tend to disagree	17%
Fully disagree	2%

The shops at the Main-Taunus-Zentrum offer many famous brands

Fully agree	50%
Generally agree	44%
Tend to disagree	5%
Fully disagree	1%

Means of transport

Car	87%
Public transport	9%
By foot	3%
Other	1%


Female 58%
Visits the MTZ once a fortnight 20%
Is younger than 40: 50%
Arrives by car 87%

"WHAT I BOUGHT IN 2009"

Rolf Bürkl, Senior Research Consultant Business & Technology, GfK Marktforschung

I regularly go jogging and last year bought myself a Garmin training computer with GPS function. The main purpose of this device, which is more of a toy really, is to increase motivation while you are running.

Mariana Theiling, Lighting Designer, ECE

I became a mum in 2009, so most of the things I bought were everyday items I needed for the baby: a Maxi Cosi pushchair with foldable chassis, for example, which even fits into the boot of my two-seater ... it's been a really great buy! My husband and I bought each other a watch as a symbol of this new period in our lives.

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

I invested in education. 1 September 2009 was our son Leo's first day at school. Over 30 years ago I was the proud owner of a Scout school bag, so my fatherly advice to him was that he should get a Scout too. In the shopping center there was a shop where you could check out the bag using virtual mirrors (3 camera perspectives displayed on large plasma monitors) to see how it looked on your back. In the end Leo went for the latest model "Easy II Race".

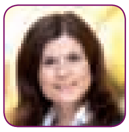
Wolfgang Twardawa, Division Manager Strategic Marketing, GfK Panel Services

Last year on our holiday in Italy my wife saw a wonderful necklace in a jewellery shop. After having visited the jeweller's three times, I convinced her to let me buy it for her. This was a gift that gave me great pleasure too, as I had a beautiful and happy woman on my arm.

Claus-Matthias Böge, CEO, Deutsche EuroShop

The crowning glory of Christmas was a new Nespresso machine with milk foamer. It has a fantastic design, but the best thing about it is the latte macchiato. The old coffee machine is now gathering dust in the cellar.

Verena Tenz, Senior Account & Marketing Manager, ECE flatmedia



I expanded my collection of wellington boots with two particularly fine pairs by Hunter and Aigle – bought from the center, of course. These are my favourite things and are essential items given the lousy weather you get in Hamburg. If there's a downpour I make it to work unscathed (I just have to carry a bag with the extra shoes I need for work), I'm perfectly attired in any situation and during weekend walks along the coast have a clear advantage in the battle against the tides.

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

Our "open-fire" DVD was no longer enough, so we bought a new bio(!) ethanol fire. This creates a cosy atmosphere and gives out an incredible amount of heat. There's no need to buy or chop up and store wood. And there's no dirt or any need to get the chimney swept. It's been a great buy for me and my family.

Steffen Eric Friedlein, Regional Director Leasing East, ECE

My new mountain bike. As I travel a lot for work using various modes of transport and can't take it with me, unfortunately I only get to take it out at weekends in the rural area around my home. Because of the long winter we've had, at the moment it's still waiting longingly in the garage for its first run-out of the year.

Mathias Sander, Director Center Marketing, ECE

I bought myself a pair of trainers – again. This time made by "Floris van Bommel". They look fantastic and pretty much go with anything you put on. In spite of that I still haven't worn them yet. They were probably too nice. But I'm sure they'll still be fashionable in 2010.

Nicolas Lissner, Manager Investor & Public Relations, Deutsche EuroShop

In November I bought myself some new winter boots while on holiday in New York. Just in time too, as from that point on – with the winter we've just had – I needed them almost every day as I battled my way through the snow and ice in the mornings on my way to the office.

Kirsten Kaiser, Head of Accounting, Deutsche EuroShop

Slowly my little Apple family is starting to grow: my iPods have now been joined by a silver MacBook Pro, which is not only great for surfing, but also allows me to watch the latest blockbusters on my TV.

Dr Benedikt Gillessen, Local Partner, White & Case

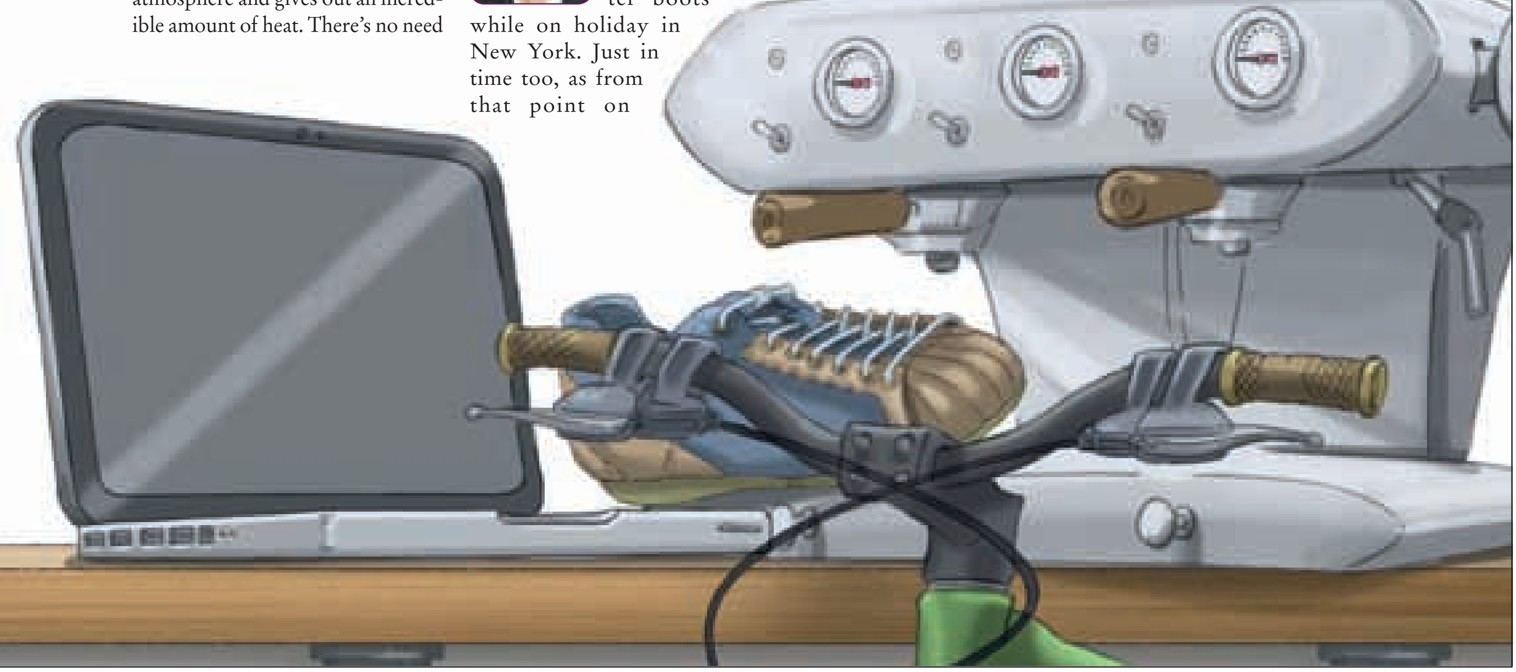
A new espresso machine from an Italian manufacturer near Naples. It combines just a small amount of modern electronics with lots of metal and a brewing technique that has proven itself for almost 50 years. The result is as near to perfection as you can get – beating anything produced by plastic machines. Life's too short for a bad espresso.

Birgit Schäfer, Secretary to the Executive Board, Deutsche EuroShop

My purchase of the year was a fabulous new sofa, which I also managed to get at an incredibly good price. So I was doubly pleased and still had some money left for a few extravagant decorative items.

Alexander Wohlrab, Illustrator, Mucca Matta

My girlfriend and I snapped up a few items in New York: after a two-day odyssey (which felt every bit that long), and with sore feet and our MetroCards smoking, she finally found the Blowfish boots she was looking for in the right size and colour. Thanks to the favourable dollar/euro exchange rate, however, we managed to find some even bigger bargains: a new wide-angle lens for her and a couple of Apple gadgets for him. ■

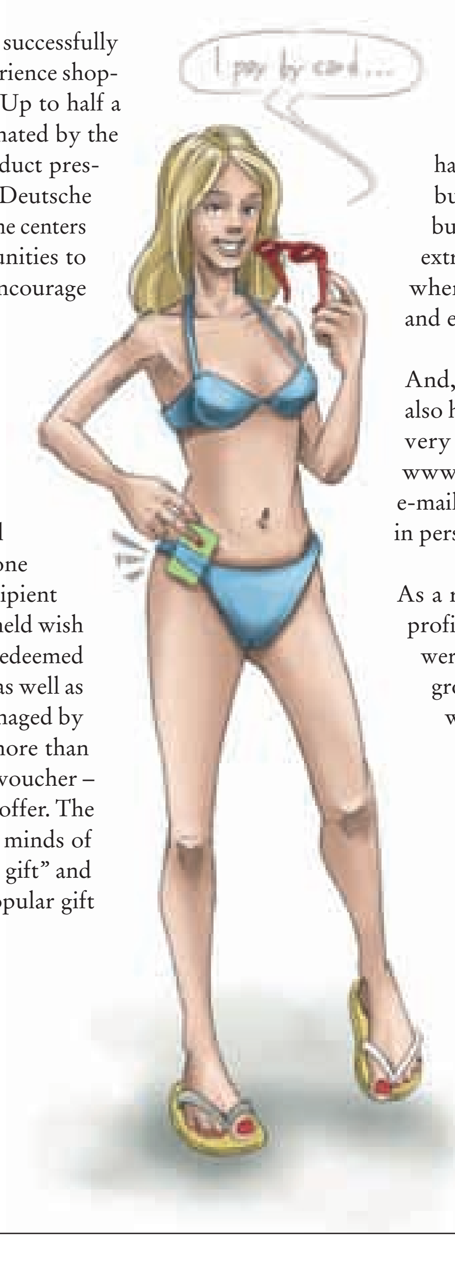


MATHIAS SANDER

THE CENTER VOUCHER

Customer loyalty tool goes from strength to strength

For over 40 years, ECE has been successfully practising the concept of “experience shopping” in its shopping centers. Up to half a million visitors a day are fascinated by the variety of shops, the extraordinary product presentations and the unusual campaigns in Deutsche EuroShop’s attractively designed malls. The centers are always on the look-out for opportunities to offer visitors something special and to encourage them to keep coming back.



It was ten years ago that the idea was born to establish the center voucher as an appealing customer loyalty tool in more than 60 centers. The concept is as simple as it is successful: the customer purchases the voucher at a central point inside the center, gives it to someone as a gift and in so doing presents the recipient with every opportunity to make a long-held wish come true. After all, the voucher can be redeemed at any center store in the DES portfolio as well as at numerous other shopping centers managed by ECE, giving the recipient a choice of more than 9,000 points of sale that will accept the voucher – a unique advantage that no one else can offer. The voucher has long become rooted in the minds of our visitors as an “all-round, hassle-free gift” and is today regarded as one of the most popular gift vouchers in Germany.

Originally introduced in paper form, the center voucher now comes in a very modern and handy credit card format with a timelessly attractive design. And the distribution channels have also moved with the times: for a few years now, business customers wishing to treat their staff or business partners have been taking advantage of the extra portal set up just for them at www.ece-b2b.de, where larger voucher orders are processed quickly and easily.

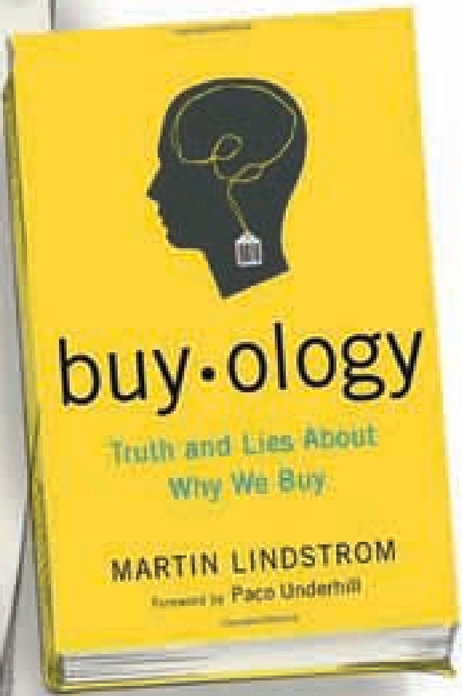
And, since the end of 2009, private customers have also had the opportunity to design their own vouchers very simply and conveniently on the Internet at www.gutschein-verschenken.de, then send them by e-mail or SMS or even print them out and present them in person.

As a result of all these measures, the popularity and profile of the center vouchers have increased since they were first introduced and they are recording gratifying growth. Last year, around two million voucher cards were sold in all participating centers, meaning that contact was achieved with at least four million customers.

Experts are today forecasting that vouchers will become increasingly important as gifts over the next few years – not least because they offer the chance to make specific small or big wishes come true. It is therefore expected that the center voucher will continue to contribute to the success of centers run by Deutsche EuroShop as an appealing customer loyalty tool.

Book Tips

Buyology



Buyology – Truth and Lies About Why We Buy

What do we really know about why we buy what we buy? Why do we choose certain products and ignore others? Marketing expert and bestselling author Martin Lindstrom explains how the human brain responds to advertising and marketing.

Why are some brands successful while others flop? How do people make purchase decisions? Why do they buy what they buy? Market research has been trying to find this out for decades. But conventional methods, such as surveys or group discussions cannot establish what consumers really think because purchase decisions are not a purely rational matter. So far nobody has deduced what exactly is going on in our brains when we make purchase decisions – marketing guru Martin Lindstrom now aims to change that.

In his bestseller Buyology, which has been translated into 25 languages, Danish-born Lindstrom presents the fascinating results of his revolutionary neuromarketing study, in which he examines the direct effect of advertising and marketing messages on the human brain for the very first time using the latest findings in brain research. Lindstrom shows how the subconscious reacts to stimuli and steers our behaviour, often in a completely different way to how we think. Our purchase decisions are made on a level that lies below our consciousness. For example, paradoxically anti-smoking campaigns have smokers reaching for their cigarettes more because they stimulate the “craving centres” in the brain. And the brain of an Apple fan, on seeing an iPod, reacts in a similar fashion to that of a deeply religious person when looking at a picture of Jesus. Lindstrom exposes what even the most sophisticated companies, advertisers and marketers do not yet know about our purchasing behaviour, clears up common prejudices and myths, and supplies us with exciting insights into what impacts on our decisions, our purchasing behaviour and, ultimately, ourselves.

Martin Lindstrom: Buyology – Truth and Lies About Why We Buy, 2008, hardback, 256 pages, ISBN 978-0385523882, approx. €19.99

Shopping Center Handbuch

Shopping Center Handbook - Development - Management - Marketing

The Große Handbuch Shoppingcenter (Great Shopping Center Handbook) was first published in 1998. Since then, the importance of shopping centers has soared, both nationally and internationally. So, the Institut für Gewerbezentren (Institute for commercial centers), together with the German Council of Shopping Centers (GCSC) has re-issued this standard reference work.

126 recognised shopping center experts from eleven different nations provide a comprehensive account of their experiences and the latest insights regarding the broad spectrum of shopping centers in 106 articles.

Spanning more than 1,100 pages, the handbook addresses topics such as shopping centers and urban development, sustainability, architecture, design and art, project development, marketing, management, funding and investment, etc. Current national and international developments and center trends, as well as the newest shopping centers, are also pictured in a four-colour photographs section.

This handbook is essential background reading for anyone involved with the topic of shopping centers. It serves as a helpful reference work for experienced professionals in their day-to-day business and as a comprehensive fundamental guide for junior staff and students.

Shoppingcenter-Handbuch – Development, Management, Marketing, published by the Institut für Gewerbezentren, Prof. Dr. Falk, 2009, German, hardback, over 1,100 pages, ISBN 978-3-00-027250-9, approx. €125.00


90% investments impressive!
City Point Kassel

OUR SHOPPING CENTERS

In January last year we increased our share in City-Point Kassel from 50% to 90%. We were also able to lay the foundations for our expansions of the Altmarkt-Galerie in Dresden and the Main-Taunus-Zentrum in Sulzbach near Frankfurt. The A10 Center in Wildau near Berlin became the 17th shopping center in our portfolio in January 2010.

Taking into account the expansions, which will open in 2011, our 13 shopping centers in Germany, two in Poland and one each in Austria and Hungary offer a total of around 2,075 shops in a leasable space of more than 804,000 m². With 83% the focus of our investments clearly lies in Germany. Even in times such as these, which are certainly not always easy for the retail sector, our occupancy rate – at over 99% – remains at the consistently high level of previous years.

INDIVIDUAL PERSONALITIES

There is one particular criterion that links all our 17 shopping centers to a certain extent: the prime location. We concentrate on city centres – the majority of our centers are situated directly adjacent to pedestrian zones – as well as on established out-of-town locations. These are properties which, over many years, have acquired a reputation of offering an attractive alternative to shopping in the surrounding urban centres.

Perfect transport connections are one of the success factors here: our inner-city centers are mostly located in close proximity to local public-transport hubs, such as central bus stations.

Affordable parking spaces also ensure good accessibility by car. Our out-of-town locations are situated directly next to major motorways and offer visitors completely free parking. ▶

	Germany	Abroad	Total
Leasable space in m²*	660,800	143,400	804,200
No. of shops*	1,485	550	2,035
Occupancy rate**	99%	99%	99%
Inhabitants in catchment area in millions	10.95	3.2	14.15
No. of centers	13	4	17

* including new development (Wildau) and expansions (Sulzbach and Dresden)

** including office space

Each of our 17 centers is, however, unique. At each shopping center the tenant structure has been hand-picked and specifically complements the offering of the city centre in question. This also clearly illustrates that our properties do not in any way see themselves as being in competition with local retailers. Each center therefore participates actively in the marketing of its respective city with the aim of promoting and strengthening the retail location as a whole.

We pay particular attention to the architecture of our centers and they are all specifically designed to meet the demands of the location in question. This means tailoring the architecture individually and, in so doing, fully satisfying all the requirements relating to functionality. We have worked together in the past with well-known architecture firms on the development of our new properties.

The high demands we place on quality – which goes for every one of our centers – also apply to the interior: our aim is to achieve an impression of quality and a simple, timeless architecture that makes use of fine materials to make our visitors' shopping experience a pleasant one. Combine this with innovative lighting as well as strategically placed accents, such as sophisticated water features, and a flawless climate control system and our shopping centers become places where visitors feel good and to which they are always happy to return.

Visitors of all ages should feel that they are in good hands here. Wide malls, escalators and lifts ensure that every shop in the center can be reached without much effort, even with children's pushchairs or wheelchairs. For our youngest visitors play areas have been installed in some centers, offering a welcome diversion during a shopping trip. Massage chairs are available for customers to use in the mall for a small fee and invite visitors to relax.

ACTIVE ENVIRONMENTAL AWARENESS

A particular matter of concern for us is environmental protection. Almost all our German shopping centers are supplied with certified green energy and our aim for the future is for all the properties in our portfolio, in Germany and abroad, to be supplied with this renewable energy. The plan is not only for CO_2 emissions, but energy consumption as a whole, to be steadily reduced, with heat exchangers making a significant contribution to this as well as ultramodern and efficient lighting systems. In order to achieve this objective, we are conducting a dialogue with our tenants, together with whom we aim to reduce the energy consumed in the individual shops.

FLEXIBILITY AS A DRIVING FORCE FOR THE FUTURE

We are observing a growing demand in the retail sector for larger retail spaces. These bigger areas allow shops to offer their customers a greater diversity of products. The way that perfumeries and bookshops have developed over the past few years can be taken as an example. Besides the product itself, the experience around making a purchase is coming increasingly to the fore: offers, for example, where the customer can have make-up applied professionally in the shop or small cafés that are integrated into bookshops in which customers can take a look at the books on offer at their leisure.

Particularly in comparison with individual business premises in city centres, our shopping centers offer the advantage that they can provide traders with precisely the spaces that they need. By shifting the internal walls, it is, in principle, possible to adapt the retail space to the new requirements of our tenants over the course of time without much additional expense. Reducing the space is also a possibility and this can simultaneously create the opportunity for an additional new shop to be integrated into the center, for example.

This flexibility is very much in demand amongst our tenants. For many of them, this is the decisive factor for entering the market in a city that otherwise, due to its property structure in the premier locations, e.g. in a pedestrian zone characterised by mediaeval architecture, is unable to offer any suitable spaces at all. The whole of the retail sector in the city centre can therefore benefit through this addition to the city's offering.

VALUABLE LOCATIONS

Altogether, almost 14 million people live in the catchment areas around our centers. Just under 11 million of these people live in the vicinity of our German shopping centers alone.

These individual catchment areas are a key criterion for us when it comes to selecting our locations. They are ascertained individually for each property and illustrate the number of potential visitors to the location in question. One of the considerations taken into account here is what journey times customers would be willing to accept and whether this appears realistic in view of the competitive situation.

In rural regions, our customers will accept a journey of up to 45 minutes or more in order to enjoy the wide selection of goods that the center has to offer. Customer surveys, which are conducted regularly in all our shopping centers, emphasise our particular expertise in the area of fashion time and again. Experience shows that customers are prepared to travel a long distance for this range of products.

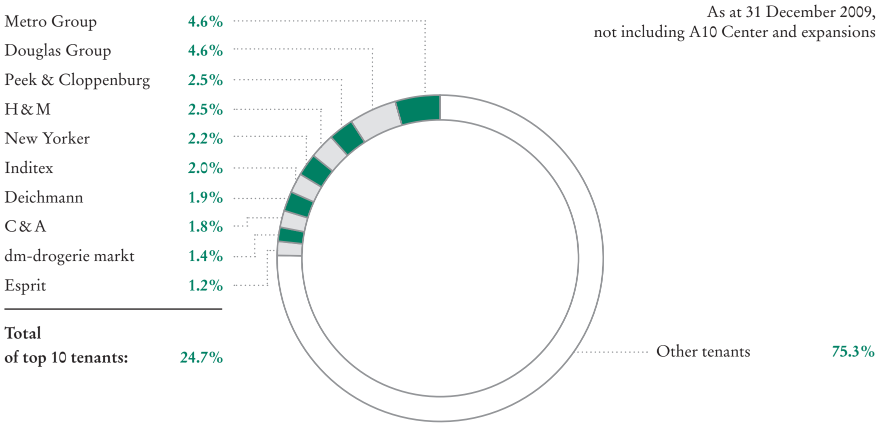
OUR TOP 10 TENANTS

With a share of 4.6% each in our overall rental volume, the Metro Group and the Douglas Group are our biggest tenants. The Metro Group is one of the most important international retailers and is represented in a large number of our centers by its selling brands Media Markt and Saturn (consumer electronics), Real-SB-Warenhaus and Kaufhof-Warenhaus. The Douglas Group, a decentralised retail organisation with a strong family tradition, is a tenant of our centers with its divisions Douglas perfumeries, Thalia bookshops, Christ jewellery shops, AppelrathCüpper fashion stores and Hussel confectioners.

In total our top 10 tenants are responsible for less than a quarter of our rental income. This clearly demonstrates that there are absolutely no dependencies on individual tenants and also shows the broad diversification of our rental agreement portfolio.

THE TEN LARGEST TENANTS

share of rental income in %



LONG-TERM RENTAL AGREEMENTS

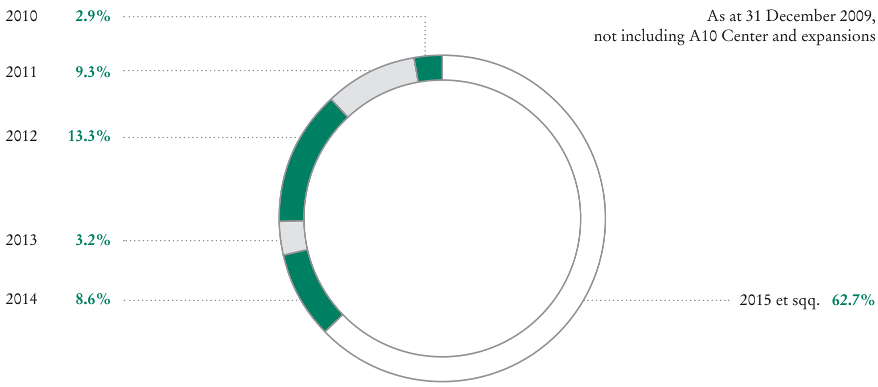
The rental agreements that we sign with our tenants usually have a standard term of ten years. As at 31 December 2009 the weighted residual term of the rental agreements in our portfolio was 6.7 years, with 62.7% of our rental agreements being secured until at least 2015.

EXTERNAL CENTER MANAGEMENT

Our partner ECE Projektmanagement has been commissioned to manage our 17 shopping centers. In addition, ECE will implement the expansions of the Main-Taunus-Zentrum and the Altmarkt-Galerie, as well as the development of the Triangle at the A10 Center on our behalf. ▶

LONG-TERM RENTAL AGREEMENTS

term of agreements, share in %



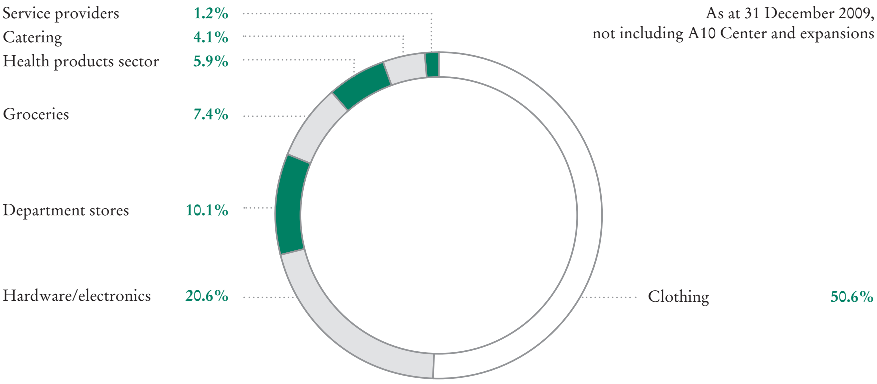
ECE has been developing, planning, implementing, renting out and managing shopping centers since 1965. With 114 facilities currently under its management, the company is Europe's leader for shopping centers.

www.ece.com

Deutsche EuroShop benefits from this experience both inside Germany and abroad. Thanks to our streamlined structure, we are therefore able to focus on our core business and competence, portfolio management.

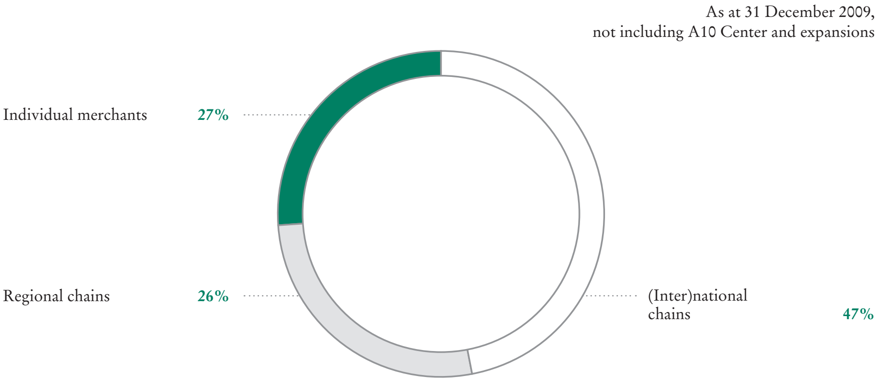
RETAIL MIX

in % of space



REGIONAL TENANT MIX

in % of space



OPTIMUM MIX OF TENANTS

A fundamental success factor for a shopping center is finding the right combination of shops. This is therefore also one of the core tasks of center management. The specific mix of tenants and sectors is tailored perfectly in each case to the location in question and is the result of a precise analysis of the local retail offerings.

The particular wishes and needs of customers are also taken into account here. This means that retailers from sectors which, on account of the constantly rising rents in prime locations, can scarcely be found any more in pedestrian zones are also actively introduced into our centers. Examples of this include specialist shops for glass, porcelain and ceramics, as well as toy shops.

For us as long-term investors, the first commandment when it comes to renting retail space is permanent rent optimisation rather than short-term maximisation. It is a question here of offering the visitors to the shopping center an attractive mix of retailers. Each shop space is rented out on a long-term basis in accordance with a special system. When calculating the rents it is not about maximising earnings for us as the landlord, but instead about ensuring that each shop owner pays a rent per m² that is appropriate for the sales potential of the relevant sector and the position of the shop within the center.

The intention is that all sides will benefit from this system: us as the landlord, by building a future-oriented and trusting relationship with our tenants; our tenants, all of whom will benefit from the high volume of visitors achieved; and finally, of course, the customers, who can expect a very wide range of retailers in our centers, from young fashion and pharmacies through to health and beauty retailers and services such as post office branches and dry cleaner's. Nourishment and refreshment whilst shopping are also provided for, with cafés, fast-food restaurants and ice-cream parlours inviting visitors to stop and take a break.

RETAIL MIX

The individual retail mix provides each of our shopping centers with a character all of its own. While chain stores dominate the main shopping streets in Germany, occupying over 90% of the retail space in some cases according to studies, in our centers we make sure that there is a healthy mixture of regional and local traders, as well as national and international chain stores.

PRESTIGIOUS TENANTS

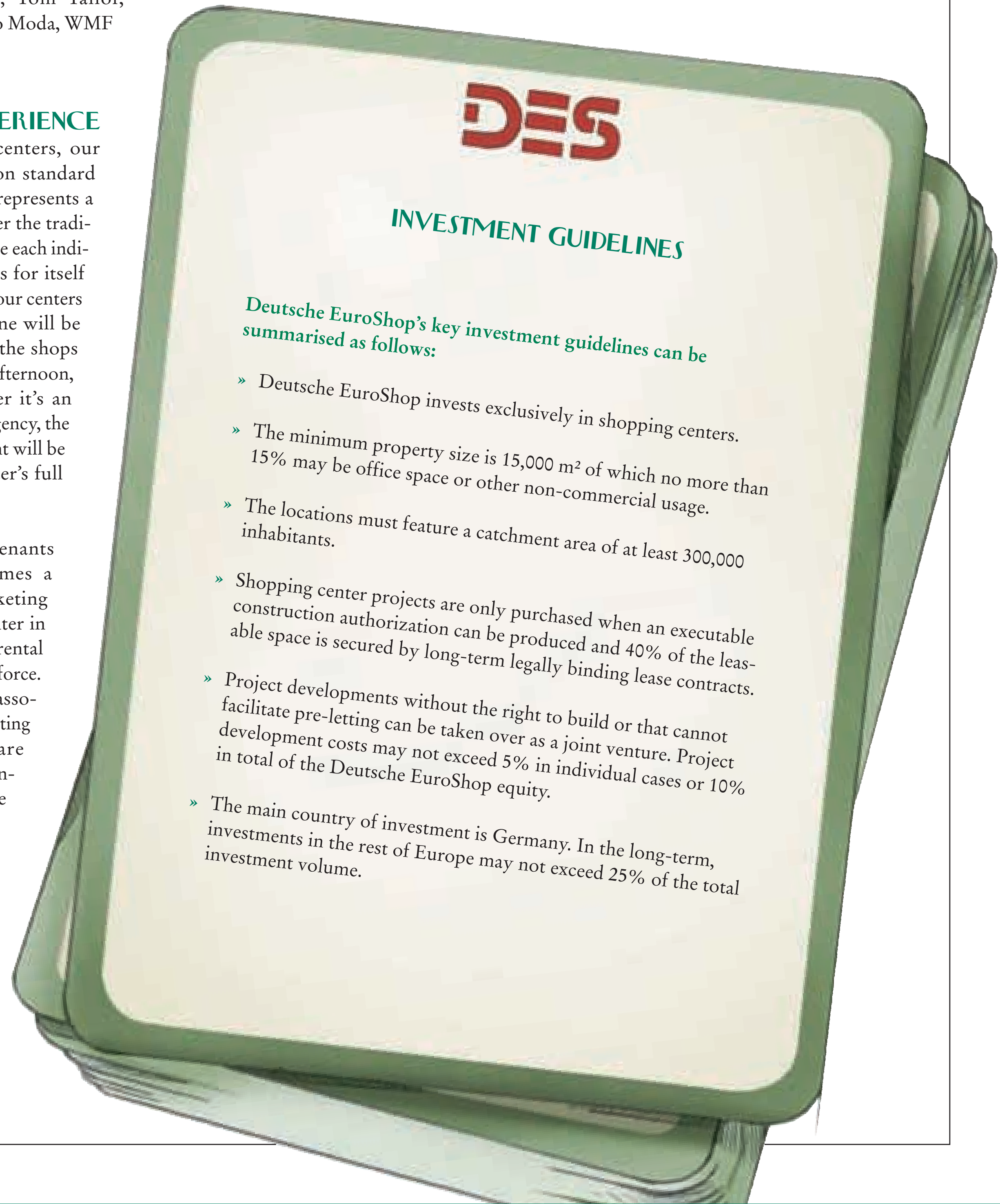
Our tenants are a decisive success factor. They include: Aldi, Bench, Bijou Brigitte, Breuninger, Burger King, C&A, Commerzbank, dm-drogerie markt, Deutsche Post, Deutsche Telekom, Douglas, Esprit, Fielmann, Gerry Weber, Görtz, H&M, Jack&Jones, Media Markt, Marc O'Polo, New Yorker, Nordsee, Peek & Cloppenburg, REWE, Saturn, s.Oliver, Subway, Thalia, Timberland, Tom Tailor, Tommy Hilfiger, Vero Moda, WMF and Zara.

SHOPPING EXPERIENCE

When visiting our centers, our customers can rely on standard opening hours. This represents a distinct advantage over the traditional city centre where each individual retailer decides for itself when it will open. At our centers this means that no one will be disappointed to find the shops closed on a Saturday afternoon, for example: whether it's an optician's or a travel agency, the offering of every tenant will be available for the center's full opening hours.

Every one of our tenants automatically becomes a member of the marketing association of the center in question when their rental agreement comes into force. In a committee, this association develops marketing campaigns which are coordinated and organised together with the center management. These take the form of exhibitions and events on different themes. Examples may include anniversary events for the center, job fairs for Germany's employment agency, scientific exhibitions or fashion shows at which the tenants of the center present the trends for the coming season, not to mention the lavish decorations for the Easter and Christmas period, which represent a highlight for visitors each year.

The main tasks of the marketing association include coordinating a coherent advertising presence for the center as a whole and editing a center newsletter, which is distributed on a regular basis as an insert in regional daily newspapers in the catchment area, as well as placing radio ads and illuminated advertising posters. The marketing associations are given professional support in these tasks by advertising agencies. ■



A10 CENTER

THE TRIANGLE OFFERS EVEN GREATER VARIETY

The A10 Center in Wildau, near Berlin, was added to Deutsche EuroShop's portfolio in January 2010. This center is situated directly next to the southern section of the Berliner Ring, close to the city's new airport Berlin Brandenburg International (BBI), which is planned to start operating in the autumn of 2011 and will create up to 60,000 additional jobs in the region. Around 1.2 million people live in the catchment area (45 minutes) around the center, which offers excellent accessibility thanks to its direct motorway links.

The total investment for Deutsche EuroShop, including the investments in the portfolio property and the new construction of the A10 Triangle, will amount to €265 million. Work started in March 2010 on a complete modernisation and restructuring programme for the entire center, which continues to operate as normal, and the diversity of its offering is also being expanded. More parking spaces are being created too. The Triangle is planned to open in the spring of 2011 and the aim is for all the restructuring to be completed in the autumn of that year. Then, the center will offer approximately 66,000 m² of retail space, around 180 specialist retail units, cafés, restaurants and service providers, as well as in the region of 4,000 car parking places. Around 1,000 people will work in the new A10 Center, roughly 400 more than work there now.

The new A10 Triangle, an elegant mall design, bright atriums and many additional offerings, particularly in the area of young fashion, will make the modernised A10 Center even more attractive. As one of the biggest and most well-known shopping centers in Germany, the A10 Center, with its variety of shopping and leisure facilities, is already an exciting meeting place for the people of south-east Berlin and the surrounding area.

In addition to retailers, the center also has its own world of leisure where visitors can find a cinema, various restaurants, a bowling alley and a children's indoor play area, amongst other things.

Deutsche EuroShop has handed over responsibility for the renting and management of the center to ECE, Europe's market leader in the area of shopping centers. In future, visitors to the A10 Center can therefore expect the level of maintenance and service that the other shopping centers in Deutsche EuroShop's portfolio already offer. Alongside the organisation of diverse events and exhibitions, a center newsletter will also be introduced, which will keep the customers in the catchment area regularly informed about offers, events, the progress of the building work and all that's new at the center. ■

ALTMARKT-GALERIE

EXPANSION FOR DRESDEN'S BEST LOCATION

Over the past few years, the Altmarkt-Galerie in Dresden has firmly established itself as a temple for shopping amongst the people of Dresden and is also extremely popular amongst the tourists who visit this metropolis on the river Elbe. Measured in terms of the revenues per m² that our tenants achieve here, the Altmarkt-Galerie counts as one of the most successful centers in the whole of Deutsche EuroShop's portfolio.

The opening of a new inner-city shopping center in the autumn of 2009 has changed the competitive situation in Dresden. In addition, for several years we have been faced with demand for additional retail spaces in the Altmarkt-Galerie, both from existing tenants who want to increase the space they have available and from retailers who want to relocate to the center. As a response to this the center is now undergoing a programme of expansion: by the spring of 2011, the shopping center, which is located in the immediate vicinity of Dresden's world-famous cultural monuments, such as the Zwinger Palace and the Semper Opera House, will acquire additional retail space of around 18,000 m² for roughly 90 new small and medium-sized shops. The expansion, which – like the existing center – will span three floors, will feature an area of over 800 m² dedicated to fine foods as a particular attraction.

The complex work, which began in the summer of 2009, includes the comprehensive renovation of the historic Intecta building, which is being integrated into the Altmarkt-Galerie. Entrances located at Dresden's public-transport hub Postplatz, at Altmarkt and at Wilsdruffer Straße will link the center even more effectively to the historic heart of Dresden's old town in the future and, at the same time, will create attractive new pedestrian walkways.

Furthermore, the upper levels of the new building will house around 2,900 m² of office space and 5,300 m² for a hotel, which will accommodate its guests in 200 rooms and which has already been rented out on a long-term basis to a prestigious international chain.

Deutsche EuroShop's share in the investment will amount to approximately €82.5 million. Around 800 new jobs will be created in the center upon its completion.

MAIN-TAUNUS-ZENTRUM

A SECOND MALL

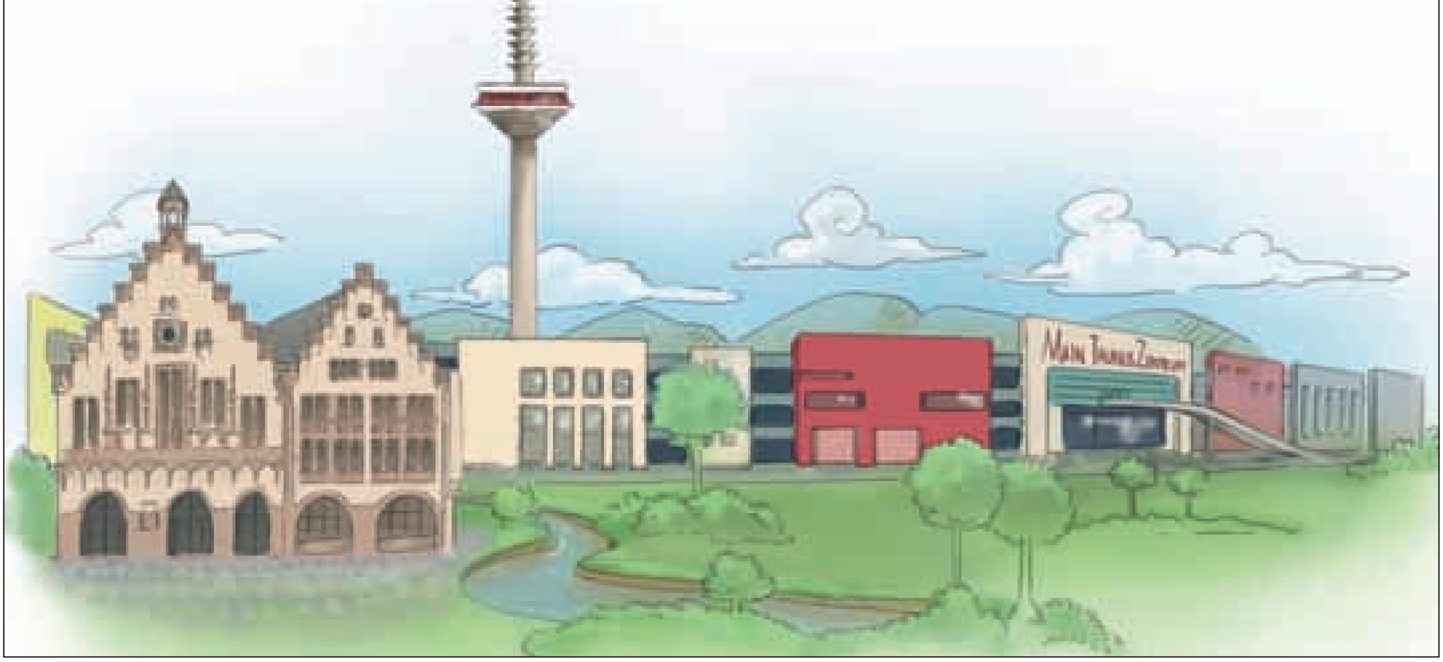
November 2009 saw the start of the building work for the long-planned expansion of the Main-Taunus-Zentrum in Sulzbach near Frankfurt, following a number of postponements due to a legal dispute between the district and city. This means that the MTZ, which last year celebrated its 45th anniversary, will be expanded by around 12,000 m² of retail space.

Following completion in the autumn of 2011, the traditional shopping center will offer around 91,000 m² of leasable space and roughly 180 shops, service providers and catering outlets in total. In order to achieve this, it will be necessary to build over the north car park between Bundesstraße 8, the existing car park and the center. A mall will be created on the ground floor which will transform the existing row of shops into a circular route. The two floors above will be used as parking levels. Prior to this a new four-storey car park will be built on the southern side of the center. In future, visitors will therefore have a total of 4,500 free parking spaces at their disposal.

With the 70 or so new shops the emphasis will be placed mainly on the area of fashion. In response to many customers' wishes, the catering facilities in particular will also be expanded. Overall, the idea is for retailers from the region to be approached more intensively to become tenants for the new, somewhat smaller spaces.

The expansion of the Main-Taunus-Zentrum will allow it to further develop its strong position in the region. It is already one of the most highly frequented retail locations in Germany.

In total around €72 million is being invested in the expansion, with Deutsche EuroShop's share amounting to approximately €31 million. ■



BY MARIANA THEILING

HOW MUCH LIGHT DO PEOPLE NEED TO SHOP?

The use of energy in a center is varied. Electricity is mainly needed for ventilation and cooling, to operate conveyors and for lighting. Lighting itself accounts for around 60% of the total energy requirement, making this not only one of the most visible consumers of energy, but the largest one as well.

The goal is therefore to keep the energy requirement in this particular area as low as possible, while still creating optimum lighting conditions for customers and tenants. A team of ECE experts made up of architects and lighting designers has taken up this challenge. Given that individual measures, such as use of the latest lamp technology, are not enough to resolve this complex issue, the team is working on the development of comprehensive new lighting concepts that take into account all relevant aspects, from daylight through to architecture.

THE ECE LIGHTING CONCEPT: LESS IS MORE – CONSCIOUS USE OF LIGHT

One of the main features of lighting concepts is daylight, which is a must in every shopping center. Since individual centers differ from one another in many ways, such as the direction a building faces, every project is examined on its own merits to determine how the use of daylight can be optimised. The question "How much daylight saves energy?" has to be answered afresh every time. Too much natural sunlight increases the need for cooling. The ideal situation is to have diffused light coming in from a northerly direction, since this contributes brightness without heating up the building particularly. A further crucial factor is the design of roof openings. A symmetrical roof made entirely of glass allows a lot of heat from the sun into a center. This can be avoided by having roof sections that are partially closed, for example.

Even in the earliest phase in the planning of each project, an intensive exchange between lighting designers and architects takes place in order to consider the individual energy-related challenges posed by each building. This is where the course is set for the sustainability of the property.

Artificial lighting is "administered in doses" depending on the amount of natural lighting available. Contrary to a popular assumption, the more a building benefits from natural light, the greater the amount of artificial light needed because daylight cannot reach into every corner of the building. If this is not balanced out by artificial lighting, high contrasts are created that visitors find very unpleasant. What is more, the human eye adapts to areas that are brightest, which means that it is then unable to recognise features quite as well in dark zones. That is why it is important to pay special attention, when planning lighting, to the entrance zones where visitors first adjust to the brightness inside a center, to those areas where no daylight penetrates for architectural reasons, as well as to the display windows which should be the brightest zones in a mall.

THE RIGHT MIX OF DAYLIGHT AND ARTIFICIAL LIGHT

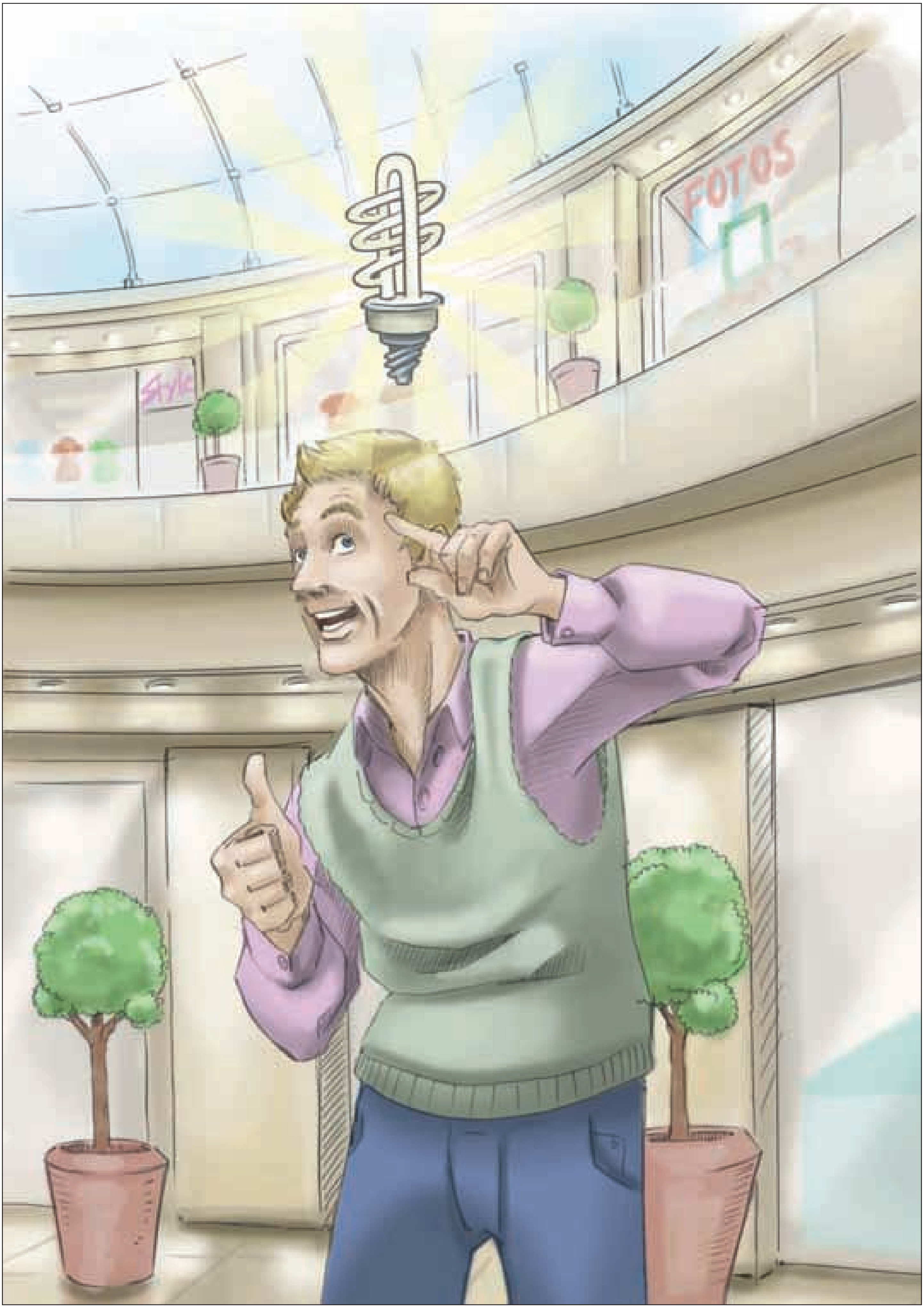
Artificial light ensures that all areas are properly illuminated. To minimise the energy needed to achieve this result, our centers use illuminants that generate very little heat. These mainly consist of fluorescent lamps, which are used in illuminated ceilings and arches, and halogen metal vapour lamps, which are particularly suitable for downlights – small lights usually mounted in the ceiling.

FROM FLUORESCENT LAMPS TO LEDS

LEDs, however, are not bright enough for general lighting, and the quality of their colour reproduction is inadequate. They are though used in some of our centers, e.g. in Dresden, Passau and Hameln, for façade lighting, coloured accents and places that are difficult to reach. A further development in the near future will be illuminated ceilings with LED technology. They can be used here to supplement existing arches and downlights, thereby halving the power consumption compared to a traditional fluorescent illuminated ceiling. In addition, lights are switched off where they are not needed during the day. During evening hours, an energy saving of around 50% can be achieved by dimming the illuminated ceilings and arches and turning the ambient lighting down by half. It is with optimisation measures such as these that, within the last eight years, ECE has managed to save 20% of the energy used to illuminate malls while at the same time improving the quality of the lighting.

LESS IS MORE – CONSCIOUS USE OF LIGHT

Brightness levels need to be higher during the day than in the evening. People perceive white light as pleasant during the day, but prefer warm light in the evening. ■


FOTOS

ACTIVITIES

Rat-catcher run around the Stadt-Galerie

The people of Hameln revealed their sporty side on 28 August 2009. Almost 700 runners from every age group took part in the Stadt-Galerie Run, which followed a course through the city centre. The youngest among them completed the 500-metre "Bambini Run", while the "People's Run" covered a distance of 10 kilometres. Prior to the event, the runners were given their start numbers and goodie bags inside the center. The starting and finishing straight by the Wedding House was directly opposite the main entrance to the Stadt-Galerie, which will continue to be the main sponsor for the event over the next few years.

5 years of the Phoenix-Center

A full week of events was held in the Phoenix-Center in Hamburg-Harburg in October 2009 to celebrate the 5th birthday of the center and the impressive success it has enjoyed in its first years. Among the attractions were the cutting of a huge birthday cake, prize draws (main prize was a Ford Fiesta), an extensive stage programme and fashion shows. One of Harburg's younger citizens, who was born on the same day that the center opened (29.09.2004), was thrown his own special birthday party in the middle of the center with plenty of surprises for him and ten friends.

IN THE CENTERS

Very special and unique Christmas trees in Wetzlar

The "Children Decorate Christmas Trees" activity in the Forum Wetzlar in December 2009 brought a wide smile to the faces of children and parents alike. Around 800 children from 34 nurseries within the center's catchment area showed great attention to detail as they adorned Christmas trees on the ground floor with decorations they had made themselves. As a reward, all the children were invited to the cookies and cocoa table, and each one was also given a little Christmas present and a photo of their unique and personal masterpiece as a keepsake.

Sea of flowers in the City-Arkaden

Between 19 and 21 March 2009, visitors to the City-Arkaden in Klagenfurt were treated to a spectacle of vibrant colours and rich smells as the center's mall played host to the Corinthian Apprenticeship Contest for Florists. Fifteen apprentices demonstrated their skills to a jury of experts under the critical gaze of visitors to the center and each had to complete five tasks, which included creating a table decoration and making up a bouquet.

BY STEFFEN ERIC FRIEDLEIN

LEASING IN CHALLENGING TIMES

Financial crisis, bank collapses, credit crunch, insolvencies, falling demands, slumps in retail sales and rising unemployment, etc. – these gloomy headlines of recent months paint a bleak picture of the economic climate. While some sectors of the economy are already beginning to detect the first glimmers of hope again, others are convinced that they are only just starting to feel the full force of the crisis. This could also be the case with the retail trade.

Investors, developers, lessors and operators of shopping centers inevitably have no way of completely avoiding these constraints – and neither do tenants. What does this mean in relation to the rental situation for shopping centers in Germany and Europe?

MOOD OF CRISIS

It may provoke one or two to spontaneously express their sympathy for a suffering member of the leasing fraternity. And, true enough, there are certainly lessors of shopping centers, retail parks, shopping arcades and similar retail agglomerations who are hoping and praying for an end to the general mood of crisis so that they can finally fill the vacant properties that have sprung up all over the place and which it has been impossible to lease on a long-term basis in recent times despite the offer of all manner of special terms, such as rent-free periods, extremely low rent or contributions to construction costs. Though, after the official end to the crisis, some may still be surprised to find that there is no improvement in the demand for their real estate.

Other lessors, on the other hand, are finding that, with the right product and a sustainable leasing strategy, it is still possible for them to lease all their properties on reasonable terms even under present market conditions.

TENANTS LOOKING TO EXPAND

Let us consider the market from the point of view of tenants who are looking to expand. Anyone who has managed his business successfully and is therefore in a position to expand using his own resources or with solid funding has access to a whole range of rental options thanks to the increased level of fluctuation. These include good city center locations as well as spaces inside shopping centers. A contributing factor are the numerous insolvencies recently, particularly with huge department stores such as Karstadt, Hertie, Woolworths, Wehmeyer, Sinn Leffers, Pohland and Kenvelo, to name but a few.

Admittedly, the number of insolvencies has also risen in centers managed by ECE, but at 1.2% this is still very low compared to the total number. ►


How's business?
Can't complain.
MA 2010

The limited expansion activity of many chain stores – whether as a precautionary measure or due to the reluctance of many banks to grant credit to fund new retail space – also plays a part.

Operators who are keen and able to expand are therefore spoilt for choice when it comes to locations and are usually in a very powerful negotiating position with lessors who cannot counter their requirements with a strong offer.

SUSTAINABLE LEASING CONCEPT

From the lessor's point of view, the major challenge lies in making the space for rent as appealing as possible to the potential tenant without overlooking the importance of cost efficiency. This calls for space flexibility – the space must be largely adaptable to tenants' requirements in terms of size and shape. There must be the option of merging or dividing spaces as required and of combining this with corresponding investments on the part of the lessor. These investments, which must take into account future market requirements, also need to be a good prospect for refinancing.

Only those who can provide a sustainable leasing concept can hold out any hope of obtaining the necessary resources for their activities in the capital market. A leasing concept of this nature is naturally easier to develop and realise in a shopping center than in a free-standing property where there is a very high level of dependency on individual tenants. Successful centers have a varied sector mix, a balanced ratio of large, medium and small spaces, as well as an operator structure that combines a blend of national and international chain stores, regional operators and so-called "lone fighters".

The maintenance of an effective tenant base, the sensible further development of successful concepts and the constant search for new and unique suppliers make the difference.

REDUCED SUSCEPTIBILITY TO CRISES

This level of complexity reduces the susceptibility to crises right from the outset given that the dependency on individual operators or sectors is less pronounced. It is very rare for every retailer inside a center to be affected by declining sales to the same extent and at the same time.

The loss of individual operators can often be compensated for quickly and easily by relocations or space expansions by other tenants. An interim rental within the framework of a short-term tenancy agreement does not have to be inconsistent with a sustainable leasing strategy but can even be a part of it as a way of avoiding a new long-term lease at a lower rent. A new ten-year tenancy agreement – at the original rent at least if possible – can often be concluded again once the positive trend has been restored in the market environment.

EARLY WARNING SYSTEM

If the lessor is a professional center operator he usually has early knowledge of which concepts are "struggling" thanks to monthly or quarterly revenue reports from rental partners which provide an indication of trends inside a center. Collating these figures at regional, national or even international level allows relatively quick and reliable predictions to be made about the sustainability of certain retail concepts.

Ongoing communication with rental partners at local and transregional level supports these activities. On this basis, measures can be devised that must be appropriate and effective.

SOLUTIONS

These definitely do not include the blanket and simplistic rent reduction wishes that have been voiced by some tenants under the cover of the financial crisis without any economic justification for them. Every bit as unhelpful is the pressure exercised by some rental partners for the early closure of unprofitable stores without any regard for the interests of center operators and owners.

Rather, a leasing strategy in times of crisis must be geared towards a precise analysis first of all of the situation of retailers suffering from falling turnover and rising rental percentages – in relation to each individual location in the case of chain stores. In addition to conceivable turnover-boosting measures, which professional center management can offer, there is sometimes a need for very specific economic support measures that are fair, responsible to investors, measured, situational and of a short-, medium- or long-term nature.

A constant and consistent attitude must be adopted by the lessor as standard here; there is no point in short-term hasty decisions. This way the lessor also remains dependable in the tenant's eyes. This approach is based not only on revenue reports from the tenant but also on other business data that the tenant supplies via his tax consultant which must provide an overview of his actual economic situation. In addition, the concept in question must be sustainable, with development only hampered temporarily.

In the event of any necessary subsequent changes, balanced arrangements are developed that are fair to both parties in terms of opportunities and risks.

OPPORTUNITIES

Even if, in individual cases, some measures may be grim for one retailer, they represent, at the same time, a chance for new market participants, enabling them to take up spaces in existing properties that would otherwise have been occupied for years. One man's misfortune is another man's opportunity.

Thanks to increasing verticalisation and internationalisation, these days there are undreamt-of possibilities for innovative concepts to penetrate new markets outside their respective domestic markets on adequate terms – and particularly with large spaces.

The following could be considered current examples: low- or off-price concepts such as Primark and TK Maxx, trendy fashion stores such as Hollister, the center-compatible subsidiary of cult US label Abercrombie & Fitch, popular suppliers with a growing global fan base such as Apple, or even the quality-driven supermarkets of Migros from Switzerland. These are all unfazed by the current market data and are instead looking to conquer new markets right now.

MARKET ENTRY PLATFORM

For a lessor who can offer an extensive portfolio of superior locations, as is the case with the seventeen locations of Deutsche EuroShop, the potential for strategic partnerships here is very exciting. What could be more beneficial to the market entry of a new concept than a trusting relationship with a center operator focussed on sustainable and long-term success, who helps the tenant choose the most suitable locations? A location platform of such quality offers important economies of scale for professional tenants.

This is particularly valid since Deutsche EuroShop's locations are well-established properties, which with their overall concept comprising innovative architecture, outstanding functionality, high-quality sector mix, a balanced tenant structure and professional center management offer precisely the type of added value that really sets them apart from other offers in the rental market in times of crisis.

EXAMPLES

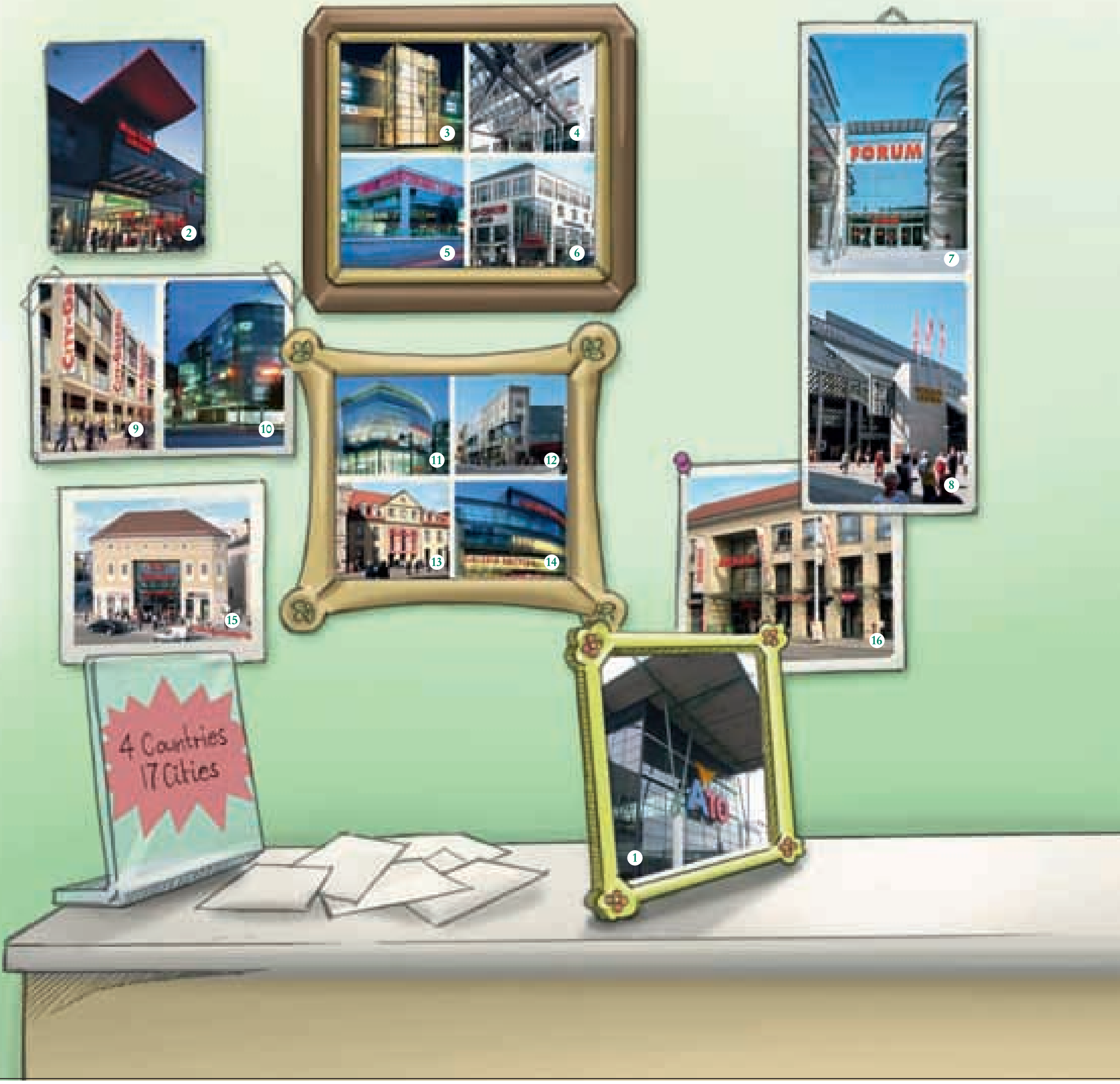
The current expansion work at the Altmarkt-Galerie Dresden, the Main-Taunus-Zentrum or the recently added A10 Center is proof of this, given that these centers are enjoying very brisk demand from potential tenants. You will find some of the above innovative new concepts in these properties. It is all very exciting.

If we take the example of the Altmarkt-Galerie Dresden, the development of a successfully managed center is very much in evidence: from the "backyard location" viewed rather reticently in the boardrooms of some potential tenants for a first-time rental to the absolute "top performer" where it is proving virtually impossible to create enough space to satisfy demand despite the expansion work underway. Here too it makes good sense to have a sustainable leasing strategy because it may be possible, through the expansion, to further develop strengths, such as an individual and high-quality fashion offering, as well as to eliminate weaknesses, such as a fresh produce zone that is bursting at the seams.

100% POSSIBLE

So what is the difference between leasing in "challenging" times and leasing when times are "easy", if that has ever really been the case? Strictly speaking, not much. It has certainly become more time-consuming to find the right rental partner for a particular space at the right time and with an adequate rent. Where previously all it took for the conclusion of a tenancy agreement was a few telephone calls and the exchange of detailed information by e-mail, these days four or more rounds of negotiations are often needed. However, with the right product, a good dose of flexibility (from all concerned, namely tenants, lessors and owners) and hard work, it is still possible for every lessor to realise his dream objective: a 100% occupancy rate! ■

THE CENTERS




1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
17
2010

A10 CENTER WILDAU/BERLIN

Investments:	100%
Purchased by DES:	January 2010
Leasable space:	around 120,000 m²*
of which retail space:	around 66,000 m²*
No. of shops:	around 180*
Occupancy rate:	100%
Catchment area:	around 1.2 m. inhabitants
Parking:	around 3,800*
Grand opening:	1996, renovation/modernisation 2010-2011
Anchor tenants:	Real, Karstadt Sports, C&A, H&M, Peek & Cloppenburg

*incl. development (A10 Triangle, opening planned for spring 2011)

Web: **www.A10center.de**

MAIN-TAUNUS-ZENTRUM SULZBACH/FRANKFURT

Investments:	43.1%
Purchased by DES:	September 2000
Leasable space:	around 117,000 m^2*
of which retail space:	around 91,000 m^2
No. of shops:	around 180*
Occupancy rate:	100%
Catchment area:	around 2.2 m. inhabitants
Parking:	around 4,500*
Grand opening:	1964, renovation/modernisation 2004, expansion 2011
Anchor tenants:	Breuninger, Galeria Kaufhof, Karstadt, Media Markt

*incl. expansion (opening planned for autumn 2011)

Web: **www.main-taunus-zentrum.de**

ALTMARKT-GALERIE DRESDEN

Investments:	50.0%
Purchased by DES:	September 2000
Leasable space:	around 76,500 m^2*
of which retail space:	around 44,000 m^2
No. of shops:	around 200*
Occupancy rate:	100%
Catchment area:	around 1.0 m. inhabitants
Parking:	around 520
Grand opening:	2002, expansion 2011
Anchor tenants:	Saturn, SinnLeffers, Zara

*incl. expansion (opening planned for spring 2011)

Web: **www.altmarkt-galerie.de**

RHEIN-NECKAR-ZENTRUM VIERNHEIM

Investments:	99.9%
Purchased by DES:	September 2000
Leasable space:	around 69,000 m²
of which retail space:	around 60,000 m²
No. of shops:	around 110
Occupancy rate:	100%
Catchment area:	around 1.4 m. inhabitants
Parking:	around 3,800
Grand opening:	1972, renovation/expansion 2003
Anchor tenants:	Engelhorn Active Town, Peek & Cloppenburg, H&M, Zara, C&A

Web: **www.rhein-neckar-zentrum-viernheim.de**

PHOENIX-CENTER HAMBURG

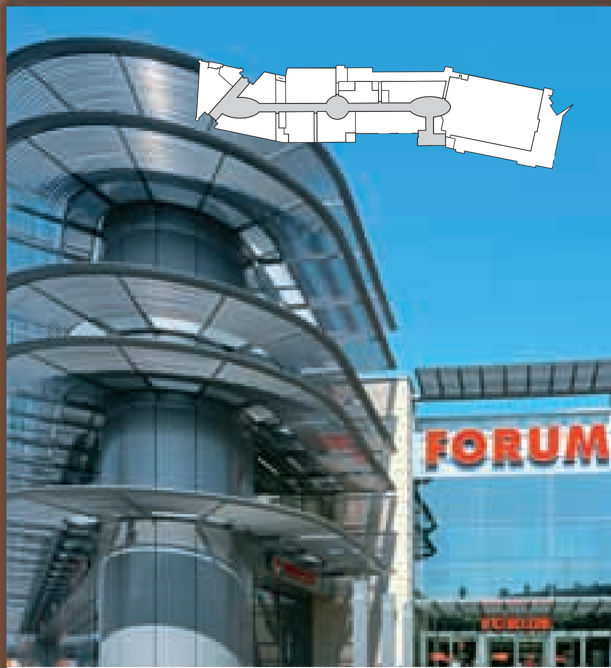
Investments:	50.0%
Purchased by DES:	August 2003
Leasable space:	around 38,700 m²
of which retail space:	around 26,500 m²
No. of shops:	around 110
Occupancy rate:	100%
Catchment area:	around 0.6 m. inhabitants
Parking:	around 1,600
Grand opening:	2004
Anchor tenants:	Media Markt, Karstadt Sports, New Yorker, H&M, C&A, REWE, SinnLeffers

Web: **www.phoenix-center-harburg.de**

ALLEE-CENTER HAMM

Investments:	88.9%
Purchased by DES:	April 2002
Leasable space:	around 34,000 m²
of which retail space:	around 21,000 m²
No. of shops:	around 85
Occupancy rate:	100%
Catchment area:	around 1.0 m. inhabitants
Parking:	around 1,300
Grand opening:	1992, renovation/modernisation 2003, 2009
Anchor tenants:	H&M, Peek & Cloppenburg, Saturn, C&A

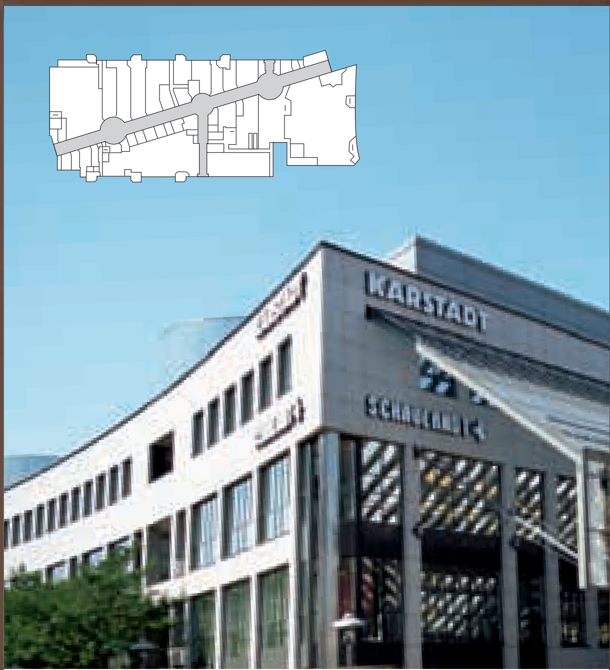
Web: **www.allee-center-hamm.de**



FORUM WETZLAR

Investments:	65.0%
Purchased by DES:	October 2003
Leasable space:	around 34,300 m²
of which retail space:	around 23,500 m²
No. of shops:	around 110
Occupancy rate:	100%
Catchment area:	around 0.5 m. inhabitants
Parking:	around 1,700
Grand opening:	2005
Anchor tenants:	Kaufland, Media Markt, Thalia

Web: **www.forum-wetzlar.de**



RATHAUS-CENTER DESSAU

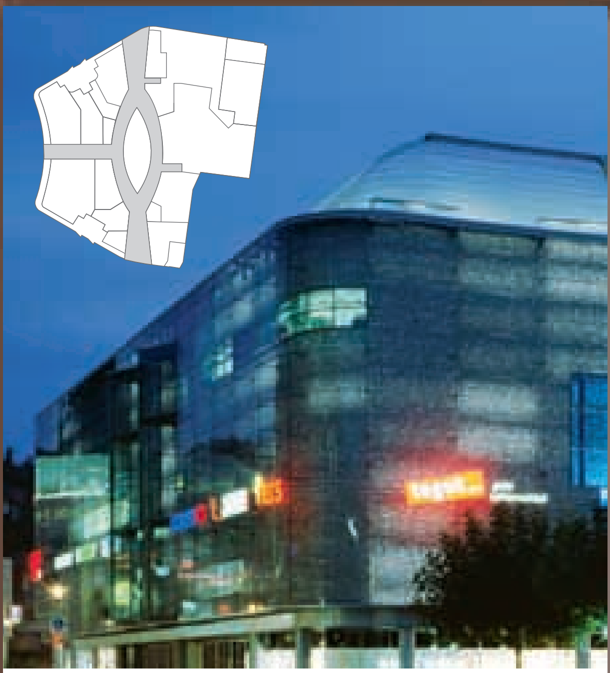
Investments:	94.9%
Purchased by DES:	November 2005
Leasable space:	around 30,400 m²
of which retail space:	around 20,000 m² (ohne Karstadt)
No. of shops:	around 80
Occupancy rate:	97%
Catchment area:	around 0.5 m. inhabitants
Parking:	around 840
Grand opening:	1995
Anchor tenants:	H & M, Peek & Cloppenburg, Thalia

Web: **www.rathaus-center-dessau.de**

CITY-GALERIE WOLFSBURG

Investments:	89.0%
Purchased by DES:	September 2000
Leasable space:	around 30,800 m²
of which retail space:	around 20,000 m²
No. of shops:	around 90
Occupancy rate:	100%
Catchment area:	around 0.3 m. inhabitants
Parking:	around 800
Grand opening:	2001
Anchor tenants:	Extra, Saturn, Sport-Scheck, New Yorker

Web: **www.city-galerie-wolfsburg.de**



CITY-POINT KASSEL

Investments:	90.0%
Purchased by DES:	September 2000 / Dezember 2008
Leasable space:	around 28,200 m²
of which retail space:	around 20,000 m²
No. of shops:	around 70
Occupancy rate:	100%
Catchment area:	around 0.8 m. inhabitants
Parking:	around 200
Grand opening:	2002, renovation/modernisation 2009
Anchor tenants:	Hugendubel, Saturn. H&M, New Yorker

Web: **www.city-point-kassel.de**

CITY-ARKADEN WUPPERTAL

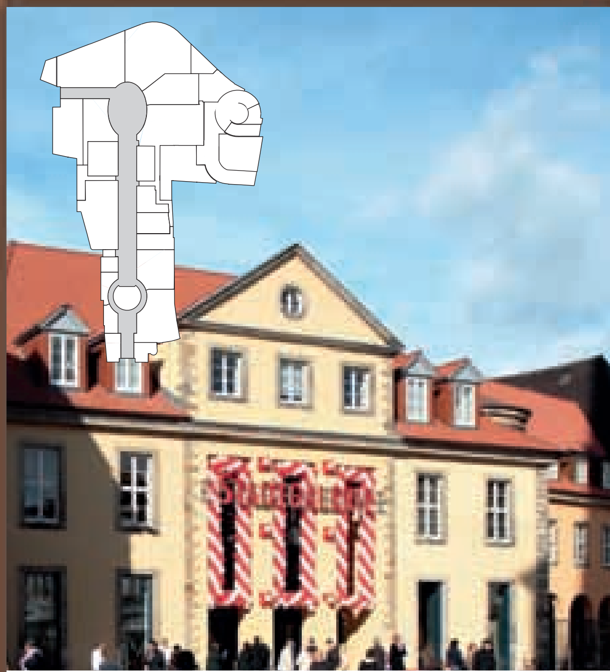
Investments:	72.0%
Purchased by DES:	September 2000
Leasable space:	around 28,700 m²
of which retail space:	around 20,000 m²
No. of shops:	around 80
Occupancy rate:	100%
Catchment area:	around 0.7 m. inhabitants
Parking:	around 650
Grand opening:	2001, renovation/modernisation 2004
Anchor tenants:	Akzenta, MediMax, Zara, H&M, Thalia

Web: **www.city-arkaden-wupptertal.de**

STADT-GALERIE PASSAU

Investments:	75.0%
Purchased by DES:	Dezember 2006
Leasable space:	around 27,300 m²
of which retail space:	around 21,000 m²
No. of shops:	around 90
Occupancy rate:	100%
Catchment area:	around 0.4 m. inhabitants
Parking:	around 500
Grand opening:	2008
Anchor tenants:	Saturn, C&A, Esprit

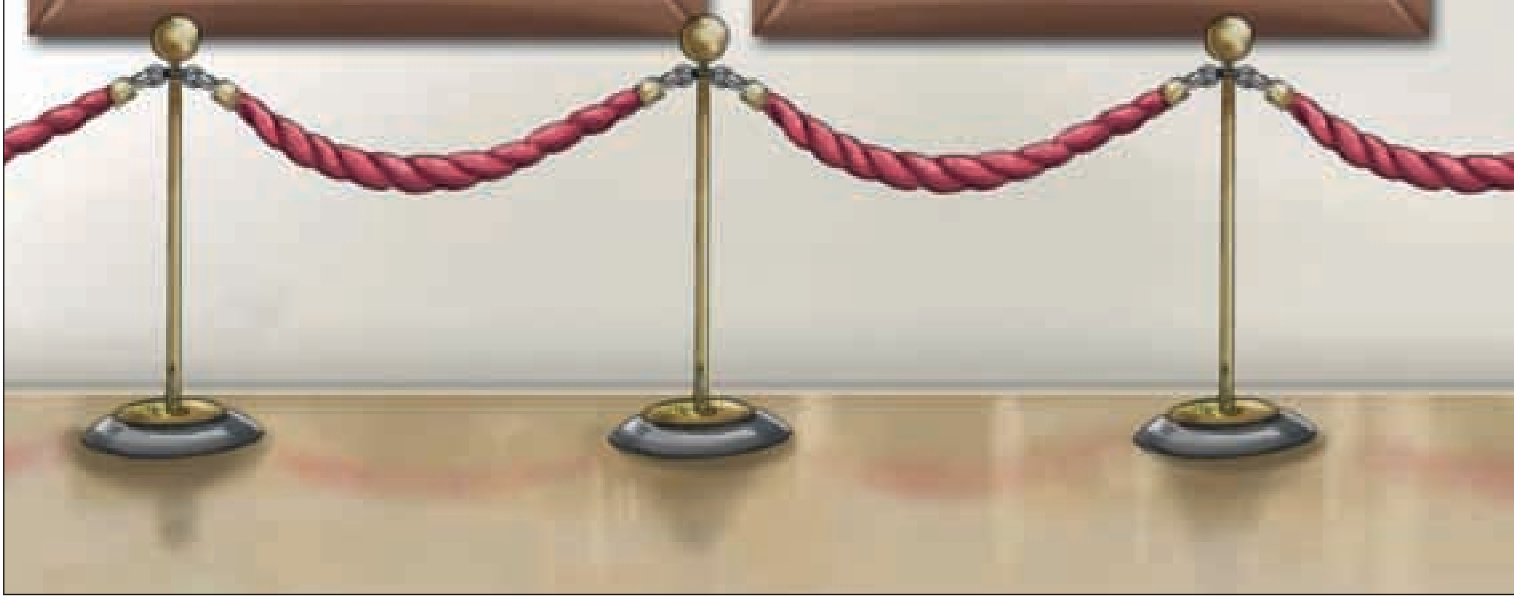
Web: **www.stadtgalerie-passau.de**



STADT-GALERIE HAMELN

Investments:	94.9%
Purchased by DES:	November 2005
Leasable space:	around 25,900 m²
of which retail space:	around 19,000 m²
No. of shops:	around 100
Occupancy rate:	97%
Catchment area:	around 0.4 m. inhabitants
Parking:	around 510
Grand opening:	2008
Anchor tenants:	Müller Drogerie, New Yorker, Real

Web: **www.stadt-galerie-hameln.de**




At a glance
Shopping Centers
Abroad
As of February 2010

GALERIA BALTYCKA GDANSK, POLAND

Investments:	74.0%
Purchased by DES:	August 2006
Leasable space:	around 39,500 m²
of which retail space:	around 39,500 m²
No. of shops:	around 200
Occupancy rate:	100%
Catchment area:	around 1.1 m. inhabitants
Parking:	around 1,000
Grand opening:	2007
Anchor tenants:	Saturn, Peek & Cloppenburg, Zara

Web: **www.galeriabaltycka.pl**

CITY ARKADEN KLAGENFURT, AUSTRIA

Investments:	50.0%
Purchased by DES:	August 2004
Leasable space:	around 36,900 m²
of which retail space:	around 27,000 m²
No. of shops:	around 120
Occupancy rate:	100%
Catchment area:	around 0.4 m. inhabitants
Parking:	around 880
Grand opening:	2006
Anchor tenants:	C&A, Peek & Cloppenburg, Saturn, Zara, H&M

Web: **www.city-arkaden.at**

ÁRKÁD
PÉCS, HUNGARY

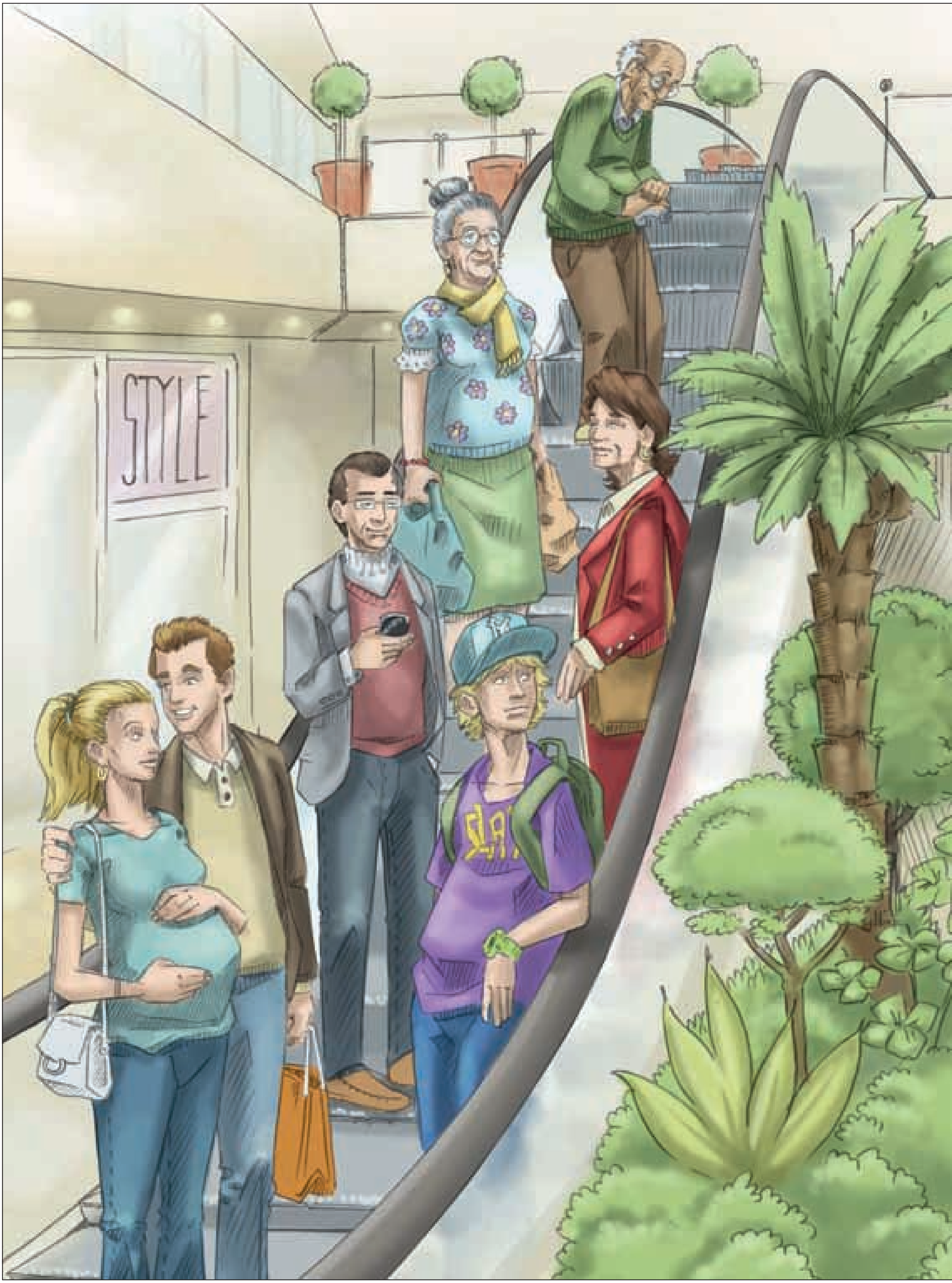
Investments:	50.0%
Purchased by DES:	November 2002
Leasable space:	around 35,000 m²
of which retail space:	around 35,000 m²
No. of shops:	around 130
Occupancy rate:	98%
Catchment area:	around 0.7 m. inhabitants
Parking:	around 800
Grand opening:	2004
Anchor tenants:	C&A, Interspar, Media Markt

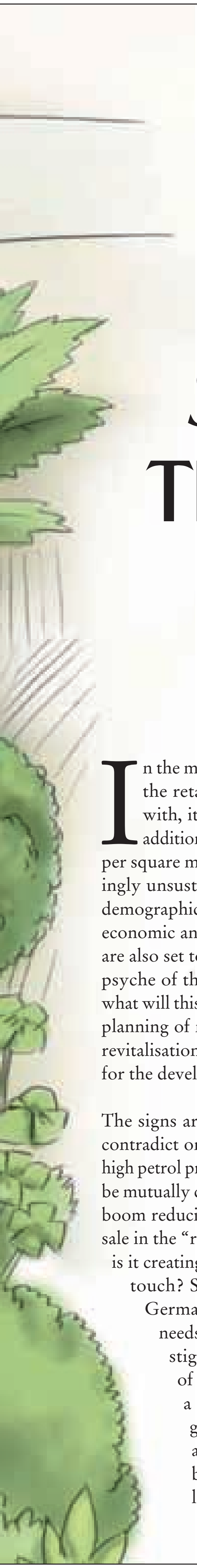
Web: **www.arkadpecs.hu**

GALERIA DOMINIKANSKA
WROCLAW, POLAND

Investments:	33.3%
Purchased by DES:	Dezember 2003
Leasable space:	around 32,000 m²
of which retail space:	around 30,500 m²
No. of shops:	around 100
Occupancy rate:	100%
Catchment area:	around 1.0 m. inhabitants
Parking:	around 900
Grand opening:	2001
Anchor tenants:	C&A, Media Markt, van Graaf, Varner, Carrefour

Web: **www.galeria-dominikanska.pl**


STYLE



GERMAN COUNCIL OF SHOPPING CENTERS E.V.
GOTTLIEB DUTTWEILER INSTITUTE

SHOPPING CENTERS: THE 7TH GENERATION

★★★

In the midst of the economic crisis that the retail trade is having to contend with, it is plain that the gap between additional retail space and productivity per square metre is widening to an increasingly unsustainable extent. What is more, demographic and sustainability trends and economic and technological developments are also set to have a huge influence on the psyche of the consumer of tomorrow. So what will this mean for the construction and planning of new shopping centers, for the revitalisation of older retail properties, and for the development of new sites?

The signs are not easy to read, and often contradict one another as well. How can a high petrol price and greenfield development be mutually compatible? Is the e-commerce boom reducing the need for new points of sale in the "real" world or, on the contrary, is it creating a desire for more of a human touch? Should planning in an ageing Germany devote more space to the needs of senior citizens, or will this stigmatise and alienate a section of the population that is already a hard to pin down as a target group? What if consumers have a desire for greater sustainability, but this clashes with more limited budgets? Where might retail run the risk of backing a short-lived trend? What are the really relevant developments, both online and offline?

All these questions are examined in the study "Shopping centers: the 7th generation". Its key findings are summarised below. They reveal a need to rethink and look ahead in retailing and in the retail property business. But even if the retail sector is heading for a watershed, all those qualities that have distinguished enthusiastic retailers, success-oriented center planners and smart retail property strategists in the past will remain pivotal for decades to come. These include knowledge of relevant social trends, a passion for business and a love of experimenting. It is important for retailers to understand consumers' future value sets and to adapt themselves and their business models to social and economic circumstances.

The Gottlieb Duttweiler Institute (GDI) has imagined the world of 2020, interviewing selected experts from the retail and real estate industry, along with architects, designers and consumer researchers, asking them about their views and visions of retailing and the effects these might have on the future development and design of retail property. The GDI has condensed the main findings and trends into seven strands:

1. POSITIONING:
The "average" mall will disappear along with the "average" customer

An overview of the 1a locations in Germany reveals a similar picture in most cities today: large retail clothing chains dominate the offering, and the percentage of chain outlets will soon exceed 70%. The situation is often much the same in shopping centers. There is a growing danger that an offering of "more and more of the same" will leave little room to carve a distinctive profile, let alone individuality. For this reason, center planners need to position themselves more clearly and highlight themes. Without USPs, retail properties will become the victims of an enormous "overstoring" machine. ▶

2. NEW URBANISM:
Shopping centers to breathe the city air

In future, developers and retailers will take a greater interest in cities, as higher energy prices, a growing desire among consumers for proximity and a new sense of community shift the focus onto urban locations. But in order to restock the city with retail spaces, it is essential to be able to read it. The city landscape is currently undergoing change, with new approaches in the service society mixing up different areas of life and producing new open, integrated concepts as an alternative to closed-off mega-complexes on greenfield sites.

3. SUSTAINABILITY:
Allowing buildings to flourish, inside and out

"Save energy; lavish empathy" could be the motto for applying the sustainability trend to the construction and management of new retail properties. The energy efficiency bestowed on the construction shell should be replicated in the retail area, with points of sale that can react to consumers' needs and have business models that make sustainability a realistic proposition. Bringing nature into the city will be particularly challenging. If retail properties succeed in fusing city and nature – two contradictory themes at first glance – coherently and credibly, this should activate two important "docking points" for the consumer of tomorrow.

4. VALUE SHIFT
Creating new locations

Despite the boom in e-commerce, now more than ever consumers want to experience authenticity. This means seeing, hearing, smelling and tasting "the real thing". Diminishing trust in the big names of retail and growing moral demands on consumption pose opportunities for individualists, especially if they can join forces to create added-value concepts. Any company that does this right can actively counter the bleak "more of the same" message with their own view of things – the beginning of a new age of diversity as opposed to the current mainstream. Learning from pioneers and professionals can also mean being able to create new, unique locations using sound knowledge of the neighbourhood and traffic volumes instead of bowing to the dictates and price demands of 1a locations.

5. DEMOGRAPHICS:
A home from home for "Generation Gold"

The ongoing demographic shift, i.e. Germany's ageing population, in particular will bring about a change in the focus of consumer experience. The way to the souls and wallets of "Generation Gold", an attractive group for retailers, is through greater warmth, community and emotion, and less strident and fast-paced output. Based on the philosophy of the "third place", the aim is therefore to offer the growing number of older people new retail spaces that represent a welcome change from their own homes.

6. PROXIMITY:
Location is important, service even more so

Not all consumers have the freedom to choose where to shop, and even fewer do during times of recession. To reach the consumers of the future, the retail trade will have to be more flexible and accessible. Retailers will have to focus more and more on expanding their offerings with pre-sales and after-sales services that genuinely appeal to customers and packaging them into formats that are more precisely suited to the target group addressed, their locations, mobility and everyday travel routes. Product sales are no longer the be-all and end-all, but part of a comprehensive service package.

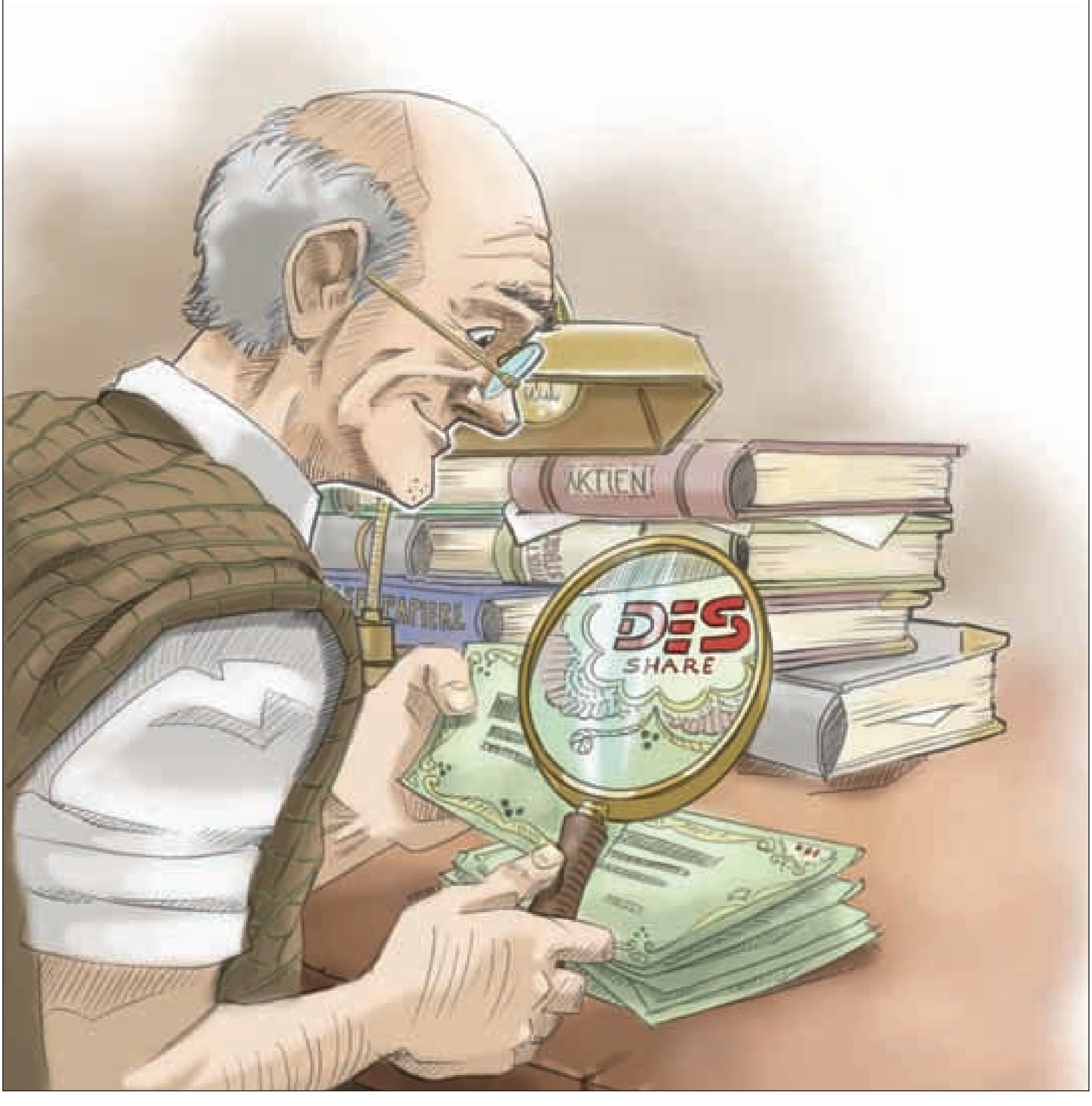
7. "UNSTORING":
Retailing leaves the shop

Cyberspace, which was once a world apart, has become a new dimension of reality, constituting an additional layer of our perception. This is increasingly influencing our behaviour in the real world. Our relationships with one another and with properties will change radically. Thanks to mobile devices, communication and consumption in the future will be something that can take place anywhere we happen to be. Extrapolating, this may mean that retailing will cease to use actual shops (solely) for selling, but increasingly for other functions as well. The retail space will become a platform for experimentation, a meeting place or a test centre in the "real" world.

In the past, retail property was a place where trading took place. In future, it will be somewhere where anything is possible. Precisely what will take place there will depend on consumers' desires, which will need to be identified or stimulated at any early stage. Retailers' intuition and imagination will be instrumental in establishing how this can be achieved in retail formats. How all this can be presented in an income statement will depend on retail property developers' ability to anticipate. It will be good if all concerned hold the key to the future: knowledge of social and economic trends for consumers. After all, customer focus will still be at the top of every retail agenda in 2020. ■

The complete study "Shopping centers: the 7th generation" can be purchased from the German Council of Shopping Centers for €135.00 + VAT. Simply e-mail office@gcsc.de

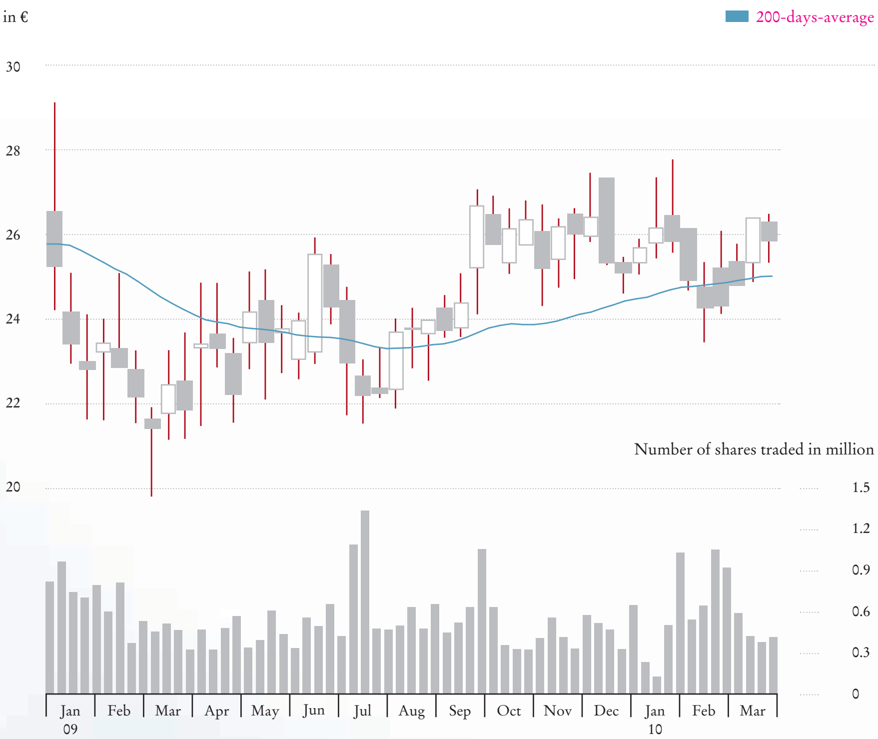
THE SHOPPING CENTER SHARE



SHARE PRICE: VOLATILE TIMES

Deutsche EuroShop shares began the year at a price of €24.30. Just a few days later, on 6 January, they reached an annual high of €26.00 on the basis of the Xetra closing price. The price of our shares then followed a downward trend, in line with the global stock markets, posting a low of €18.66 on 6 March 2009, exactly two months after the annual high. A steady recovery then began, which was only interrupted briefly by the distribution of the dividend. Our shares therefore managed to recover from their low by 27%, closing the year at €23.67. Deutsche EuroShop's market capitalisation increased by around €60 million in 2009 from €835 million to €895 million mainly as a result of the capital increase that took place in July.

TREND OF SHARE



STOCK-MARKET PERFORMANCE	2009	2008
DAX	+23.8%	-40.4%
MDAX	+34.0%	-43.2%
TecDAX	+60.8%	-47.8%
EURO STOXX 50 (Europe)	+21.0%	-44.3%
Dow Jones (USA)	+18.8%	-33.8%
Nikkei (Japan)	+19.0%	-42.1%

LAST YEAR'S LOSERS COME OUT ON TOP IN 2009

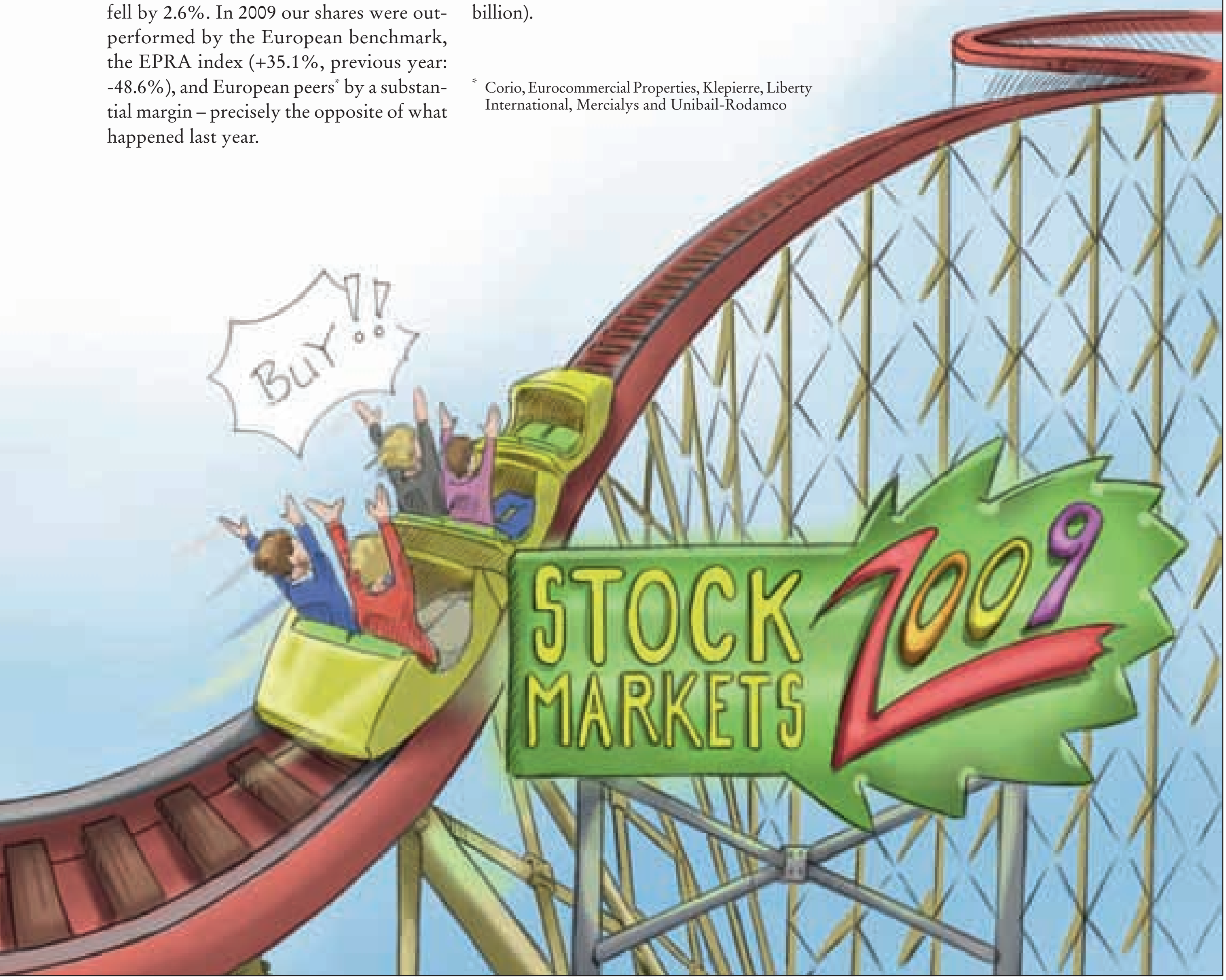
Taking into account the dividend paid of €1.05 per share, the performance of Deutsche EuroShop shares amounted to 2.1% year-on-year (2008: +7.9 %). The share price fell by 2.6%. In 2009 our shares were outperformed by the European benchmark, the EPRA index (+35.1%, previous year: -48.6%), and European peers* by a substantial margin – precisely the opposite of what happened last year.

German open-ended property funds – our competitors for investor capital alongside other property management companies – achieved an average performance of 2.5% in the past year (2008: 4.7%) and had cash inflows of around €3.2 billion (2008: €0.6 billion).

* Corio, Eurocommercial Properties, Klepierre, Liberty International, Mercialys and Unibail-Rodamco

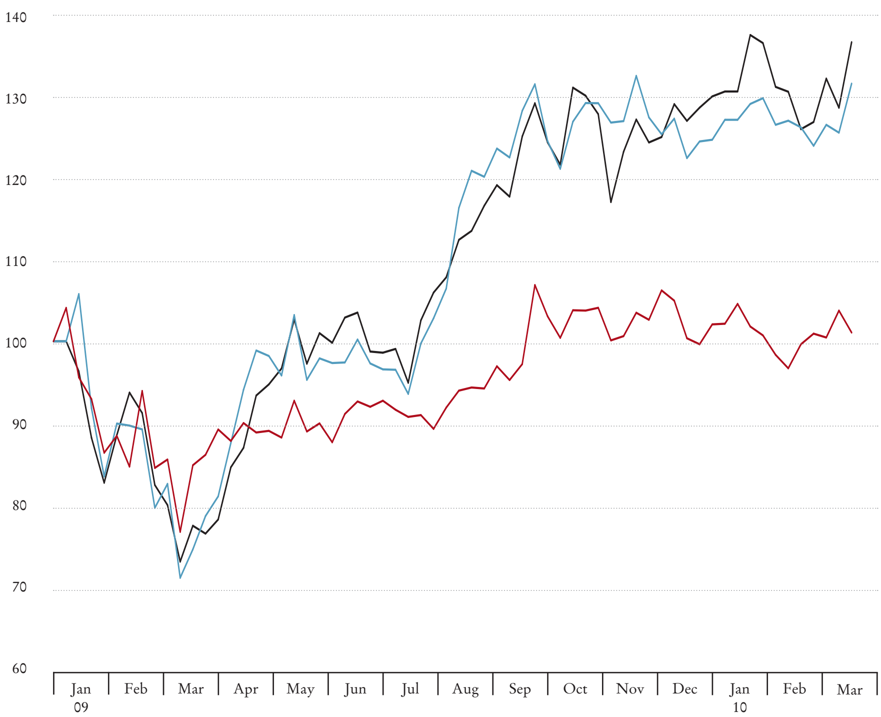
STABLE ATTENDANCE AT ANNUAL GENERAL MEETING

The Annual General Meeting was held on 30 June 2009 in Hamburg. Approximately 300 shareholders were in attendance at the "Alte Dressurhalle" at the Hagenbeck Zoo in Hamburg, representing 56.5% of the capital (previous year: 56.1%), and approved all the items on the agenda.



TREND OF SHARE (INDEXED)

in %



SUCCESSFUL CAPITAL INCREASES IN JULY 2009 AND JANUARY 2010

On 7 July 2009 we further improved the Company's equity base by means of a capital increase, raising its share capital to €37,812,496. The 3,437,498 new shares were subscribed by institutional investors at a price of €19.50 per share via an accelerated bookbuilding process. This issue was oversubscribed roughly three times. Our Company's gross proceeds from this capital increase were approximately €67 million.

At the beginning of January 2010 Deutsche EuroShop acquired the A10 Center in Wildau near Berlin. To refinance the equity portion of the investment amounting to €115 million, in January 2010 we carried out a rights issue with a one-for-six subscription ratio. The new shares were acquired in full by existing shareholders through the exercising of their subscription right and an oversubscription right granted by the Company. A total of 6,302,082 new shares were issued at a subscription price of €19.50 per share, raising around €123 million for Deutsche EuroShop. Investors expressed a willingness to acquire shares with a total value of more than €600 million, meaning that the issue was oversubscribed five times.

DEUTSCHE EUROSHOP SHARES-KEYFIGURES

WKN / ISIN	748 020 / DE 000 748 020 4
Ticker-Symbol	DEQ
Share capital in €	44,114,578.00
Number of share (non-par value registered shares)	44,114,578
Indices	MDAX, EPRA, GPR 250, HDAX, DAX International Mid 100, MSCI Small Cap, Dow Jones EURO STOXX TMI, EPIX 30, HASPAX
Official market	Prime Standard Frankfurt Stock Exchange and Xetra
OTC markets	Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich and Stuttgart

Rights issue without publication of a sales prospectus

by Dr Benedikt Gillessen

In January 2010 Deutsche EuroShop carried out a rights issue without the publication of a sales prospectus. The transaction model was based on a combination of two exemptions from the obligation that applies in principle, in accordance with the Wertpapierprospektgesetz (WpPG – German Securities Prospectus Act), to public offerings of securities and their subsequent admission for stock-exchange trading in the regulated market, requiring issuers to draw up a sales prospectus and have it approved by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin – German Federal Financial Supervisory Authority): firstly, on the basis of BaFin's administrative practice over many years, offers to subscribe that are addressed exclusively to existing shareholders and for which the company does not organise any stock-market trading of subscription rights are not regarded in Germany as a "public" offering and consequently as an offering for which a sales prospectus must be issued. Secondly, the Frankfurt Stock Exchange interprets section 4 (2) (7) WpPG in such a way, for the benefit of issuers, that shares, including those from rights issues, can be admitted for stock-exchange trading without a sales prospectus. BaFin and Germany's stock-exchange supervisory authorities share this interpretation. Although this transaction model has been discussed between market participants on a number of occasions in the past, to date it has only been implemented in a small number of cases.

What are the advantages of this transaction model? As a sales prospectus is required to inform investors in detail about, in particular, the offer, the issuer, its business activities and the risks associated with an investment in the shares, it has to be drawn up carefully by lawyers with capital-market experience and with the assistance of investment banks, auditors and, if necessary, other experts and is extremely time-consuming and, therefore, cost-intensive to produce. Due to the period of four to five months typically required to draw up a sales prospectus, placements for which a sales prospectus is required are also not a suitable way to take advantage of a temporarily favourable capital-market climate in the short term. In the past this was reserved for capital increases (with a volume restricted to less than 10% of the share capital already admitted) that excluded the subscription rights of existing shareholders.

A number of restrictions also apply to the transaction model, however, which – in addition to other legal aspects – include the following: shares that are not subscribed for within the framework of the offer to subscribe may only be placed with existing shareholders; the otherwise usual step of allowing new investors to participate via a so-called rump placement is not possible. In addition, investment banks that are assisting with the capital increase can only monitor demand for the company's shares to a limited extent before the expiry of the subscription period and consequently can also only intervene to a limited extent in a controlling capacity (e.g. by addressing major shareholders in a targeted way). If no major shareholder has undertaken in advance to acquire any shares that are not subscribed for, this essentially means that there is uncertainty about the amount of the issue proceeds that can be realised and, consequently, about the success of the transaction. Under certain circumstances the company may not only realise lower issue proceeds than it had planned, but it may also attract the negative publicity associated with a failed placement.

Due to the lack of a sales prospectus, the company and the banks assisting it also have only very limited options when it comes to emphasising the strengths of the issuer – and, conversely, can only shed limited light on risks. This transaction model is therefore only suitable for issuers that follow a simple and easily comprehensible business model, generally have a high level of transparency and about which there is also no lack of information on the market at the time of the transaction.

On the basis of the currently valid version of the EU Prospectus Directive, the transaction model of a rights issue with no sales prospectus or volume restriction can currently only be applied in Germany and Austria. This situation could soon change, however: the current discussions concerning the revision of the EU Prospectus Directive (at present planned to take place in the summer of 2010) could either result in rights issues being permitted throughout Europe without a sales prospectus or no longer being possible in Germany either. This form of transaction will, however, remain possible for the coming months at least.

IR WORK ONCE AGAIN "AWARD-WINNING"

In June, for the fourth time in a row, Deutsche EuroShop received 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 such a run of success. Each year the financial magazine Capital awards this prestigious prize for the best communication with the financial markets, judging companies on their target group focus, transparency, track record and extra financial reporting.

www.capital.de

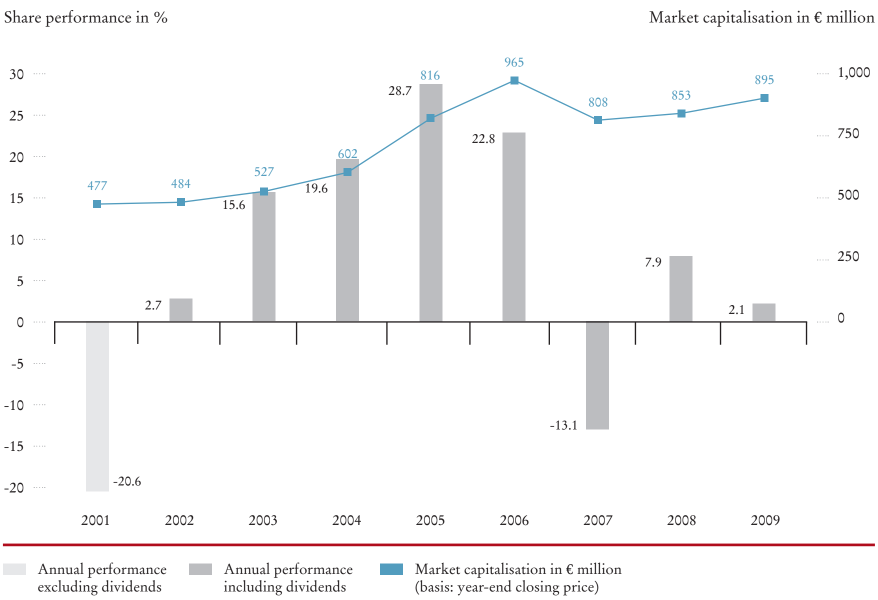
Deutsche EuroShop came third in **"BIRD 2009"** (Beste Investor Relations Deutschland – Germany's Best Investor Relations), having previously finished top for three years in succession. For the seventh time the investor magazine Börse Online honoured those companies whose capital market communication is regarded as particularly open, honest and fair by private investors. In the overall evaluation of 160 companies from the DAX, the MDAX, the SDAX and the TecDAX, our investor relations earned us fourth place.

www.boerse-online.de

The 2008 annual report with its motto "The Third Place" achieved 33rd position out of over 3,000 entries in the **"LACP 2009 Vision Awards Annual Competition"**. The LACP is the League of American Communications Professionals. With 98 out of a possible 100 points, the Deutsche EuroShop annual report was awarded platinum in the "Real Estate/REIT" category.

www.lacp.com

SHARE PERFORMANCE AND MARKET CAPITALISATION SINCE THE IPO



In addition, the international specialist magazine Institutional Investor awarded Deutsche EuroShop and its IR managers first prizes in three categories for **"Best European Investor Relations"**. We also again received the **"Deutscher Investor Relations Preis 2009"** in the MDAX and IR Managers categories, as awarded by DIRK (Deutscher Investor Relations Verband – German Investor Relations Association).

www.iimagazine.com
www.dirk.org

In the pan-European **"Extel Survey"**, we are pleased to announce that the capital market team was consistently placed among the top ten in the industry in the relevant categories.

www.extelsurveys.com

SHARE PRICE UNDER THE SPOTLIGHT

Our shares are now regularly followed by 29 analysts (as at 16 March 2010, compared with 24 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, and it also does not need to shy away from comparison within the MDAX (average of 23 analysts). Particularly good news is that other financial institutions intend to begin covering Deutsche EuroShop shares in 2010. Information on the recommendations is available at: www.deutsche-euroshop.com/research

NEGATIV: 0

NEUTRAL: 12

POSITIVE: 17

The majority of analysts give positive recommendations for Deutsche EuroShop shares (as at 16 March 2010).

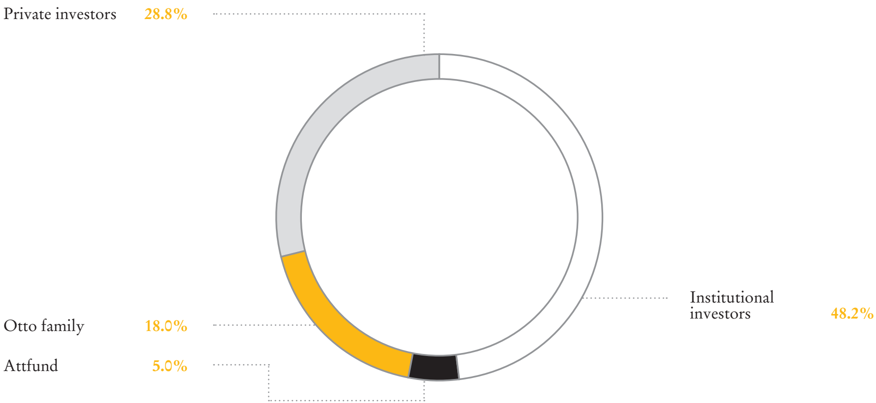
* Aurel, Bankhaus Lampe, Bank of America Merrill Lynch, Berenberg Bank, CA Cheuvreux, Close Brothers Seydler, Commerzbank, Credit Suisse, Deutsche Bank, DZ Bank, equinet, GBC Investment Research, GSC Research, Hamburger Sparkasse, HSBC, HSH Nordbank, Kempen & Co., Kepler Capital Markets, Macquarie, Metzler, M.M. Warburg & Co, Petercam Bank, Rabobank, Sal. Oppenheim, Silvia Quandt Bank, Societe Generale, UBS, Unicredit and WestLB.

SLIGHT SHIFTS IN THE SHAREHOLDER STRUCTURE

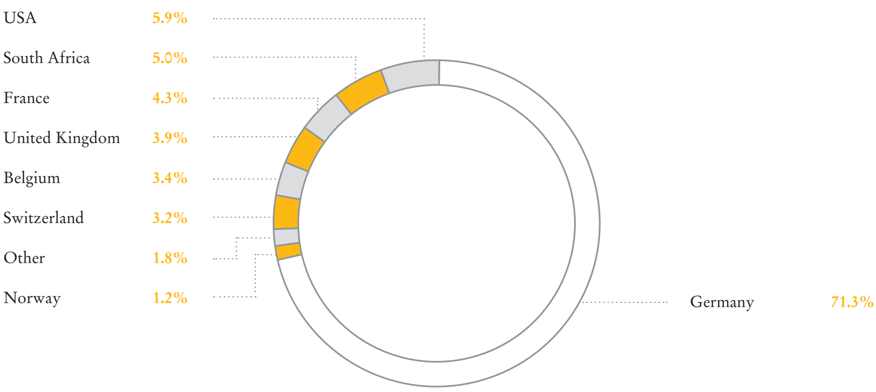
In 2009 the number of shareholders rose significantly to around 9,450 (as at 16 March 2010, previous year: 7,800, +21%). The structural distribution has shifted slightly towards private investors: institutional investors hold around 53% (previous year: 56%) of the shares and private investors around 29% (previous year: 25%). The Otto family's stake is 18%. South-Africa-based Attfund Ltd. reports that it currently holds a stake of almost 5%.

The share of foreign investors has risen by one percentage point. Slight shifts can be seen in the country distribution, particularly with regard to the shares of US and Belgian investors, which have risen markedly (by 1.5 and 1.1 percentage points respectively).

SHAREHOLDER'S STRUCTURE



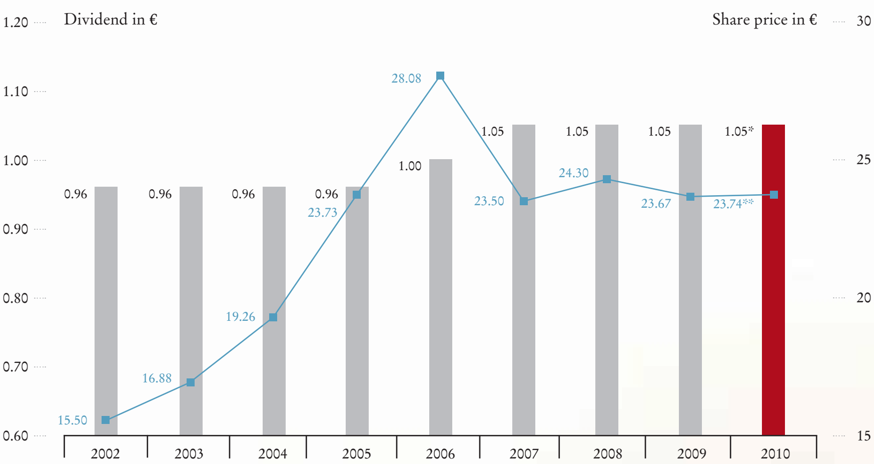
SHAREHOLDER'S STRUCTURE REGIONAL



DIVIDEND CONTINUITY

The Executive and Supervisory Boards will once again propose payment of a dividend of €1.05 per share for the 2009 financial year to the Annual General Meeting of 17 June 2010 in Hamburg. As two capital increases have taken place since the last dividend payment, the absolute amount of the dividend is rising from €36.1 million to €46.3 million (+28%). With our long-term strategy of a dividend policy based on continuity, and a comparatively high yield of 4.4% (based on the 2009 year-end closing price of €23.67), 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



Dividend (paid for the previous year)
* = proposal

Year-end closing price
** = 2010: 16.03.10

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:

Patrick Kiss and Nicolas Lissner
Tel.: +49 (0)40 - 41 35 79 20 / -22
Fax: +49 (0)40 - 41 35 79 29
E-Mail: ir@deutsche-euroshop.com
Web: www.deutsche-euroshop.com/ir

ROADSHOWS & CONFERENCES

In 2009, the Executive Board and Investor Relations team of Deutsche EuroShop once more held a large number of road shows and attended capital market conferences. We were extremely keen to maintain continuous contact with our existing investors in this difficult stock market environment. We are also constantly looking to win new potential investors for our share and to impress them with our business model.

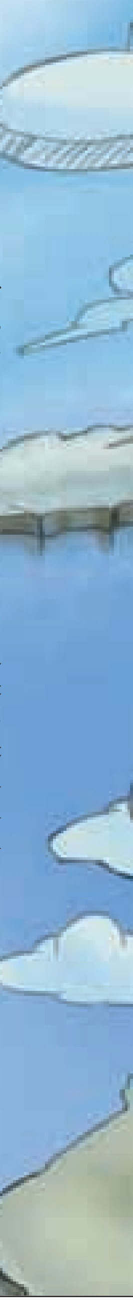
Road shows and conferences are usually organised by banks that actively cover our share through their own analysts and recommend to their clients that they invest. During these events they offer their institutional clients direct access to the management of Deutsche EuroShop. These investors are already shareholders in the Company or they have expressed an interest and they prepare detailed questions for these meetings.

At road shows in Dusseldorf, Frankfurt, Cologne, Munich, Amsterdam, Brussels, Dublin, Edinburgh, Geneva, Helsinki, Copenhagen, London, Milan, Paris, Stockholm and Zurich, we had numerous individual and group appointments with fund and portfolio managers and analysts.

We also attended conferences in Frankfurt, Munich, Amsterdam, London and New York. Here too the focus was on direct discussions with investors. Often a presentation in front of a fairly large group of 20 – 100 participants offers the opportunity to introduce Deutsche EuroShop and to explain the Company's business model and strategy. Sometimes, podium discussions are part of the conference programme. For example, at the Global Real Estate Conference run by Bank of America Merrill Lynch, which took place in New York from 30 September to 1 October 2009, Claus-Matthias Böge took part in a debate with four other executive boards of international REITs and real estate companies on the topic "Examining the Relative Safe Havens".

Altogether, we held 23 road shows last year and attended 13 capital market conferences, which enabled us to conduct private conversations with approximately 350 investors. We also welcomed numerous investors to our offices in Hamburg again and presented our shopping centers locally at various events within the framework of Property Tours.

For 2010 we have once more scheduled a whole host of activities spread throughout the year and are aiming to use these to continue to strengthen and cultivate our contact with existing and potential investors. An overview of these plans can be found on page 150 of our financial calendar, with an up-to-date version available at www.deutsche-euroshop.com/ir.




DES


They're aiming high

DEUTSCHE EUROSHOP

REAL ESTATE SUMMER

On 17 July 2009, we invited financial analysts from the institutes currently tracking our share to the 1st Deutsche EuroShop Real Estate Summer in Dresden. Some 20 analysts used the opportunity to find out the latest news from the Executive Board and IR team as well as to see the Altmarkt-Galerie for themselves. On the evening before the event, those participants who had already arrived were treated to a tour of the tourist hotspot that is Dresden city centre as well as a hearty Saxon dinner.

The day of the event began with a series of lectures: Claus-Matthias Böge, Executive Board Spokesman, spoke first to clarify the possible changes to the accounting standards (IAS 31) and their impact on the Company's statements of financial position and comprehensive income. Then came Steffen Eric Friedlein, Regional Director Leasing (East), ECE, who talked about the rental situation in economically challenging times and explained, among other things, how to emerge from a recession stronger. The final lecture was delivered by Thorsten Kemp, Center Manager at Altmarkt-Galerie, who outlined the past, present and future of the center and focussed particularly on the expansion work that is currently underway and the opportunities that this will bring. Afterwards, there was a tour of the center as well as the construction site, with expert comments from the site management on the current progress of the work, followed by an inspection of the pedestrian zone including an account of the competitive landscape.

Encouraged by the good reception the event enjoyed among the analysts and the positive feedback received, we would like to hold similar events in the future so that we can present the quality of our portfolio and of our individual locations locally as well.

IR-EVENTS 2009

★★★

Exchange Convention

On 7 November 2009, the Hamburg Stock Exchange, in collaboration with the Hanseatischer Börsenkreis from the University of Hamburg, organised the fourteenth Exchange Convention, the largest one-day finance trade show in Germany.

Roughly 100 exhibitors from the world of finance as well as companies listed on the stock exchange, particularly from northern Germany, provided for a broad spectrum of information. The offering was supplemented with a large number of lectures and presentations by experts and well-versed traders, with particular emphasis on sustainable financial investments and on financial topics tailored to women.

With some 5,700 visitors, the turnout for the event was higher than ever before. This was Deutsche EuroShop's fifth appearance at the Exchange Convention. Quite a number of private shareholders as well as interested investors visited the Company's stand on the floor of the main trading hall to pick up business reports and to direct questions to the employees present or simply to use the opportunity for a little chat.

Deutsche EuroShop will be back for the next Exchange Convention in 2010, which will be held on 6 November. Entry will be free for visitors, as in previous years.

www.boersentag.de

Real Estate Share Initiative

The Real Estate Share Initiative was founded in 2001 by five real estate companies, including Deutsche EuroShop, with the objective of generating awareness of German real estate shares among the general public.

What was initially an informal arrangement has now become a true organisation: these days, no fewer than 15 companies are members of the Real Estate Share Initiative, the main purpose of which is to organise an annual specialist conference with a variety of lectures, company presentations and the opportunity for organised individual discussions.

The 9th conference of the Real Estate Share Initiative, which took place in the Hilton Hotel Frankfurt on 20 October 2009, was attended by over 200 invited investors, analysts, journalists and real estate experts. The Executive Board and the Investor Relations Team of Deutsche EuroShop conducted numerous background discussions and cultivated contacts.

And on the day before the event, a number of participants took advantage of an organised Property Tour, during which various member companies showed off their properties in the Rhine-Main region. Deutsche EuroShop presented the Main-Taunus-Zentrum, with a talk by the Center Manager and a tour.

The next conference of the Real Estate Share Initiative will be held in Frankfurt on 19 October 2010.

www.initiative-immobilien-aktie.de

Annual General Meeting

For the second time in succession, shareholders in Deutsche EuroShop met for the Annual General Meeting in the "Old Circus Hall" at Hagenbeck Zoo on 30 June 2009.

Just under 300 shareholders turned out to listen to a detailed speech by Claus-Matthias Böge, Executive Board Spokesman, about the situation in the capital and real estate markets as well as about the financial year just passed and the activities of the Company.

The agenda included the regular (re-)election of three Supervisory Board members. All points were approved with an attendance rate of 56.5% at the time of the vote.

Both prior to the event and afterwards there was an opportunity for shareholders to interact directly with the Executive Board as well as with employees. After the meeting, many of the shareholders enjoyed a summer excursion to the neighbouring zoo.

For the Annual General Meeting on 17 June 2010, the Deutsche EuroShop shareholders have been invited to the Hamburg Chamber of Skilled Crafts and Small Businesses, where the meeting was held before in 2006.

www.deutsche-euroshop.com/ir


DES
DES
All's well that dividends well!
Absolutely!

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. Deutsche EuroShop is an established brand for an investment in shopping centers.

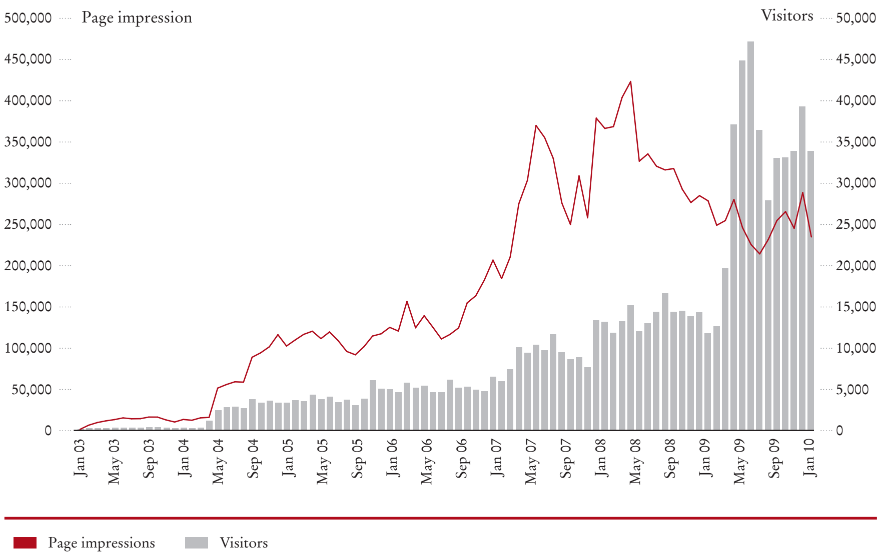
"THE SHADES OF PASSAU" ADVERTISEMENT SERIES

In 2009 we made use of the many different shades of colour that adorn the façade of the Stadt-Galerie Passau for our advertisement motifs, such as "Der Dritte Ort" and "Dividende gut, alles gut". With these we emphasised our successful business performance in specialist publications. The placement of our image and financial advertising was highly target-group-oriented and designed to coincide exactly with the publication of our current financial figures.

WEBSITE WITH STABLE HIT RATES

Our accessible website proved to be extremely popular again in 2009, even though last year's peak figures were not reached. Our Internet presence can be found at www.deutsche-euroshop.com

SITE VISITORS PER MONTH

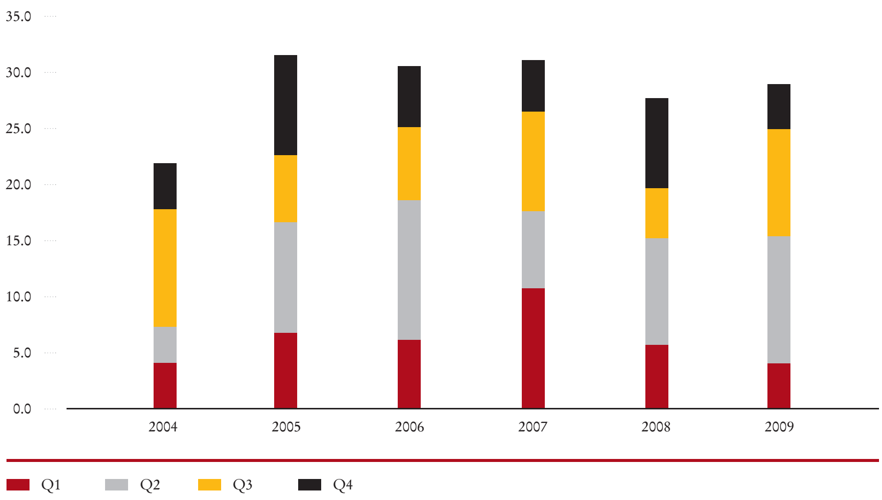


MEDIA ATTENTION UP SLIGHTLY

Deutsche EuroShop is still enjoying a strong 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 devoted reports and interviews to Deutsche EuroShop. The print circulation of these media increased by around 5% from 27.6 million in the previous year to 28.9 million copies and the equivalent advertising value through reports in newspapers and magazines rose from around €4.3 million to almost €4.5 million (up 5%).

TREND IN MEDIA PRESENCE

Circulation of newspapers and magazines containing reports in millions.



SOCIAL MEDIA

Everyone is talking about social media. For many years we have shown ourselves to be open to technical innovations and use these actively to supply our investors and interested parties with news and supplementary information about Deutsche EuroShop. Perhaps we can establish contact with you through one or more of these platforms too – we would be delighted to see you there:

Facebook
Become a fan on Facebook:
www.facebook.com/desag

Flickr
View our photos on the online platform Flickr: www.flickr.com/desag

SlideShare
See our presentations and reports on SlideShare: www.slideshare.net/desag

YouTube
Watch our videos on YouTube:
www.youtube.com/DeutscheEuroShop

Twitter
Follow us on Twitter:
www.twitter.com/DES_AG

VERENA TENZ

KEEP IN THE KNOW WHILE YOU SHOP

Deutsche EuroShop sponsors stock market news

Last year, the digital flat screen network of ECE flatmedia GmbH, which is represented in almost every center run by Deutsche EuroShop, was extended to 41 centers with 884 screens. This included the installation of 16 screens in the Rathaus-Center Dessau in 2009.

The purpose of the network is to offer advertisers an attractive setting right by the POS (point of sale) in which to present their brands and products as well as to make the visit to the shopping center even more diverse by providing an exciting programme mix comprising information relating to the centers, global headlines and regional news, such as weather forecasts and football league tables.

ECE flatmedia offers attractive communication possibilities to suit the different demands of customers. Besides airing traditional commercials, companies have very recently gained the opportunity to advertise their brands through sponsorships of the various types of programme, such as business, lifestyle, fashion, technology and sport, etc.

Since the end of 2009, Deutsche EuroShop has acquired exclusive sponsorship of the stock market news. A tailored format has been developed, enabling Deutsche EuroShop to present itself effectively in its centers and to offer informative added value to center visitors in a shop environment through information on current stock market trends.

The screens come with flexible booking options for rental partners. At local level, special offers can be advertised in the center on the basis of targeted commercials. At national level, the screens act as an additional POS medium as part of large campaigns. Broadcasting material is inexpensive to create, since existing advertising material from print or TV can be adapted for the digital medium without incurring any major costs.

Last year, ECE flatmedia managed to acquire a number of rental partners, such as RENO, Jack Wolfskin and REWE and to gradually raise their profile in the market. Thanks to a joint venture entered into at the end of 2009 with outdoor advertiser Wall AG, rental partners will in future have the opportunity not just to accompany their customers as far as the doors to the center but also to communicate with them inside the center thanks to the combination of City Light Posters and flat screens.

By the end of 2010, the national screen network of ECE flatmedia will be extended to approximately 50 shopping centers, with plans already being drawn up for installation in the A10 Center Wildau.


NEWS
SHOES
BUY!!
BUY!!

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 18 June 2009. 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.

WORKING METHODS OF THE EXECUTIVE AND SUPERVISORY BOARDS

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 the 2009 financial year can be found in its report on pages 5 to 7.

In the 2009 financial year, 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 of the Group, planning, and the establishment and implementation of risk management.

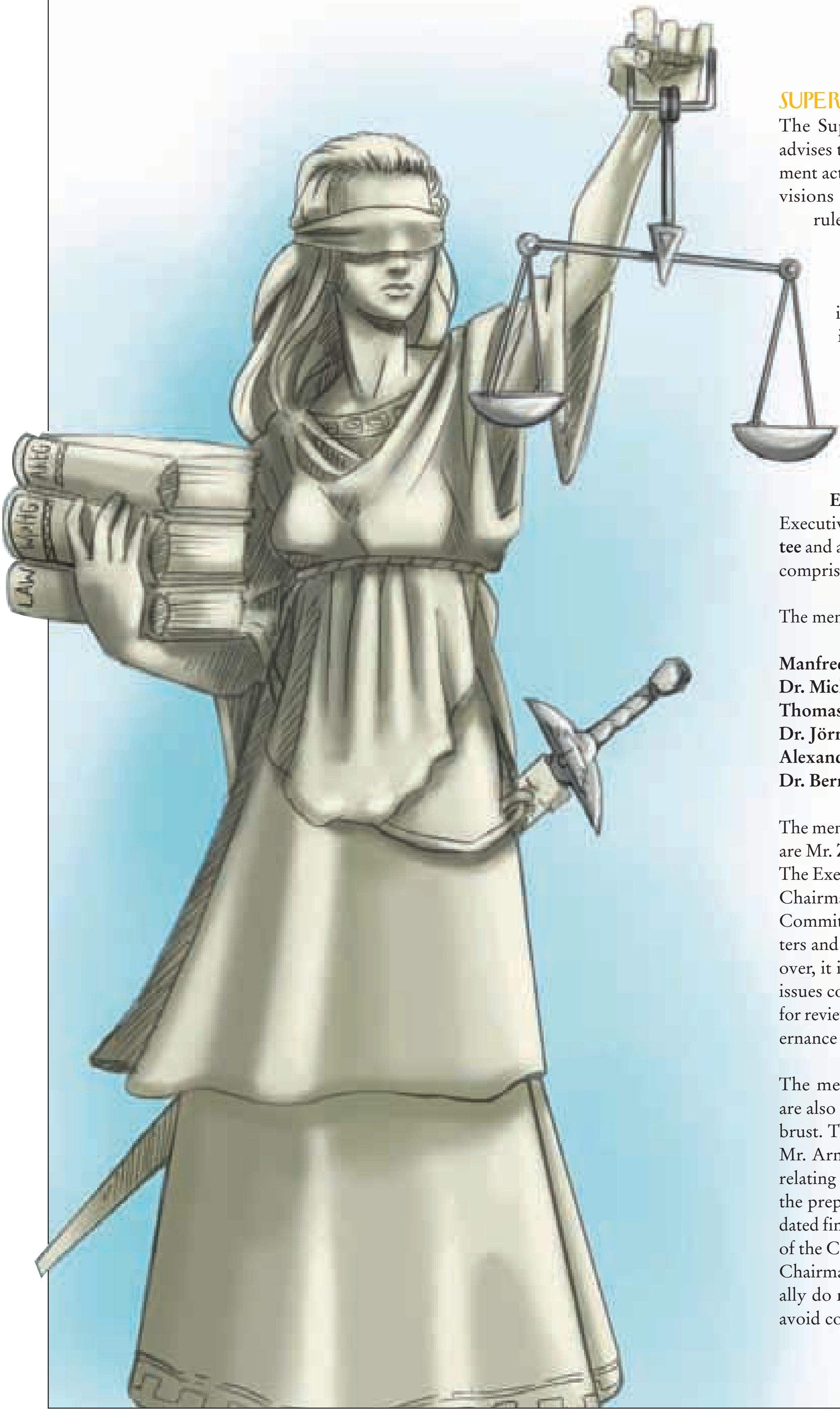
The Executive Board of Deutsche EuroShop currently comprises two members.

Claus-Matthias Böge
Born 13 February 1959
First appointment: 2001
Appointment ends: 2015

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, Deutsche EuroShop Management GmbH and DES Beteiligungs GmbH.

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

Olaf Borkers joined Deutsche EuroShop in 2005, as a member of the Executive Board. He is also a Managing Director of Deutsche EuroShop Verwaltungs GmbH, Deutsche EuroShop Management GmbH and DES Beteiligungs 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, an **Audit Committee** and a **Capital Market 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 urgent business matters and passes relevant resolutions. 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 financial reporting, 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. ►

The members of the **Capital Market Committee** are once again Mr. Zaß, Dr. Gellen and Mr. Armbrust. The Capital Market Committee is chaired by Mr. Zaß. The Committee was formed on 30 June 2009. The Supervisory Board's powers relating to the utilisation of approved capital were transferred to the Committee for decision-making and processing.

REMUNERATION

The detailed disclosures relating to the remuneration, ancillary benefits and pension commitments of the Executive Board and Supervisory Board can be found in the remuneration report, which is part of the management report on page 77, and in the notes on page 139.

SHAREHOLDINGS

Executive Board
As at 31 December 2009, the Executive Board held a total of 21,700 shares, less than 1% of Deutsche EuroShop's share capital. The Executive Board also held 27,000 derivatives on shares in Deutsche EuroShop.

Supervisory Board
As at 31 December 2009, the Supervisory Board held a total of 4,614,821 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 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 the 2009 financial year in accordance with section 15a of the Wertpapierhandelsgesetz (WpHG – Securities Trading Act):

Notifying party	Date of transaction	Transaction	Instrument	Number	Price (per share in €)
Olaf Borkers	09.01.2009	Purchase	DES MiniFuture warrants	27,000	1.10
Kreke Immobilien KG	27.04.2009	Purchase	Share	7,283	21.50
Kreke Immobilien KG	28.04.2009	Purchase	Share	12,146	21.50
Kreke Immobilien KG	29.04.2009	Purchase	Share	5,571	21.50
Kreke Immobilien KG	14.05.2009	Purchase	Share	7,573	21.43
Kreke Immobilien KG	21.05.2009	Purchase	Share	2,427	21.50

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 remuneration of the Supervisory Board, as well as on amendments to the Company's Articles of Association. The Annual General Meeting, at which the Executive and Supervisory Boards give an account of the past financial year, takes place once a year. When resolutions are adopted at the Annual General Meeting, each share grants one vote in line with the principle of 'one share, one vote'. Every shareholder is entitled to attend the Annual General Meeting and to speak and submit questions about items on the agenda.

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

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

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 (HGB – 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 was amended significantly last year in terms of the remuneration rules for executive boards. The Gesetz zur Angemessenheit der Vorstandsvergütung (VorstAG – German Act on the Appropriateness of Executive Board Remuneration) underlined the importance of the new rules, which will be observed by shareholders in future. Closely linking executive board remuneration with the success of a company, and hence of its shareholders, will – where not already practised by companies – improve credibility and in future also have an impact on the willingness of shareholders to place further equity at a company's disposal.

DECLARATION OF CONFORMITY

In December 2009, 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 2009 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.

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 on the 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 18 June 2009), subject to a limited number of exceptions, as indicated below:

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

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

» **The existing D & O insurance policy taken out for the Executive and Supervisory Boards does not provide for any deductible (Section 3.8).**

The Executive and Supervisory Boards 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 believed that the agreement of a deductible was not necessary, in particular as this had no effect on the level of the insurance premium. However, to satisfy the obligations of the VorstAG, a deductible is to be agreed for the Executive Board from 1 July 2010 for the current D&O insurance policy.

» **The remuneration of the members of the Executive Board does not include share options (Section 4.2.3).**

The 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 share option programmes. For this reason, the Company has not implemented any share option programmes or similar securities-based incentive schemes to date.

» **There is no stipulated age limit for members of the Executive Board (Section 5.1.2).**

The Supervisory Board believes that professional qualifications and skills represent the key criteria for members of the Executive Board. An age limit could force the retirement of a qualified and successful Executive Board member.

» **The Supervisory Board has not formed 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 structure, the Executive Committee of the Supervisory Board has assumed the duties of a nomination committee.

» **There is no stipulated age limit for members of the Supervisory Board (Section 5.4.1 (1)).**

The Company believes that professional qualifications and skills represent the key criteria for members of the Supervisory Board. An age limit would restrict the options available to shareholders in selecting members and could force the retirement of a qualified and successful Supervisory Board member.

» **The remuneration of Supervisory Board members does not take into account committee membership (Section 5.4.7 (1)) and does not include any performance-based remuneration components (Section 5.4.7).**

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).**

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, 2 December 2009

The Executive Board and the
Supervisory Board
Deutsche EuroShop AG


Hey! What's up?

DEUTSCHE EUROSHOP AG GROUP MANAGEMENT REPORT 2009

Business and economic conditions

OPERATING ACTIVITIES

Deutsche EuroShop AG is the only public company in Germany to invest solely in shopping centers in prime locations. On 31 December 2009 it had investments in 16 shopping centers in Germany, Austria, Poland and Hungary. The Group generated the reported revenue from rental income on the space let in its shopping centers.

GROUP'S LEGAL STRUCTURE

Due to its lean personnel structure and concentration on just two reporting segments (domestic and foreign), 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 registered office is in Hamburg. Deutsche EuroShop is an Aktiengesellschaft (public company) under German law. The individual shopping centers are managed as separate companies. Depending on the share of the nominal capital, these are included in the consolidated financial statements either fully, proportionally or using the equity method. More information on indirect or direct investment is detailed in the notes to the consolidated financial statements.

Deutsche EuroShop shares are traded on the Frankfurt Stock Exchange and other exchanges. As of 31 December 2009, 12.06% were owned by Alexander Otto (2008: 12.45%).

The share capital amounted to €37,812,496 on 31 December 2009 and was composed of 37,812,496 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 share capital by up to a total of €13,750,001 on one or several occasions until 20 June 2012 by issuing up to 13,750,001 (no-par value) registered shares against cash or non-cash contributions (as of 31 December 2009).

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, all of whom are 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 declaration on corporate governance.

DECLARATION ON CORPORATE GOVERNANCE

The declaration on corporate governance, in conformity with section 3.10 of the Deutscher Corporate Governance Kodex (German Corporate Governance Code), as well as section 289a (1) of the Handelsgesetzbuch (HGB – German Commercial Code) has been published on the Deutsche EuroShop website at www.deutsche-euroshop.de/ezu (German only).

REMUNERATION

Remuneration system for the Executive Board

Remuneration for the Executive Board is set by the Executive Committee of the Supervisory Board. The remuneration system provides for a fixed basic annual remuneration component based on the individual Executive Board member's duties and a variable remuneration component. This remuneration 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, and takes account of the comparative environment. The variable remuneration is paid after the Supervisory Board approves the consolidated financial statements. There are no share 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 €150,000 and Olaf Borkers would receive three months' salary.

The remuneration rules have been reviewed with respect to the Gesetz zur Angemessenheit der Vorstandsvergütung (VorstAG – German Act on the Appropriateness of Executive Board Remuneration) enacted in 2009 and current changes to the Corporate Governance Code. Adjustments to the current rules will be implemented during financial year 2010. For further details, please refer to the supplementary disclosures on remuneration in the notes.

Remuneration system for the Supervisory Board

The remuneration 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 remuneration amounts to €50,000 for the chairman, €37,500 for the deputy chairman and €25,000 for each of the other members of the Supervisory Board. Committee membership is not additionally taken into account when determining the remuneration of the Supervisory Board. Moreover, the remuneration does not contain any performance-based elements. The remuneration is determined on the basis of the business model and size of the Company and 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 their 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.

Compensation agreements concluded by Deutsche EuroShop AG with Executive Board members or employees of the Company for the event of a change of control

A change-of-control arrangement has been agreed with two employees. Under this arrangement, if and insofar as the Company informs them that they will no longer be employed in their current positions, these employees will have a special right of termination with a notice period of one month up to the end of the quarter, which will be valid for twelve months from the date the change of control takes effect.

A change of control arises if Deutsche EuroShop AG merges with another company, if a public takeover bid has been made under the Deutsches Wertpapiererwerbs- und Übernahmegesetz (WpÜG – German Securities Acquisition and Takeover Act) and accepted by a majority of shareholders, if the Company is integrated into a new group of companies or if the Company goes private and is delisted.

In the event of the termination of the employment relationship, these employees will receive a one-time payment amounting to three months' gross salary multiplied by the number of years that they have worked for the Company, but limited to a maximum of 24 months' gross salary.

The Deutsche EuroShop Group does not currently have any other compensation agreements with members of the Executive Board or other employees for the event of a change of control.

Overview of the course of business

MACROECONOMIC CONDITIONS

The German economy experienced negative growth last year for the first time since 2003. Real (price-adjusted) gross domestic product (GDP) fell by 5.0% in Germany (previous year: +1.3%). Given that 2009 had almost the same number of working days as the preceding year, there was no visible change in the growth rate (-5.0%) after adjustment for the calendar effect.

This decline in price-adjusted gross domestic product (GDP), the largest since the Second World War, was triggered mainly by a slump in both exports and investments in capital goods. As in the previous year, net exports, the difference between exports and imports, made a negative contribution to GDP growth; the fall of 3.4% represented a sharper drop than in 2008 (-0.3%). After adjustment for prices, exports declined by 14.7%, while the reduction in imports amounted to just 8.9%. Investments in capital goods were down 20.0%.

Private consumption, the most substantial component of GDP, rose by 0.4% (2008: -0.1%) last year. The main driver behind this was the scrapping premium, which led to a marked rise in vehicle sales. By contrast, almost all spending on other purposes was lower. Government consumption expenditure even rose by 2.7% last year compared to the previous year. At 11.2%, the savings rate once again reached the high level of the previous year.

At 0.4%, the rate of inflation was at its lowest level since reunification. Last year it stood at 2.6%. The main reason for this was a fall in prices of mineral oil products and food. The average annual rate of increase since 1999 has been 1.5%.

On an annual average, the unemployment rate rose to 8.2% in 2009, a further consequence of the deep recession. This represents a year-on-year increase of 0.4 percentage points. 3.42 million people (2008: 3.27 million) were out of work.

In 2009, the European Monetary Union (EMU) experienced a reversal after all the boom years: according to the Statistical Office of the European Communities (Eurostat), real GDP fell by 4.2% for 2009 in the EU-27 (previous year: +0.8%).

The euro zone inflation rate also fell significantly (+1.0%; previous year: +3.7%), while unemployment rose to 9.4% (2008: 7.5%).

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, German retail sales fell by 2.4% in nominal terms in 2009 while declining by 1.8% in real terms (after adjustment for prices). At €392.1 billion, sales in the retail sector in the narrower sense (excluding vehicle sales, service stations, fuels and pharmacies) were slightly down (-1.6%) on the previous year (€398.6 billion). In terms of revenue growth, therefore, the retail sector was unable to completely avoid the crisis sentiment in 2009 but was not affected as heavily as other industries.

Breaking the retail sector down into individual segments, it is evident that, compared to the previous year, food retailers (-1.6% in real terms) fared better than the non-food segment (-1.9% in real terms). One reason for this is undoubtedly the sharp fall in prices for food and luxury foodstuffs. On the non-food side, only "cosmetic, pharmaceutical and medical products" posted positive growth (+1.2% in real terms), while "textiles, clothing, footwear and leather goods" (-2.1% in real terms), "furnishings, household appliances and building materials" (-0.7% in real terms), "other retail (such as books and jewellery)" (-2.0% in real terms) and "other retail involving goods of various types (such as department stores)" (-6.7% in real terms) all recorded a fall in revenue. The sharpest drop in revenue was experienced in online and mail order business, which were down 5.6% in real terms.

According to the EHI Retail Institute, shopping centers continued to be one of the most popular shopping outlets among the German public. 14 new centers, mostly in inner cities, were opened in Germany in 2009. This resulted in an increase of 474,000 m² in retail space, meaning that as of the reporting date of 1 January 2010 there were a total of 428 centers (10,000 m² of rental space and above) in Germany spanning a total area of over 13.5 million m².

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 2009 was attributable to textile retail (over 50%), catering/food (10%, incl. fast-food chains, coffee houses, bakeries, food stores and confectionery shops), footwear/leather goods (7%) and the increasingly important sports/outdoor segment (6%). Other important sectors in prime locations were opticians, hairdressers, chemists and perfumeries in the health/beauty segment (5%).

Retail spaces in the 100 m² to 250 m² size category were the most sought after (approx. 40%), as in previous years. The 250 m² to 500 m² size category came in second at almost 20%. Larger spaces were also in demand: every tenth lease was for over 1,000 m².

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 the UK and Ireland) fell again to €7.3 billion in 2009, a decline of 40% compared with the previous year (€12.4 billion, which was already 56% down on the year before). One significant reason for this development is certainly the ongoing wait-and-see attitude of investors, who are having to accept less favourable financing terms owing to the global financial crisis.

With a 66% (2008: 55%) share of the transaction volume, shopping centers remained the focus of investors in mainland Europe in 2009 as they continued to seek defensive investment opportunities. They prefer stable market segments and favour prime locations, secure, long-term leases and high-quality tenants.

The German market maintained its leading position with respect to retail property investments in continental Europe. At €1.5 billion, the volume in Germany represented a share of 21% (2008: 20%).

The yields from retail property increased further over the course of the year. Nevertheless, the lower number of transactions made pricing in line with market rates more difficult. In addition, in individual cases investors were prepared to continue to pay high prices and thus to accept lower yields. At the end of 2009, the yield for German shopping centers in prime locations, according to the real estate services company CB Richard Ellis, was stable in comparison to the previous year at 5.75%, albeit on a downward trend.

Share price performance

Deutsche EuroShop shares began 2009 with a price of €24.30. Just a few days later, on 6 January, they reached their high for the year of €26.00 on the basis of the Xetra closing price. After that the share price fell in line with the international capital markets until 6 March 2009, when it posted its lowest price of €18.66, precisely two months after the year's high. A continuous recovery process then began, which was only interrupted temporarily by the dividend distribution. The shares recovered by 27% from the low, but still closed the year on a slightly negative note at a price of €23.67 (-2.6%, not taking the dividend into account).

Evaluation of the financial year

The Executive Board of Deutsche EuroShop is satisfied with the past financial year. Thanks to the good development of the business, we again lived up to our forecasts. The centers in Hameln and Passau, which opened in 2008, played a significant role and contributed to earnings over the entire year for the first time, as did City-Point Kassel, which was fully consolidated for the first time following the increase in our stake.

Revenue was planned at between €125 million and €128 million and totalled €127.6 million (2008: €115.3 million) as of the reporting date, corresponding to an increase of just under 11%. Earnings before interest and taxes (EBIT) of between €105 million and €108 million were planned; ultimately these increased by almost 13%, amounting to €110.7 million (2008: €98.1 million). We expected earnings before taxes (EBT) excluding measurement gains/losses of between €50 million and €52 million. They rose by 13%, totalling €54.9 million (2008: €48.7 million).

Just as in the previous year, we exceeded our earnings forecast. 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

Despite the tough economic environment, Deutsche EuroShop managed to increase revenue and operating profit. The only major investment measure implemented in the year under review was the increase in our stake in City-Point Kassel from 40% to 90%. This resulted in the full consolidation of the property company – with corresponding effects on the balance sheet and income statement. The shopping centers opened in Passau and Hameln in 2008 were also responsible for positive contributions to earnings.

Revenue rose by €115.3 million to €127.6 million, corresponding to an increase of €12.3 million or 11%. At €34.4 million, consolidated profit was down €34.5 million compared with the previous year (€68.9 million). This fall can be attributed exclusively to measurement losses, which at €-14.8 million in the year under review were €53.0 million lower than the measurement gains of €38.2 million recorded in the previous year. Adjusted for this effect, consolidated profit grew by 18%.

The net asset value per share, taking into account the capital increase conducted in July 2009, fell by around 2.9% from €27.43 to €26.63. Undiluted earnings per share amounted to €0.93 (previous year: €1.96).

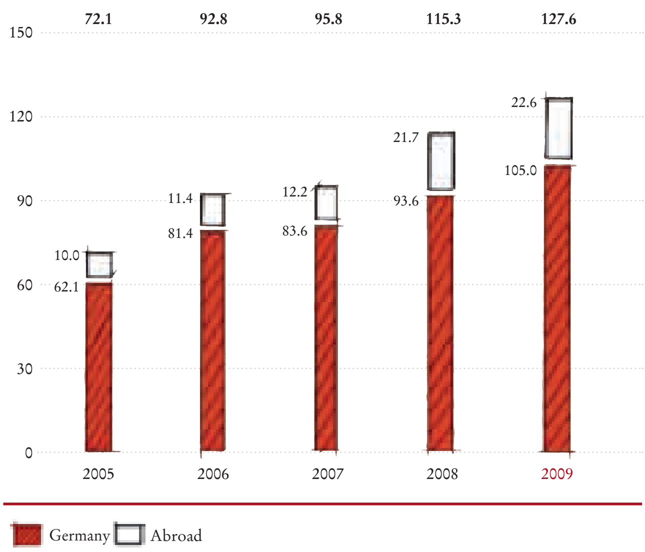
RESULTS OF OPERATIONS

Retail sales in Germany declined by 2.4% in nominal terms in the year under review. This effect was also felt by the tenants of our shopping centers, whose revenue fell by 2.5% on a like-for-like basis. If our international properties are included in this comparison, then our tenants generated a like-for-like drop in revenue of 2.0%.

Consolidated revenue up 11%

Consolidated revenue was up 11.0% from €115.3 million to €127.6 million in the financial year. The Stadt-Galerie in Hameln, the Stadt-Galerie in Passau (first full year for both) and the full consolidation of the property company in Kassel contributed to this growth in revenue.

REVENUE € million



Higher rental income for almost all portfolio properties

For the most part, rental income for the portfolio properties developed positively. Total revenue rose by 2.0% on a like-for-like basis.

REVENUE € thousand	2009	2008	2007
Rhein-Neckar-Zentrum, Viernheim	16,988	16,686	16,307
Main-Taunus-Zentrum, Sulzbach*	10,285	10,378	10,011
Allee-Center, Hamm	9,010	9,591	9,398
City-Arkaden, Wuppertal	8,655	8,559	8,233
City-Galerie, Wolfsburg	8,522	8,323	8,326
Forum, Wetzlar	8,498	8,265	8,137
Rathaus-Center, Dessau	8,195	8,149	8,207
Altmarkt-Galerie, Dresden*	6,673	6,548	6,386
Phoenix-Center, Hamburg*	5,758	5,634	5,538
Stadt-Galerie, Hameln	6,546	5,484	0
City-Point, Kassel**	7,285	3,057	3,031
Stadt-Galerie, Passau	8,588	2,925	0
Total Germany	**105,003**	**93,599**	**83,574**
Galeria Baltycka, Gdansk	13,150	12,794	3,439
City Arkaden, Klagenfurt*	5,329	5,256	5,159
Árkád, Pécs*	3,736	3,694	3,590
Other revenue	345	0	0
Total abroad	**22,215**	**21,744**	**12,188**
Total	**127,563**	**115,343**	**95,762**

* = proportionally consolidated

** = fully consolidated in 2009 for the first time

Vacancy rate stable at under 1%

As in the previous year, the vacancy rate was under 1%. At €0.6 million (2008: €0.2 million) or 0.4% (2008: 0.2%), the need for write-downs for rent losses remained at a very low level.

Operating and administrative costs for property unchanged

On balance, there was no change in the operating and administrative costs for our shopping centers compared to the previous year. Property operating costs were €5.8 million (2008: €5.8 million), while property management costs amounted to €7.2 million (2008: €7.2 million). Various higher costs arising due to the new properties were offset, in particular, by the absence of the center opening costs incurred in the previous year.

Net finance costs rise

Net finance costs were up €6.5 million to €-55.9 million (2008: €-49.4 million). This rise is attributable firstly to a higher interest expense (€+3.6 million compared with the previous year) and secondly to a decline of €1.7 million in interest income, which fell from €2.4 million to €0.7 million. In addition, the share of operating profit attributable to minority shareholders was €2.0 million above the level of the previous year (€6.2 million) at €8.2 million.

The higher interest expense and the higher profit share for minority interests were due almost exclusively to the first-time inclusion of City-Point Kassel and the properties opened in Hameln and Passau during the previous year.

The results from the property companies measured at equity, which in the previous year had been incorporated in the measurement gains/losses at €-1.3 million, were also reported in the net finance costs for the first time at €-0.1 million. Income from investments fell from €1.7 million to €1.5 million.

Measurement gains lower

Measurement gains fell by €53.0 million year-on-year from €38.2 million to €-14.8 million. Measurement of the portfolio properties led to net measurement losses for the first time; these amounted to €-20.5 million. This corresponds to average depreciation of around 1.1% in the market values of the shopping centers compared with the previous year. Market values increased for six of the properties in a range from +0% to +4.7%. Depreciation affected nine properties, with market values falling short of the previous year's level by between 0.7% and 5.1%.

At the same time, gains of €5.7 million were realised in connection with the first-time full consolidation of our property company City-Point-Kassel GmbH & Co. KG, as the shares acquired in the company were purchased at less than their corresponding market value.

The share of measurement gains attributable to minority shareholders was €+0.8 million. Unrealised exchange gains and other measurements produced gains of €0.5 million.

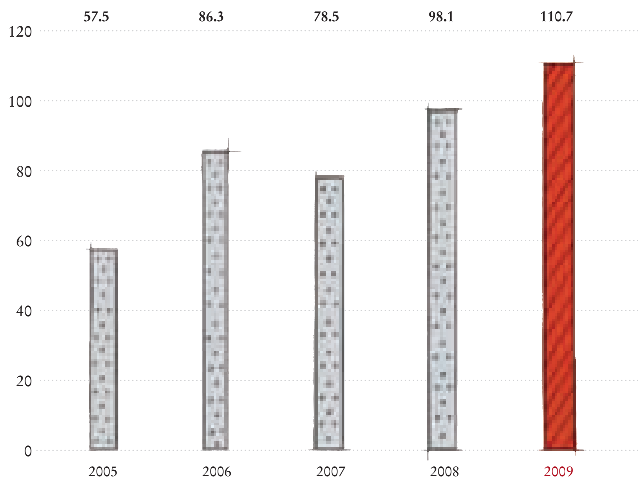
Tax item almost exclusively comprises deferred income taxes

The tax burden in the year under review amounted to €5.7 million and was attributable almost exclusively to deferred income taxes.

Consolidated profit totals €34.4 million

Earnings before interest and taxes (EBIT) climbed 12.8% from €98.1 million to €110.7 million in the year under review. At €40.1 million, pre-tax profit (EBT) was 53.9% lower than in the previous year (€87.0 million). Consolidated profit fell by 50% from €68.9 million to €34.4 million.

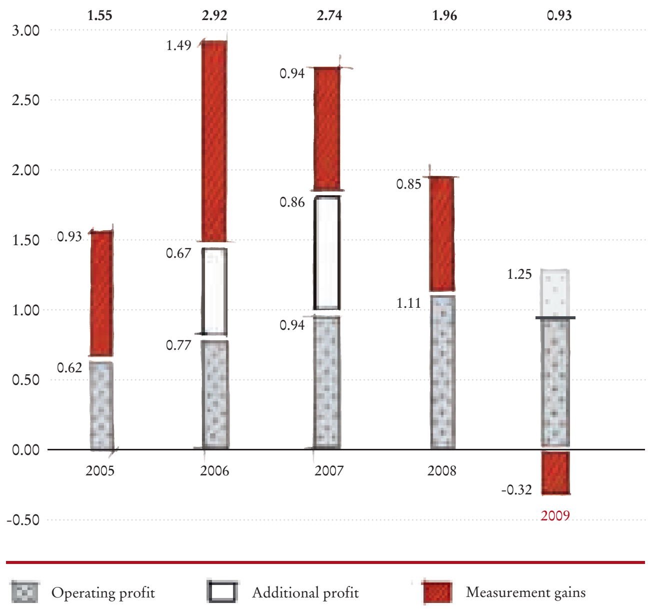
EBIT € million



Earnings per share

Undiluted earnings per share amounted to €0.93 compared with €1.96 in the previous year. Of this amount, €1.25 (+13%) was attributable to operations (2008: €1.11) and €-0.32 (-138%) to measurement gains/losses (2008: €0.85).

EARINGS PER SHARE in €, basic



Funds from operations (FFO)

FFO is used to finance ongoing investments in portfolio properties, scheduled payments on our long-term bank loans and the distribution of dividends. An FFO of €54.8 million or €1.49 per share was generated in the year under review, up from €49.8 million or €1.38 per share in the previous year.

€ thousand	2009	2008
Net income for the period	34,367	68,872
plus deferred taxes	5,664	18,010
plus/less measurement gains/losses	14,772	-38,326
FFO	**54,803**	**48,556**
FFO per share (€)	1.49	1.38

Dividend proposal: €1.05 per share

In view of the successful financial year, the Executive Board and Supervisory Board will propose to the shareholders at the Annual General Meeting on 17 June 2010 in Hamburg that an unchanged dividend of €1.05 per share be distributed for the 2009 financial year.

FINANCIAL POSITION

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 property companies and Deutsche EuroShop borrow from banks. Deutsche EuroShop's credit standing has been shown to be advantageous when negotiating loan conditions. The Group can also arrange its financing independently and flexibly.

Loans are taken out in euros 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 rising capital market interest rates. Available credit lines enable Deutsche EuroShop to react quickly to investment opportunities. Until used for investment, cash not needed is invested in the short term as term deposits to finance ongoing costs or pay dividends.

Financing analysis

As of 31 December 2009, the Deutsche EuroShop Group reported the following key financial data:

€ million	2009	2008	Change
Total assets	2,112.1	2,006.9	+105.2
Equity (incl. minority interests)	1,044.4	977.8	+66.6
Equity ratio (%)	49.4	48.7	+0.7
Bank loans and overdrafts	934.2	899.8	+34.4
Loan to value ratio (%)	46.0	46.0	0

At €1,044.4 million, the Group's economic equity capital, which comprises the equity of the Group shareholders (€921.3 million) and the equity of the minority shareholders (€123.1 million), was €66.6 million higher than in the previous year. The equity ratio improved slightly by 0.7% to 49.4%.

Current and non-current bank loans and overdrafts rose from €899.8 million to €934.2 million in the year under review, an increase of €34.4 million. Of this amount, €8.3 million was used to finance the expansion of Altmarkt-Galerie Dresden and €41.4 million resulted from the first-time full consolidation of City-Point Kassel. Meanwhile, a net amount of €15.3 million in loans was repaid.

In addition, non-current loans totalling €77.0 million were raised in the year under review; these were used to replace expiring loans for the Rhein-Neckar-Zentrum and the Allee-Center Hamm.

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

As in previous years, in the 2009 financial year Deutsche EuroShop had €100 million available in credit lines which were not taken up after July 2009. The average utilisation of credit lines in the first half of the financial year amounted to €30.1 million.

Overall, the debt finance terms as of 31 December 2009 remained fixed at 5.27% p.a. (previous year: 5.33% p.a.) for an average period of 7.1 years (previous year: 7.0 years). Deutsche EuroShop maintains credit facilities with 17 banks which – with the exception of one in Austria – are all German banks.

OVERVIEW OF THE LOAN STRUCTURE as of 31 December 2009

Intereest lockin	Duration (years)	Principal amounts (€ thousand)	% of total loans	Average interest rate
Up to 1 year:	1	13,399	1.4	5.27%
1 to 5 years:	4.3	424,071	45.7	5.48%
5 to 10 years:	7.8	382,151	41.1	5.10%
Over 10 years:	16.8	109,400	11.8	5.06%
Total	**7.1**	**929,022**	**100.0**	**5.27%**

Nine of the 33 loan agreements currently contain arrangements regarding covenants. These involve conditions relating to the capacity to repay, the level of debt and, in one case, a condition concerning the loan-to-market value ratio. All conditions were met.

The interest lock-in for a loan of €82 million used to finance the Rhein-Neckar-Zentrum will expire in 2010. A new loan to replace it, with a ten-year interest lock-in, was agreed in 2009. The credit line is also up for renewal in 2010. In addition, scheduled repayments amounting to €13.4 million will be made from operating cash flow during the 2010 financial year. From 2011 to 2014, loans will be repaid at an average rate of €15.1 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 €179.5 million will expire in 2013, and those for loans of €155.7 million will expire in 2014.

Bank loans and overdrafts totalling €934.2 million were recognised in the balance sheet as of the reporting date. The difference compared with the amounts given here of €929.0 million relates to deferred interest and repayment obligations that were settled at the beginning of 2010.

Investment analysis

The investment budget for the expansion of the Altmarkt-Galerie in Dresden was increased from €150 million to €165 million after the concept was amended so that a hotel, for which there is already a long-term lease in place, could also be sited there as part of the expansion. The share attributable to the Group amounts to €82.5 million. Following investment of €21.2 million in 2008, a further investment of €14.0 million was made in the 2009 financial year. Completion is scheduled for spring 2011.

Deutsche EuroShop increased its stake in City-Point Kassel from 40% to 90% in January 2009. The purchase price for the shares was €16.4 million. A further €2.5 million was invested in subsequent alteration work during the year under review.

An investment of €72 million is budgeted for the expansion of the Main-Taunus-Zentrum. Building work began in October 2009. The share of the investment budget attributable to the Group amounts to €31 million, of which €2.4 million was invested in the year under review. Completion is scheduled for late autumn 2011.

Spending on investments for the other portfolio properties amounted to €2.2 million.

Liquidity analysis

The Group's operating cash flow of €63.2 million (2008: €55.1 million) is the amount that has been generated for the shareholders following the deduction of all costs from the leasing of the shopping center floor space. It serves to finance the dividends of Deutsche EuroShop AG and payments to minority shareholders. The rise of €8.1 million compared with the previous year is chiefly due to the shopping centers in Hameln and Passau, which were opened during the previous year.

In addition to operating cash flow, cash flow from operating activities contains changes in receivables and other assets as well as other liabilities and provisions. At €62.1 million, cash flow from operating activities was down €17.7 million on the previous year (€79.8 million).

Investments in the year under review amounted to €35.9 million and were thus considerably lower than in the previous year, in which €91.2 million was invested.

The inflow of funds from financing activities totalled €15.5 million. A €7.2 million repayment of bank loans and overdrafts, and payments to Group shareholders and minority shareholders of our property companies amounting to around €43.8 million, were offset by receipts of €66.5 million from the capital increase conducted in July 2009.

Cash and cash equivalents therefore increased by €40.2 million in the year under review and amounted to €81.9 million on the reporting date.

NET ASSETS

Balance sheet analysis
The Group's total assets increased by around €105.3 million in the 2009 financial year.

Current assets
At end-2009 current assets amounted to €91.9 million, an increase of €39.1 million year-on-year. This is largely attributable to a rise in cash and cash equivalents.

As at the reporting date, cash and cash equivalents amounted to €81.9 million, compared with €41.7 million in the previous year. The cash is invested as short-term deposits and time deposits.

Non-current assets
Non-current assets rose by €66.2 million from €1,954.0 million to €2,020.2 million in the year under review.

Property, plant and equipment of €21.2 million from the previous year was almost entirely reclassified to Investment properties in the year under review, as the reporting requirements for properties under construction have been amended from the 2009 financial year. This related to the costs incurred up to the end of 2008 for the expansion of the Altmarkt-Galerie Dresden.

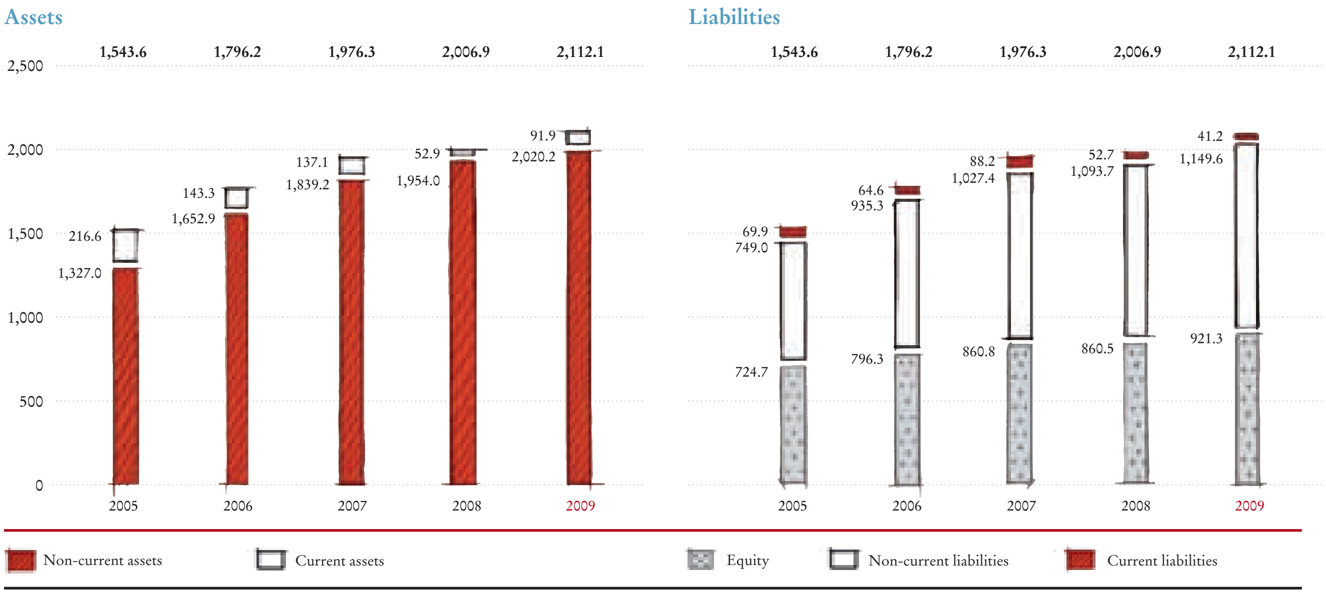
Investment properties grew by €93.2 million compared with the previous year. Of this amount, €68.5 million was attributable to the first-time full consolidation of City-Point Kassel and €21.2 million to the reclassification from property, plant and equipment. The first-time consolidation of our Polish subsidiary CASPIA Investment sp.zo.o, which was still reported under investments in the previous year, increased investment properties by €2.7 million. In addition, €16.5 million was invested during the year under review in the expansion of the Altmarkt-Galerie Dresden and the Main-Taunus-Zentrum. Investment costs for the portfolio properties, including the restructuring in Kassel, amounted to €4.7 million. At the same time, the real estate portfolio experienced depreciation of €20.5 million.

Other non-current assets declined by €5.8 million, due in particular to the first-time consolidation of CASPIA Investments Sp. z o.o and depreciation on our shareholding in Polish company Ilwro Joint Venture Sp. z o.o (Galeria Dominikanska Wroclaw).

Current liabilities
Current liabilities fell by €11.5 million from €52.7 million to €41.2 million, due in particular to the reduction in current bank loans and overdrafts (€- 7.7 million).

BALANCE SHEET STRUCTURE

€ million



Non-current liabilities

Non-current liabilities rose by €55.9 million from €1,093.7 million to €1,149.6 million. This is in part attributable to a rise in non-current bank loans and overdrafts (€+42.1 million) and the recognition of further deferred tax provisions (€+3.3 million). The redemption entitlements of the minority shareholders in our property companies have also increased (€+5.7 million), due primarily to the first-time full consolidation of the property City-Point Kassel GmbH & Co. KG, Pöcking (share attributable to minority shareholders: 10%) and other non-current liabilities (€+4.9 million).

Equity

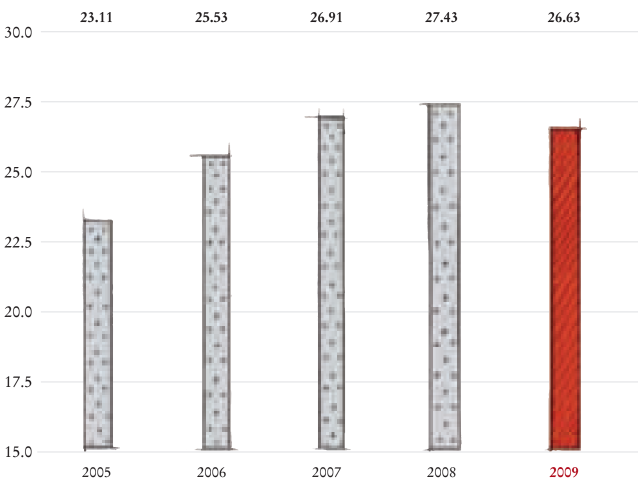
At €921.3 million, Group equity was up €60.9 million on the previous year (€860.4 million) in 2009. Significant changes resulted from the capital increase of €66.6 million conducted in July 2009. Measurement of interest swaps and of interests attributable to Group shareholders measured in accordance with IAS 39 reduced equity by €3.6 million. Of the other changes, the reduction of €2.3 million in equity resulted in particular from the difference between the consolidated profit at €34.4 million and the dividend of €36.1 million paid out in June 2009.

Net asset value

Net asset value as at 31 December 2009 was €1,006.9 million or €26.63 per share, compared with €942.8 million or €27.43 per share in the previous year. This equates to a fall of 2.9% year-on-year.

NET ASSET VALUE € thousand	2009	2008
Equity	921,325	860,450
plus deferred taxes	85,600	82,313
Net asset value of Deutsche EuroShop AG = net asset value	**1,006,925**	**942,763**
Number of shares	37,812,496	34,374,998
Net asset value per share (€)	**26.63**	**27.43**

NET ASSET VALUE per share (€)



OVERALL COMMENT ON THE ECONOMIC SITUATION

The past financial year confirmed the Deutsche EuroShop Group's good position. Despite the global financial crisis, we 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.

In 2009, all our German shopping centers had contracts with suppliers that use regenerative energy sources such as hydroelectric power for their electricity needs. The "EnergieVision" organisation certified the green electricity for eleven of our German centers with the renowned "ok-power" accreditation in 2009. We plan to switch the centers in other countries to green electricity as well in the next few years.

The twelve participating centers used a total of around 49 million kWh of green electricity. This represented 100% of the electricity requirements in our German shopping centers. As a result, based on conservative calculations this meant a reduction of around 19,300 tonnes in carbon dioxide emissions – this equates to the annual CO_2 emissions of just under 900 two-person households. We have already reduced the energy consumption of our shopping centers by using heat exchangers and energy-saving light bulbs.

Deutsche EuroShop, through its shopping centers, also supports a range of activities at local and regional level in the areas of ecology, society and economy.

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 AG employed only 4 people and therefore did not prepare a separate human resources report.

Report on events after the balance sheet date

On 6 January 2010, PANTA Neunundneunzigste Grundstücksgesellschaft m.b.H. & Co KG, a subsidiary of Deutsche EuroShop, purchased the A10 shopping center in Wildau near Berlin for around €205 million (incl. ancillary acquisition costs). The transfer of benefits and encumbrances took place on 1 February 2010.

The center, opened in 1996, currently has around 120 rental areas and by spring 2011 will have been expanded to include another 60, giving 180 rental areas with 120,000 m² of leasable space. The existing center will be partially restructured and modernised. We anticipate an additional investment volume of around €60 million in total.

The total investment volume of €265 million will be financed via a long-term bank loan (€150 million) and equity capital (€115 million). Of the loan, €125 million has already been taken up in connection with the acquisition at an interest rate of 4.65% p.a. with a fixed-rate period of 10 years. The remaining €25 million will be used to part-finance the modernisation and expansion investments.

We expect the leasing of the A10 center (from 1 February 2010) to contribute around €12.9 million to revenue in 2010.

To refinance the equity component of €115 million, Deutsche EuroShop AG increased its capital in February 2010 through a subscription rights offering at a ratio of 6:1. All the new shares were taken up by existing shareholders via the rights offering and an oversubscription right granted by the Company. A total of 6,302,082 new shares were issued at a subscription price of €19.50 per share. Around €123 million flowed into the Company as a result.

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

Risks and opportunities management, internal control system

PRINCIPLES

Deutsche EuroShop's strategy is geared towards maintaining and sustainably increasing shareholders' assets as well as generating sustainably high surplus liquidity from leasing real estate, thereby ensuring that the shareholders can share in the success of the company over the long term through the distribution of a reasonable dividend. The focus of the risk management system is therefore on monitoring compliance with this strategy and, building on this, on identifying and assessing risks and opportunities as well as making fundamental decisions on how to deal with these risks. Risk management ensures that risks are identified early, evaluated, communicated promptly and limited. Monitoring and management of the risks identified form the focal point of the internal control system, which at Group level is essentially the responsibility of the Executive Board. The internal control system is an integral part of the risk management system.

The auditor, within the framework of its legal mandate for auditing the annual financial statements, checks whether the early warning system for risks is suitable for detecting at an early stage any risks or developments that might endanger the Company.

Risk analysis involves the identification and analysis of factors that may jeopardise the achievement of objectives. The risk analysis process answers the question of how to deal with risks given constant changes in the environment, the legal framework and working conditions. The resulting control activities are to be embedded into processes that are essential to the realisation of business targets.

KEY FEATURES

Under existing service contracts, the Executive Board of Deutsche EuroShop AG is continuously briefed about the business performance of individual property companies. Financial statements and financial control reports are submitted on a quarterly basis for each shopping center, with medium-term corporate plans submitted annually. The Executive Board regularly reviews and analyses these reports, using the following information in particular 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 plans and budgets. The systematic analysis of economic data such as consumer confidence and retail sales trends is also incorporated into risk management. The activities of competitors are also monitored continually.

GROUP FINANCIAL REPORTING

Further important parts of the internal control system are the Group financial reporting processes, monitoring and controlling of which take place at the level of the Group's holding company. Group-wide regulations and guidelines ensure the conformity of the consolidated financial statements. Risk management guarantees that any risks that might be contrary to the objective of regulatory compliance are identified early, evaluated, communicated promptly and limited.

The decentralised preparation of Group-relevant reports by the service provider is followed by the aggregation and consolidation of the individual annual financial statements and the preparation of the information for reporting in the notes and Management Report in the accounting department of the holding company, with the aid of the Conmezzo consolidation tool. This is accompanied by manual process controls such as the principle of dual control for the employees charged with ensuring the regularity of financial reporting and for the Executive Board. The auditor of the consolidated financial statements is included in the Group's control environment with process-independent auditing activities. In particular, the audit of the consolidated financial statements and focused audits within the framework of the preliminary audit of the annual financial statements constitute material process-independent monitoring measures with respect to the Group financial reporting process.

ADVICE ON LIMITATIONS

By virtue of the organisational, control and monitoring measures laid down in the Group, the internal control and risk management system enables the full recording, processing and evaluation of Company-related facts as well as their proper presentation in Group financial reporting.

Decisions based on personal judgement, flawed controls, criminal acts or other circumstances cannot by their very nature be ruled out, however, and may subsequently limit the effectiveness and reliability of the internal control and risk management system that is in use, such that even the application of the systems used cannot guarantee absolute security in respect of the correct, complete and timely recording of facts in Group financial reporting.

The statements made relate solely to those subsidiaries included in the consolidated financial statements of Deutsche EuroShop for which Deutsche EuroShop is in a position, directly or indirectly, to dictate their financial and operating policies.

PRESENTATION OF MATERIAL INDIVIDUAL RISKS

Cyclical and macroeconomic risks

The Federal Republic of Germany experienced its severest recession since the Second World War in the year under review. According to initial calculations by the Federal Statistical Office, economic output contracted by 5% in real terms. Almost every sector of the economy was affected by the downturn in equal measure. Foreign trade slumped heavily due to a significant fall in foreign demand. The only positive stimuli in 2009 came from consumer spending, which rose by 0.4% year-on-year after adjustment for prices. Thanks to government support measures, employment remained at the same level as in the previous year. For the current year, the German government is expecting growth of 1.4%.

Almost every major industrialised nation ended 2009 with reduced economic output. According to estimates by the International Monetary Fund, the global economy contracted by 1.1% in the year under review. Attention focused primarily on the USA, where around 7.2 million jobs have been lost since the middle of 2008. The total collapse of the financial system was only prevented by substantial government programmes to boost the economy and the low interest rate policy of the US Federal Reserve.

The reorganisation and reform of the international financial system continue to be the focal point of the shake-out. The efforts of the monetary, fiscal and supervisory policymakers have been geared in this direction for almost two years now. Public funds have been used on a vast scale for economic packages and bailouts in the financial sector. The resulting levels of national debt in the western industrialised countries are worrying, and massive systemic risks continue to exist within the economic and financial markets.

Despite continuing signs of recovery, the structural risks in the financial system have not been eliminated. As things stand, it seems questionable whether there will be any self-sustaining growth momentum once the government support measures come to an end. The high levels of debt in the western industrialised countries may lead to fresh tensions, particularly if the monetary watchdogs abandon their restrictive attitude in respect of monetary policy.

Deutsche EuroShop AG 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 locations and by ensuring broad sector 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 therefore 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 market share away from traditional specialist retailers in favour of larger retail parks and well-managed shopping centers.

This development is more of an opportunity for us right now, 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.

Retail revenue fell by 2.4% in nominal terms in 2009, compared with an increase of 2.1% in the previous year. We anticipate that retail revenue will stagnate in 2010.

We minimise market and sector risks through in-depth market intelligence and by concluding long-term contracts with tenants of all retail segments that have 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 company is no longer sufficient to meet its 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 corresponding security deposits against the risk of default. In addition, write-downs are recognised in the accounts in individual cases.

Cost risk

Expenditure on current maintenance or investment projects can turn out higher than budgeted 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 general contractors with strong credit ratings. During the building phase, professional project management is assured 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, the evolution of long-term capital market 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. The appreciation of the properties is therefore 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 by the Company. 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 increase the volatility of the consolidated profit. However, this generally has no effect on the Group's solvency.

Currency risk

Deutsche EuroShop AG's activities are limited exclusively to the European economic area. Manageable currency risks arise in the case of the Eastern European investees. These risks are not hedged because this is purely an issue of translation at the reporting date and is therefore not associated with any 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 such that 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 therefore cannot be predicted by us.

The possibility cannot be completely excluded that, owing for example to a deterioration in 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 5.27%, 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 AG 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, dates for interest payments and principal repayments, and 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 the value of these items in the consolidated financial statements are recognised directly in equity. A test of effectiveness for the hedges described is implemented regularly.

Risk of damage
The property 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 our system, all data can be reproduced at short notice.

Personnel risk
Given the small number of employees of Deutsche EuroShop AG, the Company is dependent on individual persons in key positions. The loss of these key staff would lead to a loss of expertise, and the recruitment and induction of new replacement personnel 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 may, however, 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 developments jeopardising its continued existence at an early stage and to counteract them. The Executive Board is not aware of any risks that could jeopardise the continued existence of the Company.

Outlook

Despite the continuing turbulence on the international capital markets and the major reduction in economic output, there are no indications that the Deutsche EuroShop Group's economic situation will be significantly impaired in 2010. While all the figures available so far do point to a downturn in buying patterns, the slump in consumer spending feared by many experts has yet to materialise. The extremely robust labour market has undoubtedly helped in this regard. If the economic environment continues to deteriorate over the course of the year, however, it cannot be ruled out that retailers in our shopping centers may also experience financial difficulties 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.

Centers still almost fully let

Our shopping centers are almost fully let. At the end of the year, the occupancy rate stood at 99.9% for retail space and 99.3% for all space types. Some of the leases due to expire in 2010 (around 3% of rental income) have already been extended or new tenants have been found. Outstanding rents and necessary valuation allowances remain at a low level. We see no sign of a significant change in this satisfactory situation.

Transaction market picks up again

The transaction market for shopping centers contracted sharply last year. However, it has been evident since the end of the year that there will be an increasing number of shopping centers offered for sale in 2010, meaning that a much greater transaction volume can be expected this year. On the demand side we are in competition with open-ended property funds, which have high equity, and with insurance companies. But even foreign investors with a background in private equity are already looking at the market again. It remains to be seen, however, whether investors with high external financing needs are yet capable of once again surviving in competition, since an acquirer's financial strength and credit standing are now hugely important. With the acquisition and financing of the A10 center we have shown that we are a reliable partner with the ability to realise even larger transactions quickly and expertly. We are therefore confident that we will be able to invest in at least one other shopping center during the current financial year.

A10 center

The acquisition of the A10 center at the start of January 2010 marked our first purchase of a new shopping center for three years. The A10 center has 120 rental areas and by spring 2011 will have been expanded to include another 60, giving 120,000 m² of leasable space. The existing center will also be partially restructured and modernised. We will invest around €265 million in the acquisition and the expansion and modernisation measures. Of this amount, €150 million will come from a long-term bank loan. The equity of €115 million was raised through a capital increase conducted via a subscription rights offering in February 2010.

Altmarkt-Galerie Dresden

Expansion of the Altmarkt-Galerie in Dresden began in summer 2009. By spring 2011, the Altmarkt-Galerie will have some 32,500 m2 of additional rental space. Of this, approximately 24,300 m² will be allocated to retailers, service providers and service areas, around 2,900 m² to office space and some 5,300 m² to a hotel. At present, around 70% of the planned income from tenants has already been hedged through long-term leases. The total investment volume amounts to some €165 million, of which €82.5 million is attributable to Deutsche EuroShop. Around 46% of the investment is being financed via a long-term bank loan that has already been secured, with 54% financed through equity. Deutsche EuroShop plans to invest a total of €47.3 million for this measure in this financial year and the next. We expect this investment to deliver an initial net yield, after completion, of 5.6% p.a.

Main-Taunus-Zentrum

Work on expanding the Main-Taunus-Zentrum finally began in October 2010 following a lengthy legal dispute with the neighbouring municipality. The center is to be expanded by late autumn next year to include some 14,000 m² of additional space for retailers, service providers and service areas. There are already long-term leases in place for over 30% of the planned income from tenants. At the present time, the investment volume amounts to around €72 million, of which 43.1% is attributable to Deutsche EuroShop. €61 million of this investment is being financed via a long-term bank loan that has already been secured, and €11 million through equity. Further investment of €28.6 million is planned by Deutsche EuroShop in 2010 and 2011 for the ongoing expansion of the Main-Taunus-Zentrum. Following completion in late autumn 2011, we expect the expansion to generate an initial net yield of 8.9% p.a.

Agreed transactions are the foundation for revenue and earnings planning

The Deutsche EuroShop Group's revenue and earnings planning for 2010 and 2011 does not include the purchase or sale of any properties with the exception of the A10 center acquired in January 2010. The results of the annual valuation of our shopping centers and exchange rate factors are similarly not included in our planning since they are not foreseeable.

Forecasts about the future revenue and earnings situation of our Group are 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 that would cause a large number of retailers to no longer be able to meet their obligations under existing leases.

Revenue climbs by 10% in 2010; increase of 7% expected in 2011

We are anticipating revenue of between €139 million and €142 million for the 2010 financial year. The revenue contribution of the A10 center (from 1 February 2010) will have a particularly positive effect in this regard, given that only a small increase in earnings is anticipated from the other portfolio properties. Revenue should increase to between €149 million and €152 million in the 2011 financial year.

Growth in earnings over the next two financial years

Earnings before interest and taxes (EBIT) amounted to €110.7 million in 2009. According to our forecast, EBIT will amount to between €118 million and €121 million in the current financial year. This is expected to increase to between €127 million and €130 million in 2011.

Earnings before tax (EBT) excluding measurement gains and losses amounted to €54.9 million during the year under review. We expect the corresponding figure to be between €58 million and €60 million for the 2010 financial year and between €64 and €66 million for the 2011 financial year.

FFO trend influenced by capital increases

Funds from operations (FFO, undiluted) amounted to €1.49 per share in the year under review. We expect this figure to be between €1.33 and €1.38 in 2010 and between €1.45 and €1.50 in 2011.

Dividend policy

We intend to maintain our long-term dividend policy geared towards continuity and to distribute a dividend of at least €1.05 per share to our shareholders again in 2010 and 2011.

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.


It all adds up!

CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2009

DEUTSCHE EUROSHOP AG

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheet (IFRS) as of 31 December 2009

ASSETS in € thousands	Note	31.12.2009	31.12.2008
Assets			
Non-current assets			
Intangible assets	1.	24	32
Property, plant and equipment	2.	48	21,199
Investment properties	3.	1,990,980	1,897,767
Non-current financial assets	4.	24,755	30,316
Investments in equity-accounted associates	5.	3,532	3,740
Other non-current assets	6.	865	930
Non-current assets		**2,020,204**	**1,953,984**
Current assets			
Trade receivables	7.	2,557	2,717
Other current assets	8.	5,870	6,737
Other financial investments	9.	1,600	1,740
Cash and cash equivalents	10.	81,914	41,671
Current assets		**91,941**	**52,865**
Total assets		**2,112,145**	**2,006,849**

EQUITY AND LIABILITIES in € thousands	Note	31.12.2009	31.12.2008
Equity and liabilities			
Equity and reserves			
Issued capital		37,812	34,375
Capital reserves		609,364	546,213
Retained earnings		274,149	279,862
Total equity	**11.**	**921,325**	**860,450**
Non-current liabilities			
Bank loans and overdrafts	12.	921,170	879,078
Deferred tax liabilities	13.	85,600	82,313
Right to redeem of limited partners	14.	123,035	117,320
Other non-current liabilities	19.	19,845	14,941
Non-current liabilities		**1,149,650**	**1,093,652**
Current liabilities			
Bank loans and overdrafts	12.	13,025	20,730
Trade payables	15.	1,071	3,039
Liabilities to investees		0	35
Tax provisions	16.	1,981	662
Other provisions	17.	19,688	18,221
Other current liabilities	18.	5,405	10,060
Current liabilities		**41,170**	**52,747**
Total equity and liabilities		**2,112,145**	**2,006,849**

Consolidated Income Statement (IFRS) for the period from 1 January to 31 December 2009

in € thousands	Note	2009	2008
Revenue	20.	127,563	115,343
Property operating costs	21.	-5,843	-5,843
Property management costs	22.	-7,181	-7,151
Net operating income (NOI)		**114,539**	**102,349**
Other operating income	23.	916	756
Other operating expenses (corporate costs)	24.	-4,748	-5,000
Earnings before interest and taxes (EBIT)		**110,707**	**98,105**
Income from investments	25.	1,455	1,715
Interest income		674	2,370
Interest expense		-49,680	-46,079
Income from equity-accounted associates	26.	-141	-1,255
Profit/loss attributable to limited partners	27.	-8,164	-6,191
Net finance costs		**-55,856**	**-49,440**
Measurement gains/losses	**28.**	**-14,772**	**38,326**
Earnings before tax (EBT)		**40,079**	**86,991**
Income tax expense	29.	-5,711	-18,118
Other taxes		-1	-1
Consolidated profit		**34,367**	**68,872**
Basic earnings per share (€)	32.	0.93	1.96
Diluted earnings per share (€)	32.	0.93	1.96

Consolidated Statement of Comprehensive Income (IFRS) as of 31 December 2009

in € thousands	2009	2008
Consolidated profit	**34,367**	**68,872**
Changes due to currency translation effects	-350	-15,939
Changes in cash flow hedge	-4,602	-16,429
Change due to IAS 39 measurement of investments	-2,417	-920
Other changes	13	162
Deferred taxes on changes in value offset directly against equity	3,370	0
Total of earnings recognised directly in equity	-3,986	-33,126
Total profit	**30,381**	**35,746**
Share of Group shareholders	30,381	35,746

Consolidated Cash Flow Statement (IFRS) for the period from 1 January to 31 December 2009

in € thousands	1 Jan to 31 Dec 2009	1 Jan to 31 Dec 2008
Profit after tax	**34,367**	**68,872**
Income from the application of IFRS 3	-6,007	-892
Profit/loss attributable to limited partners	8,949	17,915
Depreciation of property, plant and equipment	23	10
Changes in value of investment property in accordance with IAS 40	20,467	-66,316
Profit/loss for the period of equity-accounted companies	245	0
Other non-cash income and expenses	-471	17,506
Deferred taxes	5,664	18,009
Operating cash flow	**63,237**	**55,104**
Changes in receivables	1,378	17,866
Changes in other financial investments	140	1,940
Changes in non-current tax provisions	-3,453	0
Changes in current provisions	2,754	-6,707
Changes in liabilities	-1,926	11,632
Cash flow from operating activities	**62,130**	**79,835**
Payments to acquire property, plant and equipment/investment properties	-20,493	-87,331
Payments to acquire consolidated companies	-15,362	0
Inflows for investments in non-current financial assets	0	-3,897
Cash flow from investing activities	**-35,855**	**-91,228**
Changes in interest-bearing financial liabilities	-7,212	3,856
Payments to Group shareholders	-36,094	-36,094
Contributions of Group shareholders	66,505	0
Payments to minority shareholders	-7,660	-6,897
Cash flow from financing activities	**15,539**	**-39,135**
Net change in cash and cash equivalents	**41,814**	**-50,528**
Cash and cash equivalents at beginning of period	**41,671**	**108,993**
Currency-related changes	119	1,329
Other changes	-1,690	-18,123
Cash and cash equivalents at end of period	**81,914**	**41,671**

Consolidated Statement of Changes in Equity (IFRS) as of 31 December 2009

in € thousands	Share capital	Capital reserves	Other retained earnings	Statutory reserve	Total
1 Januar 2008	**34,375**	**546,213**	**278,210**	**2,000**	**860,798**
Change due to IAS 39 measurement of investments			-920		-920
Change in cash flow hedge			-16,429		-16,429
Change due to currency translation effects			-15,939		-15,939
Other changes			162		162
Total of earnings recognised directly in equity			-33,126		-33,126
Consolidated profit			68,872		68,872
Total profit			35,746		35,746
Dividend payments			-36,094		-36,094
31 December 2008	**34,375**	**546,213**	**277,862**	**2,000**	**860,450**
1 Januar 2009	**34,375**	**546,213**	**277,862**	**2,000**	**860,450**
Change due to IAS 39 measurement of investments			-2,417		-2,417
Change in cash flow hedge			-4,602		-4,602
Change due to currency translation effects			-350		-350
Change in deferred taxes			3,370		3,370
Other changes			13		13
Total of earnings recognised directly in equity			-3,986		-3,986
Consolidated profit			34,367		34,367
Total profit			30,381		30,381
Capital increase from own funds	3,437	63,151			66,588
Dividend payments			-36,094		-36,094
31 December 2009	**37,812**	**609,364**	**272,149**	**2,000**	**921,325**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2009

General disclosures

The Group parent company is Deutsche EuroShop AG, Hamburg, Germany. The Company's registered office is Oderfelder Strasse 23, 20149 Hamburg, Germany, and it 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 Handelsgesetzbuch (HGB – German Commercial Code). All IFRSs and IFRIC interpretations endorsed by the European Commission and required to be applied as of 31 December 2009 have been applied.

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

Amounts are mainly presented in thousands of €.

Since it began operating, 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 in particular are critical parameters for the measurement of investment properties.

The consolidated financial statements as at 31 December 2009 were approved for submission to the Supervisory Board on 20 April 2010 and are expected to be approved at the Supervisory Board's financial statements review meeting on 28 April 2010. Until the consolidated financial statements are adopted there is still a possibility that they may be amended.

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

The annual financial statements of the consolidated companies were prepared as at 31 December 2009, the reporting date of the consolidated financial statements.

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 at 31 December 2009, the basis of consolidation comprised, in addition to the parent company, 16 (previous year: 12) fully consolidated domestic and foreign subsidiaries and seven (previous year: eight) proportionately consolidated domestic and foreign joint ventures.

On 2 January 2009, Deutsche EuroShop Verwaltungs GmbH increased its share in City-Point Kassel from 40% to 90%. The purchase price of the shares was €16.4 million. The fair value of the assets acquired and liabilities assumed exceeded the purchase price paid by €5.7 million (bargain purchase). This amount was incorporated into measurement gains/losses and was determined as follows:

in € thousands	Carrying amount	Fair value
ASSETS ACQUIRED		
Property assets	69,840	69,840
Cash and cash equivalents	1,004	1,004
Trade receivables	139	139
Other assets	120	120
	71,103	**71,103**
LIABILITIES ASSUMED		
Provision for deferred taxes		1,076
Provision for restructuring		1,272
Other provisions	19	19
Loan liabilities	41,599	41,599
Trade payables	16	16
Other liabilities	141	141
Minority interests	4,888	4,888
	46,663	**49,011**
Net assets acquired		22,092
Purchase price of the shares		- 16,365
Excess of identified net assets acquired over cost of acquisition		**5,727**

In the period under review, the company generated revenue of €7.3 million and profit of €2.0 million.

On 11 December 2009, Deutsche EuroShop AG acquired 100% of the shares in PANTA Sechzehnte Grundstücksgesellschaft m.b.H., Hamburg, at a purchase price of €26 thousand, which was paid in cash. The company reported assets of €25 thousand and equity of €25 thousand on the date of acquisition. In the period under review, the company generated no revenue and achieved a profit of €1 thousand.

In addition, on 11 December 2009, PANTA Sechzehnte Grundstücksgesellschaft m.b.H. acquired a 100% interest in Kommanditgesellschaft Neunundneunzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg, at a purchase price of €0, the assets and equity of which were each €25 thousand on the reporting date. In the period under review, the company generated no revenue and made a loss of €1 thousand.

CASPIA Investments Sp. z o.o, Warsaw, in which Deutsche EuroShop holds an indirect interest of 74%, was fully consolidated for the first time in the year under review, with effect from 1 January 2009. The company had not previously been included in the consolidated financial statements. On the date of the company's initial consolidation, the values to be included were determined in simplified form. Assets of €3.5 million and equity of €3.5 million were recognised in the consolidated balance sheet. The carrying amount of the assets and liabilities exceeded the carrying amount of the investment by €281 thousand. This was shown under measurement gains/losses in the income statement. In the period under review, the company posted revenue of €345 thousand and a loss of €89 thousand. Cash and cash equivalents of €692 thousand were recognised.

Investments over which Deutsche EuroShop AG has neither significant influence nor control are measured at fair value, in line with the provisions of IAS 39. This includes the investment in Ilwro Joint Venture Sp. z o.o, Warsaw.

Associates

In accordance with IAS 28, where Deutsche EuroShop can exercise a significant influence but not control over companies, generally holding 20% to 50% of the shares, these are measured using the equity method. Six companies fall into this category as at the balance sheet date.

CONSOLIDATION METHODS

For purchase accounting, the cost is eliminated against the parent company'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. Any excess of identified net assets acquired over cost of acquisition is recognised in income following a further reassessment.

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 and the income and expenses of jointly controlled companies are included in the consolidated financial statements according to the interest held in these companies. Proportionate consolidation and accounting for goodwill follows the same principles applied to the consolidation of subsidiaries.

For associates measured 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 (€).

The companies located outside the eurozone that are included in the consolidated financial statements are treated as legally independent, but economically dependent, integrated companies. Their reporting currencies (Polish zloty and Hungarian forint) therefore deviate from the functional currency (euro). Under IAS 21, annual financial statements prepared in foreign currencies are translated using the functional currency method, with the result that the balance sheet is to be translated as if the transactions had arisen for the Group itself, as the local currency of the integrated companies is deemed to be a foreign currency for these companies themselves.

Monetary values are therefore translated at the closing rate and non-monetary items at the rate that applied at the time of initial recognition. Non-monetary items to be reported at fair value are translated at the closing rate. Items in the consolidated income statement are translated at average rates for the year or, in the event of strong fluctuations, using the rate that applied on the date of the transaction. Any translation differences that may arise if the translation rates of the balance sheet and consolidated income statement differ are recognised in profit or loss. In the period under review, the currency translation method was changed as, contrary to expectations, the Polish zloty and the Hungarian forint did not have a great influence on sales prices (rents).

A closing rate of HUF 270.84 (previous year: HUF 264.78) and an average rate of HUF 280.33 (previous year: HUF 251.51) were used in the translation of the Hungarian separate financial statements from forint to euros. A closing rate of PLN 4.1082 (previous year: PLN 4.1724) and an average rate of PLN 4.3276 (previous year: PLN 3.5121) were taken as a basis for translating the separate financial statements of the Polish property company.

Changes in accounting policies

The following standards and interpretations or amendments to these, which were applicable for the first time in financial year 2009, had no or no material effects on the presentation of the net assets, financial position and results of operations of the Group:

» IFRS 8 – Operating Segments (from 1 January 2009)
» IAS 1 rev. 2007 – Presentation of Financial Statements (from 1 January 2009)
» IAS 23 rev. 2007 – Borrowing Costs (from 1 January 2009)
» IFRS 1 and IAS 27 – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (amendments to IFRS 1 and IAS 27) (from 1 January 2009)
» IFRS 2 – Vesting Conditions and Cancellations (amendment to IFRS 2) (from 1 January 2009)
» IFRS 7 – Financial Instruments: Disclosures (amendment to IFRS 7) (from 1 January 2009)
» IAS 32 and IAS 1 – Puttable Financial Instruments and Obligations arising on Liquidation (amendments to IAS 32) (from 1 January 2009)
» IAS 39 and IFRS 7 – Reclassification of Financial Assets (amendments to IAS 39) (from 1 July 2008)
» Annual Improvements 2008 – improvements to various standards (from 1 January 2009)
» IFRIC 13 – Customer Loyalty Programmes (from 1 July 2008)
» IFRIC 15 – Agreements for the Construction of Real Estate (from 1 January 2009)
» IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (from 1 October 2008)

The revision of IAS 1 “Presentation of Financial Statements” in 2007 introduced a change in terminology, including changed titles for the components of consolidated financial statements and changes relating to the nature of the presentation and its content. The presentation of the consolidated financial statements has been adapted on the basis of the amendments to IAS 1, which are to be applied to financial years that begin on or after 1 January 2009.

On 5 March 2009, the IASB published amendments to IFRS 7 "Financial Instruments: Disclosures" in its document "Improving Disclosures about Financial Instruments – Amendments to IFRS 7". These amendments to IFRS 7 relate to disclosures of fair value measurements and of liquidity risk. The specifications for disclosures of fair value measurements are specified provide for the introduction of a tabular breakdown for each class of financial instrument on the basis of a three-level "fair value hierarchy", and the scope of disclosure requirements is also extended. A distinction is made here between three measurement categories:

Level 1: At the first level of the "fair value hierarchy", fair values are determined using publicly quoted market prices, as the best-possible objective indication of the fair value of a financial asset or liability can be observed on an active market.

Level 2: If there is no active market for an instrument, a company determines the fair value using measurement models. These models include use of the most recent arm's-length transactions between knowledgeable and willing parties, comparison with the current fair value of another, essentially identical financial instrument, use of the discounted cash flow method and option pricing models. The fair value is estimated on the basis of the results of a method of measurement that uses data from the market to the greatest possible extent and is based as little as possible on company-specific data.

Level 3: The measurement models used for this level are based on parameters that are not observable on the market.

In 2009, the IASB issued standards and interpretations of and amendments to existing standards which it was not yet compulsory to apply in the consolidated financial statements for this period.

» IFRS 1 rev. 2008 – First-time Adoption of IFRS (from 1 July 2009)
» IFRS 3 rev. 2008 – Business Combinations (from 1 July 2009)
» IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations – Annual Improvements (from 1 July 2009)
» IAS 27 rev. 2008 – Consolidated and Separate Financial Statements (from 1 July 2009)
» IAS 39 – Eligible Hedged Items – amendment to IAS 39 (from 1 July 2009)
» IFRIC 17 – Distributions of Non-cash Assets to Owners (from 1 July 2009)
» IFRIC 18 – Transfers of Assets from Customers (for transfers after 1 July 2009)
» IFRS 2 – Share-based Payment (from 1 January 2010)
» IAS 32 – Financial Instruments: Presentation (from 1 February 2010)
» IAS 24 – Related Party Disclosures (from 1 January 2011)
» IFRS 9 – Financial Instruments: Disclosures (from 1 January 2013)
» IFRIC 9 and IAS 39 – Embedded Derivatives (from 1 July 2009)
» IFRIC 14 – IAS 19: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (from 1 January 2011)
» IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (from 1 July 2010)
» Annual Improvements 2009 – amendments to 12 standards and interpretations (from 1 January 2010)

The official announcements that did not yet have to be applied in 2009 will be implemented in the year in which their application becomes compulsory for the first time. The amendments to IFRS 3 and to IAS 27 will be applied for the first time to business combinations and transactions with subsidiaries which take place in financial year 2010. According to present assessments, no material effect is expected on the consolidated financial statements from the initial application of the amendments listed.

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 five 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 scheduled depreciation and, where applicable, unscheduled write-downs (impairment charges).

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 three 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. Since 1 January 2009, property that is under construction and that is intended to be used as investment property following its completion also falls under the scope of IAS 40. Such property can either be recognised at amortised cost (cost model) or using the fair value model.

Subsequently, all properties must be measured at their fair value and the annual net changes recognised in income under measurement gains/losses. Investment property is property held for the long term to earn rental income or capital gains. Under IAS 40, investment property measured using the fair value model is no longer depreciated.

As in previous years, the fair values of the property in the period under review were determined by the Feri EuroRating Services AG and GfK GeoMarketing GmbH appraisal team using the discounted cash flow (DCF) method. In accordance with the DCF method, future cash flows from the property in question are discounted back to the measurement date. In addition, the net income from the property is determined over a detailed planning period of ten years. A resale value is forecast for the end of the ten-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 equates to 88.6% (2008: 86.9%) of rental income, i.e. 11.4% (2008: 13.1%) of rental income is deducted for management and administrative costs. The appraisers brought the management and administrative costs reported closer into line with the costs actually incurred in the past. In financial year 2009, these came to 10.2% of rental income.

The capitalisation rate comprises a forecast yield on a ten-year German federal government bond and a premium 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 trends over the long term, the rate of employment and the resulting effects on retail demand, trends in the competitive environment and construction activity.

The discount rate averaged 6.80%, compared with 6.68% in the previous year. It is composed of a yield of 4.48% on a ten-year German federal government bond (2008: 4.58%) compared with the current yield of 3.37% (as at 31 December 2009) and an average risk premium of 2.32% (2008: 2.10%).

On the basis of the expert appraisals, the property portfolio has an net initial yield of 5.82% for financial year 2010, compared with 5.64% in the previous year.

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 realised from the temporary investment of specifically borrowed funds up to the point when these are used to obtain qualifying assets is deducted from the capitalisable costs of these 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 financial year in which they occur.

LEASE AGREEMENTS

In line with IAS 17, the tenancy 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 leases. Rental income from operating leases is recognised in income on a straight-line basis over the term of the corresponding lease. 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. These are fixed-rate swaps to limit the interest rate risk of variable interest rate loans, which have terms extending to 2026. The interest rate hedges are recognised at fair value under "Other assets" or "Other liabilities". Changes are recognised directly in equity, provided that the conditions of the underlying and hedge transaction are identical. Hedge effectiveness tests are regularly conducted. Present value is calculated based on discounted cash flows using current market interest rates. The final maturities of the interest rate hedges and loan agreements are identical.

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 controlled by Deutsche EuroShop jointly with partner companies. As Deutsche EuroShop, under the provisions of the shareholders' agreement, exercises neither significant influence nor control over this company, the investment is measured at fair value in line with the provisions of IAS 39. Measurement gains and losses are recognised directly in equity. Fair values of financial instruments for which there are no quoted market prices are estimated on the basis of the market values of the properties determined by appraisals, less net debt. The determination of fair value assumes the existence of a going concern.

3. INVESTMENTS IN EQUITY-ACCOUNTED ASSOCIATES

Companies with a narrow scope of business in which Deutsche EuroShop generally has an interest of between 20% and 50% and over which it exercises significant influence but not control are measured as equity-accounted associates. Here, the changes in the equity of such companies corresponding to the equity interest of Deutsche EuroShop are recognised in income.

4. RECEIVABLES AND OTHER CURRENT ASSETS

Receivables and other current assets are recognised at amortised cost less write-downs. Allowances are established for trade receivables if it is no longer certain that payment will be received. This is reviewed on a case-by-case basis at the balance sheet date. They are written off if the receivable becomes uncollectible.

5. OTHER FINANCIAL INVESTMENTS

Investments with a term of over three months are included at their fair value in this item, and their interest income is recognised under 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. According to sections 131 et seq HGB, shareholders in commercial partnerships have an ordinary legal right of termination of six months with effect from the end of the financial 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 amortised cost. Discounts are 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 recognised 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. Currently, deferred taxes are primarily formed on the differences between the IFRS carrying amounts of the properties and their carrying amounts for tax purposes. A uniform corporation tax rate of 15% plus the solidarity surcharge of 5.5% is used for German companies, and the local tax rates are used for foreign companies. In accordance with IAS 12.74, deferred tax assets on existing loss carryforwards are at present offset against deferred tax liabilities.

OTHER PROVISIONS

Under IFRS, other provisions may only be recognised if a present obligation exists towards a third party and payment is more likely than not. Non-current provisions are discounted.

Notes to the consolidated balance sheet – Assets

1. Intangible Assets

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

2009 in € thousands	Concessions, industrial and similar rights and licences in such rights and assets
Costs as at 1 January	**53**
Currency differences	0
Additions	1
Disposals	-6
Reclassifications	0
as at 31 December	**48**
Amortisation as at 1 January	**-21**
Currency differences	0
Additions	-9
Reversals of impairment losses	0
Disposals	6
as at 31 December	**-24**
Carrying amount at 1 January	**32**
Carrying amount at 31 December	**24**

This item consists mainly of software licences.

2. PROPERTY, PLANT AND EQUIPMENT

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

2009 in € thousands	Property, advance payments and assets under construction	Other equipment, operating and office equipment	Total
Costs as at 1 January	**21,387**	**115**	**21,502**
Currency differences	0	0	0
Additions	0	14	14
Additions to basis of consolidation	7	0	7
Disposals	0	-45	-45
Reclassifications	-21,157	0	-21,157
as at 31 December	**237**	**84**	**321**
Depreciation as at 1 January	**-230**	**-73**	**-303**
Currency differences	0	0	0
Additions	0	-14	-14
Reversals of impairment losses	0	0	0
Disposals	0	44	44
as at 31 December	**-230**	**-43**	**-273**
Carrying amount at 1 January	**21,157**	**42**	**21,199**
Carrying amount at 31 December	**7**	**41**	**48**

The reclassifications under property, advance payments and assets under construction relate to the expansion measures in Dresden. Since 1 January 2009, properties under construction have also fallen within the scope of IAS 40. For this reason an amount of €21,157 thousand was reclassified to investment properties.

3. INVESTMENT PROPERTIES

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

2009 in € thousands	Investment properties
Costs as at 1 January	**1,667,944**
Currency differences	132
Additions	16,459
Additions to basis of consolidation	71,228
Investments during the year	4,703
Disposals	0
Reclassifications	21,157
as at 31 December	**1,781,623**
Depreciation/impairment losses and reversals as at 1 January	**229,823**
Currency differences	0
Additions	0
Reversals of impairment losses	14,167
Depreciation	-34,634
Disposals	0
as at 31 December	**209,356**
Carrying amount at 1 January	**1,897,767**
Carrying amount at 31 December	**1,990,979**

The reclassifications relate to the expansion measures in Dresden, which have had to be reported in accordance with IAS 40 since 1 January 2009. The investment projects in Dresden and Sulzbach are expansions with a functional connection to the existing properties. Costs incurred during the investment project are to be recognised as expenses. If the project results in an increase in the fair value of the portfolio property, a reversal is recognised in income. The amount of this, however, is limited to the amount of the costs already incurred.

In 2009, there were two additions to the basis of consolidation. With effect from 2 January 2009, Deutsche EuroShop Verwaltungs GmbH increased its share in City-Point Kassel from 40% to 90%, with the result that this company is no longer proportionately consolidated but is now fully consolidated.

In addition, CASPIA Investments Sp. z o.o, Warsaw, was fully consolidated for the first time. This company is a property company that owns an office property in Gdansk. Deutsche EuroShop holds an indirect interest of 74% in this company. This investment was previously reported under non-current financial assets. On the balance sheet date, the property was valued and recognised at its market value in accordance with IAS 40. Due to the secondary importance of this property for the Group, no appraisal was drawn up.

The properties are secured by mortgages. Land charges exist in the amount of €934,195 thousand.

The rental income of the properties valued in accordance with IAS 40 was €127,563 thousand. Direct operating expenses totalled €13,024 thousand.

NON-CURRENT FINANCIAL ASSETS

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

2009 in € thousands	Non-current financial assets
Cost as at 1 January	**18,526**
Currency differences	-113
Additions	0
Disposals	-3,031
Reclassifications	0
as at 31 December	**15,382**
Write-downs and impairments/impairment losses and reversals as at 1 January	**11,790**
Currency differences	0
Additions	0
Reversals of impairment losses	0
Write-downs and impairments	-2,416
Disposals	0
Reclassifications	0
as at 31 December	**9,374**
Carrying amount at 1 January	**30,316**
Carrying amount at 31 December	**24,756**

The disposals relate to the first-time full consolidation of CASPIA Investments Sp. z o.o, Warsaw, with effect from 1 January 2009.

In the period under review, the investment in Ilwro Joint Venture Sp. z o.o, Warsaw, was written down by €2,416 thousand, resulting in a net carrying amount of €24,756 thousand as at 31 December 2009.

5. INVESTMENTS IN EQUITY-ACCOUNTED ASSOCIATES

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

2009 in € thousands	Investments in equity-accounted associates
Cost as at 1 January	**5.439**
Currency differences	0
Additions	91
Disposals	-2
Reclassifications	0
as at 31 December	**5.528**
Amortisation/impairment losses and reversals as at 1 January	**-1.699**
Currency differences	0
Additions	0
Reversals of impairment losses	68
Amortisation	-364
Disposals	0
Reclassifications	0
as at 31 December	**-1.996**
Carrying amount at 1 January	**3.740**
Carrying amount at 31 December	**3.532**

The additions relate to the share in the profits for the period of Kommanditgesellschaft Panta Fünfundsiebzigste Grundstücksgesellschaft m.b.H. & Co., Kommanditgesellschaft Panta Achtundvierzigste Grundstücksgesellschaft m.b.H. & Co. and Kommanditgesellschaft Panta Dreiunddreißigste m.b.H. & Co. These investments were amortised by €364 thousand on the balance sheet date.

6. Other non-current assets

in € thousands	31.12.2009	31.12.2008
Other non-current assets	**865**	930

This item consists mainly of the present value of a non-current receivable of €746 thousand attributable to our Polish property company. Annual cash flows of €207 thousand will flow to the company until 2016.

7. TRADE RECEIVABLES

in € thousands	31.12.2009	31.12.2008
Trade receivables	3,521	3,440
Allowances for doubtful accounts	-964	-723
	2,557	**2,717**

Receivables result primarily from rental invoices and services in relation to investments for which charges are passed on. These were predominantly paid at the time the consolidated financial statements were prepared. Guarantees, cash security deposits and letters of comfort serve as collateral.

8. OTHER CURRENT ASSETS

in € thousands	31.12.2009	31.12.2008
Value added tax receivables	689	3,204
Deductible withholding tax on dividends/solidarity surcharge	159	321
Interest rate swaps	207	207
Miscellaneous assets	4,812	3,005
	5,867	**6,737**

Miscellaneous assets primarily consist of other receivables from tenants and costs to protect locations

RECEIVABLES

in € thousands	Total	Up to 1 year	Over 1 year
Trade receivables	2,557	2,557	0
	(2,717)	(2,717)	(0)
Other assets	6,732	5,867	865
	(7,667)	(6,737)	(930)
	9,289	**8,424**	**865**
Previous year‘s figures in brackets	**(10,384)**	**(9,454)**	**(930)**

MATURITY OF TRADE RECEIVABLES AND OTHER ASSETS

in € thousands	Carrying amount	Not overdue
Trade receivables	2,557	2,557
	(2,717)	(2,717)
Other assets	6,732	6,732
	(7,667)	(7,667)
	9,289	**9,289**
Previous year's figures in brackets	**(10,384)**	**(10,384)**

9. OTHER FINANCIAL INVESTMENTS

in € thousands	31.12.2009	31.12.2008
Time deposits with a term of over 3 months	1,600	1,600
Other securities	0	140
	1,600	**1,740**

10. CASH AND CASH EQUIVALENTS

in € thousands	31.12.2009	31.12.2008
Short-term time deposits	62,448	6,229
Current accounts	19,452	35,427
Cash	14	15
	81,914	**41,671**

Notes to the consolidated balance sheet – equity and liabilities

11. EQUITY AND RESERVES

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

The share capital is €37,812,496 and is composed of 37,812,496 no-par-value registered shares (as at 31 December 2009).

Of these, 3,437,498 no-par-value registered shares with a notional value of €3,437 thousand were added to the share capital by way of a capital increase on 7 July 2009. The corresponding entry in the commercial register was made on 8 July 2009. The shares qualify in full for a dividend for financial year 2009.

The notional value of each share is €1.00.

According to Article 5 of the Articles of Association, the Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to a total of €13,750,001 on one or multiple occasions until 20 June 2012 by issuing up to 13,750,001 no-par-value registered shares against cash or non-cash contributions.

The Executive Board is authorised, subject to the approval of the Supervisory Board and until 21 June 2011, to issue convertible bonds with a total notional value of up to €150,000,000 and maturities of up to seven years and to grant bondholders 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.

The parent company of the Group, Deutsche EuroShop AG, is reporting an unappropriated surplus of €46,320 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 17 June 2010. The previous year's unappropriated surplus was distributed in full to the shareholders. The dividend paid was €1.05 per share.

The capital reserves contain amounts in accordance with section 272 (2) nos. 1 and 4 of the Handelsgesetzbuch (HGB – German Commercial Code).

Retained earnings consists primarily of the remeasurement reserves and currency items recognised at the time of transition to IFRS.

12. BANK LOANS AND OVERDRAFTS

in € thousands	31.12.2009	31.12.2008
Non-current bank loans and overdrafts	921,170	879,078
Current bank loans and overdrafts	13,025	20,730
	934,195	**899,808**

Bank loans and overdrafts are recognised at amortised cost on the balance sheet date. The present value of loans is redetermined at 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 is €968,000 thousand (previous year: €940,764 thousand).

Bank loans and overdrafts relate to loans raised to finance real property acquisitions and investment projects. Land charges on company properties amounting to €934,195 thousand (previous year: € 899,808 thousand) serve as collateral.

Discounts are amortised over the term of the loan. In the period under review, €5,555 thousand (previous year: €6,077 thousand) was recognised in income.

Currently, nine out of a total of 33 loan agreements contain provisions on covenants.

In all cases, these relate to debt service cover ratios (DSCRs) 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 three years. The last review took 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 2010–2013.

13. DEFERRED TAX LIABILITIES

in € thousands	As at 1 Jan 2009	Utilisation	Reversal	Addition	As at 31 Dec 2009
Deferred tax liabilities	82,313	0	199	3,486	85,600

Deferred tax liabilities relate primarily to properties reported at fair value in accordance with IAS 40. At the balance sheet date, they totalled €104,301 thousand (previous year: €98,937 thousand) and were partially offset by deferred tax assets on tax loss carryforwards of €15,248 thousand (previous year: €16,624 thousand). In addition, deferred tax assets were formed on cash flow hedges recognised in equity in the amount of €2,787 thousand and on currency items in the amount of €583 thousand. lease also see the consolidated statement of comprehensive income.

Additions for companies in Germany were €4,240 thousand, while additions of €2,699 thousand were made for companies abroad. In the year under review, deferred tax assets of € 3,453 thousand were formed on cash flow hedges recognised in equity, currency items and costs of the capital increase and were offset against the additions.

Due to the lowering of the rate of corporation tax in Hungary from 20% to 19% from 2010, deferred taxes of €199 thousand were released to income.

14. RIGHT TO REDEEM OF LIMITED PARTNERS

in € thousands	31.12.2009	31.12.2008
Right to redeem of limited partners	**123,035**	**117,320**

15. TRADE PAYABLES

in € thousands	31.12.2009	31.12.2008
Construction services	145	2,281
Others	926	758
	1,071	**3,039**

16. TAX PROVISIONS

in € thousands	As at 1 Jan 2009	Utilisation	Reversals	Additions	As at 31 Dec 2009
Other income taxes	218	173	0	1,484	1,529
Real property tax	444	24	44	76	452
	662	**197**	**44**	**1,560**	**1,981**

Trade tax provisions were recognised for Deutsche EuroShop Management GmbH. In addition, trade tax provisions of €1,462 thousand were recognised in connection with the acquisition of further shares in City-Point Kassel KG. This tax is to be paid by the seller. A receivable from the seller in the same amount is therefore included in the consolidated financial statements.

Real property tax provisions relate exclusively to companies in Germany.

17. OTHER PROVISIONS

in € thousands	As at 1 Jan 2009	Addition to basis of consolidation	Utilisation	Reversal	Addition	As at 31 Dec 2009
Maintenance and construction services already performed but not yet invoiced	1,084	1	784	194	1,186	1,293
Fees	14,488	0	0	0	2,009	16,497
Others	2,649	24	2,194	350	1,769	1,898
	18,221	**25**	**2,978**	**544**	**4,964**	**19,688**

Fees includes 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	31.12.2009	31.12.2008
Rental deposits	873	1,469
Value added tax	1,850	1,727
Service contract liabilities	639	4,122
Debtors with credit balances	110	252
Others	1,933	2,490
	5,405	**10,060**

“Others” mainly comprises liabilities for heating and ancillary costs, together with prepaid rent for the following year.

19. OTHER NON-CURRENT LIABILITIES

in € thousands	31.12.2009	31.12.2008
Interest rate swaps	19,501	14,546
	344	395
	19,845	**14,941**

In connection with borrowing, interest rate hedges were concluded to hedge against higher capital market interest rates. Their present value totalled €19,501 thousand as at the balance sheet date.

LIABILITIES

in € thousands	Total	Current	Non-current
Bank loans and overdrafts	934,195	13,025	921,170
	(899,808)	(20,730)	(879,078)
Trade payables	1,071	1,071	0
	(3,039)	(3,039)	(0)
Other liabilities	25,250	5,405	19,845
	(25,001)	(10,060)	(14,941)
of which taxes	1,868	1,868	0
	(1,494)	(1,494)	(0)
	960,516	**19,501**	**941,015**
Previous year's figures in brackets	(927,848)	(33,829)	(894,019)

Notes to the consolidated income statement

20. REVENUE

in € thousands	2009	2008
Minimum rental income	124,606	112,118
Turnover rental income	2,232	2,301
Other revenue	725	924
	127,563	**115,343**
of which directly attributable rental income in accordance with IAS 40 Investment Properties	127,563	115,343

Other revenue relates primarily to compensation for use and settlement payments made by former tenants.

The amounts reported here as operating leases relate to rental income from the investment property with long-term rental periods. With these types of lease 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	2009	2008
Maturity within 1 year	125,562	119,459
Maturity from 1 to 5 years	401,426	401,125
Maturity after 5 years	238,002	274,531
	764,990	**795,115**

21. PROPERTY OPERATING COSTS

in € thousands	2009	2008
Center marketing	-2,078	-1,926
Maintenance and repairs	-937	-807
Real property tax	-805	-755
Insurance	-320	-400
Write-downs of rent receivables	-563	-153
Others	-1,140	-1,802
	-5,843	**-5,843**
of which directly attributable rental income in accordance with IAS 40 Investment Properties	-5,843	-5,843

An amount of €114 thousand has been reclassified to the previous year's figure from other operating income.

22. PROPERTY MANAGEMENT COSTS

in € thousands	2009	2008
Center management/agency agreement costs	**-7,181**	**-7,151**
of which directly attributable rental income in accordance with IAS 40 Investment Properties	-7,181	-7,151

23. OTHER OPERATING INCOME

in € thousands	2009	2008
Gains on the sale of current financial instruments	0	268
Income from the reversal of provisions	300	201
Exchange rate gains	71	126
Others	545	161
	916	**756**

In the previous year, income of €114 thousand from the reversal of write-downs of receivables was included. This was offset against property operating costs in the year under review.

24. OTHER OPERATING EXPENSES

in € thousands	2009	2008
Personnel expenses	-1,361	-1,359
Legal and consulting costs, tax consultant fees and audit expenses	-1,371	-1,474
Marketing costs	-425	-415
Supervisory Board compensation	-223	-314
Appraisal costs	-155	-240
Exchange rate losses	-221	-127
Write-downs	-23	-10
Others	-969	-1,061
	-4,748	**-5,000**

Legal and consulting costs, tax consultant fees and audit expenses includes €352 thousand in fees for the audit of Group companies. €282 thousand of this figure is attributable to the Group auditor. The Group auditor did not provide any other services.

25. INCOME FROM INVESTMENTS

in € thousands	2009	2008
Income from investments	**1,455**	1,715

In the year under review, this item included the dividends paid by Ilwro Joint Venture Sp. z o.o and City-Point Beteiligungs GmbH.

26. INCOME FROM EQUITY-ACCOUNTED ASSOCIATES

in € thousands	2009	2008
Profit/loss from equity-accounted associates	**-141**	-1,255

This includes the share in the profits/losses of and dividends received from property companies included in the consolidated financial statements in accordance with the equity method. The expenses of €1,255 thousand recognised in the previous year under measurement gains were also reclassified to this item in the year under review.

27. PROFIT/LOSS ATTRIBUTABLE TO LIMITED PARTNERS

in € thousands	2009	2008
Minority interest in operating profit/loss of commercial partnerships	**-8,164**	-6,191

28. MEASUREMENT GAINS/LOSSES

in € thousands	2009	2008
Fair value gains in accordance with IAS 40	14,167	89,947
Fair value losses in accordance with IAS 40	-34,633	-23,631
Excess of identified net assets acquired over cost of acquisition resulting from changes in the consolidated Group in accordance with IFRS 3	6,007	892
Exchange rate gains (previous year: losses)	431	-16,250
Minorities	-784	-11,724
Others	40	-908
	-14,772	**38,326**

In the previous year, this item included €1,255 thousand from the measurement of equity-accounted companies. This year, this is recognised in net finance costs for the first time.

29. INCOME TAX EXPENSE

in € thousands	2009	2008
Current tax expense	-47	-108
Deferred tax liabilities – domestic companies	-3,165	-5,642
Deferred tax liabilities – foreign companies	-2,499	-12,368
	-5,711	**-18,118**

In measuring deferred taxes, the tax rates applicable in accordance with IAS 12 are those valid under current legislation at the date at which the temporary differences will probably reverse. In 2009, 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 applied for companies in other countries. Deferred taxes were released in connection with the reduction in the rate of corporation tax in Hungary from 20% to 19% from 2010.

TAX RECONCILIATION

The income taxes in the amount of €5,711 thousand in the year under review are derived as follows from an expected income tax expense that would have resulted from the application of the parent company's statutory income tax rate to the profit before tax. This was calculated using a corporation tax rate of 15% plus the 5.5% solidarity surcharge.

in € thousands	2009	2008
Consolidated profit before income tax	**40,079**	86,934
Theoretical income tax 15.825%	**-6,343**	**-13,757**
Tax rate differences for foreign Group companies	-656	-1,906
Foreign tax expense incurred in prior periods	0	-2,601
Tax-free income	906	0
Divergent domestic tax	-33	-52
Reversal due to tax rate reduction abroad	199	0
Others	216	198
Current income tax	**-5,711**	**-18,118**

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

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

At present, the trade tax is only applied to income not covered by the extended reduction of trade tax, such as interest income. In the current year, €33 thousand in trade tax expense was included in the current tax expense.

The effect arising from tax-free income is the result of recognising the excess of identified net assets over cost of acquisition (which is not relevant for tax purposes) in accordance with IFRS 3 from the acquisition of the share in City-Point Kassel GmbH & Co. KG.

In financial year 2009, the effective income tax rate was 14% (previous year: 21%).

Notes to the consolidated cash flow statement

NOTES TO 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 consists of cash, bank balances and short-term term deposits.

COMPOSITION OF CASH AND CASH EQUIVALENTS

in € thousands	31.12.2009	31.12.2008
Cash and cash equivalents	81,914	41,671

OPERATING CASH FLOW

After adjustment of the profit for the period for non-cash income and expenses, operating cash flow was €63,237 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 €0.7 million (previous year: €2.4 million)
» interest expense in the amount of €44.1 million (previous year: €40.0 million)
» income taxes paid in the amount of €0.0 million (previous year: €0.1 million)

CASH FLOW FROM INVESTING ACTIVITIES

Cash additions/disposals of property, plant and equipment during the current year are recognised. This item contains interest inflows totalling €76 thousand.

In January 2009, Deutsche EuroShop Verwaltungs GmbH increased its share in Objekt City-Point Kassel from 40% to 90%. A purchase price of €16.4 million was paid in cash. The cash and cash equivalents incorporated on the date of acquisition came to €1.0 million.

The cash and cash equivalents of CASPIA Investments Sp. z o.o transferred on the date of the company's initial consolidation totalled €692 thousand. The effects on cash flow of the full consolidation of CASPIA and Kassel KG were not material.

CASH FLOW FROM FINANCING ACTIVITIES

In financial year 2009, a dividend of €36,094 thousand was paid to the shareholders and distributions of €7,660 thousand were made to the minority shareholders. Furthermore, a capital increase was carried out in July 2009, from which the Company received €66,505 thousand.

CURRENCY-RELATED AND OTHER CHANGES

This item is the result of changes recognised directly in equity from the currency translation of foreign investments in the amount of €119 thousand and of the change in cash flow hedges in connection with interest rate hedging transactions in the amount of €1,690 thousand.

CASH FLOW PER SHARE

in € thousands		2009	2008
Average outstanding shares (diluted)		36,799,402	35,088,250
Average outstanding shares (basic)		36,799,402	35,088,250
Operating cash flow	in € thousands	63,237	55,104
Operating cash flow per share (diluted)	in €	1.72	1.57
Operating cash flow per share (basic)	in €	1.72	1.57
Cash flow from operating activities	in € thousands	62,130	79,835
Cash flow per share (diluted)	in €	1.69	2.28
Cash flow per share (basic)	in €	1.69	2.28

On 8 July 2009, the share capital was increased by 3,437,498 no-par-value registered shares under a capital increase. As a result, the number of outstanding shares rose to 37,812,496.

In addition, a capital increase with a one-for-six subscription ratio was carried out in January 2010. This resulted in the number of shares rising by 6,302,082. Taking into account a time-weighting factor and retrospective adjustment of the number of shares in accordance with IAS 33, the average number of outstanding shares came to 36,799,402 for financial year 2009. The previous year's figures were adjusted accordingly. Please see also our comments under "Earnings per share".

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), separate segment reporting is presented only in the form of a breakdown by domestic and international results.

Deutsche EuroShop AG assesses the performance of the segments on the basis of factors including the revenue and profits for the period of the individual property companies.

BREAKDOWN BY GEOGRAPHICAL SEGMENT

in € thousands	Domestic	International	Total
Revenue	105,003	22,560	**127,563**
(previous year's figures)	(93,599)	**(21,744)**	(115,343)

Around 10% of rental income was generated in Poland. In the year under review, these revenues came to €13,495 thousand (previous year: €12,794 thousand).

in € thousands	Domestic	International	Total
EBIT	**93,439**	**20,127**	**113,566**
(previous year's figures)	(81,240)	**(19,830)**	(101,070)

in € thousands	Domestic	International	Reconciliation	Total
EBT (before measurement gains/losses)	**32,771**	**15,275**	**6,805**	**54,851**
(previous year's figures)	(49,472)	(66,499)	**(-67,306)**	(48,665)

in € thousands	Domestic	International	Total
Segment assets	**1,775,305**	**336,840**	**2,112,145**
(previous year's figures)	(1,669,311)	(337,538)	(2,006,849)
of which investment properties	**1,663,951**	**327,029**	**1,990,980**
(previous year's figures)	(1,575,657)	(322,110)	(1,897,767)

Other disclosures

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Carrying amounts, valuations and fair values according to measurement category

	Balance sheet amount in line with IAS 39					
in € thousands	Measurement category pursuant to IAS 39	Carrying amount 31 Dec 2009	Amortised cost	Cost	Fair value reported in equity	
Financial assets						
Non-current financial assets	AfS	24,756		15,381	9,375*	
Trade receivables	LaR	2,557	2,557			
Other assets	LaR	1,807	853		954	
Other financial investments	HtM	1,600	1,600			
Cash and cash equivalents	LaR	81,914	81,914			
Financial liabilities						
Bank loans and overdrafts	FLAC	934,195	934,195			
Right to redeem of limited partners	FLAC	123,035	123,035			
Trade payables	FLAC	1,071	1,071			
Other liabilities	FLAC	22,893	3,392		19,501*	
Aggregated according to measurement category pursuant to IAS 39:						
Loans and receivables (LaR)		86,278	85,324		954	
Available for sale (AfS)		24,756		15,381	9,375	
Held to maturity (HtM)		1,600	1,600			
Financial liabilities measured at amortised cost (FLAC)		1,081,194	1,061,693		19,501	

* Corresponds to level 2 of the IFRS 7 fair value hierarchy

		Balance sheet amount in line with IAS 39					
Fair value recognised in income	Fair value 31 Dec 2009	Carrying amount 31 Dec 2008	Amortised cost	Cost	Fair value reported in equity	Fair value recognised in income	Fair value 31 Dec 2008
	24,756	30,316	3,145	15,381	11,790*		30,316
	2,557	2,717	2,717				2,717
	1,807	2,093	1,034		1,059		2,093
	1,600	1,740	1,740				1,740
	81,914	41,671	41,671				41,671
	968,000	899,808	899,808				940,764
	123,035	117,320	117,320				117,320
	1,071	3,039	3,039				3,039
	22,893	25,001	10,455		14,546*		25,001
	86,278	46,481	45,422		1,059		46,481
	24,756	30,316	3,145	15,381	11,790		34,056
	1,600	1,740	1,740				1,740
	1,114,999	1,045,168	1,030,622		14,546		1,086,124

Non-current financial assets includes an investment defined as available-for-sale, which was reported in equity on the balance sheet date.

Investments measured using the equity method 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 recognised at their present value. The carrying amounts thus correspond to the fair value. The change in the present value of the long-term interest rate swap recognised was €106 thousand.

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 amortised cost. The fair value for Group loans is given in the notes under item 12 "Bank loans and overdrafts". In total, interest expense of €49,680 thousand is included in net finance costs.

Trade payables and other liabilities with the exception of interest rate swaps – which are recognised at present value – usually have short residual terms. 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 finance costs. The profit/loss share of minority shareholders of €8,164 thousand is also included in net finance costs.

Impairment charges on receivables are reported in property operating costs.

RISK MANAGEMENT

In risk management, the emphasis is on ensuring compliance with the strategy and, building on this, on identifying and assessing risks and opportunities, as well as on the fundamental decision to manage these risks. Risk management ensures that risks that could present an obstacle to compliance with regulations are identified at an early stage, assessed, communicated promptly and minimised. Risk analysis involves identifying and analysing the factors that could jeopardise the achievement of goals.

MARKET RISKS

Liquidity risk

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 utilised at short notice.

The contractually agreed future interest and principal repayments of the original financial liabilities and derivative financial instruments are as follows as at 31 December 2009:

in € thousands	Carrying amount 31 Dec 2009	Cash flows 2010	Cash flows 2011 until 2014	Cash flows from 2015
Bank loans and overdrafts	934,195	55,818	585,666	615,835

The amounts relate to all contractual commitments existing on the balance sheet date. The majority of the trade payables and other financial liabilities reported at the end of the financial year will fall due in 2010.

Credit and default 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 €563 thousand (previous year: €152 thousand) were recognised under property operating costs.

The maximum default risk in relation to trade receivables and other assets totals €8,424 thousand (previous year: €9,454 thousand) as at the reporting date.

Currency and measurement risk

The Group companies operate exclusively in the European Economic Area and conduct the greater part of their business in euros. This does not entail currency risks.

On the basis of the expert appraisals, the property portfolio has a theoretical net initial yield of 5.82% for financial year 2009. An increase of 100 basis points in the net initial yield would result in a profit reduction of €286 million. A reduction of 100 basis points would result in a profit increase of €405 million. Changes in the value of the properties are recognised under measurement gains/losses.

Interest rate risk

A sensitivity analysis was implemented to determine the effect of potential interest rate changes. Based on the financial assets and liabilities subject to 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 are recognised in equity as cash flow hedges at present value. An increase in the market interest rate of 100 basis points would lead to an increase in equity of €16,874 thousand. The majority of the loan liabilities have fixed interest terms. On the balance sheet date, credit of €195,700 thousand (previous year: €157,400 thousand) was hedged using derivative financial instruments.

Capital management

The Group's capital management is designed to maintain a strong equity base, with the aim of ensuring that its ability to repay its debts and financial well-being are maintained in the future. The Group's financial policies are also based on the annual payment of a dividend.

in € thousands	31.12.2009	31.12.2008
Equity	1,044,360	977,770
Equity ratio (%)	49.5	48.7
Net financial debt	-850,681	-856,397

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

Net financial debt is determined from the financial liabilities on the balance sheet date less cash and cash equivalents and other financial investments.

31. 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 recognised in the consolidated balance sheet. The income statement includes the share of the income and expenses of the jointly controlled companies.

During the financial year, assets and liability items and expenses and income of the subsidiaries defined as joint ventures in line with IAS 31.56 were recognised in the consolidated financial statements as follows:

in € thousands	31.12.2009	31.12.2008
Current assets	14,140	19,299
Non-current assets	545,498	582,583
Current liabilities	4,781	8,673
Non-current liabilities	261,002	278,845
Income	35,194	39,483
Expenses	-26,719	-24,808

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 a controlling influence over these companies together with other shareholders.

The share in these companies' equity is compared to the net carrying amount and any differences are recognised in income.

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

in € thousands	31.12.2009	31.12.2008
Current assets	655	388
Non-current assets	10,128	10,655
Current liabilities	89	174
Non-current liabilities	7,200	7,200
Income	772	772
Expenses	-2,294	-874

32. EARNINGS PER SHARE

in € thousands		2009	2008
Average outstanding shares (diluted)		36,799,402	35,088,250
Average outstanding shares (basic)		36,799,402	35,088,250
Consolidated net profit attributable to Group shareholders	in € thousands	34,367	68,872
Earnings per share (basic)	in €	0.93	1.96
Earnings per share (diluted)	in €	0.93	1.96

Basic earnings per share:

Basic earnings per share are determined by dividing the net income for the period to which the shareholders of Deutsche EuroShop AG are entitled by the weighted average number of shares outstanding within the reporting period.

On 8 July 2009, the share capital was increased by 3,437,498 no-par-value registered shares by way of a capital increase. As a result, the number of outstanding shares rose to 37,812,496. In addition, a capital increase with a one-for six subscription ratio was carried out in January 2010. This resulted in the number of shares rising by 6,302,082. To take into account the capital increase that took place during the year and also the capital increase carried out after the balance sheet date and prior to publication, in accordance with IAS 33 a time-weighting factor and a retrospective adjustment of the number of shares must be applied when determining the basic and diluted earnings per share. For this reason the average number of outstanding shares came to 36,799,402 for financial year 2009. The previous year’s figures were adjusted accordingly.

Diluted earnings per share:

For the calculation of diluted earnings per share, potential ordinary shares must be taken into account when determining the number of outstanding shares, and the net income for the period attributable to the shareholders of Deutsche EuroShop AG must be adjusted. As Deutsche EuroShop AG has no potential ordinary shares, the calculation of diluted earnings per share is the same as the method used to calculate basic earnings per share.

Other financial obligations

There are other financial obligations of €88.2 million arising from service contracts.

Investment expenses of €36 million will be incurred next year for the expansions of the Main-Taunus-Zentrum in Sulzbach and the Altmarkt-Galerie Dresden.

Other disclosures

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

Events after the balance sheet date

On 6 January 2010, Panta Neunundneunzigste Grundstücksgesellschaft m.b.H. & Co. KG, a subsidiary of Deutsche EuroShop, acquired the A 10 shopping center in Wildau near Berlin for around €205 million (including ancillary acquisition costs). The transfer of benefits and encumbrances took place on 1 February 2010. The center, which opened in 1996, offers 120 rental areas and will be restructured and modernised by the spring of 2011, increasing the number of rental areas by 60 to 180, with rental space of 120,000 m². We expect the overall additional investment required to total around €60 million.

Of the total investment of €265 million, €150 million will be financed by means of a long-term bank loan and €115 million from equity. €125 million of this loan has already been utilised for the purchase, at an interest rate of 4.65% p.a. with a fixed-rate period of 10 years. The remaining €25 million will be used to finance part of the investments in modernisation and expansion.

To refinance the equity portion of the investment (€115 million), Deutsche EuroShop AG carried out a rights issue with a one-for-six subscription ratio in February 2010. The new shares were acquired in their entirety by existing shareholders through the exercising of their subscription right and an oversubscription right granted by the Company. A total of 6.3 million new shares were issued at a subscription price of €19.50 per share, and they qualify for a dividend for 2009. This action raised around €123 million for the Company.

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

The Supervisory Board and Executive Board

SUPERVISORY BOARD

a) Membership of other statutory supervisory boards
b) Membership of comparable supervisory bodies of business enterprises in Germany or other countries

Manfred Zaß, Königstein im Taunus, Chairman
Banker
a) Deutsche Pfandbriefbank AG, Munich (18 May 2009 to 13 August 2009)
Hypo Real Estate Holding AG, Munich (until 13 August 2009)

Dr. Michael Gellen, Cologne, Deputy Chairman
Independent lawyer

Thomas Armbrust, Hamburg
Member of Management of KG CURA Vermögensverwaltung G.m.b.H. & Co., Hamburg
a) C.J. Vogel Aktiengesellschaft für Beteiligungen, Hamburg (Chairman)
Platinum AG, Hamburg (Chairman)
TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich (Chairman)
Verwaltungsgesellschaft Otto mbH, Hamburg
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/Westphalia
Businessman
a) Capital Stage AG, Hamburg
Douglas Holding AG, Hagen/Westphalia (Chairman)
b) Kalorimeta AG & Co. KG, Hamburg
Urbana Gruppe, Hamburg

Alexander Otto, Hamburg
CEO of ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg
a) BATIG Gesellschaft für Beteiligungen, Hamburg (until 9 April 2009)
British American Tobacco (Industrie) GmbH, Hamburg (until 9 April 2009)
British American Tobacco (Germany) GmbH, Hamburg (until 9 April 2009)
HSH Nordbank AG, Hamburg (until 30 June 2009)
Verwaltungsgesellschaft Otto mbH, Hamburg
b) Ergo Versicherungsgruppe, Dusseldorf (since 29 October 2009)
Peek & Cloppenburg KG, Dusseldorf

Dr. Bernd Thiemann, Kronberg im Taunus
Management consultant
a) Constantin Medien AG, Munich (formerly EM.Sport Media AG, Chairman, until 1 July 2009)
Deutsche Pfandbriefbank AG, Unterschleißheim (Chairman, since 13 August 2009)
EQC AG, Osnabrück (Deputy Chairman)
Hypo Real Estate Holding AG, Unterschleißheim (Chairman, since 13 August 2009)
Thyssen Krupp Stainless AG, Duisburg (until 30 September 2009)
VHV Vereinigte Hannoversche Versicherung a.G., Hanover
VHV Leben AG, Hanover
Wave Management AG, Hamburg (Deputy Chairman)
b) Fraport AG, Frankfurt (until 26 November 2009)
M.M. Warburg & Co. KGaA, Hamburg
Odewald & Companie, Berlin (Deputy Chairman)
Würth Gruppe, Künzelsau (Deputy Chairman)

EXECUTIVE BOARD

Claus-Matthias Böge, Hamburg, Executive Board Spokesman
b) Palladium Praha s.r.o. (since 20 November 2009)

Olaf Borkers, Hamburg

The **remuneration of the members of the Supervisory Board** totalled €223 thousand in the period under review, which breaks down as follows:

in € thousands	Total 2009	Previous year
Manfred Zaß	59.50	83.30
Dr. Michael Gellen	44.62	62.48
Thomas Armbrust	29.75	41.65
Alexander Otto	29.75	41.65
Dr. Jörn Kreke	29.75	41.65
Dr. Bernd Thiemann	29.75	41.65
Including 19% value added tax	**223.12**	**312.38**

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

The **remuneration of the Executive Board** totalled €893 thousand, which breaks down as follows:

in € thousands	Fixed remuneration	Variable remuneration	Other benefits	Total	Total previous year
Claus-Matthias Böge	300	250	65	615	615
Olaf G. Borkers	168	100	10	278	278

Other benefits include the provision of a car for business and private use and 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.

In the event that the Company were to choose not to renew the existing contracts of the members of the Executive Board upon their expiry, Claus-Matthias Böge would receive a one-off severance payment of €150 thousand and Olaf Borkers would receive three months' salary. For further details, please see the supplementary disclosures on remuneration 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 2009.

Related parties for the purposes of IAS 24

Deutsche EuroShop AG's subsidiaries and the members of its Executive Board and Supervisory Board are regarded as related parties for the purposes of IAS 24. The remuneration of the Supervisory Board and the Executive Board is described in the notes.

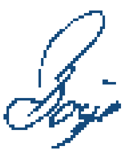
Income of €6,248 thousand (previous year: €5,731 thousand) was generated in the financial year from the Douglas Group under existing lease agreements.

Fees for service contracts with the ECE Group came to €18,846 thousand (previous year: €31,984 thousand). This amount was partially offset by income from lease agreements with the ECE Group in the amount of €4,674 thousand (previous year: €3,815 thousand).

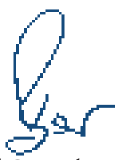
Transactions with related parties involving the provision of goods and services were at standard market rates.

Hamburg, 20 April 2010

Deutsche EuroShop AG
The Executive Board



Claus-Matthias Böge



Olaf G. Borkers

Other disclosures

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

Shareholder	Shareholding report as at	Event (in brackets: share threshold in %)	New voting rights share in %	of which own holdings in %	of which indirectly attributable in %	Number of shares
Benjamin Otto, Hamburg	2 April 2002	Exceeds threshold (5)	7.74	0.00	7.74	No details
"Bravo-Alpha" Beteiligungs G.m.b.H., Hamburg	2 April 2002	Exceeds threshold (5)	7.74	3.71	4.03	No details
Alexander Otto, Hamburg	25 November 2005	Exceeds threshold (5, 10)	12.27	0.91	11.36	No details
COMMERZBANK AG, Frankfurt	8 July 2009	Exceeds threshold (3, 5)	9.17	9.17	0.00	3,467,966
COMMERZBANK AG, Frankfurt	10 July 2009	Falls below threshold (3, 5)	0.23	0.23	0.00	86,342
Stockshare Nominees (Pty) Ltd, Waverley, South Africa	17 November 2009	Falls below threshold (5)	4.99	4.99	0.00	1,886,792
Attfund Ltd., Brooklyn, South Africa	17 November 2009	Falls below threshold (5)	4.99	1.77	3.22	1,886,792
AROSA Vermögensverwal-tungsgesellschaft m.b.H., Hamburg	2 February 2010	Falls below threshold (10)	9.63	9.63	0.00	4,244,021
COMMERZBANK AG, Frankfurt	2 February 2010	Exceeds threshold (3, 5)	7.16	7.16	0.00	3,156,731
COMMERZBANK AG, Frankfurt	4 February 2010	Falls below threshold (3, 5)	0.11	0.11	0.00	46,326
DZ BANK AG, Deutsche Genossenschaftsbank, Frankfurt	2 February 2010	Exceeds threshold (3, 5)	7.14	7.14	0.00	3,151,041
DZ BANK AG, Deutsche Genossenschaftsbank, Frankfurt	4 February 2010	Falls below threshold (3, 5)	0.00	0.00	0.00	0

Shareholdings

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 285 HGB AS AT 31 DECEMBER 2009:

Company name and domicile	Interest in equity	of which indirect	of which direct	Equity as at 31 December 2009	HGB profit/loss 2009
Fully consolidated companies:				in €	in €
Deutsche EuroShop Verwaltungs GmbH, Hamburg	100.00%	-	100.00%	32,031,606.90	-2,612,618.07
Deutsche EuroShop Management GmbH, Hamburg	100.00%	-	100.00%	62,989.28	37,989.28
Kommanditgesellschaft PANTA Neunundneunzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	100.00%	100.00%		0.00	-769.02
PANTA Sechzehnte Grundstücksgesellschaft m.b.H., Hamburg	100.00%		100.00%	25,404.39	404.39
Rhein-Neckar-Zentrum KG, Hamburg	99.90%	-	99.90%	17,992,519.76	1,461,320.35
Stadt-Galerie Hameln KG, Hamburg	94.90%	-	94.90%	69,456,220.09	3,120,851.96
Rathaus-Center Dessau KG, Hamburg	94.90%	-	94.90%	26,182,384.29	6,540,950.43
Objekt City-Point Kassel GmbH & Co. KG, Pöcking	90.00%	90.00%	-	-16,030,626.66	-2,648,975.13
City-Galerie Wolfsburg KG, Hamburg	89.00%	-	89.00%	-6,240,713.69	1,262,523.60
Allee-Center Hamm KG, Hamburg	88.93%	-	88.93%	-36,305,780.52	3,495,024.96
Stadt-Galerie Passau KG, Hamburg	75.00%	-	75.00%	111,410,518.48	3,815,040.41
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Hamburg	74.00%	-	74.00%	42,056,871.15	855,662.02
City-Arkaden Wuppertal KG, Hamburg	72.00%	-	72.00%	-5,294,030.91	372,386.02
Forum Wetzlar KG, Hamburg	65.00%	-	65.00%	16,357,488.83	1,067,198.95
				in PLN	in PLN
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Sp. kom., Warsaw, Poland	74.00%	74.00%	-	471,163,684.73	31,498,042.57
CASPIA Investments Sp. z o.o, Warsaw, Poland	74.00%	74.00%	-	12,134,786.40	231,619.84
Proportionately consolidated companies:				in €	in €
Altmarkt-Galerie Dresden KG, Hamburg	50.00%	-	50.00%	27,595,623.03	-1,816,613.49
CAK City-Arkaden Klagenfurt KG, Hamburg	50.00%	-	50.00%	21,682,787.97	-53,301.93
EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OEG, Vienna	50.00%	50.00%	-	9,639,718.03	69,707.36
Immobilien Kommanditgesellschaft FEZ Harburg, Hamburg	50.00%	-	50.00%	-11,136,497.66	6,656,626.22
Main-Taunus-Zentrum Wieland KG, Hamburg	43.12%	37.38%	5.74%	-23,997,159.40	11,336,819.97
DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG, Hamburg	40.77%	-	40.77%	98,271,911.34	7,453,686.19
Einkaufs-Center Arkaden Pécs KG, Hamburg	50.00%	-	50.00%	26,216,700.82	2,097,353.19

Company name and domicile	Interest in equity	of which indirect	of which direct	Equity as at 31 December 2009	HGB profit/loss 2009
Equity-accounted companies/associates:				in €	in €
Kommanditgesellschaft Sechzehnte ALBA Grundstücksgesellschaft mbH & Co., Hamburg	50.00%	50.00%		1,776,977.17	18,594.26
EKZ Vier Errichtungs- und Betriebs Ges.m.b.H., Vienna	50.00%	50.00%		875,051.34	28,792.96
Kommanditgesellschaft PANTA Fünfundsiebzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%		3,790,654.90	111,990.85
Kommanditgesellschaft PANTA Dreiunddreißigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%		3,837,118.66	194,193.82
Kommanditgesellschaft PANTA Achtundvierzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%		148,498.07	48,471.65
City-Point Beteiligungs GmbH, Pöcking	40.00%	-	40.00%	28,156.33	2,591.73
Investees:				in PLN	in PLN
Ilwro Joint Venture Sp. z o.o, Warsaw, Poland	33.33%	-	33.33%	305,112,561.67	-15,511,609.14

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, 20 April 2010

Claus-Matthias Böge

Olaf G. Borkers

Auditor's Report

We have audited the consolidated financial statements – comprising the balance sheet, statement of comprehensive income, 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 2009. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the 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 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, as a whole provides a suitable understanding of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 20 April 2010

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dyckerhoff Auditor	Dr. Probst Auditor

READERS' LETTERS

DEAR SIR/MADAM,

Can you please tell me what percentage was assigned to orders for purchasing oversubscription shares during the capital increase in January 2010? I'm not sure whether the order I placed with my bank was billed correctly.
Helmut Ungerich, Schweinfurt

DES: The attractive conditions of our capital increase in January 2010 have stimulated high demand among our shareholders. Oversubscription was therefore only assigned a rate of 2.3%. This means that for every 1,000 shares ordered, effectively you would have been entitled to 23 shares. In the case of theoretical allocations of less than one share, the number of shares is rounded up to the nearest share and for all other differences, it is commercially rounded either up or down. You'll find further information about the capital increase on page 54.

HELLO,

What is the tax situation regarding the payment of dividends on shares acquired during the course of the capital increase in January 2010?
Alfons Zentendorf, Braunschweig

DES: The shares that you acquired during the capital increase in January 2010 qualify in full for a dividend for 2009. Payment of the dividends is handled in the same way from a tax point of view as all shares which have been acquired since 1 January 2009. This means that as a private investor, you initially get the dividend paid "tax free". In return, your bank will reduce your purchase price by the dividend received so that this is classified as a gain in the event of a future sale and flat-rate tax will therefore be charged on it. You'll find further information on this on page 59.

DEAR SIR/MADAM,

Is it possible to obtain cancelled or invalid actual share certificates from Deutsche EuroShop AG? I am a keen collector of shares and would be delighted if you could let me know.
Frank Schmitt, Leipzig

DES: Unfortunately Deutsche EuroShop does not/has never issued actual share certificates and is therefore unable to contribute to your collection.

DEAR IR TEAM,

I am keen to attend your Annual General Meeting in person this year and would like to book my hotel early. Can you tell me the exact date and venue of the meeting? Many thanks.
Dr. Ursula Hummel, Stuttgart

DES: Our Annual General Meeting will take place on 17 June 2010 in Hamburg. The meeting will be held at the Handwerkskammer (Holstenwall 12, opposite "Planten un Blomen"), where the 2007 Annual General Meeting was held. As a shareholder, we will send you an invitation together with additional information by post in due course.

GLOSSARY

★★★

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.

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.

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

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

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

EBIT ★ Earnings before interest and taxes.

EBT ★ Earnings before taxes.

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

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

EPS ★ Earnings per Share

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 repayment 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.

Gearing ★ Ratio which shows the relationship between liabilities and equity.

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

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

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

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

Loan to value ★ Ratio that expresses the amount of a mortgage as a percentage of the market value of real property.

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.

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.

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.

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.

Savings ratio ★ Share of savings of the income available in households.

Subprime ★ Mortgage loan to borrower with a low degree of creditworthiness.

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

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

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.

INDEX

MULTI-YEAR-OVERVIEW

in € million	2003	2004	2005	2006	2007	2008	01/09	02/09	03/09	04/09	2009
Revenues	57.9	61.4	72.1	92.9	95.8	115.3	31.8	28.3	31.2	36.3	127.6
EBIT	39.5	49.8	57.5	86.3	78.5	98.1	27.1	23.5	26.8	33.3	110.7
Net finance costs	-22.0	-25.3	-31.4	-41.0	-39.6	-49.4	-14.2	-12.2	-13.5	-16.0	-55.9
EBT	26.9	37.3	81.1	117.7	77.8	87.0	29.6	14.0	7.3	-10.8	40.1
Consolidated profit	19.0	27.7	48.7	100.3	94.2	68.9	24.4	11.4	6.1	-7.5	34.4
Earnings per share (€)	0.82	0.86	0.97	1.08	1.12	1.38	0.35	0.36	0.36	0.42	1.49
FFO per share (€)	0.61	0.89	1.55	2.92	2.74	1.96					0.93
Equity*	695.3	684.4	787.4	897.9	974.0	977.8	0.66	0.17	0.22	-0.12	1,044.4
Liabilities	545.2	685.8	756.1	898.3	1,002.3	1,029.1					1,067.8
Total assets	1,240.5	1,370.2	1,543.6	1,796.2	1,976.3	2,006.8					2,112.1
Equity ratio (%)*	56.1	49.9	51.0	50.0	49.3	48.7					49.4
Gearing (%)*	78	100	96	100	103	105					102
Cash and cash equivalents	102.0	150.3	197.2	94.2	109.0	41.7					81.9
Net asset value	682.5	686.8	794.5	877.4	925.1	942.8					1,006.9
Net asset value per share (€)	21.84	21.98	23.11	25.53	26.91	27.43					26.63
Dividend per share in (€)	0.96	0.96	1.00	1.05	1.05	1.05					1.05**

* incl. minority interest ** proposal

FINANCIAL CALENDAR 2010

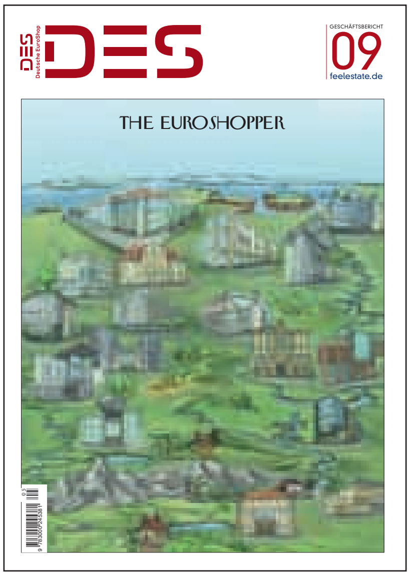
Our financial calendar is updated continuously. Please check our website for the latest events: http://www.deutsche-euroshop.com/ir

19.01.	CA Cheuvreux German Corporate Conference, Frankfurt
17.02.	Roadshow Frankfurt, Close Brothers Seydler Bank
18.–19.02.	Roadshow London, Kempen & Co.
19.02.	Roadshow Zurich, Silvia Quandt Bank
25.02.	Roadshow Dusseldorf, Cologne, WestLB
02.03.	Roadshow Geneva, Metzler
03.03.	Roadshow Milan, Deutsche Bank
09.03.	Roadshow Paris, Aurel
10.03.	Roadshow Vienna, M.M. Warburg
16.03.	Roadshow Munich, Bank of Amerika Merrill Lynch
22.03.	Roadshow Madrid, Bankhaus Lampe
23.03.	Roadshow Lisbon, Bankhaus Lampe
20.04.	Audit Committee meeting, Hamburg
28.04.	Supervisory Board meeting, Hamburg
30.04.	Annual earnings press conference, Hamburg
03.05.	Roadshow Zurich, UBS
05.05.	Roadshow Helsinki, equinet
06.05.	M.M. Warburg Northern Highlights Conference, Hamburg
12.05.	Interim report Q1 2010
26.05.	Kempen & Co European Property Seminar, Amsterdam
27.05.	Société Générale European Mid and Small Caps Conference, Nice
09.06.	Metzler Property Day, Frankfurt
10.06.	Morgan Stanley European Property Conference, London
17.06.	Annual General Meeting, Hamburg
17.06.	Supervisory Board meeting, Hamburg
30.06.	Roadshow Luxembourg, DZ Bank
06.07.	Roadshow Copenhagen, UniCredit
12.08.	Interim report H1 2010
16.–19.08.	Roadshow USA, Berenberg
16.08.	Roadshow London, UniCredit
17.08.	Roadshow Dublin, UniCredit
18.–19.08.	Bankhaus Lampe Conference for Retail and Consumption, Frankfurt
02.–03.09.	EPRA Annual Conferece, Amsterdam
21.09.	UniCredit German Investment Conference, Munich
23.09.	Supervisory Board meeting, Hamburg
04.–06.10.	Expo Real, Munich
12.10.	Roadshow Amsterdam, Rabo
19.10.	Initiative Immobilien-Aktie, Frankfurt
06.11.	Hamburg Exchange Convention
11.11.	Interim report 9M 2010
12.11.	Roadshow Brussels, WestLB
16.11.	Roadshow Zurich, Deutsche Bank
18.11.	Supervisory Board meeting, Hamburg

OUTLOOK. REPORT.

Join the Deutsche EuroShop mailing list!

LATEST REPORT



REPORTS 2003-2008

CUT OUT AND SEND IN.
OR FAX IT TO 040 - 41 35 79 29!

Reader's Service: Subscribe to Deutsche EuroShop!
I would like to get information
on Deutsche EuroShop AG regularly*:

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

I am
- ☐ a DES shareholder
- ☐ just interested

Something I have always wanted to tell you
(positive and negative feedback, etc.):

Name:

Street:

Postcode and city:

E-mail:

Shareholder Reference Number (SRN) (if known): 20_ _ _ _ _ _ _ _

* 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.

Franking
optional

BUSINESS REPLY

Deutsche EuroShop AG
Investor & Public Relations
Oderfelder Straße 23

D-20149 Hamburg/Germany

LEGAL

Published by
Deutsche EuroShop AG, Oderfelder Strasse 23, 20149 Hamburg, Germany
Tel.: +49 (0)40 - 41 35 79 0, Fax: +49 (0)40 - 41 35 79 29, www.deutsche-euroshop.com, ir@deutsche-euroshop.com

Editor in Chief
Patrick Kiss

Editorial Management
Nicolas Lissner

Guest Editors
Rolf Bürkl, Steffen Eric Friedlein, German Council of Shopping Centers e.V. / Gottlieb Duttweiler Institut
Dr. Benedikt Gillessen, Mathias Sander, Verena Tenz, Mariana Theiling, Wolfgang Twardawa

Concept & Idea
Deutsche EuroShop

Art Direction & Layout
IR-One AG & Co,

Illustration
Alexander Wohlrab, Mucca Matta

Pictures
Deutsche EuroShop. ECE

Print
Hartung Druck und Medien

Digital Prepress
NELLESmedia GmbH

Responsible for the editorial content
Deutsche EuroShop AG, Hamburg

English translation
CLS Communication AG

DISCLAIMER

Convenience Translation – the German version is the only binding version.

Authored articles
Bylined texts do not necessarily represent the views of Deutsche EuroShop AG. The respective authors are responsible for the content of their own texts.

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.

Trademarks
All trademarks and product names referred to in this Annual Report are the property of their respective owners. This applies in particular to DAX, MDAX, SDAX, TecDAX and Xetra, which are registered trademarks and the property of Deutsche Börse AG.

Publications for our Shareholders
Annual Report (German and English)
Interim Reports Q1, H1 and 9M (German and English)

Online Annual Report
Deutsche EuroShop's Annual Report is available online at www.deutsche-euroshop.com in PDF format and as an interactive online version.


See you soon

DES

www.shoppingcenter.ag