DES Deutsche EuroShop

DES

ANNUAL REPORT 10

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SHOPPING

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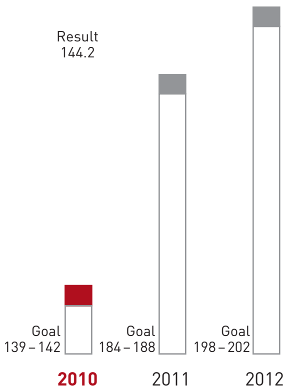
DEUTSCHE EUROSHOP OVERVIEW

KEY DATA

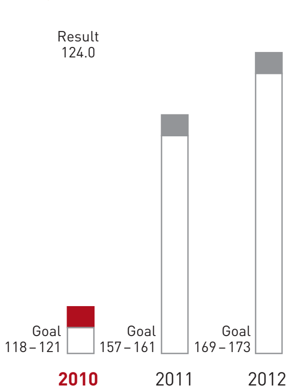
in € million	2010	2009	Change
Revenue	144.2	127.6	13%
EBIT	124.0	110.7	12%
Net finance costs	-60.2	-55.9	-8%
EBT before valuation	63.9	54.9	16%
Measurement gains/losses	33.1	-14.8	
EBT	97.0	40.1	142%
Consolidated profit	81.8	34.4	138%
FFO per share in €	1.40	1.40	0%
Earnings per share in €	1.80	0.88	105%
Equity*	1,527.4	1,044.4	46%
Liabilities	1,436.1	1,067.8	34%
Total assets	2,963.6	2,112.1	40%
Equity ratio in %*	51.5	49.5	
LTV-ratio in %	45	46	
Gearing in %*	94	102	
Cash and cash equivalents	65.8	81.9	-20%
Net asset value	1,350.7	1,006.9	34%
Net asset value per share in €	26.16	26.63	-2%
Dividend per share in €	1.10**	1.05	5%

* incl. minority interest ** proposal

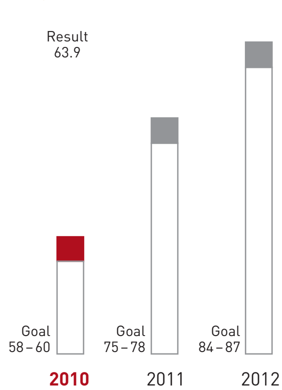
REVENUE in € million



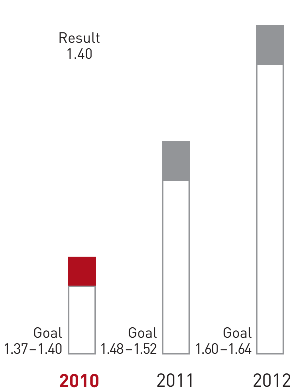
EBIT in € million



EBT before valuation in € million



FFO PER SHARE in €



OUR 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.

OUR 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.

HIGHLIGHTS 2010

JANUARY
Acquisition of A10 Center Wildau

FEBRUARY
Placement of 6,302,082 new shares from an rights offering

MAY
Deutsche EuroShop is awarded the "German Investor Relations Prize 2010" in the MDAX category

JUNI
Annual General Meeting on 17 June 2010

Distribution of a dividend of €1.05 per share on 18 June 2010

JULY
Increase in the share capital against non-cash contributions by 1,780,000 new shares

Acquisition of further shareholdings in three shopping centers (Dresden, Kassel, Wuppertal)

OCTOBER
Acquisition of Billstedt-Center Hamburg (with effect from 1 January 2011)

NOVEMBER
Placement of 5,736,822 new shares from a rights offering

DECEMBER
Acquisition of a further shareholding in Main-Taunus-Zentrum to 52%

CONTENT

10 years
of Deutsche
EuroShop

MILESTONES – 10 YEARS OF DEUTSCHE EUROSHOP

The theme of this year's Annual Report is simply "10". But this has a dual meaning: we are reporting on the 2010 financial year and also celebrating Deutsche EuroShop's 10-year anniversary. Many articles in this year's report therefore pick up on the theme "10". The story so far...

SEPTEMBER 2000
The Deutsche Euroshop share is admitted to official stock exchange trading

The first six shareholdings are acquired in the Main-Taunus-Zentrum in Sulzbach, Altmarkt-Galerie in Dresden, City-Point in Kassel, City-Galerie in Wolfsburg, the Rhein-Neckar-Zentrum in Viernheim and City-Arkaden in Wuppertal

JANUARY 2001
Start of official listing on the Frankfurt Stock Exchange and in XETRA trading, and also on the regulated unofficial markets on the Berlin, Dusseldorf, Munich and Stuttgart stock exchanges

Work begins on the optimisation and expansion of the Rhein-Neckar-Zentrum

MARCH 2001
Centro Commerciale Tuscia in Viterbo, Italy, is acquired

APRIL 2001
Topping out ceremony at City-Arkaden in Wuppertal

MAY 2001
Topping out ceremony at City-Point Kassel

JUNE 2001
Topping out ceremony at Altmarkt-Galerie Dresden

AUGUST 2001
1,000 newly created parking spaces at the Main-Taunus-Zentrum open

SEPTEMBER 2001
City-Galerie Wolfsburg opens

OCTOBER 2001
City-Arkaden Wuppertal opens

Re-designed spaces at the Main-Taunus-Zentrum open

NOVEMBER 2001
The shell construction for Altmarkt-Galerie Dresden is completed

Stronger market presence for the Deutsche Euroshop share in Europe as a result of inclusion in the EPIX 30 and EPIX 50

DECEMBER 2001
New car parks at the Rhein-Neckar-Zentrum are completed (3,800 free parking spaces in total)

FEBRUARY 2002
City-Point Kassel opens

A majority shareholding in the Allee-Center in Hamm is acquired

SEPTEMBER 2002
Altmarkt-Galerie Dresden opens

NOVEMBER 2002
The Rhein-Neckar Zentrum in Viernheim reopens following renovation and modernisation

A 50% stake in Árkád Pécs in Hungary is acquired

APRIL 2003
Inclusion in the Prime Standard segment of Deutsche Börse AG

JULY 2003
Inclusion in the SDAX

AUGUST 2003
A 50% stake in the Phoenix-Center in Hamburg is acquired

OCTOBER 2003
A 65% shareholding in the Forum shopping center in Wetzlar is acquired

DECEMBER 2003
A 33.3% shareholding in the Galeria Dominikanska shopping center in Wroclaw, Poland, is acquired

JANUARY 2004
Inclusion in the EPRA index

MARCH 2004
The Árkád Pécs shopping center in Hungary opens

JUNE 2004
Topping out ceremony at the Forum in Wetzlar

JULY 2004
Centro Commerciale Friuli in Udine, Italy is acquired

AUGUST 2004
A 50% shareholding in the City Arkaden Klagenfurt shopping center in Austria is acquired

SEPTEMBER 2004
Inclusion in the MDAX

The Phoenix-Center Hamburg opens

FEBRUARY 2005
The Forum in Wetzlar opens

NOVEMBER 2005
A 94.9% shareholding in Stadt-Galerie Hameln is acquired

1,562,499 new shares resulting from a capital increase of around 10% are placed with institutional investors

A 94.9% shareholding in the Rathaus-Center Dessau is acquired

MARCH 2006
City Arkaden Klagenfurt opens

APRIL 2006
The Etrembières shopping center in Annemasse, France is sold

AUGUST 2006
A 74% stake in Galeria Baltycka in Gdansk, Poland is acquired

DECEMBER 2006
A 75% stake in Stadt-Galerie Passau is acquired

Centro Commerciale Tuscia in Viterbo, Italy, is sold

MAY 2007
Topping out ceremony at Galeria Baltycka, Gdansk

JULY 2007
Topping out ceremony at Stadt-Galerie Hameln

AUGUST 2007
Share split in a ratio of 1:2; the number of shares in issue doubles from 17,187,499 to 34,374,998

OCTOBER 2007
Galeria Baltycka, Gdansk, opens

Topping out ceremony at Stadt-Galerie Passau

MARCH 2008
Stadt-Galerie Hameln opens

SEPTEMBER 2008
Stadt-Galerie Passau opens

JULY 2009
3,437,498 new shares resulting from a capital increase of around 10% are placed with institutional investors

JANUARY 2010
A10 Center Wildau is acquired

FEBRUARY 2010
6,302,082 new shares resulting from a rights issue are placed with shareholders

JULY / AUGUST 2010
Non-cash capital increase without subscription right creating 1,780,000 new shares

Shareholdings in the shopping centers in Dresden, Kassel and Wuppertal are increased

OCTOBER 2010
Billstedt-Center Hamburg is acquired (with effect from beginning of 2011)

NOVEMBER 2010
5,736,822 new shares resulting from a rights issue are placed with shareholders

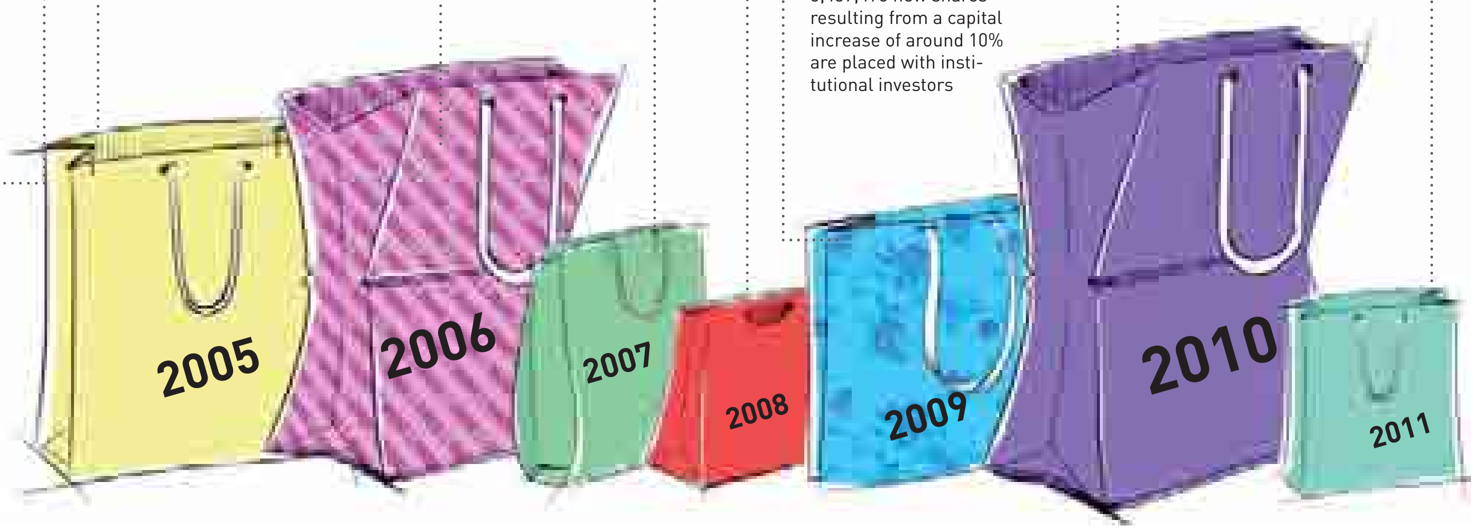
DECEMBER 2010
Shareholding in the Main-Taunus-Zentrum is increased to 52%

JANUARY 2011
Shareholding in Stadt-Galerie Hameln is increased to 100%

MARCH 2011
Extension to Altmarkt-Galerie Dresden opens

APRIL 2011
A10 Triangle opens

NOVEMBER 2011
Northern extension to the Main-Taunus-Zentrum opens



10 questions to the Executive Board

"WE ARE KEEPING OUR EYES OPEN."

What developments have we seen and what lies in store? After a three-year period in which investments were put on hold, Deutsche EuroShop has become active again, investing almost €500 million in 2010. In this interview the two members of the Executive Board, Claus-Matthias Böge and Olaf Borkers, give the low-down on subjects including the newly acquired centers, how growth is being financed, the markets and future prospects for the shopping center investor.

Pictures: Thomas Lorenz, Interview: Patrick Kiss

After three rather restrained years, you sought to expand again in 2010. Can you tell us about the acquisitions that you made?

CLAUS-MATTHIAS BÖGE: That's right. At the beginning of 2010 we acquired the A10 Center in Wildau, near Berlin, for a total investment of approximately €265 million. The expected net initial yield was in the region of 6.5%. In the autumn we concluded the contract to purchase the Billstedt-Center in Hamburg, which we incorporated into our portfolio at the start of 2011 with a net initial yield of 6.0% and an investment volume of around €160 million.

OLAF BORKERS: Although the two acquisitions are not directly comparable, in both cases our reliability as a contract partner paid off. Our ability to make decisions and act swiftly certainly proved helpful.

CLAUS-MATTHIAS BÖGE: That's exactly how I see it. Sellers are looking for security that transactions will go through. We can offer them that, as we are able to make offers without the caveat of securing financing. This frequently counts for more than offering the highest price. What's more, in both cases the combination of Deutsche EuroShop as investor and ECE as center manager was regarded as positive by the seller.

How did you finance the acquisitions?

OLAF BORKERS: To refinance the equity portion of the A10 Center investment, we carried out a rights issue with a one-for-six subscription ratio in January 2010. At a subscription price of €19.50 per share, the issue volume came to around €123 million – and the issue was oversubscribed almost five times over.

For the Billstedt-Center we followed exactly the same procedure and also carried out a rights issue, this time with a one-for-eight subscription ratio at a price of €23.00 per share. In this case we were actually oversubscribed more than six times, with overall demand coming to just under €850 million. Roughly €132 million was raised for our Company.

In addition, we took out long-term loans with a total volume of €230 million.

CLAUS-MATTHIAS BÖGE: With both capital increases we were delighted with the considerable willingness shown by our shareholders to subscribe. We regard this as vindication from the capital market of the course we have chosen to take.

We also carried out a non-cash capital increase for the first time. In July we were able to purchase shareholdings in the shopping centers in Wuppertal (City-Arkaden, 25%) and Dresden (Altmarkt-Galerie, 17%) and pay for these with 1,780,000 new shares. At €22.88, the price agreed was slightly above the stock market price at that time.

Taking all three capital increases together, we increased the number of shares by 36.5% last year. This did our share price no harm: in 2010 the return for our shareholders was 28.1%. Our market capitalisation rose by an impressive 67% to around €1.5 billion.

Are you satisfied with the past year?

CLAUS-MATTHIAS BÖGE: Absolutely. We managed to exceed our forecasts once again. A significant part was played here by the A10 Center in particular, which contributed to earnings for the first time. We had budgeted for revenue, that is rental income, of €139-142 million and actually achieved €144.2 million, corresponding to a rise of 13% on 2009. Earnings before interest and taxes (EBIT) of between €118 million and €121 million had been estimated; in the end we managed to increase this figure to €124.0 million – 12% up on the previous year. As for earnings before taxes (EBT) excluding measurement gains/losses, in other words our actual cash operating profit, we had forecast a figure of €58-60 million. The fact that we ultimately achieved an increase of 17% to €63.9 million is extremely satisfying.

With its 2010 results, Deutsche EuroShop was once again able to spring a positive surprise. Are you too conservative in your budgets?

CLAUS-MATTHIAS BÖGE: We are cautious business people. And that applies to our budgeting too. There is no point raising expectations with overly optimistic assumptions that cannot be met if the economic fundamentals deteriorate even slightly, simply so that – possibly in the short term – the public perceive you as particularly successful.

I prefer the budgeting of individual income and expense items to be based on realistic assumptions and the principle of prudence. If I think back over the past few years, any deviations from the planned figures always resulted from the sum of numerous smaller deviations, which, on balance, were positive.

How will Deutsche EuroShop continue to grow?

CLAUS-MATTHIAS BÖGE: In 2010, we went down all three growth routes available to us: acquiring new shopping centers, increasing shareholdings and expanding existing, successful centers. The expansions will be or have already been completed in the current year and will contribute to our further growth. However, we are always keen to stress that for us growth is about quality rather than quantity. It needs to be healthy growth. We are able to act quickly when opportunities present themselves and are keeping our eyes open. There are a few properties on the market, but the gap between what buyers and sellers regard as an acceptable price is still too great.

"THE RETAIL TRADE IS CHANGING ALL THE TIME. WE SEE NEW TRENDS COME AND GO ON A REGULAR BASIS.

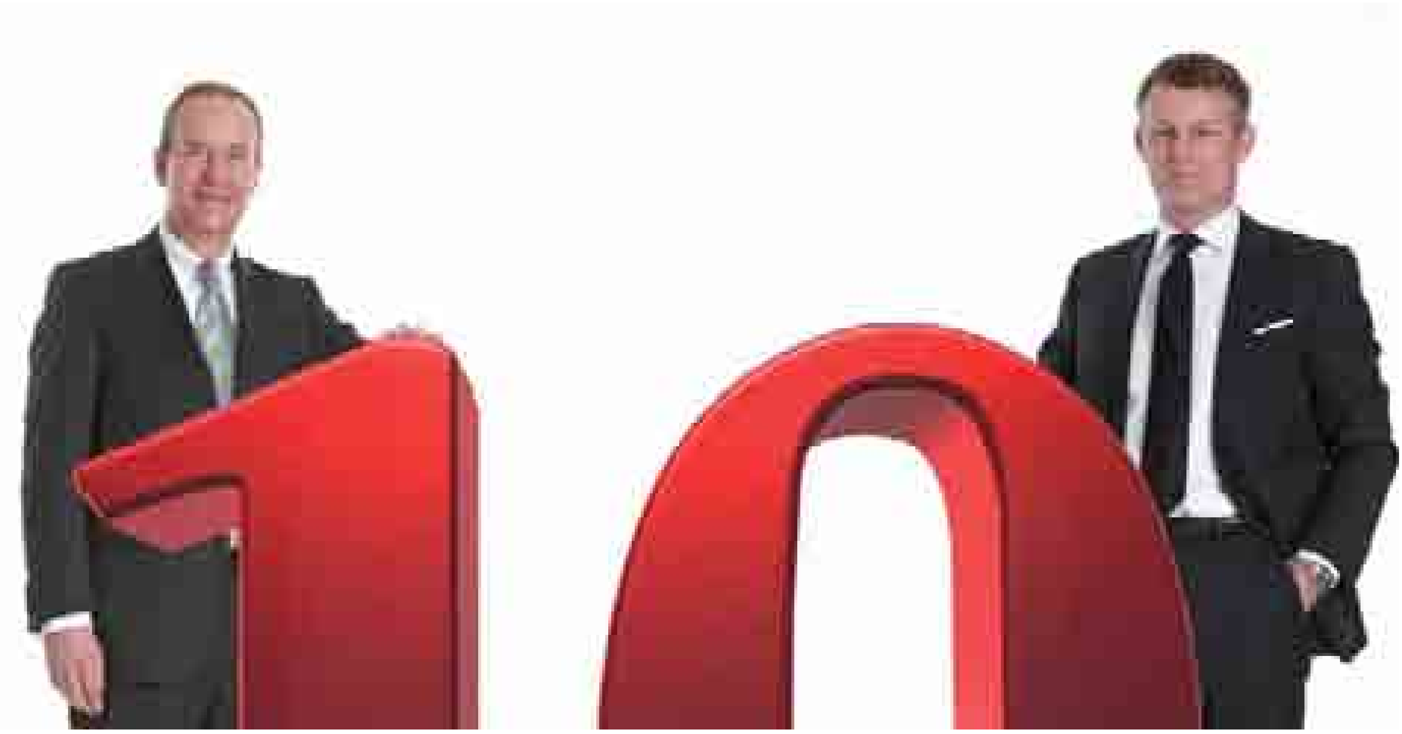
OLAF BORKERS: With our cash resources, credit line and 50% long-term financing we could quickly realise shopping center investments with a value of around €300 million.

Has the pressure of competition eased following the financial crisis?

CLAUS-MATTHIAS BÖGE: Unfortunately not. We are still seeing increasing interest in retail properties. For properties with a value up to €150 million there is a relatively large number of potential buyers on the market. For properties larger than this, however, interest is clearly waning for various reasons. There are still a number of open-ended property funds that are actively buying, although it should also be mentioned that other open-ended property funds are selling. Also on the scene now are sovereign wealth funds, which have a great deal of equity to invest. Large life insurance companies and pension funds are looking for investment opportunities too.

How are you responding to online retail as a rival to your shopping centers?

OLAF BORKERS: The retail trade is changing all the time. We see new trends come and go on a regular basis. The internet is no longer a new trend. As a landlord our options with regard to a shopping center property are limited, but our tenants can vary their retail concepts. We therefore need to give them the freedom that allows them to respond to trends and set new ones. Over the last few years we have identified a trend towards larger shop areas, for example. However, some initial tenants are now testing smaller concepts again. What all these trends have in common, though, is a greater emphasis on the concept of lifestyle, on shopping as an experience. But trends can change quickly at any time. As a landlord you need to be able to respond with flexible floor plans. With our shopping centers we are able to do this.



Last year Deutsche EuroShop celebrated its tenth anniversary. When you look back over this period, what has changed and what would you possibly do differently today?

CLAUS-MATTHIAS BÖGE: I was lucky enough to be there right from the start of Deutsche EuroShop's journey. I was appointed to the Supervisory Board at the end of 2000, shortly before the Company's flotation, and took up my current role on the Executive Board one year later. At that time we did not have our own office or any employees. One of my first tasks was to change that.

The first two years were extremely heavy going, as nobody on the capital market seemed to be interested in us. This had a great deal to do with the tough economic environment: the internet bubble had burst, the stock markets were plummeting and German banks had made some poor calls in the area of property financing, particularly in what was formerly East Germany, and were stuck with loan commitments that they had no hope of recovering. Then we came along and tried to convince investors that Deutsche EuroShop was a good investment. In addition, Deutsche Bank still had a stake of around 45% in the Company, which was not in the plan at the time of flotation.

Only after the German stock market had reached its lowest point in March 2003 and investors began to seek out dividends was Deutsche Bank able to fully divest itself of its investment. After this, we had such a large free float that the first analysts and institutional investors started to take notice of us and we were immediately included in the SDAX. One year later we were promoted to the MDAX.

The experience from this rather gloomy period has, however, resulted in us being cautious in our actions to this day, perhaps even too cautious on some occasions. From 2003 to 2005 in particular it was possible to acquire good properties with reasonable returns. Today we are still a long way away from conditions in these "good" times. However, I sometimes wish that we had another chance at that era, as we are now in a very different position and – as was the case last year – are daring to undertake larger investments.

WE ARE ALWAYS KEEN TO STRESS THAT FOR US GROWTH IS ABOUT QUALITY RATHER THAN QUANTITY.

What can we expect from 2011?

OLAF BORKERS: We are anticipating revenue of between €184 million and €188 million for financial year 2011. The revenue contribution of the Billstedt-Center and the full consolidation of the Phoenix-Center and Main-Taunus-Zentrum will have a positive impact here. In addition, the three expansion and modernisation projects at the A10 Center, the Altmarkt-Galerie Dresden and the Main-Taunus-Zentrum will contribute to the significant revenue growth.

We are forecasting earnings before interest and taxes (EBIT) of between €157 million and €161 million in the current year, which corresponds to a rise of 28%. Earnings before taxes (EBT) excluding measurement gains/losses are expected to rise by 20% to €75-78 million. Lastly, we anticipate that funds from operations, or FFO for short, will be between €1.48 and €1.52 in 2011.

CLAUS-MATTHIAS BÖGE: And let's not forget our dividend. For 2010 we are distributing €1.10 per share to our shareholders in June. In absolute terms, the sum distributed is rising by around 23%, from €46.3 million to €56.8 million. And our dividend policy, which is geared towards the long term and continuity, means that it should not get any smaller in the years to come.

The number "10" features prominently in this annual report. Are you bold enough to look ahead and say what Deutsche EuroShop will be like in ten years' time?

CLAUS-MATTHIAS BÖGE: I don't really like making forecasts for such long periods. However, provided that the property and capital markets do not go haywire, our shareholders continue to support us, the partnership with ECE continues to work well over the long term and we have the necessary good fortune, we could have 30 shopping centers in our portfolio by 2020.

Thank you for talking to us.

CLAUS-MATTHIAS BÖGE
CEO

OLAF G, BORKERS
CFO

CLAUS-MATTHIAS BÖGE 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 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.

Manfred Zaß,
Chairman of the
Supervisory Board

Report of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

During financial year 2010, 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 was 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.

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Focus of advisory activities
We examined the 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.

The development of the portfolio properties, their turnover trends, accounts receivable, occupancy rates, the construction measures and the liquidity of the Company, as well as investment cost trends for our new development projects formed the focus of our discussions.

Intensive and repeated discussions were conducted with the Executive Board on trends on the capital, credit, real estate and retail markets and the effects of these on the Company's strategy and, in particular, on the raising of equity. These resulted in three capital increases over the course of the financial year. The Executive Board and Supervisory Board also examined various investment options. We received regular reports detailing the turnover trends and payment patterns of our tenants.

> WE EXAMINED THE COMPANY'S NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS, AS WELL AS ITS RISK MANAGEMENT, REGULARLY AND IN DETAIL.

The Chairman of the Supervisory Board and the Executive Committee of the Supervisory Board also discussed other topical issues with the Executive Board as required. Transactions requiring the approval of the Supervisory Board were discussed and resolved upon at the scheduled meetings. In addition, for transactions of the Executive Board requiring approval, circular resolutions were passed in writing by the Supervisory Board or the Executive Committee, in connection with the capital increases by the Capital Market Committee. In the event of decisions that could potentially have led to conflicts of interest, the Supervisory Board members in question abstained from voting. All resolutions in the reporting period were passed unanimously.

Meetings
Four scheduled Supervisory Board meetings took place during financial year 2010. In addition, the Supervisory Board met once for an unscheduled meeting. No Supervisory Board member attended fewer than half of the Supervisory Board's meetings.

At the first scheduled meeting, on **28 April 2010**, the Supervisory Board's annual review of efficiency was completed and the agenda for the Annual General Meeting was approved. We selected the auditor, who was proposed to the shareholders for election. In relation 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 Main-Taunus-Zentrum near Frankfurt and the acquisition of the A10 Center in Wildau, near Berlin. The change to the remuneration system for Executive Board members bringing it into line with the legal requirements of the Gesetz zur Angemessenheit der Vorstandsvergütung (German Act on the Appropriateness of Executive Board Remuneration – VorstAG) was approved.

At the meeting on **17 June 2010**, the Executive Board presented the current status of construction work and also further potential acquisitions. The longer-term prospects, economic circumstances and the Company's possible options were discussed at length. At this meeting we agreed to acquire, by means of the issue of new shares or against cash, limited partnership shares in City-Arkaden Wuppertal KG, Altmarkt-Galerie Dresden KG and Objekt City-Point Kassel GmbH & Co. KG. In addition, the Supervisory Board agreed to a framework agreement with the limited partnership CURA Vermögensverwaltung G.m.b.H. & Co. (KG CURA) governing the Company's close collaboration with ECE and also KG CURA's participation in the Company's capital increases for the next ten years.

At the third meeting, on **23 September 2010**, we discussed in detail with the Executive Board the intended acquisition of the Billstedt-Center and how to finance this investment. The Executive Board also reported on the now-completed capital increase against non-cash contributions.

At the last meeting, on **18 November 2010**, the Executive Board reported to us on the concrete possibility of increasing our shareholding in DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG. It also presented further potential acquisitions and the status of ongoing construction. An extensive discussion also ensued on the Company's projections and medium-term performance planning as presented by the Executive Board, and on the Company's and Group's internal control system based on the documentation presented. It was further agreed that Mr Borkers' contract as a member of the Executive Board would be extended to 2016.

In an unscheduled meeting on **18 November 2010**, we resolved to adapt the Supervisory Board's rules of procedure to bring these into line with VorstAG and to form a permanent Capital Market Committee. The members of this committee are the undersigned (Chairman), Dr Michael Gellen (Deputy Chairman) and Thomas Armbrust. The powers 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.

" IN RELATION 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.

Committees

The Supervisory Board has established three committees: the Executive Committee of the Supervisory Board, the Audit Committee and the Capital Market Committee. Each of these is made up of three members. 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 of the Supervisory Board and the Audit Committee met on 20 April 2010.

The Audit Committee discussed the quarterly financial reports with the Executive Board on 28 April and in conference calls on 11 August and 3 November 2010.

The Capital Market Committee passed its resolutions on the implementation of capital increases in conference calls on 11 January, 1 February, 6 July, 4 November and 23 November 2010.

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Corporate Governance

In December 2010, together with the Executive Board, we issued an updated declaration of conformity in relation to the recommendations of the government commission pursuant to section 161 of the Aktiengesetz (German Public Companies Act – AktG) and made this permanently available on the Deutsche EuroShop AG 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 2011 that no conflicts of interest had arisen.

Financial statements of Deutsche EuroShop AG and the Group for the period ended 31 December 2010

At the Audit Committee meeting on 14 April 2011 and the Supervisory Board meeting on 27 April 2011, 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 2010, as well as the management report and group management report for financial year 2010.

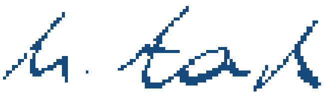
The documents relating to the financial statements, the auditor's reports and the Executive Board's proposal for the appropriation of the unappropriated surplus were presented to us in good time. The auditor elected by the Annual General Meeting on 17 June 2010 – BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg – 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, measurement methods and methods of consolidation 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 had undertaken all required measures pursuant to section 91 (2) AktG to promptly identify risks that 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 14 April 2011 and the Supervisory Board meeting on 27 April 2011 and explained the main findings.

Following its own examination of the annual financial statements of Deutsche EuroShop AG, the consolidated financial statements and the corresponding management reports, 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 €1.10 per share.

Financial year 2010 was the tenth in the Company's history. It was also an extremely successful year, characterised by continual growth. The Company's conservative strategy formed a solid foundation for this. This success was also built on the dedication of both the Executive Board and the Company's employees, for which the Supervisory Board would like to express its particular gratitude.

Hamburg, 27 April 2011



Manfred Zaß, Chairman

MEMBERS OF THE SUPERVISORY BOARD

MANFRED ZASS
(Chairman)

DR. MICHAEL GELLEN
(Deputy Chairman)

THOMAS ARMBRUST

DR. JÖRN KREKE

ALEXANDER OTTO

DR. BERND THIEMANN

Shopping

CONSUMPTION IN 2011 – OPTIMISTS BACK GERMANY

Rolf Bürkl, Senior Research Consultant Business & Technology, GfK Marktforschung, responsible for the GfK consumer climate surveys

Germany has recovered from the financial and economic crisis with impressive speed. Whereas gross domestic product (GDP) in the crisis year 2009 shrank by 4.7% and the country experienced its worst recession since the second world war, GDP shot up by 3.6% last year – the strongest rise recorded since German reunification. GfK's consumer climate surveys reveal that at the same time that economic researchers upgraded their forecasts, consumers' economic expectations also embarked on a steep upward trend from summer 2010 onwards. The upswing had a very positive effect on the labour market. According to the German Federal Employment Agency, the number of unemployed people averaged 3.244 million across 2010 as a whole and was therefore 5.2% down on the prior year. In autumn 2010, the figure fell below the psychologically important three million mark, and this positive trend in the labour market gave a decisive boost to consumers' confidence in their personal financial and professional futures. ▶

CONSUMER CLIMATE AT A THREE-YEAR HIGH AT END OF 2010/START OF 2011

AMONG CONSUMERS, A SUSTAINED TREND TOWARDS QUALITY AND AWAY FROM LOW PRICES AS THE SOLE FOCUS CAN BE OBSERVED.

Income expectations also rose considerably over the course of 2010. The indicator climbed from 12 points in January to 40 points in December, almost reaching the high that was recorded in 2000 and 2001. German consumers expected the upturn to have a significant positive effect on their salaries, and the most recent wage agreements confirm this expectation. The favourable environment and increasing planning certainty for consumers also had a tangible impact on the propensity to buy, which continued to rise steadily from an already high level. The average value of this indicator in 2010 was 27 points, which was six points higher than the already very satisfactory value in the previous year. Correspondingly, the GfK consumer climate index followed a continuous upward trend and reached a three-year high at the end of 2010/start of 2011..

RETAIL SECTOR BACK IN POSITIVE TERRITORY

According to GfK's calculations, food retail outlets and chemists' stores in Germany saw an increase in sales last year. With a rise of 1.2%, they achieved a sales volume of €154 billion, which is a new record high. The non-food segment – areas such as electronic goods, textiles, furniture and DIY – also recorded a marked improvement in sales. A climb of an estimated 2.6% and total sales of almost €148 billion were the best sales performance for the non-food segment since 2002. Technical consumer goods, including consumer electronics, IT, telecommunications products, the photographic segment and household appliances, enjoyed particularly strong growth of more than 8% to €47 billion.

Among consumers, a sustained trend towards quality and away from low prices as the sole focus can be observed. One example is the textile retail segment. Last year, the industry achieved a sales volume of around €40 billion, with sales value growth of 2.4% and a slight decline in sales volume. On average, consumers spent more on each purchased item and tended to opt for higher-quality products.

CONSUMPTION PROSPECTS FOR 2011 ARE PROMISING

Germans' optimism with regard to consumption further increased at the beginning of 2011. The propensity to buy climbed to a value of 41.8 points in January – the highest level since December 2006 – in spite of the recent rise in price expectations. The positive labour market outlook is further improving consumer sentiment.

GfK expects consumer spending to increase considerably, by 1.5%, in 2011 and to triple its growth rate compared with the previous year. The new propensity to consume that observed among Germans is not only adding stimulus to the economic upturn, but is also becoming a sustained and reliable source of support for the domestic economy, according to GfK's researchers.

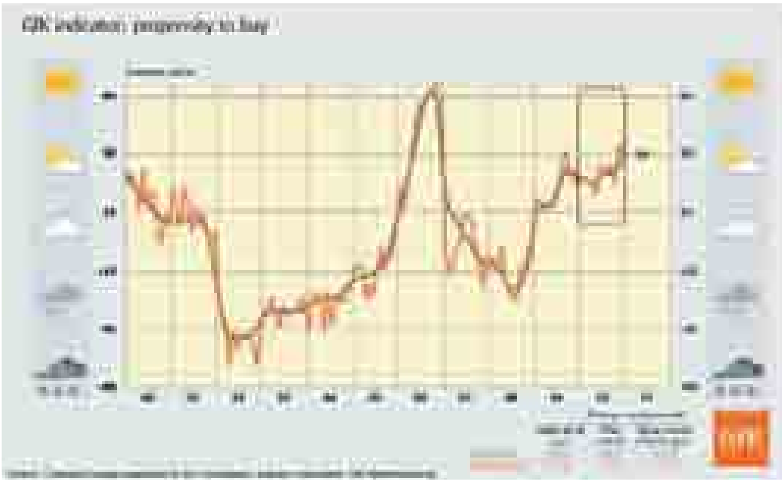
"RELUCTANT" CONSUMERS BECOME "OPTIMISTIC" CONSUMERS

Germany is currently in an exceptional position in comparison with other European countries. The upturn is not only giving a boost to companies, but has also led to sustained improvement in consumer sentiment. Whereas Germans might previously have been considered panic savers and extremely price-sensitive consumers, they are now increasingly focused on quality and are happy to spend money. Since last year, German consumers have been the optimists of Europe. Private consumption has become a vital source of support for a sustained economic upturn. ■

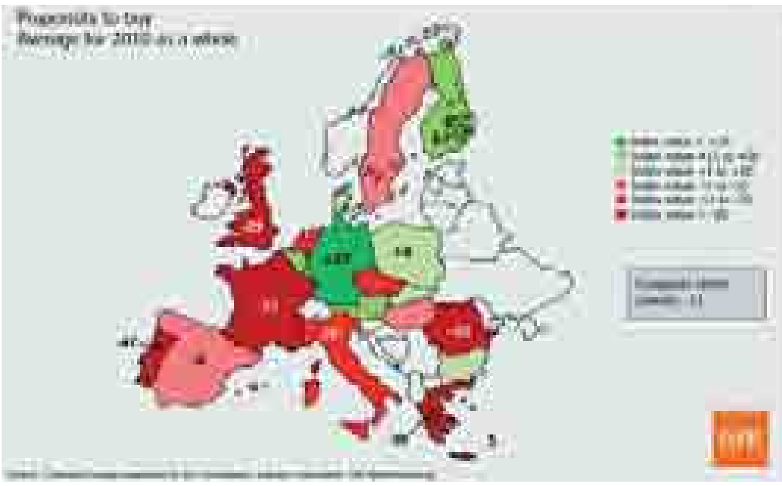
Galeria Baltycka, Gdansk

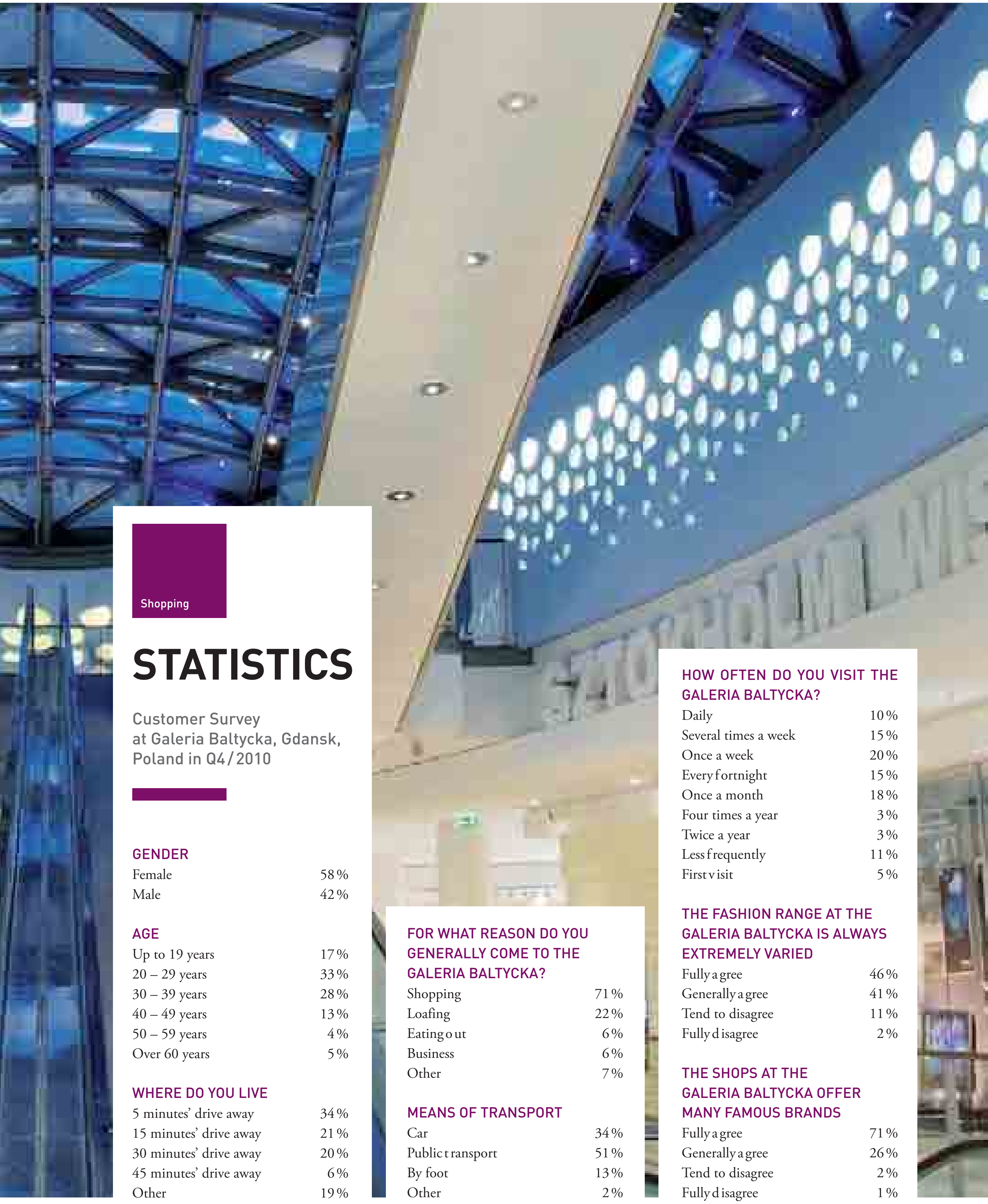
TEXTILE MARKET SHOWS INCREASING QUALITY ORIENTATION: RISING AVERAGE PRICES AND CONTINUED DECREASE IN VOLUME

PROPENSITY TO BUY STABLE AND AT A HIGH LEVEL – GOOD START TO 2011



"RELUCTANT" CONSUMERS BECOME "OPTIMISTIC" CONSUMERS





Shopping

STATISTICS

Customer Survey at Galeria Baltycka, Gdansk, Poland in Q4 / 2010

GENDER

Female	58 %
Male	42 %

AGE

Up to 19 years	17 %
20 – 29 years	33 %
30 – 39 years	28 %
40 – 49 years	13 %
50 – 59 years	4 %
Over 60 years	5 %

WHERE DO YOU LIVE

5 minutes' drive away	34 %
15 minutes' drive away	21 %
30 minutes' drive away	20 %
45 minutes' drive away	6 %
Other	19 %

FOR WHAT REASON DO YOU GENERALLY COME TO THE GALERIA BALTYCKA?

Shopping	71 %
Loafing	22 %
Eating out	6 %
Business	6 %
Other	7 %

MEANS OF TRANSPORT

Car	34 %
Public transport	51 %
By foot	13 %
Other	2 %

HOW OFTEN DO YOU VISIT THE GALERIA BALTYCKA?

Daily	10 %
Several times a week	15 %
Once a week	20 %
Every fortnight	15 %
Once a month	18 %
Four times a year	3 %
Twice a year	3 %
Less frequently	11 %
First visit	5 %

THE FASHION RANGE AT THE GALERIA BALTYCKA IS ALWAYS EXTREMELY VARIED

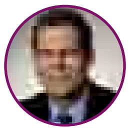
Fully agree	46 %
Generally agree	41 %
Tend to disagree	11 %
Fully disagree	2 %

THE SHOPS AT THE GALERIA BALTYCKA OFFER MANY FAMOUS BRANDS

Fully agree	71 %
Generally agree	26 %
Tend to disagree	2 %
Fully disagree	1 %

WHAT I BOUGHT IN 2010

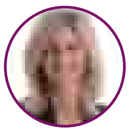
NICOLAS LISSNER, MANAGER INVESTOR & PUBLIC RELATIONS, DEUTSCHE EUROSHOP
I bought an art print by the Peruvian photographer Mario Testino to decorate the wall in my new living room. Now I can enjoy the presence of Kate Moss every evening, and so far my girlfriend has tolerated it without complaint.



DR LUDWIG VOGEL, DIRECTOR OF TRANSACTION MANAGEMENT, ECE
For me the purchase of the year was the iPhone that I bought as a present for my wife. She is absolutely thrilled with it, and especially with the internet applications. And my 6-year-old son shares her enthusiasm, because of the games on it. So my purchase has made three people happy.

PATRICK KISS, HEAD OF INVESTOR & PUBLIC RELATIONS, DEUTSCHE EUROSHOP
At the end of 2010 I bought myself a genuinely consumable item for the office: a crate of Cherry Coke in handy 330 ml cans (deposit-free from the Netherlands). Now I can wallow in memories of my youth and emulate the great Warren Buffett. Of course I will add the aluminium cans to the recycling when I've finished!

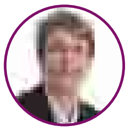
ANDREAS POHL, MEMBER OF THE BOARD OF MANAGING DIRECTORS, DEUTSCHE HYPOTHEKENBANK
Being a passionate biker, I bought a BMW R1200-GS last summer. Unfortunately I have far too little opportunity to go on tours with it and "feel the wind in my hair".



BIRGIT SCHÄFER, SECRETARY TO THE EXECUTIVE BOARD, DEUTSCHE EUROSHOP
I revamped my balcony – everything is freshly painted and I replaced the balcony furniture and bought new plant containers. Now I'm looking forward to the summer.

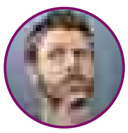
ROLF BÜRKL, SENIOR RESEARCH CONSULTANT BUSINESS & TECHNOLOGY, GFK MARKTFORSCHUNG
In autumn 2010 I treated myself to new carving skis ("race carvers") from Atomic, in the faint hope that they would improve my skiing style a touch.

OLAF G. BORKERS, MEMBER OF THE EXECUTIVE BOARD, DEUTSCHE EUROSHOP
For years my wife and the boys have wanted a cat. This year I caved in. Now we have two: Kleo and Luke. We bought them a scratching post. It looks like a big, black loudspeaker box. (The salesman said "People only buy these at Christmas.") But the cats prefer to be in the garden and I'm glad the scratching post has now been consigned to the cellar.



KIRSTEN KAISER, HEAD OF ACCOUNTING, DEUTSCHE EUROSHOP
I keep upgrading the technical gadgetry I have in my home. The era of the cathode ray tube is over. My new LCD TV from Sony is not only stylish; it is also a super all-rounder.

CLAUS-MATTHIAS BÖGE, EXECUTIVE BOARD SPOKESMAN, DEUTSCHE EUROSHOP
Where shoes are concerned, I like to invest in quality. So after 23 years I bought a new pair of Allen Edmonds shoes and said goodbye to the old ones, even though they were still in perfect condition really.



ALEXANDER WOHLRAB, ILLUSTRATOR, ALEX WOHLRAB ILLUSTRATION
Because I moved house last year, a lot of my purchases fell into the category of "necessary but unglamorous" – unless you're into washing machines. One exciting acquisition, though, was the Canon 5DMKII camera, which is just brilliant for HD videos as well.

TOP 10 FOR WOMEN

* NAIL POLISH WITH A HIGH-TECH LOOK

* TRENCH COATS

* COLOUR BLOCKING LOOK

* CHARMS

* MIAMI VICE SUNGLASSES (RAY BAN)

* PLATFORM SHOES

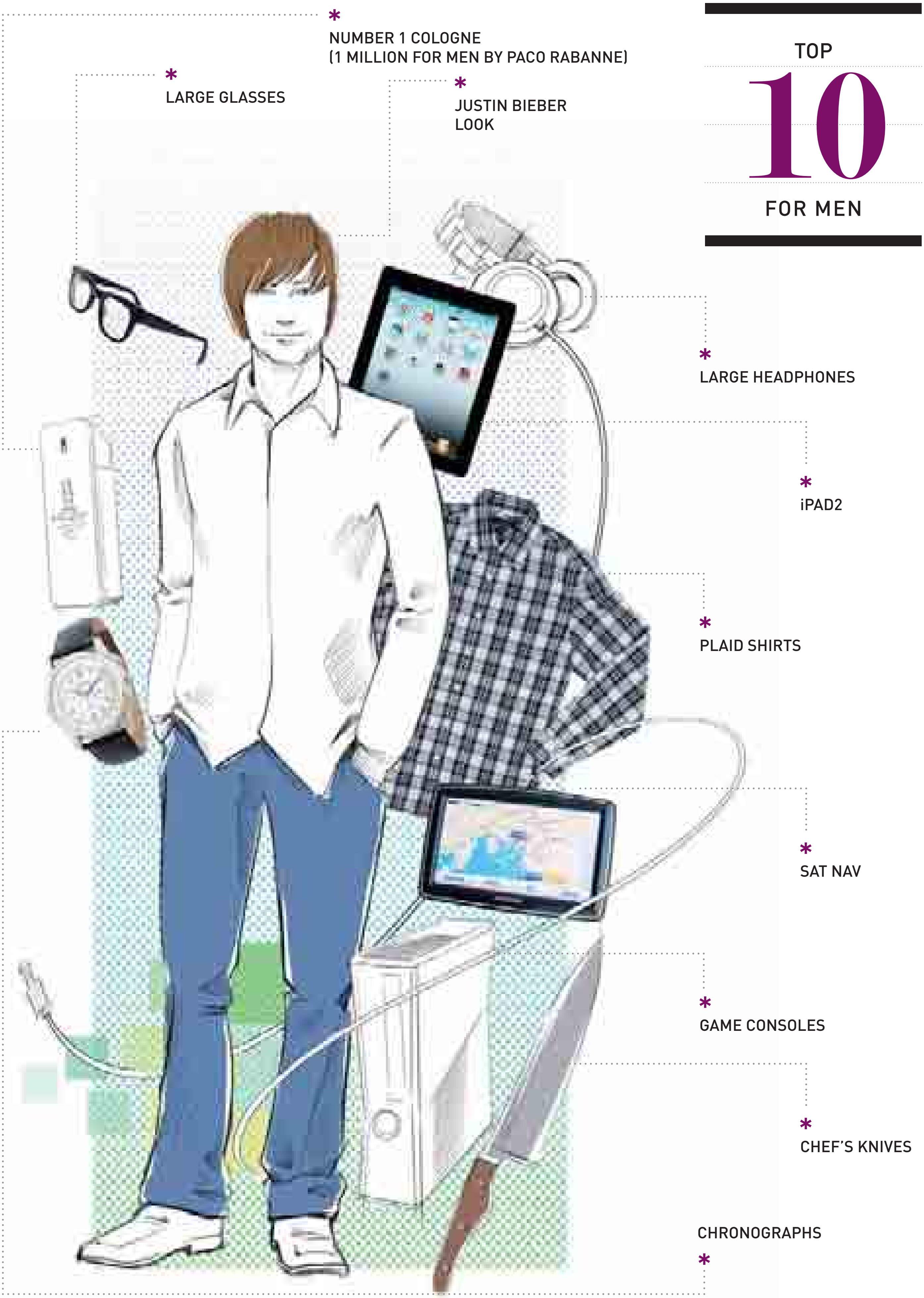
* iPHONE

* RECIPE BOOKS

* CHINOS

* SHOPPER HANDBAGS

TOP 10 FOR MEN



Shopping

THE 10 COMMANDMENTS OF SHOPPING

1. WEAR COMFORTABLE SHOES.
2. SHOPPING WITH A FRIEND IS BETTER THAN SHOPPING ALONE.
3. DROP YOUR HUSBAND OFF AT THE ELECTRONICS STORE.
4. IT DOESN'T ALWAYS HAVE TO BE USEFUL AS LONG AS IT'S BEAUTIFUL.
5. ON THE ESCALATOR: STAND ON THE RIGHT, WALK ON THE LEFT.
6. TAKE YOUR TIME.
7. TRY EVERYTHING ON AGAIN AT HOME AND RELIVE THE FUN.
8. IF YOU'RE HOT, TREAT YOURSELF TO AN ICE CREAM.
9. NEVER FORGET YOUR CREDIT CARD.
10. VALIDATE YOUR CAR PARK TICKET BEFORE LEAVING THE CAR PARK.

10

SHOPPING APPS

Apps are applications or programs for the Apple iPhone. Many of these applications are now also available for smartphones from other manufacturers.

I-CENTER
The i-Center app is the ideal tool for using GPS to find the nearest shopping center to you anywhere in Germany.
Free

SHOPPING LIST
A digital shopping list organises any shopping trip.
Price: €2.39, free version also available.

AROUNDME
This displays a complete list of shops in your vicinity and their distance from you.
Free

BARCOO
Provides independent product information, test reports, sustainability information, local shops and prices.
Free

CAR FINDER
The name says it all: this app helps you find where you parked your car.
Free

KAUFDA NAVIGATOR
A quick and easy way to find the latest offers and discount coupons for shops in your immediate vicinity.
Free

PAYBACK MOBIL
Germany's largest bonus programme regularly offers the latest coupons for your shopping excursions. A store finder shows you how to get to participating businesses.
Free

QYPE
Personal city guide with information and reviews on shops, restaurants, hotels and nightlife all over the world.
Free

FOURSQUARE
Are you at a shopping center right now? Check into foursquare and your friends will know where they can find you.
Free

BRIGITTE.DE
New fashion trends, beauty tips, photo shows about stars plus travel and health tips, tips on improving your figure and much more.
Free

All apps are available via the iTunes store.

Shopping

10 BOOKS ABOUT SHOPPING

WINDOW SHOPPING – EINE FOTOGESCHICHTE DES SCHAUFENSTERS (A PHOTOGRAPHIC HISTORY OF THE SHOP WINDOW)

by Susanne Breuss

This companion publication for the exhibition at Wien Museum (Vienna) from November 2010 to March 2011 is an essay on what shop windows mean to modern consumer and urban culture. The extensive collection of photographs brings together pictures of Vienna's shop windows and shopping scenes from the 19th century to the present day.

Publisher: Metroverlag, 96 pages, German,
ISBN-10: 3-9930002-5-0, Price: approx. €15.00

GO SHOPPING! WARUM WIR ES EINFACH NICHT LASSEN KÖNNEN (WHY WE JUST CAN'T STOP)

by Eva Tenzer

What drives women to the shoe shops and men to the DIY store – we've had our suspicions for some time now: We can't do anything about our passion for shopping! Evolution is to blame!

Publisher: Gustav Kiepenheuer, 306 pages, German,
ISBN-10: 3-378-01105-X, Price: approx. €19.95

FAIR EINKAUFEN – ABER WIE? (BUYING FAIRTRADE – BUT HOW?)

A guide to fairtrade, fashion, money, travel and pleasure

by Martina Hahn and Frank Herrmann

Fairtrade consumption is booming. It represents with a movement that spans almost the entire world and an attitude to life that does not condemn consumption as long as purchases are made with care and consideration. This guide can help everybody consume fairtrade products – ideal for anybody from seasoned experts to newcomers to fairtrade and organic shoppers.

Publisher: Brandes + Apsel, 248 pages, German,
ISBN-10: 3-86099-610-X, Price: approx. €19.90

SHOPPING AND THE CITY

by Lisa Barham

Sassy, youthful entertainment for shopping queens written by one of the industry's insiders!

Publisher: Blanvalet, 348 pages, German and English,
ISBN-10: 3-442-37245-3, Price: approx. €7.95

CORNER SHOP
by Roopa Farooki

For years Zaki, a charmer and man-about-town, has kept his family afloat with his little corner shop. Now he finally wants to be free and live out his own dreams. That's not so easy, though, when his own daughter-in-law yearns to have a passionate affair with him and his 14-year-old grandson has just lost his heart to a girl who is helping out in the shop...

Publisher: Pan (3 Oct 2008), 3355 pages, German,
ISBN-10: 033044364X, Price: approx. €7.99

HOW TO SHOP FOR A HUSBAND: A CONSUMER GUIDE TO GETTING A GREAT BUY ON A GUY
by Janice Lieberman and Bonnie Teller

Janice Lieberman brings her vast shopping expertise and her personal knowledge of the dating marketplace together to tell you how to shop for the most important "purchase" of your life – your spouse. ""How to Shop for a Husband" uses smart shopping principles to formulate rules that will help women select a spouse and "close the deal". This savvy shopper's guide provides a checklist all women can use in their hunt for the ultimate bargain, and also highlights potential pitfalls.

Publisher: Griffin, 210 pages, English,
ISBN-10: 0-312-63837-X, Price: approx. €10.99

NOT BUYING IT: MY YEAR WITHOUT SHOPPING!
by Judith Levine

Levine talks about the impact her decision to stop shopping has on her daily life, her relationship, her psyche and her wardrobe. It doesn't take long for problems to start popping up that make it difficult to for her to stick to her experiment. She finds herself the target of sabotage attempts and, more than once, standing at the crossroads before finally surrendering to the sins of commerce. A blunt depiction of the extremely human penchant toward deceiving ourselves. Full of self-mockery and uniquely funny, this is a book for any woman who has ever smuggled shopping bags into her flat.

Publisher: Pocket Books; New edition edition (2 Jan 2007), 286 pages, German and English, ISBN-10: 1416526838, Price: approx. €9.95

WHAT WOMEN WANT – THE GLOBAL MARKET TURNS FEMALE-FRIENDLY
by Paco Underhill

Women shop differently than men. Sound familiar? But the question is why? Paco Underhill, one of the world's leading marketing gurus and a best-selling author, defines four factors that play a key role in guiding the purchase decisions of female consumers: cleanliness, control, safety and considerateness. These four factors make a brand or service attractive to women but are generally insignificant in men's purchase decisions. Underhill uses charm and humour to take us on a trip through a global market, which is increasingly being dominated by women, and shows us why they buy what they buy.

Publisher: Simon Schuster, 224 pagess, German and English,
ISBN-10: 1416569952, Price: approx €24.90

THE SHOPPING EXPERIENCE
by Pasi Falk and Colin Campbell

The last decade has witnessed a clear and steady rise in interest in consumer culture. Many commentators now argue that consumption rather than production is the axis of personal identity and meaningful social action – a standpoint that reverses the traditional view that consumption is an incidental, trivial feature in contemporary culture.

Publisher: Sage, 224 pages, English,
ISBN-10: 0-7619-5067-2, Price: approx. €43.99

MEIN ERSTES BUCH VOM EINKAUFEN (MY FIRST BOOK ABOUT SHOPPING)
by Norbert Golluch and Dorothea Tust

Readers follow the Lohmann family and learn more about different types of stores. What are "pester products" and what is a typical day like at the supermarket? Where are products stored? This book also contains a vivid, fascinating account of how a product is harvested and the path it follows until it reaches supermarket shelves.

Publisher: Betz Annette, 32 pages, German,
Age recommendation: 4-5 years, ISBN-10: 3-219-11425-3, Price: approx. €12.95

All books are available from Thalia in our shopping centers, and from other locations.


ESPRIT

The Centers

OUR PORTFOLIO

We celebrated our anniversary in 2010 with a year dominated by growth in our portfolio

In January we acquired the A10 Center in Wildau, and in October we announced the purchase of the Billstedt-Center in Hamburg. This expanded our portfolio to 18 centers. 2010 also saw us increase our shares in the Altmarkt-Galerie in Dresden, City-Point in Kassel, City-Arkaden in Wuppertal and Main-Taunus-Zentrum in Sulzbach. And finally, at the start of 2011, we boosted our stake in the Stadt-Galerie Hameln.

We intend to keep on growing in 2011: our expansion project in Dresden and the development of the Triangle in Wildau were completed in late March and early April. The Main-Taunus-Zentrum extension is expected to open its doors to customers in November. Taking these three projects into account, our portfolio now consists of 14 centers in Germany, two in Poland and one in both Austria and Hungary. These offer a total of 2,170 shops covering an area of 848,800 m².

At 89%, the focus of our investment activity clearly lies in Germany. As in previous years, we are particularly proud of our consistently high occupancy rate of 99% on average, which shows the quality of our portfolio.

As at March 2010	Germany	Abroad	Total
Leasable space in m²*	704,200	144,600	848,800
No. of shops*	1,620	550	2,170
Occupancy rate**	99%	99%	99%
Inhabitants in catchment area in millions	11,7	3,3	15,0
No. of centers	14	4	18

* includingex pansions
** including office space

CUSTOMISATION SPANNING SEVERAL 10,000 m²

In real estate, as in retail, location has always played a pivotal role. Our tenants want to be wherever their customers expect them to be. Each of our 18 shopping centers is in its own prime location: the majority of our properties are in city centres, in places where people have been coming together for centuries to ply their trades. Often our centers are immediately adjacent to local pedestrian zones. Our portfolio also includes shopping centers in established out-of-town locations. These are properties that for many years now have represented a welcome change for customers from shopping in the city and they each have inter-regional significance.

Right from the very beginning, our focus with new projects is on the transport links for each property: in city centres, we seek out locations close to local public transport hubs. These might be central bus stations, which in Hameln and Passau, for example, are situated right alongside our properties. What is more, all our centers have their own parking facilities that offer visitors convenient parking on favourable terms, even in city centres, thereby ensuring good accessibility by car. Our out-of-town properties offer a huge number of free parking spaces. These particular locations are alongside motorways, making them very easy to reach. Parking spaces reserved for women and the disabled are offered as part of the service at all our shopping centers.

The tenant structure at each of our 18 properties is the result of a long and intensive process that is about specifically complementing the offering of the city centre in question. Our goal remains always to work with traders in the neighbourhood to make the entire location more attractive so that everyone can benefit from the increased appeal of the city centre as a whole. Our centers often play an active role in marketing and managing the city concerned, both financially and from the perspective of creative and personnel input. We are always keen to work with others in a spirit of fairness and partnership.

When we are designing our locations, one factor that always receives special attention is the architecture: specific plot requirements are just as important as the functional needs of our tenants. We also have a responsibility to the city that we are keen to fulfil. The shopping centers should blend in with their surroundings as much as possible, while also having an exterior that does justice to modern architecture. We work on this very closely with the relevant local authorities. The outcome is often an architectural gem, where even historical buildings can be carefully integrated into the center if possible, as is the case, for example, with the listed Intecta building, which is now part of the Altmarkt-Galerie in Dresden.

Our shopping centers also need to be impressive inside so that visitors and customers enjoy shopping there, first and foremost, and find them a pleasant place to be. To achieve this, we adopt a simple and timeless architecture that makes use of fine materials. Quiet rest areas and fountains invite people to pause a while, innovative lighting concepts create the right atmosphere in the mall to suit the time of day, and state-of-the-art climate control technology guarantees a pleasant temperature all year round. Everything is designed to make each visitor feel good and want to keep coming back. An ongoing modernisation and optimisation programme also ensures that our centers remain competitive and retain their value.

It goes without saying that we design our properties to suit all generations and that every visitor should feel they are in good hands, no matter what their age. Thanks to wide malls, escalators and lifts, it is possible to explore every corner of the center without too much effort, even with a pushchair or wheelchair. Play areas await our smallest visitors and invite shoppers to take some time out. Massage chairs are available for customers to use in the mall for a small fee, providing necessary relaxation as a break from shopping.

IT GOES WITHOUT SAYING THAT WE DESIGN OUR PROPERTIES TO SUIT ALL GENERATIONS AND THAT EVERY VISITOR SHOULD FEEL THEY ARE IN GOOD HANDS, NO MATTER WHAT THEIR AGE.

GREEN ENERGY

We are particularly proud of the fact that, from 2011, all our German centers will be supplied with green electricity. With our foreign properties we are planning to switch to energy from renewable sources over the next few years. It is also our goal to continuously reduce the overall energy consumption of our properties and in so doing to cut CO_2 emissions. To achieve this aim, we are using ultramodern technologies, such as heat exchangers and environmentally friendly lighting systems. We are also working with our tenants to try to keep reducing energy consumption in the individual shops as well.

FLEXIBILITY BRINGS OPPORTUNITIES

Retail always involves change. Particularly in recent years, it has been evident that many retailers are considerably expanding their premises, enabling them to convert the shop from purely a retail area into an experience arena. For instance, customers are being given the opportunity more and more to spend time alone in the shop thoroughly testing the product they desire (entertainment electronics, for example). A further trend is the tendency for more intensive consultations, which take place, say, at a coffee bar integrated into the shop.

We are able to provide customised solutions to meet the demand for ever more varied spaces: in our centers we can provide all tenants with the exact floor plan they need to realise their concepts. And we can even be flexible over the years. It is possible to adapt virtually any retail space, making it bigger or smaller, without major effort or expense by shifting the internal walls. Reducing a larger retail space, for example, creates an opportunity to integrate a new concept into the shopping center.

This is one of the main distinctions between our concept and the traditional shopping street with its rigid floor plans that have to be put up with the way they are. It is often the case that ▶

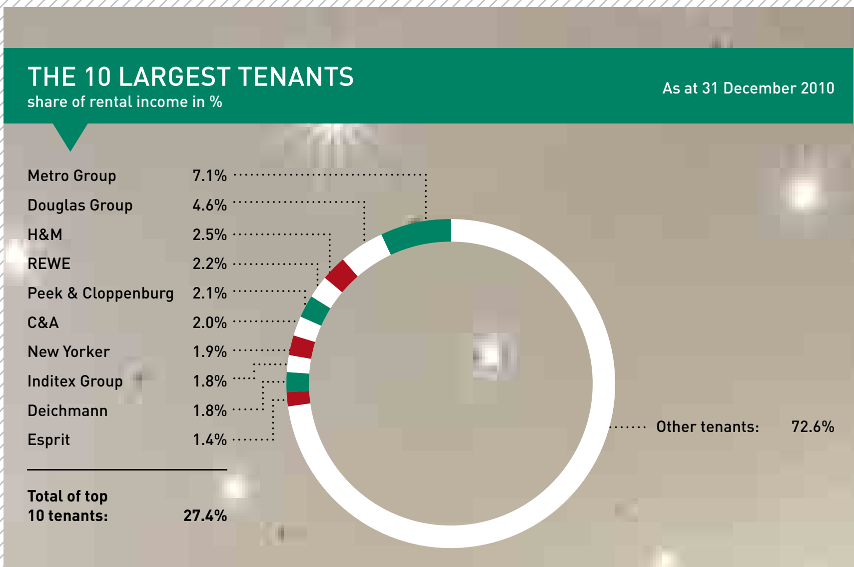
Altmarkt-Galerie, Dresden

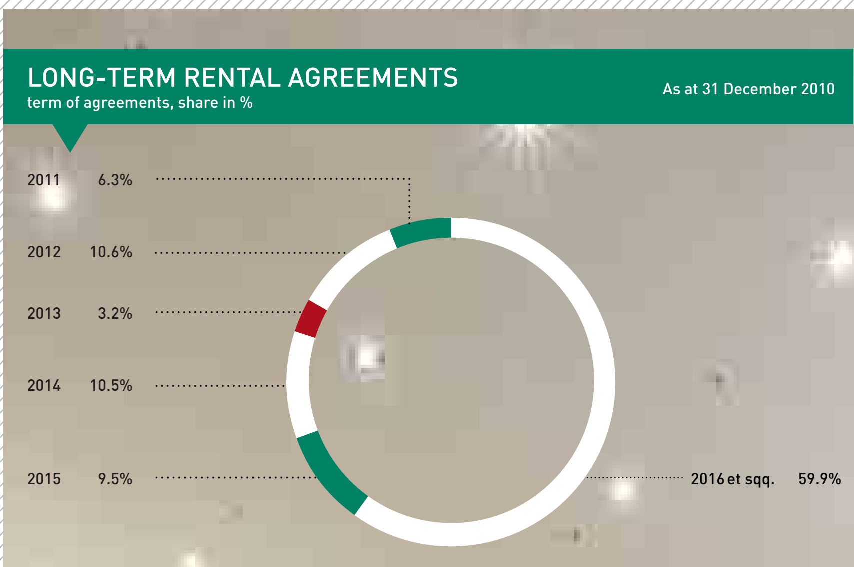
certain retailers wait until a shopping center has been erected before entering the market in a city because of a lack of suitable spaces for them beforehand in the city centre. The whole of the retail sector in the city centre ultimately benefits from the resultant addition to the offering.

BEST LOCATIONS

The catchment areas around our centers are home to 15 million people, just under 12 million of them in Germany. This gives us access in theory to 13% of the German population.

A location's catchment area is a major factor for us when it comes to selecting an investment: this is ascertained according to standardised rules for all shopping centers and represents the number of potential customers for the location in question. One of the considerations is what journey times a potential customer in the region would accept for the corresponding range of products. The influence of the relevant local competitive situation also has to be taken into account.





OUR 10 LARGEST TENANTS

With a share of 7.1%, the Metro Group is our biggest tenant. It 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-hypermarket and Galeria Kaufhof department store. Behind this in second place is the Douglas Group, one of Europe's leading retailers, which, with its divisions Douglas perfumeries, Thalia bookshops, Christ jewellery shops, AppelrathCüpper fashion stores and Hussel confectioners, is a tenant of our centers and has a share of 4.6% in our overall rental volume.

Our rental agreement portfolio is very diversified: our top 10 tenants are responsible for considerably less than a third of our rental income, which shows that there is no dependency on individual tenants.

LONG-TERM RENTAL AGREEMENTS

The rental agreements that we sign with our tenants tend to have a standard term of ten years. As at 31 December 2010 the weighted residual term of the rental agreements in our portfolio was 6.4 years, with 59.9 % of our rental agreements being secured until at least 2016.

EXTERNAL MANAGEMENT OF THE SHOPPING CENTERS

Management of our 18 shopping centers has been outsourced to our partner ECE Projektmanagement. ECE has also been commissioned to execute the expansion of our centers in Dresden and Sulzbach as well as the development of the A10 Triangle in Wildau.

ECE has been developing, planning, implementing, renting out and managing shopping centers since 1965. With 132 facilities currently under its management, the company is Europe's leader for shopping centers.

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.

www.ece.com

OPTIMISATION, NOT MAXIMISATION

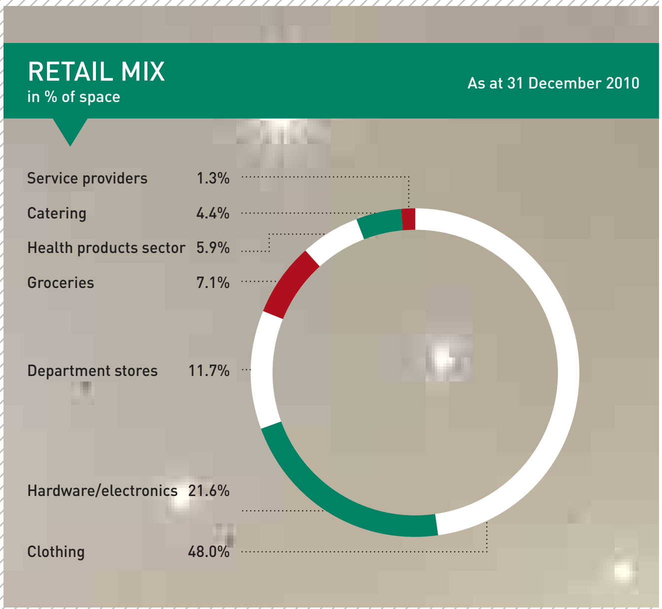
One of the core tasks of center management is putting together the right combination of shops to suit the property and the local area. This mix of tenants and sectors is tailored perfectly to the location in each case and is constantly refined. It is the result of a precise analysis of the local retail sector.

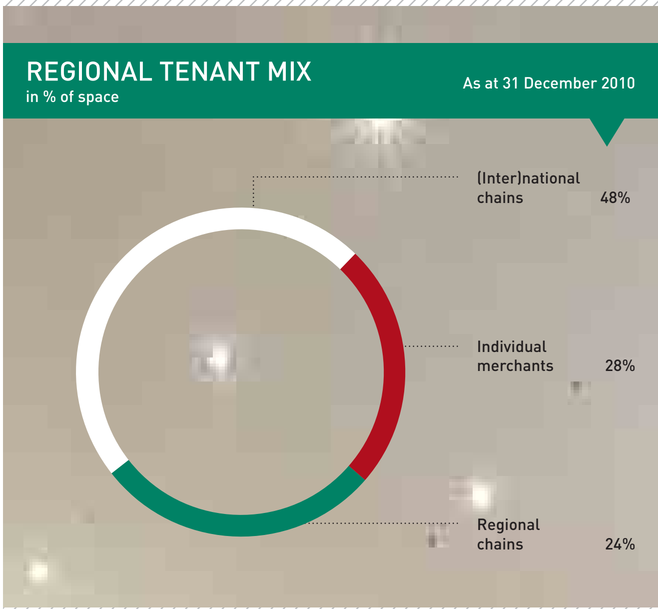
Center management is also about identifying the wishes and needs of customers. We always create space in our centers for retailers from sectors that, on account of current rents in prime locations, can scarcely be found in city centres anymore, such as toy and porcelain shops. This also enables us to give new businesses and niche concepts an opportunity.

There is one key area in which we set ourselves apart from the majority of building owners in the pedestrian zone: as long-term investors, it is our goal to achieve permanent rent optimisation rather than short-term maximisation. We want to offer our customers and visitors an attractive mix. Rather than focus on each shop space in isolation, we look at the property as a whole. The rent in each case is calculated primarily on the basis of the sales potential of the sector to which the tenant belongs as well as of its location within the shopping center.

All sides benefit from this system: as the landloaround we are able to build a relationship of trust with our tenants for the long term; our tenants benefit from high visitor numbers achieved due to the varied mix; and our customers appreciate the very wide choice of shops. These range from different fashion concepts to accessories and health and beauty retailers, right through to professional services such as bank and post office branches. There are also various dining options for our guests: cafés, fast-food restaurants and ice-cream parlours supply refreshment or nourishment in-between shopping. ▶

Galeria Baltycka, Danzig





SECTOR DIVERSITY

The fashion industry dominates our retail mix at 48.0%. The fashion expertise of our centers is confirmed time and again in customer surveys. It is one reason why customers are willing to travel sometimes long distances from the surrounding area to enjoy the wide selection and the quality of the professional advice.

The individual tenant mix provides each of our centers with a character all of its own. In our shopping centers, we always make sure that there is a healthy blend of regional and local traders as well as national and international chain stores. This contrasts starkly with the main shopping streets, where, according to studies in Germany, chain stores occupy over 90% of the retail space in some cases. The small-scale structure of our centers offers visitors something different each time and the opportunity to satisfy a vast range of consumer needs.

WELL-KNOWN TENANTS

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

SHOPPING AS A LEISURE ACTIVITY

At our centers, visitors can always rely on standard opening hours, unlike in the traditional city centre where each individual retailer decides for itself how long it will be open. Whether it is an optician or a travel agency, every tenant will be open to visitors for the center's full opening hours. This too is a strategic advantage that is appreciated particularly by customers who have to come a long way.

In the center itself, the focus is always on service. There are Service Points manned by friendly staff who can answer any questions about the facility. Gift vouchers can be purchased here, and in many of our centers there is also the opportunity to hire pushchairs. Customers can feel safe at all times thanks to the deployment of discreet security personnel. Baby changing rooms, customer toilets and cash machines complete the offering. Cleanliness at all times is a given.

Every one of our tenants is automatically also a member of the marketing association of the center in question. This means that each tenant pays a share of the center's marketing costs and plays an active role in a marketing strategy committee. This plans events together with the center management, making the shopping center into a lively marketplace: fashion shows, art exhibitions, country-themed weeks and information events dealing with a whole range of topics provide visitors with new impressions and experiences time and again. Local associations and municipal authorities are also involved in the plans and given the opportunity to represent themselves in the center. The lavish center decorations for the Easter and Christmas periods are among the projects handled by the marketing associations.

Another important area of the work is coordinating a coherent advertising presence for the center as a whole as well as editing a center newspaper, which is distributed as an insert in regional daily newspapers in the catchment area and provides readers with regular and professional updates on events and news relating to the center. Radio ads, adverts on and inside local public transport, and illuminated advertising posters ensure that the advertising measures reach a large audience.


INVESTMENT
Deutsche EuroShop's key investment guidelines can be summarised as follows:
Deutsche EuroShop invests exclusively in shopping centers.
The minimum property size is 15,000 m² of which no more than 15% may be office space or other non-commercial usage.
The locations must feature a catchment area of at least 300,000 inhabitants.
Shopping center projects are only purchased when an executable construction authorization can be produced and 40% of the leasable space is secured by long-term legally binding lease contracts.
Project developments without the right to build or that cannot facilitate pre-letting can be taken over as a joint venture. Project development costs may not exceed 5% in individual cases or 10% in total of the Deutsche EuroShop equity.
The main country of investment is Germany. In the long-term, investments in the rest of Europe may not exceed 25% of the total investment volume.

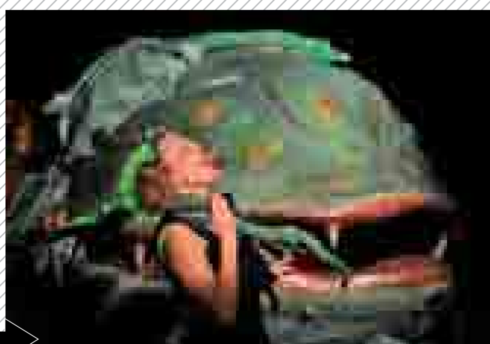
The Centers

ACTIVITIES IN THE CENTRES

TOP MODELS IN KASSEL On 24 and 25 September 2010, City-Point Kassel played host to the fashion event of the year. Over the two days, the fashion highlights from the autumn/winter collections of well-known brands were presented under the slogan “Shopping at City-Point“. Besides musical entertainment, visitors were also treated to another rather special event: the final of Kassel’s casting competition Top Model 2010, which saw a high-profile jury (including Monica Ivancan and Jorge Gonzales) crown the two winners on the catwalk in the middle of the centre. Their prize was a professional photoshoot.

LEGENDS OF THE ROAD ON DISPLAY IN HAMBURG From 16-28 August 2010, fathers and sons in particular visiting the Phoenix-Center in Hamburg were thrilled to discover the Mercedes-Benz Classic exhibition “A journey through innovation” as a guest in the mall, with all manner of valuable classics on display. From its invention by Karl Benz and Gottlieb Daimler in 1886 through to the present day, the automobile has seen radical innovations in every decade in the areas of safety, comfort, design, the environment and drive technology. Among the vehicles to admire from this journey through time were a Mercedes-Benz 260D (W 138) from 1939 (the world’s first series-produced diesel passenger car) and a 300 SL (W 198), built in 1955, a legend with its gull-wing doors.

VHS LIVE IN HAMELN From 19-28 August 2010, under the slogan “VHS Live – Fun included”, Volkshochschule (VHS) Hameln-Pyrmont (Hameln-Pyrmont Adult Education Centre) presented itself to the public in the Stadt-Galerie Hameln with a number of presentations and talks, hands-on activities, games and information stands. Eighty course leaders presented over 100 courses covering a wide variety of subjects, ranging from oriental dance to complementary healthcare. In a “glass classroom” in the centre of the mall, 15-minute crash courses gave visitors a taste of the diverse range of courses on offer.



HORROR IN HAMM From 24-26 September 2010 the Allee-Center Hamm participated in the “RUHR.2010 – Kulturhauptstadt Europas“ (European Capital of Culture) project with a very special show: a covered parking deck was transformed into a stage for the cult musical “The Little Shop of Horrors”. Around 60 people and a five-piece live band put on the impressive musical for an audience of more than 1,600. An unforgettable experience both for visitors and for the centre management team, which put a lot of effort into organising the event together with Hamm Music School.

The Centers

INVESTORS ARE LOOKING FOR "GREEN" CENTERS

Sustainability is gaining in importance
by Dr. Ludwig Vogel MRICS

THE THREE PILLARS OF SUSTAINABILITY

"Sustainability is the concept of the ongoing, future-oriented development of the economic, environmental and social dimension of human existence. These three pillars of sustainability interact with each other and require balanced coordination over the long term."

The Study Commission "Protection of Mankind and the Environment" set up by the thirteenth German Bundestag describes, through its formulation

of the goals of sustainable development, how social responsibility, economic performance and protection of the natural environment are inextricably linked. It is only by viewing these three pillars of sustainability holistically and considering economic requirements within the boundaries of the ecosystem that social prosperity can be achieved (see Figure 1). Looking at one of these three dimensions in isolation is sure to pose a threat to sustainable development.

SUSTAINABILITY IN THE REAL ESTATE INDUSTRY

As part of an analysis of the possibilities for implementing environmental sustainability concepts into shopping center project development, ECE conducted a survey of 165 investors. The aim was to enquire about investors' current requirements in the area of environmental sustainability and to assess their projects in this regard.

Sustainability is an important competitive factor – value preservation and running costs are key reasons for engaging with the issue

Almost 50% of investors attach a high degree of importance to sustainability within their commercial policy. For the other half, however, there are not yet really any signs of sustainability criteria impacting their investment strategy. One reason for this is the absence to date of any significant demand pressure at the level of their own investors. ▶

* Final report by the Study Commission "Protection of Mankind and the Environment – Goals and Framework Conditions of Sustainable, Forward-looking Development", German Bundestag: parliamentary document 13/11200 of 26 June 1998

Reasons given for engaging with the issue of sustainability include in particular potential savings on running costs and preservations of property values (see Figure 2). As far as energy efficiency is concerned, commitment to sustainable measures is closely related to trends in energy prices. The fact that approximately 80% of the costs of a property are incurred in the form of operating costs, whilst the ability to influence these costs declines rapidly after the planning phase, highlights the need to analyse potential energy savings in greater depth during the investment phase. Such savings on running costs could potentially lead to higher net rental income over the long term. Only 19% of investors refer to the possibility of increasing profits as a motive for engaging with sustainability. According to the responses given, improvements to the company's image and legal consideration are also only secondary motives.

Lower initial returns are acceptable

Around 37% of German investors would accept a lower initial return as a result of environmentally sustainable investments. At 65%, the willingness shown by international investors is considerably higher. If we look at the responses by investor type (see Figure 3), the greatest willingness can be seen among the initiators of closed-end funds and the "other" group.

General willingness to invest in sustainable renovation

Virtually all investors are willing to invest in sustainability measures. However, half are only willing to do so if running costs can be saved as a result of the measures taken, and 14% only if the investments pay off in the short term (see Figure 4). Investments must pay off within 10-15 years for a large proportion of investors. However, bearing in mind the sustainable (and therefore mainly long-term) impact of environmental measures, these required returns of 6.6-10% (corresponding to a payoff period of 10-15 years) are likely to be difficult to achieve in many cases. At the moment at least, increasing the environmental compatibility of shopping centers (and properties in general) requires more of a long-term perspective and cannot be realised exclusively with investments that will pay off in the short to medium term.

MEASURES WITHIN THE CONTEXT OF ENVIRONMENTAL SUSTAINABILITY

Cooling is the biggest running cost

Sustainability in the area of shopping center developments often focuses on the efficient consumption of energy, the use of regenerative energy and the deployment of innovative technologies to reduce CO_2 emissions. One feature of shopping centers, for example, is that the amount of energy needed to cool a center is twice as high as that required to heat it. The interior lighting, visitors to the center and sunlight give off so much heat that insulation would by and large be counterproductive. The greatest sustainability potential lies in optimised concepts for heating and cooling centers, energy recovery, ventilation of centers and the use of renewable energy.

Emphasis on solar and geothermal energy

Of the technical measures relating to energy management for shopping center projects, investors consider, in particular, the implementation of photovoltaic systems and geothermal models, such as geothermal heat exchangers, heat pumps and geothermal probes, to be promising options for the future (see Figure 6).

At present, however, it is only possible to imagine photovoltaic systems playing a supporting role, as meeting the annual energy demand of a center with 30,000 m² of retail space would require a south-facing external area of roughly 180,000 m² covered in photovoltaic panels. Making exclusive use of solar energy to meet the energy needs of a shopping center appears impractical, in view of the current efficiency of these systems. From the perspective of sustainability, however, a supporting role for this form of energy should be encouraged. Using geothermal energies to cover the heating/cooling needs of a shopping center represents a significant step towards a “green center”, but again this statement must be qualified as far as the supply of energy is concerned. Only 30% of the energy required for cooling can be covered by this form of energy, with the remaining 70% still having to come from conventional energy sources. The demand for heating, however, can be met in full by geothermal systems.

The question of which environmental measures are actually realistic in practice naturally depends to a great extent on the conditions that apply at the project site.

There is an evident desire to realise “green centers”, and requirements are increasing.

We can gather from the views expressed in the survey that the possibility of implementing sustainability criteria in shopping center projects is essentially regarded as positive. The assumption is even made by 44% of investors that shopping centers are particularly well suited to meeting future sustainability criteria. One thing that is certainly true is that shopping centers as a property type have enormous environmental potential, on account of their size and function. While successful project developers have already ensured that the economic pillar of sustainability is firmly embedded, the environmental pillar has yet to follow suit. There is no doubt that sustainability will be an important factor in future investment decisions, although more in-depth discussions about the issue and the formulation of standards appear necessary. A willingness in principle to invest in sustainability is in evidence, however. Reasons such as reducing running costs and maintaining or increasing the value of properties are particular areas of focus in investment decisions.

Ultimately, sustainability appears to be a theme that is discussed intensively within the investor community, although it is not yet having a decisive influence on investment strategy. The requirements relating to sustainable properties, and consequently to shopping centers as well, will continue to increase, however, and will originate not only from legislators, but also from investors and tenants themselves. Even economic crises are not an argument against, but are actually an argument for giving consistent consideration to environmental principles. Ignoring these principles would have more serious consequences than any crisis, and the consequences would be irreversible.

Center News

A10 CENTER, WILDAU

The A10 Center in Wildau has been part of our portfolio since the beginning of 2010. This spacious shopping centre just outside Berlin was opened in 1996 and is conveniently located on the A10 motorway and in close proximity to Berlin-Brandenburg-International (BBI) Airport in Schönefeld, which is currently being expanded to serve as the capital city's main airport.

Following the acquisition of the centre, our primary concern was to complete the A10 Triangle project as quickly as possible. This is a new construction that directly adjoins the centre and houses many new shops. Since the Triangle was opened on 6 April 2011, the A10 Center has offered around 200 specialist shops as well as service providers and catering outlets, spread over 66,000 m² of retail space. There are 4,000 customer parking spaces.

The existing centre will be modernised by the autumn of 2011 to ensure that an even more welcoming atmosphere awaits customers. The new building has created around 400 new jobs, which means that more than 1,000 people now work at the centre.

Including the Triangle and the modernisation work, the investment volume stands at approximately €265 million. More than 630,000 people live within a 30-minute radius of the site and over 1.15 million within a 45-minute radius of the centre.

In addition to existing specialist shops such as Real, Karstadt Sports, Peek & Cloppenburg and C&A, a variety of new concepts have been added since the Triangle opened, including many new tenants from the youth and high-end fashion sector such as Tommy Hilfiger, Jack Wolfskin and Marc O'Polo. Additional specialist retailers such as Fielmann, Rossmann and myToys will complete the offering in the future.

In addition to a shopping experience, the A10 Center also offers a world of leisure, with enticing attractions such as a multiplex cinema, bowling centre and fitness centre, as well as "Bambooland" for children.

Center News

ALTMARKT-GALERIE, DRESDEN

On 1 July 2010 we acquired a further 17% of the shares in the Altmarkt-Galerie Dresden and therefore now own 67% of this shopping centre, the expansion of which was opened amidst celebrations on 31 March 2011.

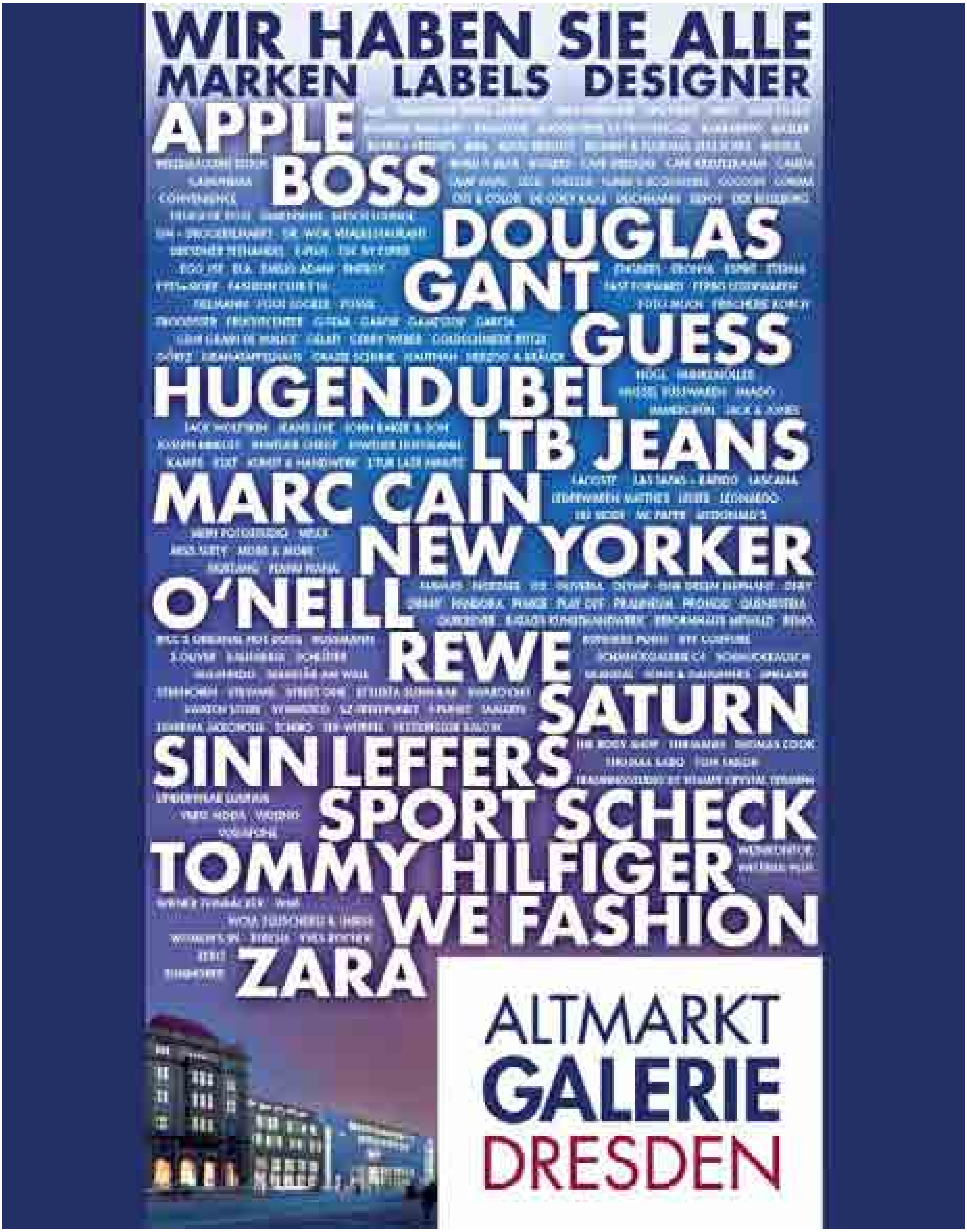
Deutsche EuroShop invested €110 million in this expansion. The new three-floor shopping mall can accommodate around 100 new specialist shops. Besides 18,000 m² of additional retail space, the expansion also includes 2,900 m² of office space and a hotel (Etap) with around 200 rooms, which is due to open in the autumn.

In total, the Altmarkt-Galerie now boasts some 200 shops spread over approximately 44,000 m² of retail space and employs around 2,000 people.

A whole host of highly attractive tenants are testament to the outstanding quality of the site. Californian computer brand Apple and US cult fashion label Hollister have their first stores in eastern Germany here. Countless other names are also represented in Dresden for the first time, including fashion brands Boss and Gant.

Particular attractions are a perfumery with a nostalgic shop interior and a 1920s-style café, which has opened in the listed former Intecta building. This building has been extensively renovated and lovingly integrated into the centre's overall concept. Many existing tenants, however, have also modernised or partially expanded their shops for the opening of the expansion.

Entrances located at Dresden's public transport hub Postplatz, at Altmarkt and at Wilsdruffer Straße now provide the Altmarkt-Galerie with even better transport links to the historic heart of Dresden's city centre and, at the same time, create attractive routes for pedestrians.


WIR HABEN SIE ALLE
MARKEN LABELS DESIGNER
APPLE
BOSS
DOUGLAS
GANT
GUESS
HUGENDUBEL
LTB JEANS
MARC CAIN
NEW YORKER
O'NEILL
REWE
SATURN
SINN LEFFERS
SPORT SCHECK
TOMMY HILFIGER
WE FASHION
ZARA
ALTMARKT
GALERIE
DRESDEN

Center News

MAIN-TAUNUS-ZENTRUM, SULZBACH

At the end of 2010 Deutsche EuroShop acquired around 9% of the shares in the Main-Taunus-Zentrum (MTZ) near Frankfurt from an institutional investor for approximately €17.2 million. Our shareholding in this centre, which is part of the company's original portfolio, has therefore increased to 52%.

Opening in 1964, MTZ was one of the first shopping centres in Germany and was extensively modernised and expanded between 2001 and 2004. It is located in Sulzbach on the western outskirts of Frankfurt, directly adjacent to the A66 (between Frankfurt and Wiesbaden), one of Germany's busiest motorways, and has its own motorway exit. There are 2.2 million people living in the catchment area and up to 40,000 customers visit the Main-Taunus-Zentrum every day.

Once ongoing expansion work has been completed, which is expected to be in November 2011, the centre will boast retail space of around 91,000 m² and some 170 specialist shops featuring well-known retailers (currently including Ansons, Breuninger, H&M, Galeria Kaufhof, Media Markt, Peek & Cloppenburg and Zara). A wealth of prominent German and foreign brands will further increase the attractiveness of the centre in the region. A food court with restaurants and cafés as well as specialist delicatessens, various service providers, doctors' practices, a multiplex cinema and a petrol station will ensure that MTZ will be seen by many customers as a kind of "alternative city centre".

Following completion of expansion work on its northern side, the centre will provide more than 4,500 car parking spaces for visitors. We are expecting to achieve an occupancy rate of 100% by the time the newly expanded centre opens.

BILLSTEDT-CENTER, HAMBURG

At the beginning of 2011 we acquired the Billstedt-Center in Hamburg. The investment volume for this centre is in the region of €160 million. It is the company's second shopping centre in the city and the eighteenth in our portfolio overall.

The Billstedt-Center is a long-established centre that was originally opened in two parts in 1969 and 1977 before undergoing fundamental restructuring in 1996. It is located to the east of the city, approximately eight kilometres from the centre. Roughly 735,000 people live in the catchment area, and every day up to 40,000 customers visit the centre, which is ideally situated between the local bus station, an underground train station and the market square.

Built on two levels with a retail space of around 40,000 m², it houses some 110 specialist shops, all of which are let to well-known retailers. The centre's magnet tenants are a hypermarket (REWE Group), a consumer electronics store (Media Markt) and three fashion stores (C&A, TK Maxx and H&M). A Karstadt department store, which is owned by third parties, is also part of the centre. In addition, the centre boasts around 3,500 m² of residential and office space as well as over 1,500 parking spaces.

The Centers

SHOPPING CENTERS – THE RIGHT KEYS TO SUCCESS

By Andreas Pohl, Deutsche Hypothekenbank

When Germany's very first shopping centers opened in the 1960s, hardly anyone foresaw the way they would develop over the coming decades. Following a relatively modest annual increases to around 100 centers by 1990, their numbers soared in the first decade after reunification to around 300. Today, they cover an area of approximately 16 million m^2, spread across in excess of 400 shopping centers, with more (reportedly up to 80) set to emerge by 2015.

At the same time, shopping centers have now developed into an important asset class for professional investors and are also, of course, a key focus of the diverse financing activities of Deutsche Hypo as a real estate bank.

The following are the two main forms of financing sought from the market:

1. Asset financing, i.e. funding for the purchase of existing shopping centers or rescheduling of current funding.

2. Financing of project developments, i.e. traditional interim financing for new centers during the construction phase through to completion.

On top of these, as a combination of the above two types of financing, there is:

3. Finance for the purchase of existing shopping centers and subsequent support for renovation measures as part of a regeneration project.

While the bank can draw on previous experiences when it comes to financing existing centers and can base future developments on these, an assessment is considerably more difficult when supporting a new construction project

As a bank we have the scope to limit the economic credit risk adequately by restricting the level of financing, incorporating borrowers' liability or adopting LTV (loan to value) or DSCR (debt service coverage ratio) covenants.

We know that not all existing or even new shopping centers will post a positive performance and hence meet the expectations placed on them. As such, the financing bank, like the investor, is faced with the critical question of which criteria may be crucial for determining the success of a shopping center and so need to be taken into account in an investment or financing decision.

A SUCCESSFUL CENTER NEEDS A BALANCED MIX OF SMALL AND MEDIUM-SIZED SHOPS

First of all, it is necessary to define the product in question. Unlike smaller centers in medium-sized towns, which are to be seen as complementing or competing with the city centre retail trade, regional shopping centers must be of an appropriate size with suitable pull and appeal.

Critical mass is decisive. This is the minimum size that enables appropriate appeal and therefore regional pull to be achieved. At the same time, of course, having the right blend of sectors and tenants in the center, in terms of quality and quantity, is a key success factor alongside attractive anchor tenants that provide for a core number of visitors and accordingly act as a magnet, a successful center needs a balanced mix of small and medium-sized shops that offer high-profile national and international brands.

What is more, it is important not just to make the act of shopping a pleasurable experience but also to create an atmosphere of wellbeing for customers that invites them to stay for longer, with corresponding effects on purchase decisions. Key contributory factors here are the architecture, floor plan, functionality and state of the property. Good, varied catering facilities are the final piece of the jigsaw.

Besides these design factors, which obviously also include infrastructural elements such as the location, transport links and availability of car parking, basic economic facts also have a decisive influence on the long-term success of a center. The quality of the rental agreements, the reasonableness of the rents relative to floor space productivity and the level of any ancillary costs secure long-term economic viability for owners and tenants alike.

The challenge of meeting the ongoing demands of competition calls for a professional operator able to recognise changes early and respond to them correctly and in good time with suitable measures.

Last but not least, the financing structure must of course suit the project in question and the corresponding characteristics. This involves, in particular, having flexible solutions to cope with the constant change processes associated with this type of property.

The above factors are not exhaustive, but they do provide a good overview of the complexity and diversity of this type of financing. It goes without saying that the size of the individual investments will also dictate special requirements in terms of the quality of the parties involved, i.e. investors and operators.


PHOENIX-CENTER, HAMBURG
BILLSTEDT-CENTER, HAMBURG
CITY-GALERIE, WOLFSBURG
ALLEE-CENTER, HAMM
STADT-GALERIE, HAMELN
CITY-POINT, KASSEL
CITY-ARKADEN, WUPPERTAL
FORUM, WETZLAR
A10 CENTER, WILDAU/BERLIN
RATHAUS-CENTER, DESSAU
MAIN-TAUNUS-ZENTRUM, SULZBACH/FRANKFURT
RHEIN-NECKAR-ZENTRUM, VIERNHEIM
ALTMARKT-GALERIE, DRESDEN
STADT-GALERIE, PASSAU
Ireland
United Kingdom
London
Netherlands
Luxembourg
Paris
Switzerland
Monaco
Spain
Andorra

THE CENTERS

4 countries, 18 locations

The Centers

AT A GLANCE SHOPPING CENTERS GERMANY

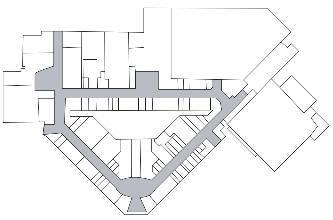
As of April 2011

1 WILDAU / BERLIN /// 2 SULZBACH / FRANKFURT /// 3 DRESDEN /// 4 VIERNHEIM /// 5 HAMBURG-HARBURG 6 HAMBURG-BILLSTEDT /// 7 HAMM /// 8 WETZLAR /// 9 DESSAU /// 10 WOLFSBURG /// 11 KASSEL /// 12 WUPPERTAL /// 13 PASSAU /// 14 HAMELN

1 A10 CENTER, WILDAU / BERLIN

www.A10center.de

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 200
Occupancy rate:	100%
Catchment area:	around 1.2 m. inhabitants
Parking:	around 4,000
Grand opening:	1996,
Renovation / Modernisation:	2010 – 2011
Anchor tenants:	Real, Karstadt Sports, C&A, H&M, Peek & Cloppenburg

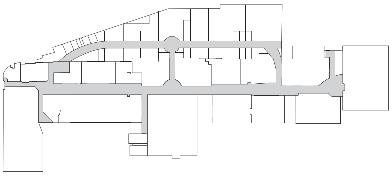


2 MAIN-TAUNUS-ZENTRUM, SULZBACH / FRANKFURT

www.main-taunus-zentrum.de

Investments:	52.0%
Purchased by DES:	September 2000
Leasable space:	around 117,000 m²*
of which retail space:	around 91,000 m²*
No. of shops:	around 170
Occupancy rate:	100% (existing part)
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

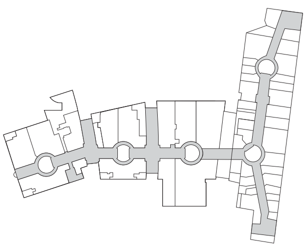
*incl. expansion: (opening planned for November 2011)



3 ALTMARKT-GALERIE, DRESDEN

www.altmarkt-galerie.de

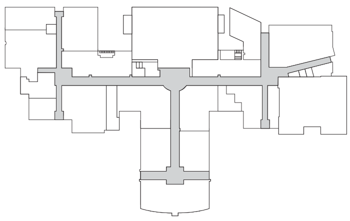
Investments:	67.0%
Purchased by DES:	September 2000
Leasable space:	around 76,500 m²
of which retail space:	around 44,000 m²
No. of shops:	around 220
Occupancy rate:	95%
Catchment area:	around 1.0 m. inhabitants
Parking:	around 520
Grand opening:	2002
Expansion:	2011
Anchor tenants:	Saturn, SinnLeffers, Zara, SportScheck



4 RHEIN-NECKAR-ZENTRUM, VIERNHEIM

www.rhein-neckar-zentrum-viernheim.de

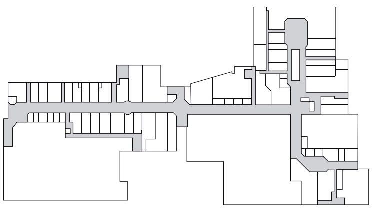
Investments:	99.9%
Purchased by DES:	September 2000
Leasable space:	around 69,000 m²
of which retail space:	around 59,400 m²
No. of shops:	around 100
Occupancy rate:	100%
Catchment area:	around 1.4 m. inhabitants
Parking:	around 3,500
Grand opening:	1972
Renovation / Expansion:	2003
Anchor tenants:	Engelhorn Active Town, Peek & Cloppenburg, H&M, Zara, C&A, TK Maxx



5 BILLSTEDT-CENTER, HAMBURG

www.billstedt-center.de

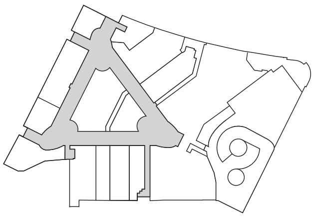
Investments:	100%
Purchased by DES:	January 2011
Leasable space:	around 43,400 m² (without Karstadt)
of which retail space:	around 41,125 m² (without Karstadt)
No. of shops:	around 110
Occupancy rate:	99%
Catchment area:	around 0.7 m. inhabitants
Parking:	1,500
Grand opening:	1969 / 1977
Renovation:	1996
Anchor tenants:	REWE, Media Markt, C&A, TK Maxx, H&M



6 PHOENIX-CENTER, HAMBURG

www.phoenix-center-harburg.de

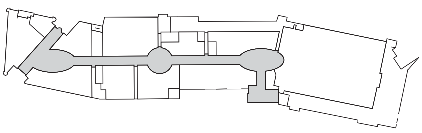
Investments:	50.0%
Purchased by DES:	August 2003
Leasable space:	around 38,700 m²
of which retail space:	around 30,300 m²
No. of shops:	around 110
Occupancy rate:	100%
Catchment area:	around 0.6 m. inhabitants
Parking:	around 1,600
Grand opening:	2004
Anchor tenants:	Media Markt, Karstadt Sports, New Yorker, H&M, C&A, REWE, SinnLeffers



7 FORUM, WETZLAR

www.forum-wetzlar.de

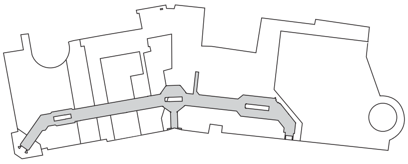
Investments:	65.0%
Purchased by DES:	October 2003
Leasable space:	around 34,300 m²
of which retail space:	around 23,500 m²
No. of shops:	around 110
Occupancy rate:	100%
Catchment area:	around 0.5 m. inhabitants
Parking:	around 1,700
Grand opening:	2005
Anchor tenants:	Kaufland, Media Markt, Thalia



8 ALLEE-CENTER, HAMM

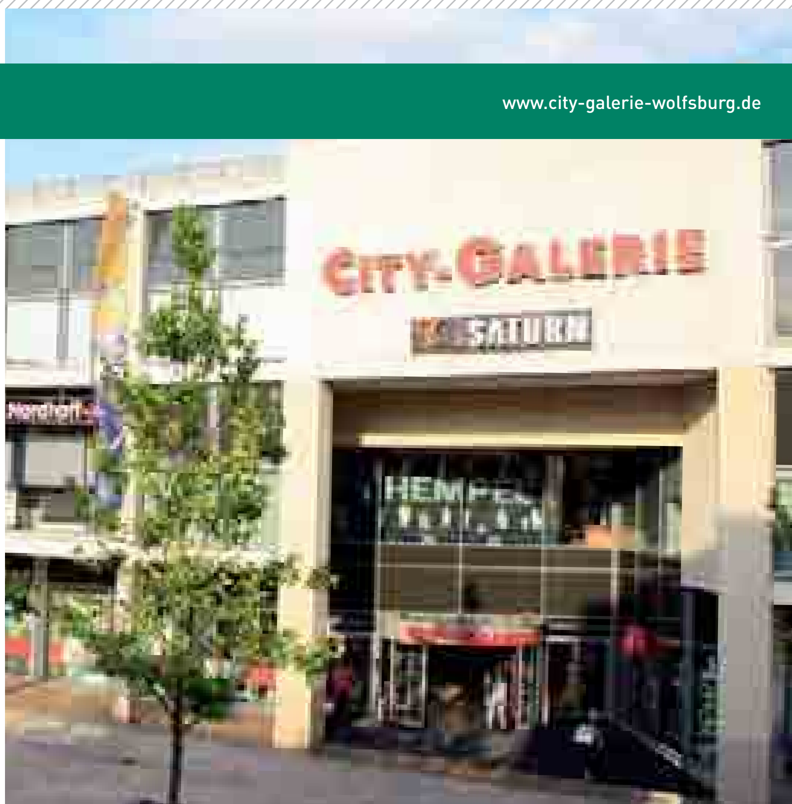
www.allee-center-hamm.de

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:	99%
Catchment area:	around 1.0 m. inhabitants
Parking:	around 1,300
Grand opening:	1992
Renovation:	2003, 2009
Anchor tenants:	H&M, Peek & Cloppenburg, Saturn, C&A

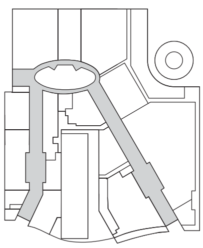


9 CITY-GALERIE, WOLFSBURG

www.city-galerie-wolfsburg.de



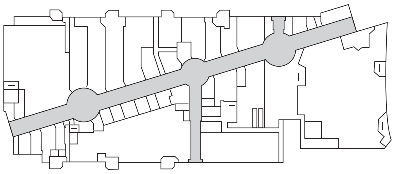
Investments:	89.0%
Purchased by DES:	September 2000
Leasable space:	around 30,800 m²
of which retail space:	around 20,000 m²
No. of shops:	around 95
Occupancy rate:	100%
Catchment area:	around 0.3 m. inhabitants
Parking:	around 800
Grand opening:	2001
Anchor tenants:	REWE, Saturn, New Yorker



10 RATHAUS-CENTER, DESSAU

www.rathaus-center-dessau.de

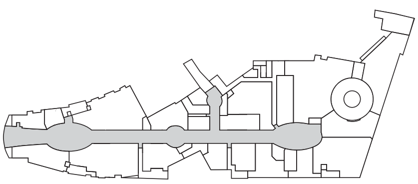
Investments:	94.9%
Purchased by DES:	November 2005
Leasable space:	around 30,400 m²
of which retail space:	around 20,000 m² (without Karstadt)
No. of shops:	around 80
Occupancy rate:	97%
Catchment area:	around 0.5 m. inhabitants
Parking:	around 840
Grand opening:	1995
Anchor tenants:	H&M, Thalia, TK Maxx



11 CITY-ARKADEN, WUPPERTAL

www.city-arkaden-wuppertal.de

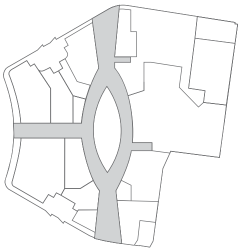
Investments:	100%
Purchased by DES:	September 2000
Leasable space:	around 28,700 m²
of which retail space:	around 20,000 m²
No. of shops:	around 90
Occupancy rate:	100%
Catchment area:	around 0.7 m. inhabitants
Parking:	around 650
Grand opening:	2001
Anchor tenants:	Akzenta, MediMax, Zara, H&M, Thalia



12 CITY-POINT, KASSEL

www.city-point-kassel.de

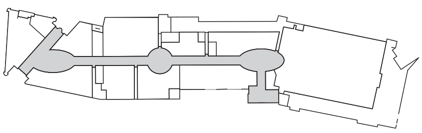
Investments:	100%
Purchased by DES:	September 2000
Leasable space:	around 28,200 m²
of which retail space:	around 20,000 m²
No. of shops:	around 70
Occupancy rate:	100%
Catchment area:	around 0.8 m. inhabitants
Parking:	around 220
Grand opening:	2002
Renovation:	2009
Anchor tenants:	Hugendubel, Saturn, H&M, New Yorker



13 STADT-GALERIE, PASSAU

www.stadtgalerie-passau.de

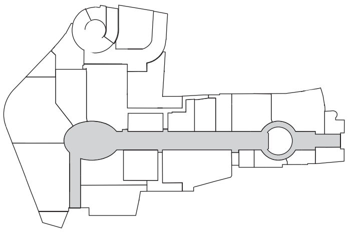
Investments:	75.0%
Purchased by DES:	December 2006
Leasable space:	around 27,300 m²
of which retail space:	around 22,700 m²
No. of shops:	around 90
Occupancy rate:	100%
Catchment area:	around 0.4 m. inhabitants
Parking:	around 470
Grand opening:	2008
Anchor tenants:	Saturn, C&A, Esprit, Thalia



14 STADT-GALERIE, HAMELN

www.stadt-galerie-hameln.de

Investments:	100%
Purchased by DES:	November 2005
Leasable space:	around 25,900 m²
of which retail space:	around 19,000 m²
No. of shops:	around 90
Occupancy rate:	99%
Catchment area:	around 0.4 m. inhabitants
Parking:	around 510
Grand opening:	Frühjahr 2008
Anchor tenants:	Müller Drogerie, New Yorker, Real



The Centers

AT A GLANCE SHOPPING CENTERS ABROAD

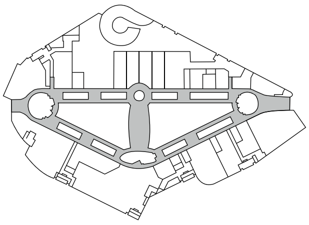
As of April 2011

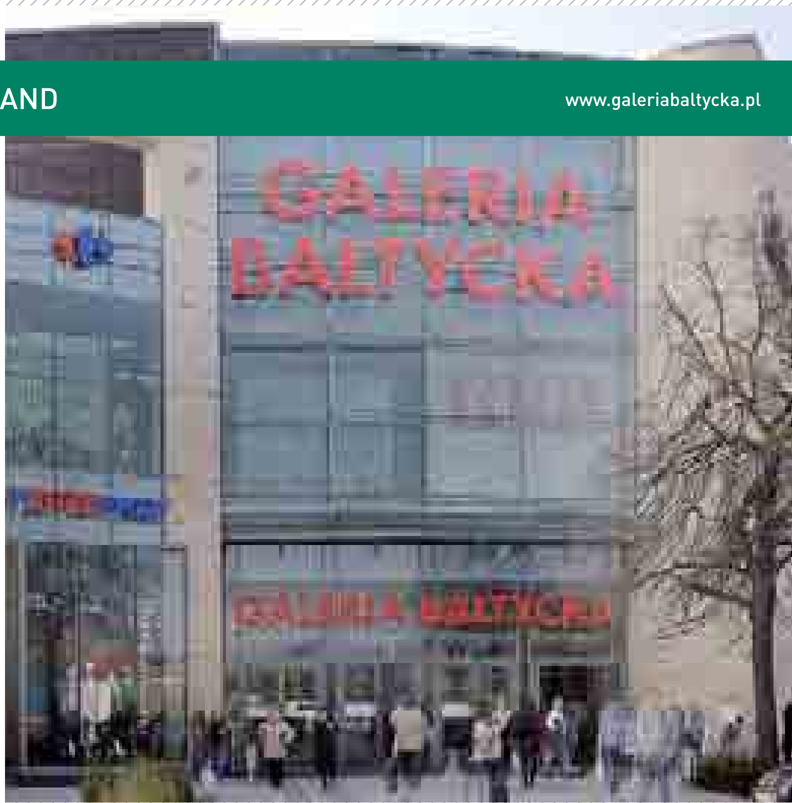
1 GDANSK, POLAND /// 2 KLAGENFURT, AUSTRIA /// 3 PÉCS, HUNGARY /// 4 WROCLAW, POLAND

1 GALERIA BAŁTYCKA, GDANSK, POLAND

www.galeriabaltycka.pl

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 1,100
Grand opening:	2007
Anchor tenants:	Saturn, Peek & Cloppenburg, Zara, H&M, Carrefour

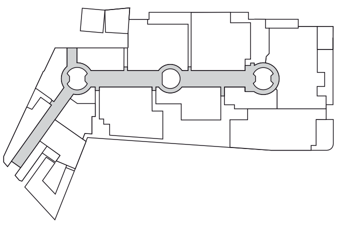




2 CITY ARKADEN, KLAGENFURT, AUSTRIA

www.city-arkaden.at

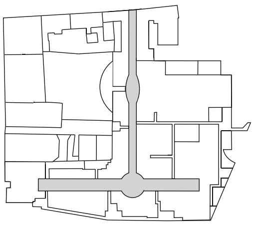
Investments:	50.0%
Purchased by DES:	August 2004
Leasable space:	around 36,900 m²
of which retail space:	around 27,000 m²
No. of shops:	around 120
Occupancy rate:	100%
Catchment area:	around 0.4 m. inhabitants
Parking:	around 880
Grand opening:	2006
Anchor tenants:	C&A, Peek & Cloppenburg, Saturn, Zara,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



3 ÁRKÁD, PÉCS, HUNGARY

www.arkadpecs.hu

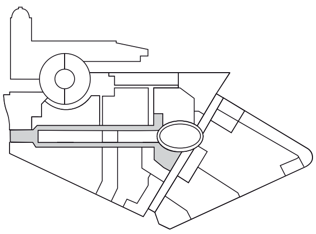
Investments:	50.0%
Purchased by DES:	November 2002
Leasable space:	around 35,300 m²
of which retail space:	around 35,000 m²
No. of shops:	around 130
Occupancy rate:	98%
Catchment area:	around 0.5 m. inhabitants
Parking:	around 850
Grand opening:	2004
Anchor tenants:	C&A, Interspar, Media Markt, H&M



4 GALERIA DOMINIKANSKA, WROCLAW, POLAND

www.galeria-dominikanska.pl

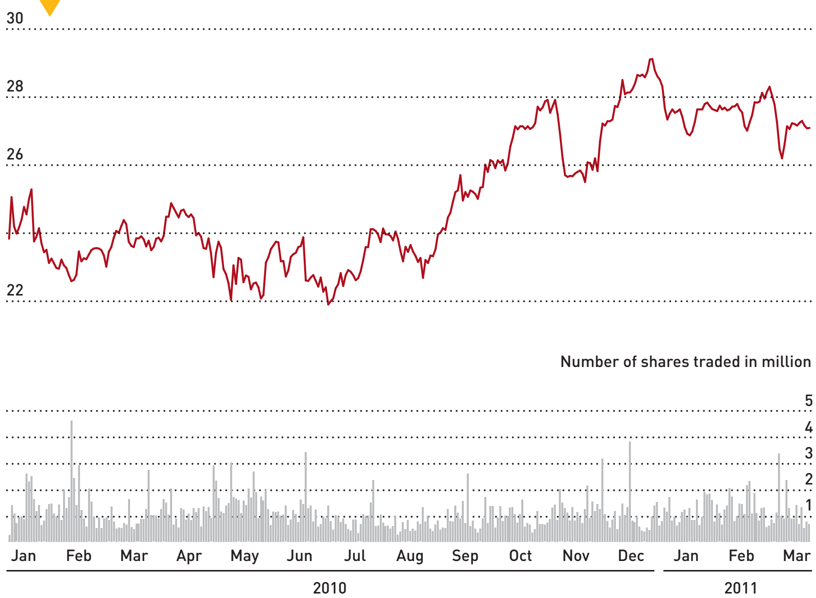
Investments:	33.3%
Purchased by DES:	Dezember 2003
Leasable space:	around 32,900 m²
of which retail space:	around 30,500 m²
No. of shops:	around 100
Occupancy rate:	100%
Catchment area:	around 1.3 m. inhabitants
Parking:	around 920
Grand opening:	2001
Anchor tenants:	C&A, Media Markt, van Graaf, Varner, Reserved, Carrefour



Investor Relations

THE SHOPPING CENTER SHARE

TREND OF SHARE
in €



SHARE OUTPERFORMS THE EUROPEAN BENCHMARK AND PEERS

Taking into account the dividend paid of €1.05 per share, the performance of Deutsche EuroShop shares was 28.1% year-on-year (2009: +2.1%). The share price rose by 22.4%. As such, our share outperformed the European benchmark, the EPRA index (+18.6%, previous year: +35.1%) and its European peers* by a clear margin in 2010.

German open-ended property funds – our main competitors for investor capital alongside other real estate companies – achieved an average performance of -1.3% in the past year (2009: +2.5%) and attracted cash inflows of around €1.6 billion (2009: €3.2 billion).

Stock market performance	**2010**	2009
DAX	16.1%	23.8%
MDAX	34.9%	34.0%
TecDAX	4.1%	60.8%
EURO STOXX 50 (Europe)	-5.9%	21.0%
Dow Jones (USA)	11.0%	18.8%
Nikkei (Japan)	-3.0%	19.0%

SHARE PRICE: YEAR-END RALLY BEGAN BACK IN THE SUMMER

Our share price performance in 2010 must once again be measured against the closing price for the previous year, making €23.67 the starting point. At first, the price hovered around this level until April. In the second quarter, stock market conditions became a little more turbulent, with prices falling for the majority of real estate stocks. The share recorded its lowest price of the year at the start of the third quarter, reaching €21.72 on the basis of the Xetra closing price on 1 July 2010.

From that point onwards, a rally ensued that saw the share price gain around 33% to reach €28.98 on the last trading day of the year. This meant that the share closed 2010 at an annual high and raised the bar for 2011 to a level not that far off the all-time high (23 April 2007: €30.09). Deutsche EuroShop's market capitalisation increased by around €601 million (+67%) in 2010, from €895 million to €1,496 million, partly as a result of the capital increases that took place in January, July and November.

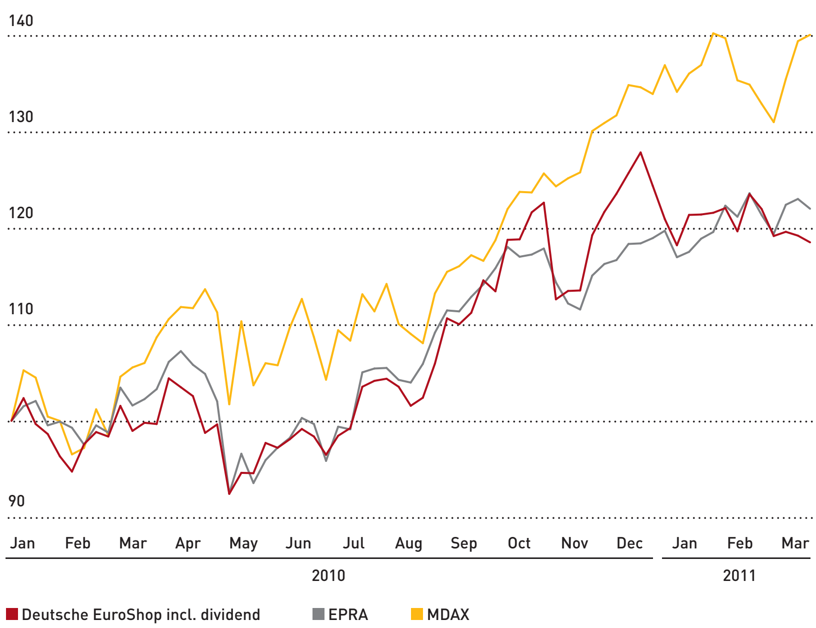
ATTENDANCE UP AT ANNUAL GENERAL MEETING

The Annual General Meeting was held in Hamburg on 17 June 2010. The 280 or so shareholders present in the Handwerkskammer represented 61.5% (previous year: 56.5%) of the capital and approved all the items on the agenda.

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

TREND OF SHARE (INDEXED)

in%



DEUTSCHE EUROSHOP SHARES – KEY FIGURES

WKN / ISIN	748 020 / DE 000 748 020 4
Ticker-Symbol	DEQ
Share capital in €	51,631,400.00
Number of share (non-par value registered shares)	51,631,400
Indices	MDAX, HDAX, DAX International Mid 100, EPRA, GPR 250, MSCI Small Cap, Dow Jones EURO STOXX TMI, EPIX 30, HASPAX
Official market	Prime Standard Frankfurt Stock Exchange and Xetra
OTC markets	Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich and Stuttgart

SUCCESSFUL CAPITAL INCREASES

Deutsche EuroShop acquired the A10 Center in Wildau near Berlin at the beginning of January 2010. To refinance the equity component, we increased our capital in February 2010 through a rights issue at a ratio of 6:1. The new shares were acquired in full by existing shareholders exercising 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. This action raised 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-fold.

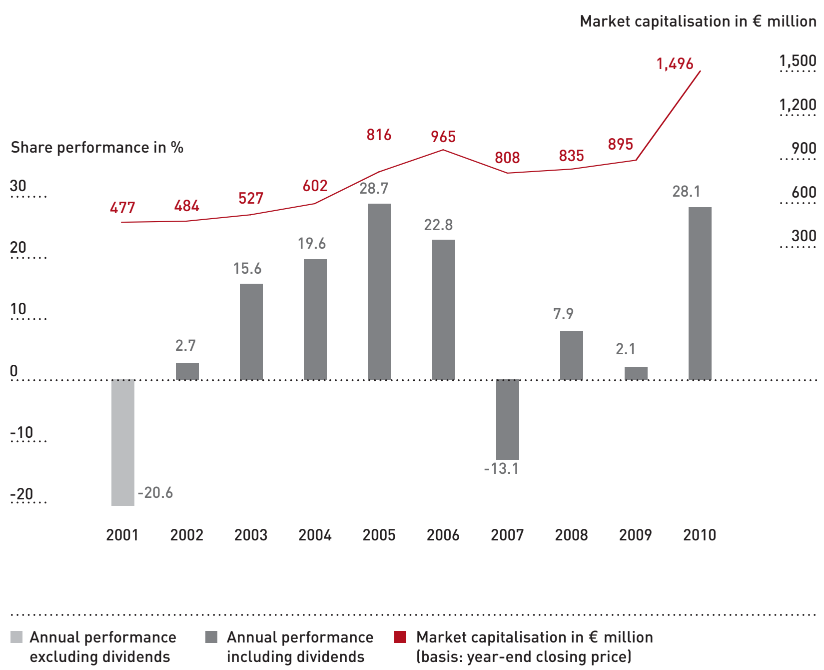
The same process was repeated in November, when 5,736,822 new shares were issued at a subscription price of €23.00 per share to finance the acquisition of the Billstedt-Center in Hamburg. Existing shareholders were able to participate in the rights issue at a ratio of 8:1 and again had an oversubscription right. The measure attracted huge interest, and overall demand ran to just under €850 million, meaning that the issue was oversubscribed by a factor of 6.4. It raised around €132 million for Deutsche EuroShop.

Between these two rights issues, we increased the share capital in July by issuing 1,780,000 new shares against non-cash contributions. These new shares were obtained by various holders of shares in the shopping centers in Wuppertal (City-Arkaden, 25%) and Dresden (Altmarkt-Galerie, 17%), which transferred their shares to Deutsche EuroShop.

We see the highly successful capital increases as confirmation that the capital market supports the path of growth we have embarked on and in which we invested nearly €500 million in 2010. Our shareholders entrusted around €255 million of fresh capital to us for this purpose, enabling us to maintain our conservative approach to financing and grow solidly.

The total number of Deutsche EuroShop shares in issue rose in comparison to the end of 2009 by 13,818,904 shares or 36.5% to 51,631,400.

SHARE PERFORMANCE AND MARKET CAPITALISATION SINCE THE IPO



BROAD COVERAGE OF THE SHARE

26 analysts (as at: 31 March 2011, compared with 29 a year earlier) from well-known German and international financial institutions* now regularly follow our shares, and their recommendations introduce us to new groups of investors. This makes Deutsche EuroShop one of the property companies in Europe with the best coverage, and it also stands up to comparison with the MDAX (average of 22 analysts). Particularly good news is that other financial institutions intend to initiate coverage of Deutsche EuroShop in 2011. Information on the recommendations can be found available at www.deutsche-euroshop.com/research.

NEGATIVE: 4 **NEUTRAL: 11** **POSITIVE: 11**

The analysts are generally positive about the prospects for the Deutsche EuroShop share (as at 31 March 2010).

* ABN Amro, Aurel, Bankhaus Lampe, Bank of America Merrill Lynch, Berenberg Bank, Close Brothers Seydler, Commerzbank, Credit Suisse, Deutsche Bank, DZ Bank, equinet, Hamburger Sparkasse, HSBC, ING, Kempen & Co., Kepler Capital Markets, Macquarie, Metzler, M.M. Warburg & Co, Petercam Bank, Rabobank, Silvia Quandt Bank, Societe Generale, UBS, Unicredit and WestLB

RECOGNITION FOR QUALITY OF IR WORK

In June, Deutsche EuroShop was awarded third place in the MDAX category of the **"Capital Investor Relations Prize"** for its investor relations activities. Each year, the business magazine Capital awards this high-profile prize for the best communication with the financial markets, judging companies on their target group focus, transparency, track record and non-financial reporting.

www.capital.de

Deutsche EuroShop came second in the MDAX category of **"BIRD 2010"** (Beste Investor Relations Deutschland – Germany's Best Investor Relations), having finished third in 2009. For the eighth time, the investor magazine Börse Online honoured those companies whose capital market communication is considered particularly open, honest and fair by private investors. In the overall assessment of 160 companies from the DAX, MDAX, SDAX and TecDAX, our investor relations activities earned us fifth place.

www.boerse-online.de

In addition, the international specialist magazine Institutional Investor awarded Deutsche EuroShop and its IR managers first prizes for **"Best European Investor Relations"**. We were also honoured again by the Deutscher Investor Relations Verband (DIRK – German Investor Relations Association) with the **"Deutscher Investor Relations Preis 2010"** in the MDAX category.

www.iimagazine.com
www.dirk.org

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

www.extelsurveys.com

ANNUAL REPORT ALSO WINS AWARDS

Our 2009 annual report entitled "The Euro-Shopper" was awarded the highly acclaimed "red dot" in the **red dot design award**, one of the largest and most prestigious design competitions in the world. This is the second "red dot" that Deutsche EuroShop has received for an annual report: the previous one was in 2007 for the "Feel Estate" report.

www.red-dot.de

In the **"LACP 2010 Vision Awards Annual Competition"** of the LACP (League of American Communications Professionals), our financial report was awarded bronze in the "Real Estate/REIT" category, with 96 out of a possible 100 points.

www.lacp.com

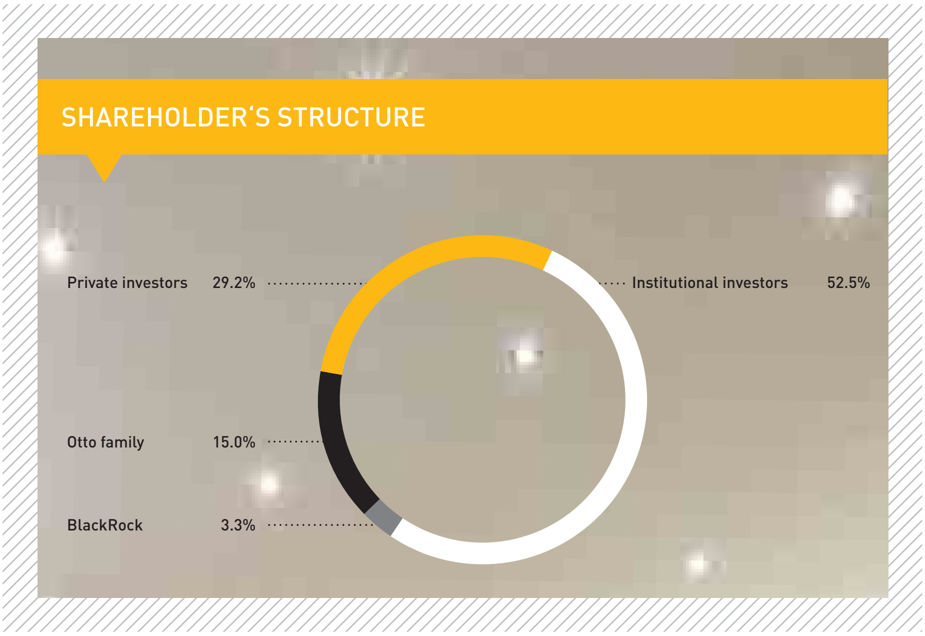
Further awards for our capital market communication can be found on our website at

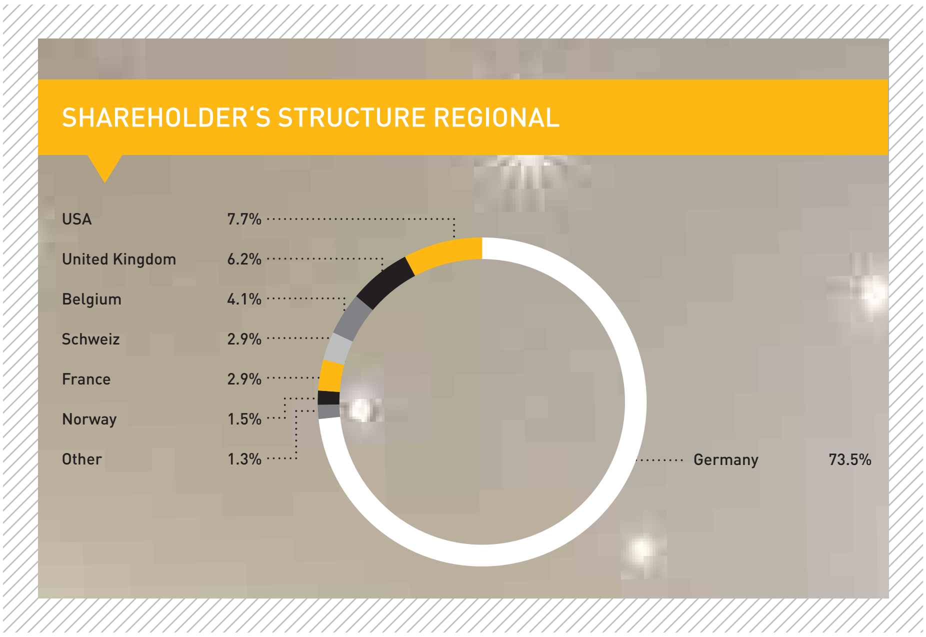
www.deutsche-euroshop.com/ircommunication

STABLE SHAREHOLDER STRUCTURE

The number of investors rose further in 2010; Deutsche EuroShop now has around 10,000 shareholders (as at: 31 March 2011, previous year: 9,450, +6%). The structural distribution has hardly changed: institutional investors hold around 52.5% (previous year: 53.0%) of the shares, and private investors around 29.2% (previous year: 29.0%). The Otto family's stake is 15%. The investment company BlackRock reports that it currently holds 3.3% of the shares.

The proportion of the Company held by foreign investors fell by two percentage points. Slight changes can be seen in the country distribution, with the proportion of US and Belgian investors, in particular, rising again, as in the previous year (by 1.8 and 0.7 percentage points respectively). However, the strongest increase in 2010 was in the proportion of British shareholders (up by 2.3 percentage points). South African and French investors were net sellers.

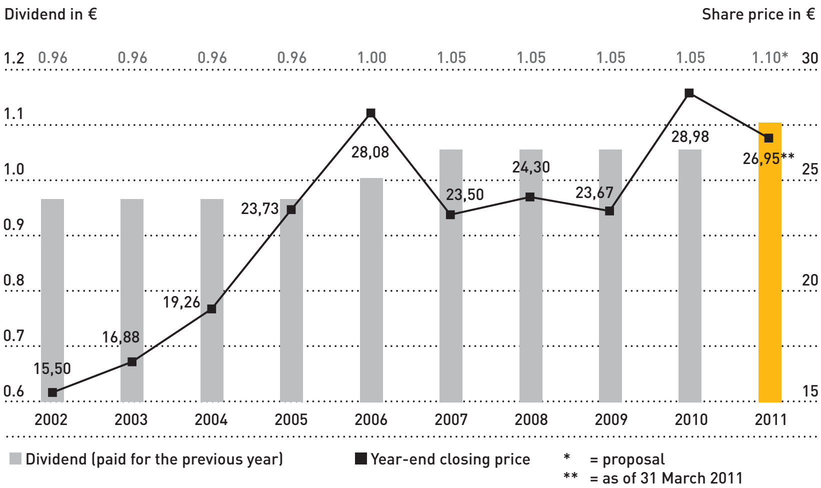




DIVIDEND CONTINUITY

The Executive and Supervisory Boards will propose payment of a dividend of €1.10 per share for financial year 2010 to the Annual General Meeting in Hamburg of 16 June 2011. With our long-term strategy of a dividend policy based on continuity and a yield of 3.8% (based on the 2010 year-end closing price of €28.98), we hope to cement further the confidence of our existing shareholders and attract new investors. We also intend to distribute a dividend of at least €1.10 per share in future.

DIVIDEND



TAX FREE DIVIDEND

Dividends paid to shareholders domiciled in Germany are generally subject to income or corporation tax. Private investors are charged with the definitive withholding tax at a flat rate of 25% plus the solidarity surcharge as from 2009. Exceptions may be made under certain circumstances for dividend payments that are regarded as equity repayments for tax purposes (distributions from EK04 – equity class 04 – or, since 2001, from the tax-recognised contribution account). Deutsche EuroShop's dividend fulfils this requirement. The dividend payment constitutes untaxable (i.e. tax-free) income for shareholders in accordance with section 20 (1) clause 1 sentence 3 of the Einkommensteuer gesetz (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 information?
Then please visit our website or call us:

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Investor Relations

OUR FIRST 10 YEARS ON THE STOCK MARKET

In 2010, Deutsche EuroShop celebrated its 10th anniversary. But are 10 years really that significant in the life of a company? Probably not. Yet, for some players on the stock market, even three months can seem "long term". Despite the short-term thinking that frequently prevails on the capital markets, 10 years on the stock exchange can be an eternity. We share this view, given that the stock markets have seen two major crises in 10 years which have not exactly made things easier for us or anyone else on the capital markets.

How did our story begin? In September 2000 – under the aegis of Deutsche Grundbesitz – a shelf company was renamed and Deutsche EuroShop commenced business operations. Our IPO followed just a few days later, with investors able to submit buy orders from 2 October 2000 to 29 December 2000, subject to a minimum subscription obligation of 50 shares at the fixed price of €38.40 (before 1:2 share split on 6 August 2007). As befitting a stock borne of the retail sector, a discount also came into play: those who subscribed to shares as early as October 2000 received a €0.30 discount per share, with a €0.15 discount being granted to all subscribers in November 2000.

Since 2 January 2001, the shares of Deutsche EuroShop have been listed for official trading on the Frankfurt Stock Exchange.

With the dot-com bubble having just burst, Deutsche EuroShop did not get off to the most auspicious of starts. It took almost three years – having already created an internal professional structure to coordinate communication with the capital market – for us to place all the shares owned by Deutsche Bank and, in doing so, significantly increase our free float. Until this task was complete, few investors on the capital market were interested in us. It was only when Deutsche Bank concluded its exit in mid-2003 that things changed.

OUR COMPANY IS NOW EMERGING FROM ITS FLEDGLING YEARS, AND WE AGAIN BELIEVE THAT WE ARE EQUIPPED TO GROW FURTHER.

Analysts then began to cover our stock, and trading volumes on the stock market increased numerous times over. We subsequently made it onto the SDAX and then, one year later in autumn 2004, onto the MDAX.

Since then, we have been among the 100 biggest listed companies in Germany, even though we are the smallest on the exchange in terms of staff numbers. And as the stock market loves comparing figures: not only are we streets ahead of Daimler, Siemens, Deutsche Telekom and co with regard to sales and profit per capita, but we are also one of the best in terms of liabilities per capita.

At the end of 2004, banks discovered the growth potential of real estate shares, and this fuelled further interest. More and more analysts published reports on Deutsche EuroShop, and the press also began to cover us. Real estate shares had suddenly gone from wallflower status to becoming the stock market's flagship. The real property market saw much the same phenomenon. For investors worldwide, Germany became the place to be. This led to sharp price rises and, conversely, to diminishing returns. We therefore decided at the end of 2006 to refrain from participating in this race and put our investment activities on ice. At the time, we had no idea that it would be three years before we saw attractive conditions on the market again. Once banks started experiencing difficulties half a year later, a wider public began to wonder when the bubble would burst. Nevertheless, it would be another 14 months before Lehman Brothers collapsed.

Looking back at our first decade, we can conclude that four of the last 10 years were good and six were difficult. Last year was one of our good years, and we think this will also be the case for 2011. This is because the crisis barely affected Deutsche EuroShop, although the impact on our operating environment was severe. By maintaining a relatively good level of performance on the stock market, we not only became Germany's biggest listed real estate company at one stage, but the public at large now also regard us as an exemplary public company. This, above all, is down to exercising restraint.

Our company is now emerging from its fledgling years, and we again believe that we are equipped to grow further. The prices for shopping centers are high again, albeit at levels that seem acceptable. In cooperation with lenders, we are able to put up investments which also stand up to the requirements of the capital market. This allows us to raise the necessary equity via the stock market. And our aim is to make hay while the sun shines – not only to keep our company right at the top of the German stock list but, in particular, to close the gap on our major European competitors in the shopping center sector. After all, a sizeable presence on the capital market also enables us to become a must-have stock and thus helps reduce capital costs.

Deutsche EuroShop AG – the first 10 years for shareholders*

1 Since the IPO, the share price has risen by 130%.

2 In the last 10 years, the Deutsche EuroShop share has outperformed the DAX, MDAX and EPRA indices (+7%, +117% and +83% respectively).

3 What began as investments totalling €10,000 are now worth €23,027.

4 Investors who participated in the two rights issues in 2010 have seen the new shares increase by 37%.

5 Crisis? What crisis? Since 2007, DES shareholders have enjoyed average annual growth of 12.2%, whereas the DAX has lost an average of 5.0% per year.

6 The dividend has risen steadily, from €0.96 per share for the 2001 financial year to €1.10 per share for 2010

7 Investors who have stayed with us since the IPO have, to date, received €9.04 per share in the form of dividends. In June 2011, they will earn another €1.10 per share.

8 Investors who participated in one of the four capital increases have all profited as a result.

9 Investors holding DES shares over the last 10 years would have achieved an average return of 10% per year.

10 Our 100 biggest shareholders, accounting for 1% of our 10,000 shareholders, hold almost 80% of our shares.

* = As of 31 December 2010; our performance calculator is available online at: www.deutsche-euroshop.de/des/pages/index/p/34

CAPITAL MARKET CONFERENCE & ROADSHOWS

CAPITAL MARKET CONFERENCE

This is a conference, mainly organised by banks, at which both investors and companies are given the opportunity to hold as many meetings as possible in a day. During individual and group discussions it is possible to deal with questions in detail. Company presentations enable the company to present itself to a wider specialist audience.

ROADSHOW

A roadshow involves a team, usually consisting of an Executive Board member and an Investor Relations manager of Deutsche EuroShop, travelling together with representatives of the organising bank (such as analysts and client advisors) to a financial centre to visit existing or interested, potential investors in person and inform them about the company's current development and/or strategy. Investors have the opportunity to meet the management personally and put questions to them. Up to 10 meetings can therefore be held in one city on a single day.

Investor Relations

CONFERENCES AND ROADSHOWS 2010

In 2010 Deutsche EuroShop's Executive Board and Investor Relations team once again sought direct contact with investors at a host of roadshows and conferences. Our aim here is to inform existing shareholders about the company's current situation and to convince new shareholders of the quality of an investment in our shares.

In turn, these discussions with analysts as well as fund and portfolio managers allow us to gain an understanding of the needs and requirements of the capital market. Many of our discussion partners have known us for many number years. Over time we have therefore developed an extremely close relationship, which means that points of criticism can be discussed openly and constructively. For many institutional investors, regular meetings with a company's executive board are a prerequisite for investing in that company's shares.

In 2010 we held countless meetings at roadshows in Dusseldorf, Frankfurt, Cologne, Munich, Amsterdam, Boston, Brussels, Chicago, Dublin, Geneva, Helsinki, Lisbon, London, Luxembourg, Madrid, Milan, New York, Paris, Vienna and Zurich.

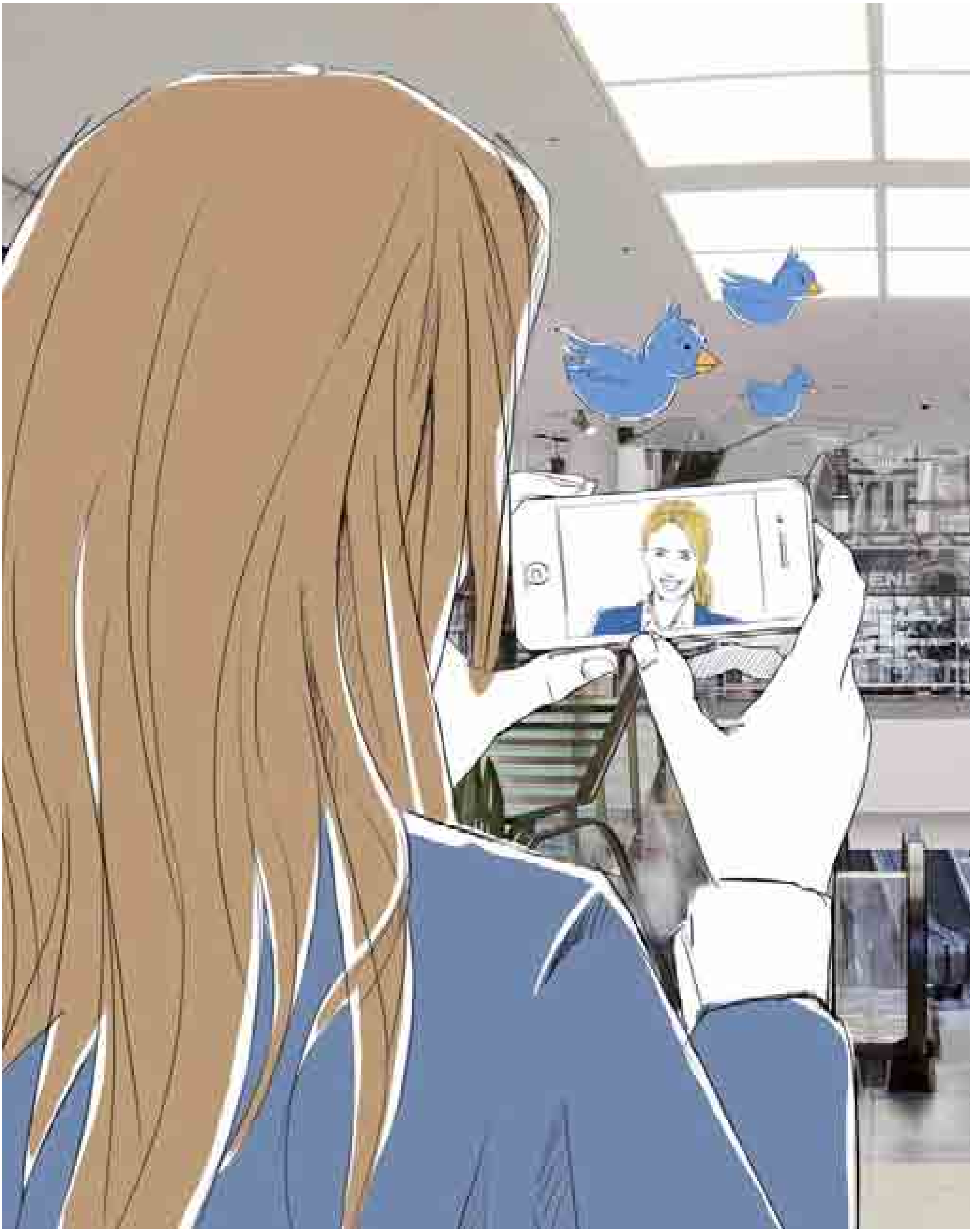
We also attended conferences in Frankfurt, Hamburg, Munich, Amsterdam, London, Nice and Vienna. Besides discussions with investors and company presentations, podium discussions are also sometimes part of the conference programme. At the UBS Global Real Estate Conference, which took place in London from 30 November to 1 December 2010, Claus-Matthias Böge, spokesman for the Executive Board, discussed issues including the future prospects for the European property sector with other executive boards of real estate companies.

All in all we took part in 22 roadshows and participated in 14 capital market conferences last year. During these events we conducted in the region of 350 individual discussions. We also held numerous telephone conferences. These are organised regularly for the publication of the annual and quarterly figures, for example. In addition, we once again welcomed a large number of investors to our offices in Hamburg and also gave them an on-site introduction to our shopping centres as part of property tours during various events.

For 2011 we have once more scheduled a whole host of investor relations activities, spread throughout the year. We aim to use these to continue to cultivate and strengthen our contact with existing and potential investors. An overview of these plans can be found in our financial calendar on page 152, with an up-to-date version available on our website at www.deutsche-euroshop.com/ir.

10 REASONS TO INVEST IN DEUTSCHE EUROSHOP SHARES

1. The only public company in Germany to invest solely in shopping centers
2. Prime locations
3. Proven, conservative strategy
4. Stable cash flow with long term visibility
5. Shareholder-friendly dividend policy
6. Experienced management team
7. Excellent track record
8. Centers almost 100% let
9. Inflation-protected rental agreements
10. Solidity combined with growth potential



Investor Relations

LOOK WHO'S TWEETING!

For years now, Deutsche EuroShop has shown itself to be very open to technical innovations and has made active use of these possibilities to provide investors and interested parties with news and additional information on the Company and the markets in which it operates.

Following thorough preparations, we redesigned our website, www.deutsche-euroshop.com, in March 2011. We have adopted a highly interactive, multimedia approach to its content. We have also focused heavily on dialogue, offering ways of contacting us through various social media.

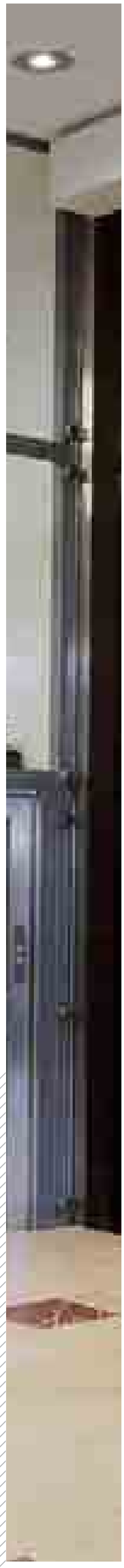
The "Shopping Centers" section contains detailed information on our shopping centers, which can be accessed using an interactive map.

You can find everything to do with our strategy, history, sustainability activities and management in the "Group" section.

"Investor Relations" (IR) remains a key section. Deutsche EuroShop is one of the first companies in Germany to offer an IR blog, which we have named "IR Mall". The plan is for the blog to become the central information and discussion platform for the IR section.

The website is maintained entirely by Deutsche EuroShop's communications team, which keeps it constantly up to date.

Our website can be found at
www.deutsche-euroshop.com



SOCIAL MEDIA @ DES

Discuss matters with us in the IR Mall blog:
www.deutsche-euroshop.com/IRmall

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

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

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

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

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

IR-EVENTS 2010

REAL ESTATE SHARE INITIATIVE

The Real Estate Share Initiative has two main objectives: on the one hand, to promote an understanding of indirect investments in real estate via listed real estate companies and REITs as well as to improve their public perception, and, on the other, to stimulate a regular exchange of experiences and information with national and international organisations and interest groups.

The association, of which Deutsche EuroShop is a founding member, organises the annual conference "Real Estate Share Initiative" together with its members. As an established platform, the Real Estate Share Initiative not only provides information at first hand, but, during its annual event, also offers an opportunity for personal discussions. Workshops, podium discussions and company presentations provide information on the latest trends and developments in relation to real estate shares.

The 10th Conference of the Real Estate Share Initiative was held on 19 October 2010 in Frankfurt am Main. Deutsche EuroShop's Executive Board and Investor Relations team conducted numerous background discussions with analysts, investors and journalists and cultivated contacts.

In 2011 the specialist conference of the Real Estate Share Initiative will take place on 19 October in Frankfurt.

www.initiative-immobilien-aktie.de

EXCHANGE CONVENTION

The Exchange Convention is an event organised by Börsen AG Hamburg-Hannover and the Hanseatischer Börsenkreis of the University of Hamburg, in cooperation with the Chamber of Commerce and Finanzplatz Hamburg e.V. It has already become a compulsory part of the annual programme of events for many private investors. It was held for the sixteenth time on 6 November 2010.

Last year, northern Germany's largest finance trade show offered approximately 6,500 visitors around 70 lectures on a variety of subjects ranging from federal government securities to share and fund investments and including presentations by listed companies. Around 100 exhibitors presented at the accompanying trade show. At this time of economic crisis, private investors appeared to have a particularly great need for information on the subjects of investment and pensions.

Deutsche EuroShop participated in the Exchange Convention for the sixth time, and once again we were delighted with the considerable interest shown and the numerous visits to our stand. A large number of shareholders and interested parties took away flyers and annual reports and asked plenty of detailed questions about issues including the recent additions to our portfolio. The large trading hall provided a magnificent backdrop and gave those present a chance to breathe in some genuine trading-floor air.

Deutsche EuroShop will once again have a stand at the 2011 Exchange Convention, which will be held on 5 November. Admission is free, as always, and visitors do not need to register.

www.boersentag.de

ANNUAL GENERAL MEETING

The Annual General Meeting of Deutsche EuroShop was held on 17 June 2010 in the historic rooms of the Handwerkskammer Hamburg.

In his speech, Claus-Matthias Böge, spokesman for the Executive Board, gave the 280 or so shareholders present a detailed report on the events of the past financial year, also covering current events such as the measures to increase capital and the acquisition of the A10 Center in Wildau near Berlin.

A recording of the speech was already available as a videocast shortly after the event at the website address given below. Here, interested parties will also find an extensive archive containing presentations, speeches and information relating to our recent Annual General Meetings.

Items on the agenda included the creation of new authorised capital and the amendment of the Articles of Association in line with the Gesetz zur Umsetzung der Aktionärsrechterichtlinie (ARUG – German Law on the Implementation of Shareholders' Rights). With an attendance rate of 61.5% at the time of the vote, all items on the agenda were approved.

As is customary at our Annual General Meetings, the Executive Board and employees were available before and after the event for an exchange of information. Taking advantage of the pleasant summer weather, after the meeting many shareholders enjoyed a walk in Hamburg's "Planten un Blomen" park situated directly opposite the Handwerkskammer.

The Annual General Meeting for the 2010 financial year will be held on 16 June 2011, once again at Handwerkskammer Hamburg.

www.deutsche-euroshop.com/agm

ANNIVERSARY CELEBRATION: TEN YEARS OF DEUTSCHE EUROSHOP

On 23 September 2010, to mark our tenth anniversary, we invited guests to an evening reception in a beautiful Art Nouveau villa on Hamburg's Outer Alster Lake. Some 150 people, including analysts, bank representatives, service providers and business associates, joined the Executive Board, Supervisory Board and employees of Deutsche EuroShop to enjoy a mild, late-summer evening with views across the water. In his speech, Executive Board Spokesman Claus-Matthias Böge reported on the Company's recent history, delivering a few anecdotes in the process.

A donation of €10,000 was made to the Jamliner, a project of the Hamburg State Youth Music School and its association of friends, as a "birthday gift". The Jamliner is a bus that once served on the public transport network and has now been converted into a mobile band rehearsal room with recording studio. Four days a week it travels to deprived districts of Hamburg. Here, as part of a workshop concept, young people aged 12 and over can gain experience of the world of music, even if they have no musical background. The band lessons are open in particular to young people who would otherwise have no opportunity to make music themselves.

One of the highlights of the evening was the appearance of the band Les Kadtts, who performed their self-composed song "Rappen für den Frieden" ("Rapping for Peace"). Afterwards, head of the project Thomas Himmel explained the educational concept and talked about the history of the Jamliner, which also stretches back ten years.

Further information about the Jamliner can be found at

www.jamliner.de

Investor Relations

MARKETING

ADVERTISING IN THE CENTERS THEMSELVES

Last year, we spent almost our entire modest advertising budget on placing ads on the digital flat screen network of ECE flatmedia. Our "stock market news" was displayed over 40 million times in more than 40 centers (therefore including many centers not belonging to our portfolio) on around 900 flat screens. The format was developed specifically for us, 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.

WEBSITE WITH STABLE HIT FIGURES

Our accessible website enjoyed rising popularity again following a slight downturn in visitor numbers in the previous two years. Our website, which was redesigned in March 2011, can be found at

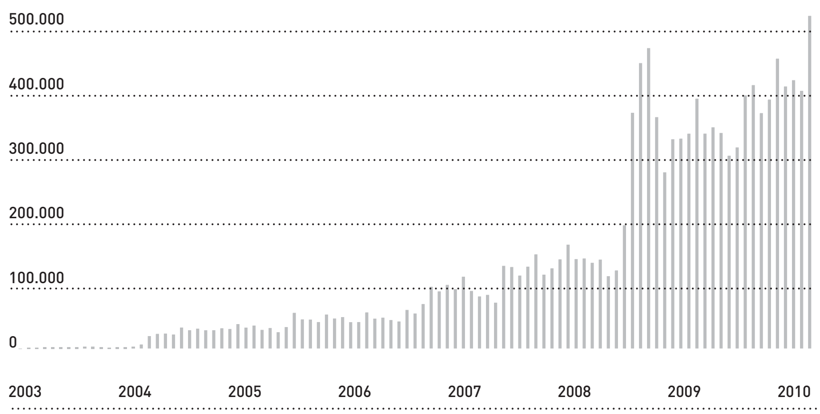
www.deutsche-euroshop.com.

MEDIA ATTENTION STILL SHOWING A POSITIVE TREND

Deutsche EuroShop continued to enjoy an increasing media presence. It was primarily business and financial journalists that regularly wrote about our Company. In addition, diverse television channels, radio stations and online publications all devoted reports and interviews to Deutsche EuroShop.

The print circulation of these media increased by around 9%, from 28.9 million in the previous year to 31.5 million copies, thereby matching the previous peak level of 2005. The equivalent advertising value through reports in newspapers and magazines fell, however, from around €4.5 million to just under €3.8 million (down 16%).

WEBSITE-VISITORS PER MONTH

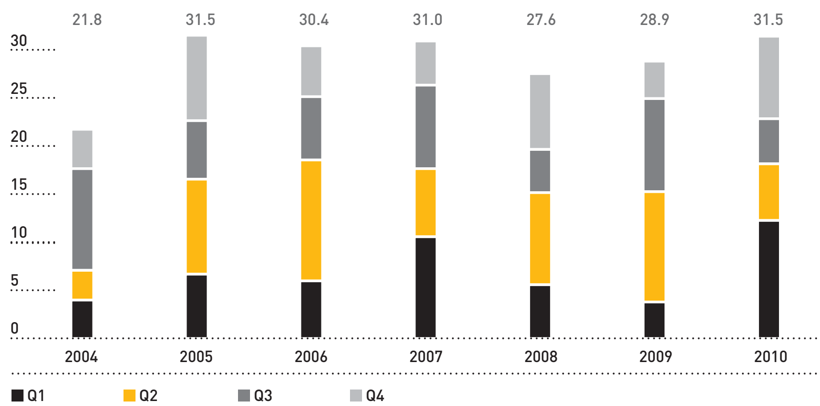


INFOBOX

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

TREND IN MEDIA PRESENCE

Circulation of newspapers and magazines containing reports in millions



Investor Relations

CORPORATE GOVERNANCE 2010

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 26 May 2010. 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 produced by the Government Commission. The Code not only creates a transparent legal framework for corporate management and control in Germany, but also documents generally accepted standards for good and responsible corporate leadership.

WORKING METHODS OF THE EXECUTIVE AND SUPERVISORY BOARDS

The Supervisory and Executive Boards performed their statutory duties in financial year 2010 in accordance with the applicable laws and the Articles of Association. The strategic orientation of the Company is coordinated between the Executive Board and the Supervisory Board, and the progress of strategy implementation is discussed at regular intervals. The Executive Board informed the Supervisory Board regularly, promptly and in detail of business developments and the risk situation. Detailed information on the main areas of focus of the Supervisory Board's activities in financial year 2010 can be found in its report on pages 10 to 13.

In financial year 2010, there were no advisory or other contracts for work or services in existence between members of the Supervisory Board and the Company.

COMPOSITION AND DIVERSITY

The Supervisory and Executive Boards should be composed of members who possess the requisite expertise, skills and professional experience in the areas of real estate, retail, finance and accounting and are capable of exercising this office. The Supervisory Board and Executive Board consider themselves open to every qualified candidate regardless of gender or nationality.

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. He assumed his current position as Executive Board spokesman in 2003. 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: 2016

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 notification 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. It is also responsible for preparing 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 Supervisory Board's powers relating to the utilisation of approved capital were transferred to the Committee for decision-making and processing.

SHAREHOLDINGS

Executive Board

As at 31 December 2010, the Executive Board members held a total of 27,761 shares, which is less than 1% of Deutsche EuroShop's share capital.

Supervisory Board

As at 31 December 2010, the Supervisory Board members held a total of 6,074,062 shares, which is more than 1% of Deutsche EuroShop's share capital.

In addition to the general statutory 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 in the Company or related rights of purchase or sale, as well as rights directly dependent on the Company's share price.

DIRECTORS' DEALINGS

The following securities transactions by members of the Executive Board and of the Supervisory Board or by certain persons related to members of the executive bodies were notified to Deutsche EuroShop during financial year 2010 in accordance with section 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act):

		Purchases (Number of shares)	Share price in €	Sales (Number of shares)	Share Price in €
Claus-Matthias Böge	Share	6,062	19.50 – 23.00		
Carlotta Böge	Share	913	19.50 – 23.00		
Henry Böge	Share	913	19.50 – 23.00		
CMB Böge Vermögens-verwaltung GmbH	Share	631	19.50 – 23.00	2,631	27.12
Olaf G. Borkers	Share	848	19.50 – 23.00	2,548	27.30 – 28.26
	Warrant			27,000	0.94
Thomas Armbrust	Share	7,025	19.50 – 23.00		
Gabriele Armbrust-Cattarius	Share	2,200	19.50 – 23.00		
Annette Armbrust	Share	5,481	19.50 – 23.00		
Alexander Otto	Share	2,210,080	19.50 – 23.00	759,836	22.80
Dr Jörn Kreke	Share	21,250	19.50 – 23.00	25,000	28.50 – 28.52
Dr Bernd Thiemann	Share	1,597	19.50 – 23.00		
Manfred Zass	Share	4,120	19.50 – 23.00	1,600	28.99
Gesamt		**2,261,120**		**791,615**	


Galeria Baltycka, Gdansk


Galeria Baltycka, Gdansk

RELATIONSHIPS WITH 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 confers entitlement to 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 performance, 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 statutory 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, as elected by the Annual General Meeting. The stricter requirements for audiitor independence are met in this process.

OUTLOOK

Sections of the German Corporate Governance Code were amended once again last year, with the result that these now correspond with our current practice in several other points. We regard this as a confirmation of our practical implementation of the Code and were as such able to report increased conformity with the Code.

DECLARATION OF CONFORMITY

In December 2010, 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 financial year 2010 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.com.

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 German Federal Gazette (Bundesanzeiger) on 4 July 2003, and as amended on 26 May 2010), subject to a limited number of exceptions as indicated below:

- **The existing D & O insurance policy taken out for the 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 took the view that the agreement of a deductible was not necessary, in particular as this had no effect on the level of the insurance premium.

- **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 suitably 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.

- **The remuneration of Supervisory Board members does not contain any performance-based elements (Section 5.4.6).**

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 and 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, 1 December 2010

The Executive Board and the Supervisory Board
Deutsche EuroShop AG


Altmarkt-Galerie, Dresden


A 10-Center, Wildau

KEY FIGURES

10 YEARS OF DEUTSCHE EUROSHOP AG

NUMBER OF SHOPPING CENTERS

+125 %

2001: 8 2010: 18

DIVIDEND PER SHARE

+15 %

2001: 0.96€ 2010: 1.10€

REVENUE

+535 %

2001: €22.7 million 2010: €144.2 million

EBT BEFORE VALUATION

+264 %

2001: €17.6 million 2010: €63.9 million

FFO

+271 %

2001: €17.1 million 2010: €63.6 million

FFO PER SHARE

+155 %

2001: 0.55€ 2010: 1.40€

TOTAL ASSETS

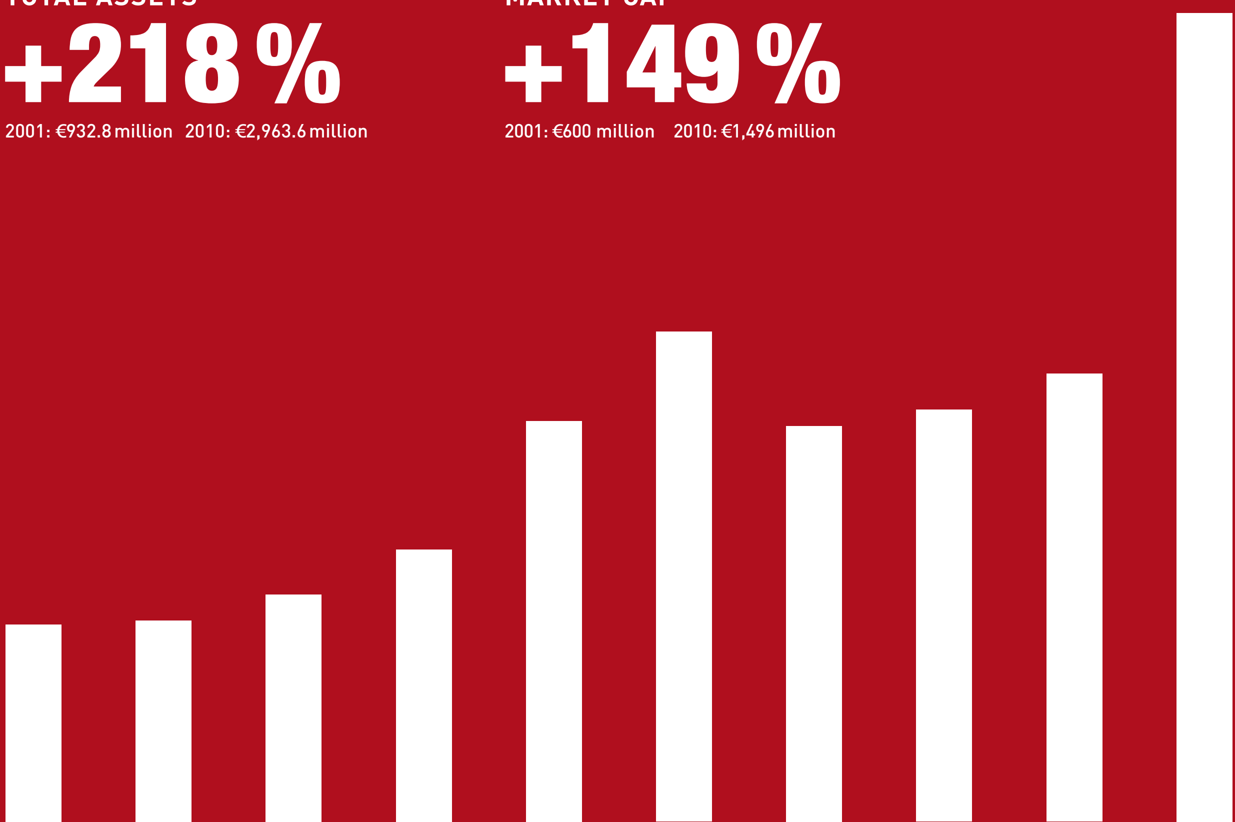
+218 %

2001: €932.8 million 2010: €2,963.6 million

MARKET CAP

+149 %

2001: €600 million 2010: €1,496 million



MARKET CAPITALISATION DEVELOPMENT SINCE 2001

Group Management Report

DEUTSCHE EUROSHOP AG GROUP MANAGEMENT REPORT 2010

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 2010 it had investments in 17 shopping centers in Germany, Austria, Poland and Hungary. The Group generates its reported revenue from rental income on the space which it lets in the shopping centers.

/ / /

Group's legal structure

Due to a lean personnel structure and focus on just two reportable segments (domestic and international), the Deutsche EuroShop Group is centrally organised. The parent company, Deutsche EuroShop AG, 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 (stock corporation) under German law. The individual shopping centers are managed as separate companies and depending on their share of the nominal capital are included in the consolidated financial statements either fully, pro rata or according to 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 31.12.10, 11.64% were owned by Alexander Otto (2009: 12,06%).

The share capital amounted to €51,631,400 on 31 December 2010 and was composed of 51,631,400 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 €14,540,467 on one or several occasions until 16 June 2015 by issuing up to 14,540,467 (no-par value) registered shares against cash or non-cash contributions (as of 31 December 2010).

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 seven years and to grant bond holders or creditors conversion rights to up to 7,500,000 new no-par value registered shares in the Company with a proportionate amount of share capital of up to €7,500,000 as detailed in the terms and conditions for convertible bonds to be published by the Executive Board, with the approval of the Supervisory Board.

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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.

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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.

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Remuneration

With respect to the Gesetz zur Angemessenheit der Vorstandsvergütung (VorstAG – German Act on the Appropriateness of Executive Board Remuneration) enacted in 2009 and changes to the Corporate Governance Code, the existing remuneration rules were reviewed by the Supervisory Board in April 2010 and amended in line with legal requirements to take effect in the 2010 financial year.

Remuneration system for the Executive Board

Remuneration for the Executive Board is set by the Supervisory Board. The remuneration system provides for a non-performance-related basic annual remuneration component based on the individual Executive Board member's duties, a performance-related remuneration component, and in-kind benefits in the form of a company car and contributions to a pension scheme.

The bonus as a performance-related remuneration component is dependent on sustained company development. It is based on the weighted average over the financial year and the two previous financial years. Group EBT (excluding measurement gains/losses) for the financial year is taken into account at 60% for the basis of calculation, that of the previous financial year at 30% and that of the financial year before that at 10%. Mr Böge receives 0.5% of the basis of calculation as a bonus and Mr Borkers receives 0.2%. The bonus is limited to 150% of the basic annual remuneration.

The non-performance-related basic annual remuneration is €300 thousand for Mr Böge and €168 thousand for Mr Borkers. For the 2010 financial year, there is an additional bonus entitlement of €294 thousand for Mr Böge and €117 thousand for Mr Borkers, which will be paid on approval of the consolidated financial statements by the Supervisory Board.

If the results of operations and net assets of the Company should worsen during the term of the respective employment contracts to such an extent that further payment of this remuneration becomes unreasonable, the rules of section 87 (2) of the AktG shall apply. The Supervisory Board shall decide at its own discretion on the extent to which such remuneration shall be reduced.

In the event that the employment contract is terminated prematurely by the Company without any good cause, the members of the Executive Board shall be entitled to a settlement in the amount of the annual remuneration outstanding to the end of the agreed contractual term, but limited to a maximum of two annual remuneration amounts (basic annual remuneration plus bonus). For the measurement of the annual remuneration amount, the average annual remuneration for the previous financial year and the probable annual remuneration for the current financial year shall be applicable.

In 2010 a long-term incentive (LTI) was agreed for the first time as a component with a long-term incentive effect. The amount of the LTI is based on changes in the market capitalisation of Deutsche EuroShop AG between 1 July 201 and 30 July 2015. Market capitalisation is calculated by multiplying the share price by the number of Company shares issued. On1 July 2010, according to information provided by the German stock exchange, market capitalisation stood at €983.5 million.

If there is a positive change in market capitalisation over the above five-year period of up to €500 million, Mr Böge will receive 0.2% and Mr Borkers 0.025% of the change. For any change over and above this amount, Mr Böge will receive 0.1% and Mr Borkers 0.0125%. The LTI will be paid out to Mr Borkers in December 2015, and to Mr Böge in five equal annual instalments, the first being paid on 1 January 2016. In the event that the employment contract is terminated prematurely by the Company, any entitlements arising from the LTI until that date will be paid out prematurely.

Due to the exceptionally satisfying performance of Deutsche EuroShop AG during the second half of 2010, the market capitalisation of the Company rose to €1,496.3 million by 31 December 2010, and was thus €512.8 million higher than at 1 July 2010. The present value of the potential entitlement to the long-term incentive arising therefrom was €960 thousand at year-end. On 31 December 2010 a reserve in the amount of €85 thousand was set aside for the first time for this purpose. Of this, €75 thousand is set aside for Mr Böge and €10 thousand for Mr Borkers.

Remuneration of the Executive Board in 2010

The remuneration of the Executive Board totalled €1,154 thousand, which breaks down as follows:

in € thousand	Non-performance-related Remuneration	Performance-related remuneration	Ancillary benefits	Total 2010	Total Previous year
Claus-Matthias Böge	300	439	65	804	615
Olaf G. Borkers	168	172	10	350	278
	468	**611**	**75**	**1,154**	**893**

Performance-related remuneration for the 2010 financial year amounted to €411 thousand. In addition, proportional bonuses amounting to €200 thousand were paid out for the 2009 financial year as the final bonus amount was only determined by the Supervisory Board after the annual financial statements were concluded.

Ancillary 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.

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 thousand for the chairman, €37.5 thousand for the deputy chairman and €25 thousand 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.

Remuneration of the Supervisory Board in 2010

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

in € thousand	Total 2010	Total Previous year
Manfred Zaß	59.50	59.50
Dr Michael Gellen	44.62	44.62
Thomas Armbrust	29.75	29.75
Alexander Otto	29.75	29.75
Dr Jörn Kreke	29.75	29.75
Dr Bernd Thiemann	29.75	29.75
Including 19% value added tax	**223.12**	**223.12**

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

Miscellaneous

There are no agreements with members of the Executive Board providing for a settlement payment on expiry of their current employment contract.

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

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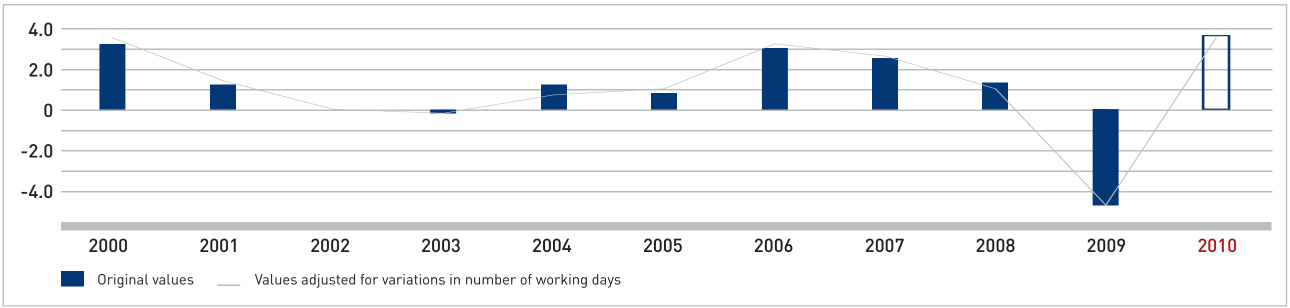
Macroeconomic conditions

The German economy performed significantly better in 2010 than it did in the previous year. Real (price-adjusted) gross domestic product (GDP) rose by 3.6% in Germany (previous year: -4.7%). As 2010 had more working days than the preceding year, there was a slight change in the growth rate (3.5%) after adjustment for the calendar effect.

GROSS DOMESTIC PRODUCT IN GERMANY (AFTER ADJUSTMENT FOR PRICES)

Change against the previous year in %



This sharp turnaround in the growth of price-adjusted gross domestic product (GDP) is primarily attributable to net exports, the difference between exports and imports, which had a dampening effect in previous years. GDP was further strengthened by investments in capital goods and consumption within Germany. This helped to balance out the weather-related fall in construction investment, in particular.

According to the Federal Statistical Office, consumption was up in 2010 over the previous year: private consumer spending, the most substantial component of GDP, rose by 0.5% (price-adjusted). Almost all spending on other purposes was higher than in 2009. Transport and communication were the only areas where spending was clearly down on the previous year. The main reason behind this is the inclusion of private vehicle purchases which saw a sharp drop in 2010 after the boom triggered by the scrapping premium in 2009. Government consumption expenditure also recorded a rise in 2010 (+2.2%). At 11.4%, the savings rate exceeded the high level of the previous year by 0.3 percentage points.

The German consumer price index rose on average over 2010 by 1.1% in comparison with the previous year. Inflation was significantly higher than in 2009 (0.4%) but viewed from a longer-term perspective it was below the annual inflation rates for most years since 1999 (1.5%). The main reason behind this sharp rise was the increase in fuel prices. Food prices increased by 1.6% in 2010, while price reductions were recorded for communication (-2.0%), among other things.

After the crisis of 2009, the labour market enjoyed the benefits of the strong economic recovery in 2010. In comparison with the previous year, unemployment in Germany fell in 2010 by 0.5 percentage points to 7.7%. The number of those out of work fell on an annual average by 179,000 to 3.24 million.

Within Europe, initial signs point to a return to growth in 2010 after the economic setback of the previous year. According to information from Eurostat, the Statistical Office of the European Community, GDP for the EU-27 rose by 1.8% during the year under review, after the significant fall of 4.2% during 2009. However, inflation rose on an annual average: after price rises of 1.0% in 2009, this value rose to 2.1% in 2010. The unemployment rate rose slightly in the eurozone to 10.0% (2009: 9.4%).

Economic conditions in the industry

Retail sector

According to provisional figures from the Federal Statistical Office, German retail sales rose by 2.3% in nominal terms in 2010 and by 1.2% in real terms (after adjustment for prices). Thus retailers were able to increase their revenue once more after the financial and economic crisis of 2009 (-3.7% in nominal terms, -3.1% in real terms). The retail sector's declining share of private consumer spending which has been an ongoing trend for decades seems to have come to a halt for the time being, rising to over 28%. At €406.7 billion, sales in the retail sector in the narrower sense (excluding vehicle sales, service stations, fuels and pharmacies) were up (1.8%) on the previous year (€399.5 billion).

Breaking the retail sector down into individual segments, it is evident that, compared to the previous year, food retailers (-0.6% in real terms) fared less well than the non-food segment (+2.6% in real terms). On the non-food side, "textiles, clothing, footwear and leather goods" performed best (+3.7% in real terms), followed by "cosmetic, pharmaceutical and medical products" (+3.6% in real terms) and "furnishings, household appliances and building materials" (+3.0% in real terms). "Other retail (such as books and jewellery)" closed the year with growth of 2.4% in real terms. However, online and mail order business saw a fall of 1.3% in real terms, as did "other retail involving goods of various types (such as department stores)" (-0-2% in real terms).

According to information from CB Richard Ellis, retail space in shopping centers was in high demand among retailers in 2010. Interest was greatest in retail spaces in the 150 m² to 349 m² size category (approx. 22%). The second most popular categories (0 m² to 149 m² and 500 m² to 999 m²) accounted for 38% (19% each). Larger spaces were also in demand: One third of leases were in the over 1,000 m² category. Overall, there is a trend towards larger-scale stores as new product group and shop interior concepts require more space. Retailers are moving away from the traditional functional structure of their sales area and are choosing concepts that are more strongly characterised by promotional aspects.

According to CB Richard Ellis, the highest proportion of floor space in leases in 2010 was attributable to clothing (31%), supermarkets / hypermarkets / beverage stores (9%), catering (8%) and footwear / leather goods (8%). Other important sectors in prime locations were chemists and perfumeries in the health / beauty segment (5%).

Real estate market

According to research conducted by Jones Lang LaSalle, the transaction volume for investments in retail property (shopping centers, retail parks and factory outlets) across continental Europe shot up in 2010 by 68% over the previous year to €20.7 billion (2009: €12.3 billion).

With a 64% (€13.2 billion) share of the transaction volume, shopping centers remained the focus of investors in mainland Europe in 2010 as they continued to seek defensive investment opportunities in the core area. 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 Europe. At €4.7 billion, the volume in Germany represented a share of just under 23%. According to Jones Lang LaSalle, shopping centers were the main area of interest in Germany: the transaction volume totalled €3.2 billion, corresponding to 68% of total transaction volume for retail property (excluding office buildings). The strongest group of investors was comprised of listed real estate companies such as Deutsche EuroShop, closely followed by asset and fund managers and open-ended property funds. The sales side was dominated by developers who represented almost half of all sales volume.

The yields from retail property decreased further over the course of the year. However, longer marketing times are required than before the financial crisis, which leads us to conclude that investors have become more risk-aware. Arranging external financing also takes more time now than it did a few years ago. High-equity investors such as sovereign funds, pension funds and some German open-ended property funds can act more rapidly, however, and are also prepared to accept lower returns because this is the only way that they can invest cash inflows promptly. At the end of 2010, the yield for German shopping centers in prime locations, according to information provided by Cushman & Wakefield, was at 5.15%. This is not far removed from the peak value of the last ten years (5.0%).

Share price performance

Deutsche EuroShop shares began 2010 with a price of €23.67. At first, the price hovered around this level until April. when the atmosphere on the stock exchanges became somewhat tougher and the second quarter was characterised by falling prices on most real estate shares. The share recorded its lowest price of the year at the start of the third quarter, reaching €21.72 on the basis of the Xetra closing price on 1 July 2010. From that point onwards, a rally ensued that saw the share price gain around 33% to reach €28.98 on the last trading day of the year. The share closed 2010 at an annual high with a performance of +28.1% (including dividend, 2009: +2.1%). Thus 2010 was the best year for shareholders in the ten-year history of Deutsche Euro-Shop AG since 2005 (28.7%).

Shareholders who invested in Deutsche EuroShop in January 2001 at the issue price of €19.20 and who participated in the rights issues last year have seen an average yield of 11% p.a. after tax over ten years. 4.7 percentage points are attributable to the dividends paid over the last ten years, and 6.3 percentage points to price gains. Over a five-year period which saw both share-price boom and financial crisis, the overall performance stood at 50.6%, which corresponds to an average yield of 8.5% p.a.

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 A 10 Center, which was acquired in February 2010 and was included in our results for the first time, made a significant contribution in this regard.

Revenue was planned at between €139 million and €142 million and totalled €144.2 million (2009: €127.6 million) as of the reporting date, corresponding to an increase of 13%. Earnings before interest and taxes (EBIT) of between €1118 million and €121 million were planned; ultimately these increased by almost 12%, amounting to €124.0 million (2009: €110.7 million). We expected earnings before taxes (EBT) excluding measurement gains/losses of between €58 million and €60 million. They rose by 17%, totalling €63.9 million (2009: €54.9 million).

As in the previous year, we exceeded earnings forecasts. Deutsche EuroShop has proven once again that it has an outstanding shopping center portfolio and is well positioned even for difficult periods in the economy and on the real estate market.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

Deutsche EuroShop can look back on another successful financial year. Revenue and profit were significantly up on the previous year. On the investment side, our acquisition of the A 10 Center, the Billstedt-Center and our increased stakes in City-Arkaden Wuppertal, Altmarkt-Galerie Dresden, City-Point in Kassel and Main-Taunus-Zentrum form a basis for strong growth in the years to come. We have maintained the solid financing structure of our Group. In addition to raising additional loans, we have also refinanced our investments by means of three capital increases.

Revenue rose by 13.0% to €144.2 million and, at €81.8 million, consolidated profit was 138% up on the previous year (2009: €34.4 million). This result was aided by measurement gains / losses which improved in comparison with the previous year (2009: €-14.8 million), rising by €47.9 million to €33.1 million. Adjusted for this effect, consolidated profit grew by around 16%. Earnings per share amounted to €1.80, doubling the result of the previous year (€0.88).

Net asset value per share fell slightly by 1.8%, from €26.63 to €26.16. This is solely attributable to the capital increases performed during the year under review, which led to an increase of 36.5% in the number of shares issued.

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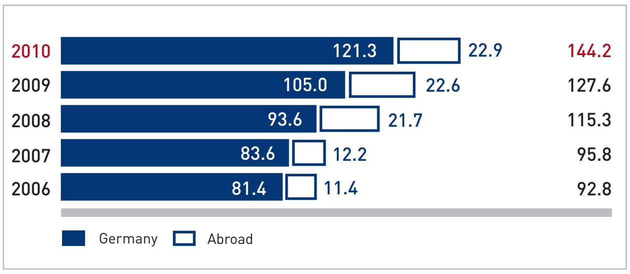
Results of operations

Retail sales (in the narrower sense) rose by a nominal 1.8% in Germany during the year under review. In contrast, the tenants of our shopping centers saw their sales stagnate. This result can be attributed to two locations in particular. Two new competitors opened in Dresden, leading to falls in revenue at the Altmarkt-Galerie, and the limited parking available at the Main-Taunus-Zentrum due to building works also had a negative impact on sales trends. At our other shopping centers, however, retail sales rose by 2.6% (adjusted for space), outperforming the market as a whole. At our foreign properties, retail sales increased by 1.2%.

Consolidated revenue up 13%

Consolidated revenue was up 13% from €127.6 million to €144.2 million in the financial year. The A 10 Center, which was acquired on 1 February 2010, contributed significantly to this revenue growth. Our increased stake in the Altmarkt-Galerie Dresden on 1 July 2010, and the Allee-Center in Hamm and City-Point in Kassel, both of which experienced vacancies in 2009 due to renovation works, also contributed to the strong growth in our revenue.

REVENUE in € million



At eight properties, the rise in revenue was primarily due to index-related rental increases. Four properties also saw slight falls in revenue which were mainly due to renovation works. Total revenue rose by 1.1% on a like-for-like basis.

Vacancy rate stable at under 1%

As in previous years, the vacancy rate remained stable at under 1%. At €0.6 million (2009: €0.6 million) or 0.4% (2009: 0.4 %), the need for write-downs for rent losses remained at a very low level.

Operating and administrative costs for property unchanged

Property operating costs were €1.5 million higher than the previous year at €7.3 million (2009: €5.8 million) and property administrative costs were up by €0.7 million to €7.9 million (2009: €7.2 million). The increase is solely due to the acquisition of the A 10 Center, which alone caused a rise of €2.4 million in operating and administrative costs for property. However, at our other centers the same costs were down by €0.2 million in comparison with the previous year. Overall, the cost ratio came in at 10.5% of revenue, which is slightly up on the previous year (10.2%).

Other operating income and expenses

Other operating income remained unchanged at €0.9 million, while other operating expenses rose by €1.2 million to €5.9 million (2009: €4.7 million). This increase resulted from significantly higher ancillary financing costs in connection with the raising and / or extension of loans, on the one hand, and from higher personnel costs on the other.

REVENUE

in € thousand	2010	2009	Difference	in %
Rhein-Neckar-Zentrum, Viernheim	17,137	16,988	149	0.90
A 10 Center, Wildau	12,899	0	12,899	
Main-Taunus-Zentrum, Sulzbach	10,230	10,286	-56	-0.50
Allee-Center, Hamm	9,763	9,010	753	8.40
Stadt-Galerie, Passau	8,823	8,588	235	2.70
City-Arkaden, Wuppertal	8,788	8,655	133	1.50
City-Galerie, Wolfsburg	8,588	8,522	66	0.80
Forum, Wetzlar	8,583	8,498	85	1.00
Rathaus-Center, Dessau	8,080	8,195	-115	-1.40
City-Point, Kassel	7,998	7,285	713	9.80
Altmarkt-Galerie, Dresden*	7,827	6,673	1,154	17.30
Stadt-Galerie, Hameln	6,687	6,546	141	2.20
Phoenix-Center, Hamburg	5,928	5,757	171	3.00
Total Germany	**121,330**	**105,003**	**16,327**	**15.50**
Galeria Baltycka, Gdansk	13,411	13,150	261	2.00
City Arkaden, Klagenfurt*	5,409	5,328	81	1.50
Árkád, Pécs*	3,651	3,736	-85	-2.30
Other	388	345	43	12.50
Total abroad	**22,859**	**22,560**	**299**	**1.30**

* = proportionally consolidated

Net finance costs rise

Net finance costs were up €4.3 million to €60.2 million (2009: €55.9 million). This is as a result of additional interest expense incurred in connection with the financing of the acquisition of the A 10 Center and the expansion measures in Dresden (+ €5.8 million). This interest expense is offset by interest savings made through refinancing and repayment of existing loans in the amount of €1.4 million, and thus the net interest expense only increased by €4.4 million.

Although income from investments remained stable at the previous year's level, interest income rose by just under €0.4 million. This is in contrast to losses from equity-accounted shareholdings which rose by €0.54 million and the lower profit share for third-party shareholders which, at €7.9 million, was down by €0.2 million on the previous year.

Positive result for measurement gains

After the €14.8 million in measurement losses reported in 2009, measurement gains of €33.1 million were achieved in the year under review, representing an increase of €47.9 million over the previous year. Measurement of the portfolio properties led to measurement gains of €25.4 million. On average the portfolio properties increased in value by 1.3% and, with one exception (which showed a depreciation of 0.7%), market values were between 0.3% and 3.7% higher than the previous year.

The revaluation of the A 10 Center resulted in a measurement gain of €14.7 million which was offset by ancillary acquisition costs of €8.6 million.

Moreover, the acquisition of additional shareholdings in City-Point Kassel, City-Arkaden Wuppertal and indirect holdings in the Main-Taunus-Zentrum resulted in measurement gains of €4.7 million, as the stakes in the Main-Taunus-Zentrum in particular were acquired at below market value.

The share of measurement gains attributable to third-party shareholders was around €3.0 million.

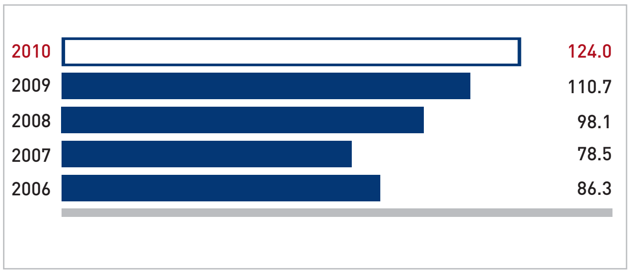
Tax item almost exclusively comprises deferred income taxes

The tax burden in the year under review amounted to €15.2 million. €14.9 million of this was attributable to deferred income taxes, and €0.3 million to income tax paid.

Consolidated profit more than doubled

Earnings before interest and taxes (EBIT) climbed 12% from €110.7 million to €124.0 million in the year under review. At €97.0 million, pre-tax profit (EBT) was 142% higher than in the previous year (€40.1 million). Consolidated profit rose by 138%, totalling €81.8 million (2009: €34.4 million).

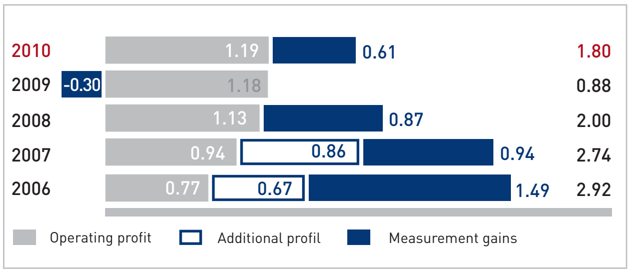
EBIT | in € million



Earnings per share

Earnings per share amounted to €1.80 compared with €0.88 in the previous year. Of this amount, €1.19 was attributable to operations (2009: €1.18) and €0.61 to measurement gains / losses (2009: €-0.30). The number of shares for the previous year upon which this is based was adjusted in accordance with IAS 33.

EARNINGS 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. During the year under review, FFO of €63.6 million was generated, a rise of 16% over the previous year (2009: €54.8 million). FFO per share remained constant at €1.40, although the number of shares for the previous year upon which this is based was adjusted in accordance with IAS 33.

in € thousand	31.12.2010	31.12.2009
Consolidated profit	81,817	34,367
Measurement gains / losses	-33,129	14,772
Deferred taxes	14,864	5,664
FFO	63,552	54,803
Weighted number of shares	45,545	39,066
FFO per share	**1.40 €**	**1.40 €**

Dividend proposal: €1.10 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 16 June 2011 in Hamburg that an increased dividend of €1.10 per share be distributed for the 2010 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, 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 third-party 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. An available credit line enables 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 2010, the Deutsche EuroShop Group reported the following key financial data:

in Mio. €	2010	2009	Change
Total assets	2,963.6	2,112.1	+851.8
Equity (incl. third-party interests)	1,527.4	1,044.4	+483.2
Equity ratio (%)	51.5	49.4	+2.1
Bank loans and overdrafts	1,288.2	934.2	+354.0
Loan to value ratio (%)	45	46	1

At €1,527.4 million, the Group's economic equity capital, which comprises the equity of the Group shareholders (€1,249.6 million) and the equity of the third-party shareholders (€277.8 million), was €483.2 million higher than in the previous year. The equity ratio improved slightly by 2.1% percentage points to 51.5%.

Current and non-current bank loans and overdrafts rose from €934.2 million to €1,288.2 million in the year under review, an increase of €354 million. Of this, €31.5 million was used to finance the expansion measures at the Altmarkt-Galerie Dresden and the Main-Taunus-Zentrum. A further €186.0 million resulted from the first full consolidation of the Phoenix-Center and the Main-Taunus-Zentrum and from the increased participation in the Altmarkt-Galerie Dresden. The external financing of the purchase of the A 10 Center (€125.0 million) and the Billstedt-Center (€19.0 million) accounted for €144.0 million. Meanwhile, loans amounting to €13.7 million were repaid.

In addition, a non-current loan in the amount of €82.0 million was raised in the year under review to replace expiring loans for the Rhein-Neckar-Zentrum.

The bank loans and overdrafts in place at the end of the year are used exclusively to finance non-current assets. 47% of non-current assets were therefore financed by loans.

The current credit line amounting to €100 million was increased to €150 million, and this will be available to the Company until 2014.

Overall, the debt finance terms as of 31 December 2010 remained fixed at 5.03% (2009: 5.27%) for an average period of 6.5 years (2009: 7.1 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 2010

Total = 1,277.3 | in € million

		% of total loans	Duration (years) in %	Average interest rate in %
Up to 1 year	62.9	4.9	1.0	3.30
1 to 5 years	552.8	43.3	3.6	5.38
5 to 10 years	492.4	38.5	7.9	4.96
Over 10 years	169.2	13.3	14.3	4.74
Total		**100.0**	**6.5**	**5.03**

Of 34 loans across the Group, credit terms were agreed with the financing banks on eight of these. 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.

At the start of 2011, a loan amounting to €85.1 million which was raised to finance the City-Arkaden Wuppertal KG was repaid early and partially replaced by two new loans in the amount of €81 million. The purchase of the Billstedt-Center is also to be partially financed by means of a loan amounting to €80 million, which is likely to be paid out around the middle of 2011. Scheduled repayments amounting to €17.9 million will be made from operating cash flow during the 2011 financial year, and no interest lock-ins for loans will expire. Over the period from 2012 to 2015, average repayment obligations will be around €19.8 million per year. Interest lock-ins for loans amounting to €54.6 million will expire in 2012, for €137.3 million in 2013, for €205.3 million in 2014 and for €76.8 million in 2015.

Current and non-current bank loans and overdrafts totalling €1,288.2 million were recognised in the balance sheet as of the reporting date. The difference between the total indicated in the table above and the amounts given here of €10.9 million relates to deferred interest and repayment obligations that were settled at the beginning of 2011.

Investment analysis

The 2010 financial year was marked by many different investment measures. Overall, €360.8 million was invested, of which €55.0 million was attributable to the acquisition of additional shareholdings in the Altmarkt-Galerie Dresden, which were transferred to the Group as a non-cash contribution. €305.8 million were cash transactions, €233.1 million of which was accounted for by the A 10 Center until 31 December 2010. €46.6 million was invested in the expansion measures in Dresden and Sulzbach, and €17.2 million in the acquisition of shareholdings in the Main-Taunus-Zentrum. Ongoing investments in portfolio properties amounted to €2.6 million.

Liquidity analysis

The Group's operating cash flow of €72.1 million (2009: €63.2 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 third-party shareholders. The change is primarily attributable to the first contribution to earnings by the A 10 Center.

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. In large part due to the purchase price paid for the Billstedt-Center, which amounted to €156.7 million, cash flow from operating activities stood at €-94.2 million, €154.7 million less than the previous year (2009: €60.5 million).

Cash flow from investing activities in the year under review amounted to €287.8 million and were thus considerably higher than in the previous year, in which €35.9 million was invested. This item includes the purchase price for the A 10 Center in Wildau, and also includes investments made in expansion measures at our properties in Dresden, Sulzbach and Wildau.

Cash flow from financing activities rose from €15.5 million in 2009 to €363.9 million in the year under review. Cash inflows from non-current financial liabilities, amounting to €166.2 million, resulted primarily from the raising of a new loan in relation to the A 10 Center, other payments for the expansion measures in Dresden and Sulzbach, as well as the raising of a short-term credit line by Deutsche EuroShop AG to finance the purchase price of the Billstedt-Center. Furthermore, there were three capital increases during the year under review, of which two were cash transactions and led to cash inflows in the amount of €253.7 million. Dividends paid to shareholders totalled €46.3 million. A capital increase was also completed for the Stadt-Galerie Passau, in which third-party shareholders participated in the amount of €4.2 million. Payments to third-party shareholders include the purchase prices of the shareholdings in the two centers in Wuppertal and Kassel acquired on 1 July 2010, and distributions paid out during the year under review.

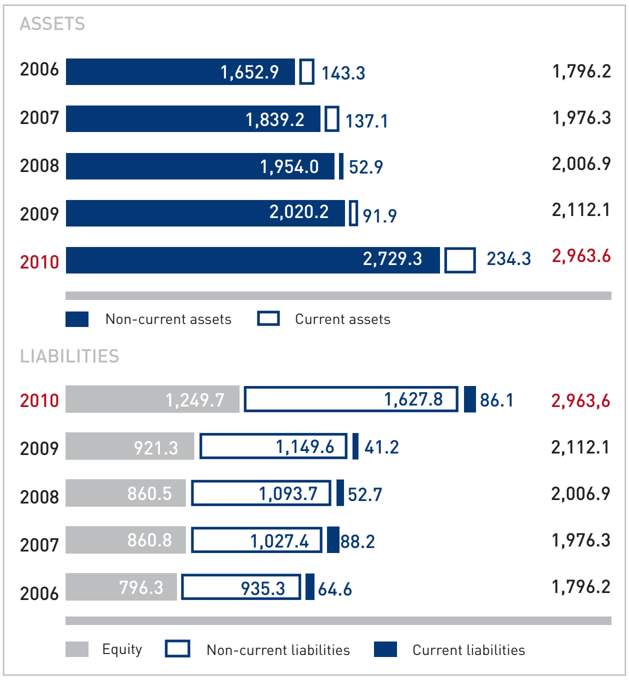
Cash and cash equivalents fell from €81.9 million in 2009 to €65.8 million in the year under review.

Net assets

Balance sheet analysis

The Group's total assets increased by €851.5 million.

BALANCE SHEET STRUCTURE in € million



Current assets

At end-2010 current assets amounted to €234.3 million, an increase of €142.4 million year-on-year (2009: €91.9 million). The price paid in advance in 2010 for the purchase of the Billstedt-Center on 1 January 2011 was €156.7 million. As at the reporting date, cash and cash equivalents amounted to €65.9 million, a fall of €16.0 million compared with the previous year (2009: €81.9 million). The majority was invested in the short term as term deposits.

Non-current assets

Non-current assets rose by €709.1 million from €2,020.2 million to €2,729.3 million in the year under review.

Investment Properties increased by €709.7 million, €600.3 million of which was attributable to the first full consolidation of the Main-Taunus Zentrum, the Phoenix-Center and the A 10 Center and to the 17 percentage point increase of our shareholding in the Altmarkt-Galerie Dresden. The expansion measures at our centers in Dresden, Sulzbach and Wildau also led to investments totalling €75.3 million. Costs of investments in portfolio properties amounted to €2.6 million. The revaluation of our property portfolio also resulted in value increases amounting to €32.3 million and value decreases totalling €1.0 million.

Other non-current assets reduced in net terms by €0.6 million.

Current liabilities

Current liabilities rose by €45.0 million from €41.1 million to €86.1 million, due in particular to the increase in current bank loans and overdrafts (+ €48.0 million). This related partly to the recourse to a short-term credit line in connection with payment of the purchase price for the Billstedt-Center, and also to the partial repayment of a loan for the City-Arkaden Wuppertal at the beginning of January 2011.

Other current liabilities fell in net terms by €3.1 million, primarily due to a reduction in other provisions.

Non-current liabilities

Non-current liabilities rose by €478.2 million from €1,149.6 million to €1,627.8 million. This is mainly attributable to the first consolidation of the Main-Taunus-Zentrum and the Phoenix-Center, and our increased stake in the Altmarkt-Galerie. Non-current bank loans alone rose as a result by €186 million and third-party interests in the equity of property companies, shown under non-current liabilities as "Right to redeem of limited partners" rose by €165.2 million. In contrast, the acquisition of interests held by third parties in the City-Arkaden Wuppertal and City-Point Kassel by Deutsche EuroShop AG and ongoing distributions led to a reduction so that, in net terms, the right to redeem against limited partners rose by €154.8 million to €277.8 million (2009: €123.0 million).

In addition to the increase in non-current bank loans for consolidation reasons, the rise is also attributable to the raising of a long-term loan amounting to €125.0 million for the acquisition of the A 10 Center. Taking scheduled repayments into account, non-current bank loans rose in net terms by €305.9 million, from €921.2 million to €1,227.1 million.

Other non-current liabilities such as deferred tax liabilities and other liabilities rose by €17.4 million.

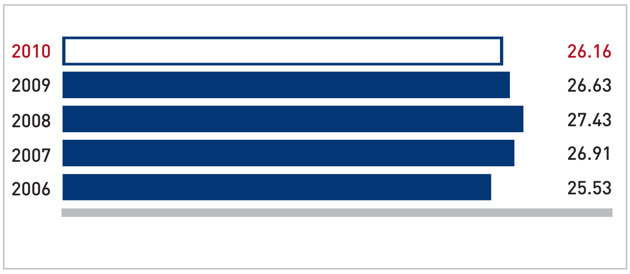
Equity

At €1,249.7 million, Group equity was up €328.4 million on the previous year (€921.3 million) in 2009. Key changes resulted from the two capital increases against cash contribution in February and November and from the non-cash capital increase in July 2010, which caused equity to rise by €294.6 million. Measurement of interest swaps and interests attributable to Group shareholders in accordance with IAS 39 led to a reduction in equity by €1.7 million. Of the other changes, the increase of €35.5 million in equity resulted in particular from the difference between the consolidated profit at €81.8 million and the dividend of €46.3 million paid out in June 2010.

Net asset value

Net asset value as at 31 December 2010 was €1,350.7 million or €26.16 per share, compared with €1,006.9 million or €26.63 per share in the previous year. Thus the net asset value has risen by €343.8 million or 34.1% over the previous year. €294.6 million is attributable to the capital measures performed in the year under review, which led to an increase in the number of shares issued by 36.5%. This has caused the net asset value per share to fall by 1.8% in comparison with the previous year.

NET ASSET VALUE | per share in €



Overall comment on the economic situation

The past financial year confirmed the Deutsche EuroShop Group's good position. We met our own expectations once again without any notable events.

	31.12.2010 in € thousand	per share in €	31.12.2009 in € thousand	per share in €	Change in %
Equity	1,249,651	24.20	921,325	24.37	-0.7
Deferred taxes	101,052	1.96	85,600	2.26	-13.6
Total	**1,350,703**	**26.16**	**1,006,925**	**26.63**	**-1.8**
Number of shares	51,631,400		37,812,496		36.5

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 2010, with the exception of the A 10 Center, 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 2010. From 2011 onwards, all centers in the Deutsche EuroShop German portfolio will be powered by green electricity. 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 in 2010. This was 1.26 million kWh less than the previous year, and corresponds to 100% of the electricity requirements in our German shopping centers. As a result, based on conservative calculations this meant a reduction of around 18,800 tonnes in carbon dioxide emissions – this equates to the annual CO_2 emissions of around 850 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 four people and therefore did not prepare a separate **human resources report**.

REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

The Billstedt-Center was acquired on 1 January 2011. By year-end acquisition costs (purchase price including ancillary acquisition costs) totalling €156.7 million were paid. The fair value of the center was measured by Feri / GfK Geomarketing at €156.0 million as at 1 January 2011.

No other events of significance have occurred since the balance sheet date.

RISKS AND OPPORTUNITIES MANAGEMENT, INTERNAL CONTROL SYSTEM

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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, the identification and assessment of risks and opportunities as well as the fundamental decision on how to manage these risks. Risk management ensures that risks are identified at an early stage and can then be evaluated, communicated promptly and mitigated. 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 ongoing 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
_ Trends in 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.

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Financial statement preparation process

Preparation of the financial statement is a further important part of the internal control system and is monitored and controlled at the level of the Group holding company. Internal regulations and guidelines ensure the conformity of the annual financial statements and the consolidated financial statements.

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. In addition, within the scope of his auditing activities, the auditor of the consolidated financial statements performs process-independent auditing work, also with respect to financial reporting.

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 be entirely ruled out, however, and may limit the effectiveness and reliability of the internal control and risk management system that is in use. Consequently, 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.

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Presentation of material individual risks

Cyclical and macroeconomic risks

After the two-year period of massive contraction experienced by the entire global economy, a cyclical turnaround was achieved in 2010. Germany returned to positive growth, with GDP rising by 3.6% in 2010. This is thanks primarily to the economic recovery among the emerging markets and positive economic growth in Asia which led to a massive rise in exports. The federal government anticipates lower growth of 2.25% for 2011.

The situation on the financial markets has eased slightly, although the crisis is by no means over. The task of economic policymakers is still to find suitable rules to clean up the banks' balance sheets.

In addition, householders and companies in many places are looking somewhat more optimistically to the immediate future. Moderate levels of inflation are aiding this general optimism. Many positive messages are coming from the labour market at this time. While the good economic situation in Germany is reflected in increased pay and salaries for workers and employees, domestic demand is likely to continue to show positive growth.

State budget deficits have risen dramatically as a result of the crises in many EU countries, and collective rescue packages became necessary for Greece and Ireland. In the United States the tailspin seems to be coming to an end, but here unemployment is twice as high as it was before the crisis broke out, and US consumption which always gave momentum to the global economy is unlikely to provide much in the way of growth stimulus over the next few years. The US Federal Reserve has declared its disappointment in respect of the fight against unemployment, and is attempting to stimulate economic activity by buying up government bonds. This approach is controversial. Critics fear that limitless liquidity could cause price bubbles to form and the theoretical assumptions of a "crack-up boom" could become reality.

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.

In 2010 retail revenue rose by a nominal 2.3%, after falling by 3.7% in the previous year. We expect that retail revenue will see a further slight rise in 2011.

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 5.03%, 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. These interest rate swap transactions transform variable interest rates into fixed interest rates. 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. Financial instruments are not subject to liquidity or other risks. The Company counters the risk of default by stringently examining its contract partners. 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, which was converted to a virtual solution during the year under review. 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.

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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

As the German economy returned to strong growth in 2010 and far exceeded the predictions made at the start of the year, the outlook for 2011 is also positive. That said, economic experts expect the rise to flatten out somewhat. There are significant hopes of a stronger leap forward in the domestic economy, especially private consumer spending, amid expectations of a perceptible boost to salaries in real terms across Germany. The first wage agreements concluded indicate that, after years of declining or stagnating salaries in real terms, an increase may be on the cards. The robust labour market in Germany has also been a cause of some surprise. Rising employment and falling unemployment at levels which have not been seen for decades are underpinning the positive outlook.

We expect this positive trend to be echoed in our shopping centers. The expansion and modernisation measures at the A10 Center, the Altmarkt-Galerie in Dresden and the Main-Taunus-Zentrum are included in our planning and will be completed in 2011. Leasing agreements are already in place for the majority of the additional space. This also applies to rental agreements which are up for renewal during the second half of 2011 after expiry of the first ten-year term. At the present time, the occupancy rate across all our shopping centers continues at over 99%. At the end of 2010 the overall occupancy rate was 99.3%, showing no change in comparison with the previous year, and stood at 99.9% for retail space. Outstanding rents and necessary valuation allowances remain stable at a low level. We see no sign of a significant change in this satisfactory situation.

Transaction market gains pace

Due to the ongoing uncertainty on the financial markets and fears that inflation may rise sharply, the global demand for value-secured capital investments is on the increase. This is driving the demand for real estate, amongst other things, for which there is insufficient supply at present. Retail property in particular is a focus of interest among many institutional investors, leading to rising perceptions of appropriate purchase prices among potential vendors. Due to investment pressure on the part of many investors, we consider that there is currently a risk that prices on the real estate market may once again reach extremes. We will therefore be watching developments on the real estate market very carefully over the next few months. As in the past, we will only make further investments if the return that is achievable over the long term bears a reasonable relation to the investment risks. We will continue to grow even without making further investments, thanks to the contributions made by the expansion, modernisation and restructuring measures under way in our portfolio.

Altmarkt-Galerie

The expansion of the Altmarkt-Galerie Dresden was completed at the end of the first quarter of 2011 and opened to customers and visitors on 31 March. All retail spaces were let with the exception of one, meaning the number of shops will rise from around 95 to over 200. The hotel spaces are also let on a long-term basis, and the hotel itself is planned to open for summer 2011. Tenants have not yet been found for the office spaces but rental activities are in full swing. From experience, it is likely that the marketing process will take some time. Overall, predicted rental income is slightly above expectations and investment costs are entirely within budget despite considerable delays caused by the weather. An estimated investment expenditure of €20.7 million will be attributable to measures during the current financial year.

A10 Center

The expansion and modernisation measures underway at the A10 Center are also within schedule. The new retail spaces within the A10 Triangle are all let, and were opened at the beginning of April 2011. The first measures to modernise the property have begun and will be concluded by the end of 2011. It is anticipated that further investment expenditure of €32.5 million are expected to be required in 2011. Predicted rental income at the A10 Center is also above expectations, and investment costs are being kept within budget.

Main-Taunus-Zentrum

The expansion measures at the Main-Taunus-Zentrum will be completed by the end of 2011. With the exception of a few residual areas (occupancy rate in March 2010: >80%), new tenants have already been found for the retail space offering around 80 new shops. Predicted rental income is well above expectations, and investment costs are within budget. Of this amount, €37.0 million is likely to be attributable to the current financial year.

Scheduled reletting

We expect to see stable growth across our portfolio properties. In the City-Arkaden Wuppertal and the City-Galerie Wolfsburg, many rental agreements are due to expire on schedule in 2011 (ten years after their first opening). This gives us the opportunity to optimise the mix of tenants and sectors at these properties and to position them appropriately for the next ten years. The necessary investments (€3.3 million) will be financed from available liquidity reserves or operating cash flow.

Agreed transactions are the foundation for revenue and earnings planning

The Deutsche EuroShop Group's revenue and earnings planning for 2011 and 2012 does not include the purchase or sale of any properties. The Billstedt-Center that was acquired on 1 January 2011 is taken into account in the planning, as are the effects arising from the full consolidation of the Phoenix-Center and the Main-Tainus-Zentrum. The results of the annual valuation of our shopping centers and exchange rate factors are 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 29% in 2011; increase of 6% expected in 2012

We are anticipating revenue of between €184 million and €188 million for financial year 2011. The purchase of the Billstedt-Center and the full consolidation of the Phoenix-Center and the Main-Taunus-Zentrum, in particular, will make a positive contribution to revenue. In addition, the expansion and modernisation measures at the A 10 Center, the Altmarkt-Galerie in Dresden and the Main-Taunus-Zentrum will also effect a significant increase in revenue. In the 2012 financial year revenue should increase again to between €198 million and €202 million.

Significant growth in earnings over the next two financial years

Earnings before interest and taxes (EBIT) amounted to €124.0 million in 2010. According to our forecast, EBIT will amount to between €157 million and €161 million in the current financial year (+28%). This is expected to increase to between €169 million and €173 million in 2012 (+7.5%).

Earnings before tax (EBT) excluding measurement gains and losses amounted to €63.9 million during the year under review. We expect the corresponding figure to be between €75 million and €78 million for the 2011 financial year (+20%) and between €84 and €87 million for the 2012 financial year (+11%).

Positive FFO trend

Funds from operations (FFO) amounted to €1.40 per share in the year under review. We expect this figure to be between €1.48 and €1.52 in 2011 (+7%) and between €1.60 and €1.64 in 2012 (+8%).

Dividend policy

We intend to maintain our long-term dividend policy geared towards continuity and to distribute a dividend of €1.10 per share to our shareholders again in 2011 and 2012.

Hamburg, 13 April 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.

Consolidated financial statements

DEUTSCHE EUROSHOP AG CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2010

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2010

ASSETS

in € thousand	Note	31.12.2010	31.12.2009
Assets			
Non-current assets			
Intangible assets	1.	29	24
Property, plant and equipment	2.	30	48
Investment properties	3.	2,700,697	1,990,980
Non-current financial assets	4.	23,885	24,755
Investments in equity-accounted associates	5.	4,094	3,532
Other non-current assets	6.	605	865
Non-current assets		**2,729,340**	**2,020,204**
Current assets			
Trade receivables	7.	3,481	2,557
Other current assets	8.	164,971	5,870
Other financial investments	9.	0	1,600
Cash and cash equivalents	10.	65,784	81,914
Current assets		**234,236**	**91,941**
Total assets		**2,963,576**	**2,112,145**

Equity and liabilities

in € thousand	Note	31.12.2010	31.12.2009
Equity and liabilities			
Equity and reserves			
Issued capital		51,631	37,812
Capital reserves		890,130	609,364
Retained earnings		307,891	274,149
Total equity	11.	**1,249,652**	**921,325**
Non-current liabilities			
Bank loans and overdrafts	12.	1,227,096	921,170
Deferred tax liabilities	13.	101,052	85,600
Right to redeem of limited partners	14.	277,780	123,035
Other non-current liabilities	19.	21,839	19,845
Non-current liabilities		**1,627,767**	**1,149,650**
Current liabilities			
Bank loans and overdrafts	12.	61,060	13,025
Trade payables	15.	6,145	1,071
Tax provisions	16.	450	1,981
Other provisions	17.	7,329	19,688
Other current liabilities	18.	11,173	5,405
Current liabilities		**86,157**	**41,170**
Total equity and liabilities		**2,963,576**	**2,112,145**

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010

in € thousand	Note	2010	2009
Revenue	20.	144,189	127,563
Property operating costs	21.	-7,320	-5,843
Property management costs	22.	-7,892	-7,181
Net operating income (NOI)		**128,977**	**114,539**
Other operating income	23.	946	916
Other operating expenses	24.	-5,891	-4,748
Earnings before interest and taxes (EBIT)		**124,032**	**110,707**
Income from investments	25.	1,413	1,455
Interest income		1,040	674
Interest expense		-54,075	-49,680
Income from equity-accounted associates	26.	-593	-141
Profit/loss attributable to limited partners	27.	-7,948	-8,164
Net finance costs		**-60,163**	**-55,856**
Earnings before taxes and measurement (EBT before measurement)		**63,869**	**54,851**
Measurement gains / losses	28.	**33,129**	**-14,772**
of which excess of cost of acquisition over identified net assets acquired in accordance with IFRS 3: €13,298 thousand (previous year: €6,007 thousand)			
Earnings before tax (EBT)		**96,998**	**40,079**
Income tax expense	29.	-15,180	-5,711
Other taxes		-1	-1
Consolidated profit		**81,817**	**34,367**
Basic earnings per share (€)	33.	1.80	0.88
Diluted earnings per share (€)	33.	1.80	0.88

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS OF 31 DECEMBER 2010

in € thousand	Note	2010	2009
Consolidated profit		**81,817**	**34,367**
Changes due to currency translation effects		246	-350
Changes in cash flow hedge	31.	-864	-4,602
Change due to IAS 39 measurement of investments	4., 31.	-870	-2,417
Other changes		0	13
Deferred taxes on changes in value offset directly against equity	13.	94	3,370
Total earnings recognised directly in equity		**-1,394**	**-3,986**
Total profit		**80,423**	**30,381**
Share of Group shareholders		80,423	30,381

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010

in € thousand	Note 30.	01.01.–31.12.2010	01.01.–31.12.2009
Profit after tax		**81,817**	**34,367**
Expenses/income from the application of IFRS 3		-13,298	-6,007
Profit/loss attributable to limited partners		10,917	8,949
Depreciation of property, plant and equipment		24	23
Unrealised changes in fair value of investment property		-31,431	20,467
Profit/loss for the period of equity accounted-companies		593	245
Other non-cash income and expenses		0	-471
Reconciliation of cash flow from operating activities		8,631	0
Deferred taxes		14,864	5,664
Operating cash flow		**72,117**	**63,237**
Changes in receivables	7., 8., 31.	-158,096	1,378
Changes in other financial investments	9.	1,600	140
Changes in current provisions	16., 17.	-16,228	2,754
Changes in liabilities	15., 18.	6,440	-6,986
Cash flow from operating activities		**-94,167**	**60,523**
Payments to acquire property, plant and equipment/investment properties	3.	-77,975	-20,493
Payments to acquire shareholdings in consolidated companies and business units		-210,007	-15,362
Inflows/outflows for equity-accounted companies		145	0
Cash flow from investing activities		**-287,837**	**-35,855**
Changes in interest-bearing financial liabilities		166,244	-7,212
Payments to Group shareholders		-46,320	-36,094
Contributions of Group shareholders		253,675	66,505
Contributions of third-party shareholders		4,225	0
Payments to third-party shareholders		-13,951	-7,660
Cash flow from financing activities	11.	**363,873**	**15,539**
Net change in cash and cash equivalents		**-18,131**	**40,207**
Cash and cash equivalents at beginning of period		**81,914**	**41,671**
Currency-related changes		330	119
Other changes		1,671	-83
Cash and cash equivalents at end of period		**65,784**	**81,914**

STATEMENT OF CHANGES IN EQUITY AS OF 31 DECEMBER 2010

in € thousand	Note	Number of shares outstanding	Share capital	Capital reserves	Other retained earnings	Statutory reserve	Total
1 January 2009		**34,374,998**	**34,375**	**546,213**	**277,862**	**2,000**	**860,450**
Change due to IAS 39 measurement of investments	4., 31.				-2,417		-2,417
Change in cash flow hedge	31.				-4,602		-4,602
Change due to currency translation effects					-350		-350
Change in deferred taxes	13.				3,370		3,370
Other changes					13		13
Total earnings recognised directly in equity			0	0	-3,986	0	-3,986
Consolidated profit					34,367		34,367
Total profit					30,381		30,381
Capital increase	11.	3,437,498	3,437	63,151			66,588
Dividend payments	11.				-36,094		-36,094
31 December 2009		**37,812,496**	**37,812**	**609,364**	**272,149**	**2,000**	**921,325**
1 January 2010		**37,812,496**	**37,812**	**609,364**	**272,149**	**2,000**	**921,325**
Change due to IAS 39 measurement of investments	4., 31.				-870		-870
Change in cash flow hedge	31.				-864		-864
Change due to currency translation effects					246		246
Change in deferred taxes	13.				94		94
Total earnings recognised directly in equity			0	0	-1,394	0	-1,394
Consolidated profit					81,817		81,817
Total profit				0	80,423		80,423
Dividend payments	11.				-46,320		-46,320
Other changes					-361		-361
Capital increase	11.	13,818,904	13,819	280,766	0		294,585
31 December 2010		**51,631,400**	**51,631**	**890,130**	**305,891**	**2,000**	**1,249,652**

Notes

DEUTSCHE EUROSHOP AG
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2010

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). They are based on the premise of a going concern. All IFRSs and IFRIC interpretations endorsed by the European Commission and required to be applied as of 31 December 2010 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 2010 were approved for submission to the Supervisory Board on 14 April 2011 and are expected to be approved at the Supervisory Board's financial statements review meeting on 27 April 2011. 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.

The annual financial statements of the consolidated companies were prepared as at 31 December 2010, the reporting date of the consolidated financial statements.

BASIS OF CONSOLIDATION AND CONSOLIDATION METHODS

Basis of consolidation

Subsidiaries

The consolidated financial statements include all 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 2010, the basis of consolidation comprised 20 (previous year: 16) fully consolidated domestic and foreign subsidiaries and four (previous year: seven) proportionately consolidated domestic and foreign joint ventures, in addition to the parent company.

On 6 January 2010, Kommanditgesellschaft PANTA Neunundneunzigste Grundstücksgesellschaft m.b.H. & Co KG, a subsidiary of Deutsche EuroShop, purchased the A 10 shopping center in Wildau near Berlin for approximately €195.7 million. The transfer of benefits and encumbrances took place on 1 February 2010. The purchase price was paid in cash. The first-time consolidation of the company revealed an excess of identified net assets acquired over cost of acquisition amounting to €8.6 million. In the period under review, the company generated revenue of €12.9 million and a profit of €11.1 million. As the operating activities of the company only commenced in February, revenue and profit would not have been materially different if the merger had taken place at the start of the year.

in € thousand	Carrying amounts	Fair value
Purchase price		195,750
Acquired property assets	204,381	204,381
Excess of identified net assets acquired over cost of acquisition	**-8,631**	**-8,631**

With effect from 31 December 2010, Deutsche EuroShop AG acquired 9.7% of the shares in the limited partnership of DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG, Hamburg, at a purchase price of €17.2 million, which was paid in cash. Deutsche EuroShop AG therefore holds 50.47% of the shares in this company.

As a consequence, the indirect proportion of Main-Taunus-Zentrum Wieland KG, Hamburg held has increased from 37.38% to 46.27%. Deutsche EuroShop AG owns 52.01% of shares in this company via direct and indirect holdings.

Both companies were previously included in Deutsche EuroShop AG's consolidated financial statements on a pro-rata basis. They were fully consolidated in the consolidated financial statements for the first time on 31 December 2010. In accordance with IFRS 3, the purchase of the shares resulted in an excess of identified net assets acquired over cost of acquisition amounting to €4.6 million, which was recognised in income. In the period under review, Main-Taunus-Zentrum Wieland KG generated revenue of €23.9 million and a profit of €25.3 million. DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG generated no revenue and a profit of €4.9 million.

in € thousand	Carrying amounts	Fair value
Purchase price		17,168
Fair value net assets prior to effective control	98,841	98,841
Minority interests	123,503	123,503
Total amount of consideration	**239,512**	**239,512**
Net assets acquired:		
Property assets	431,141	431,141
Cash and cash equivalents	13,370	13,370
Receivables and other assets	1,866	1,866
Loan liabilities	180,213	180,213
Deferred taxes	14,639	14,639
Provisions	2,023	2,023
Other liabilities	5,378	5,378
	244,124	**244,124**
Excess of identified net assets acquired over cost of acquisition (bargain purchase)	**-4,612**	**-4,612**

Deutsche EuroShop AG has a 50% stake in Immobilienkommanditgesellschaft FEZ Harburg, Hamburg. With effect from 31 December 2010, Deutsche EuroShop has a voting agreement with a co-shareholder and therefore "controls" this company. The company was previously included in the consolidated financial statements on a pro-rata basis. The balance sheet was fully consolidated for the first time on the balance sheet date, with the addition of property assets to the value of €95.7 million and other assets to the value of €1.9 million to Group assets. In addition, liabilities totalling €55.9 million were assumed. In the period under review, the company generated revenue of €11.9 million and a profit of €7.2 million.

in € thousand	Carrying amounts	Fair value
Fair value net assets prior to effective control	41,668	41,668
Minority interests	41,668	41,668
Total amount of consideration	**83,336**	**83,336**
Net assets acquired:		
Property assets	191,440	191,440
Cash and cash equivalents	3,155	3,155
Receivables and other assets	604	604
Loan liabilities	111,330	111,330
Provisions	167	167
Liabilities	366	366
	83,336	**83,336**
Excess of identified net assets acquired over cost of acquisition	**0**	**0**

Deutsche EuroShop AG founded 1. DES Grundbesitz KG, Hamburg with an investment of €10 thousand with effect from 23 September 2010. The fair value of the identified net asset value at the acquisition date was €10 thousand. No excess of identified net assets acquired over cost of acquisition was determined in the first-time consolidation.

The fair values of the assets and liabilities of the acquisitions recognised were calculated on the basis of a property valuation and the application of a cost-model approach.

With effect from 1 July 2010, Deutsche EuroShop AG increased its shareholding in City-Arkaden Wuppertal KG from 72% to 97%. The purchase price for the shares in the limited partnership was €11.8 million, paid by means of the issue of new shares. The resulting excess of identified net assets acquired over cost of acquisition of €0.1 million was recognised directly in equity.

In addition, with effect from 1 July 2010, 3% of the shares in the limited partnership City-Arkaden Wuppertal KG were acquired within the framework of a purchase and transfer contract at a purchase price of €1.4 million, which was paid in cash. An excess of identified net assets acquired over cost of acquisition amounting to €7 thousand was included in the measurement gains. Deutsche EuroShop AG therefore holds 100% of the shares in this company.

Also with effect from 1 July 2010, Deutsche EuroShop Verwaltungs GmbH acquired 10% of the shares in the limited partnership City-Point Kassel KG within the framework of a purchase and transfer contract at a purchase price of €5.1 million, which was paid in cash. Deutsche Euro-Shop Verwaltungs GmbH therefore holds 100% of the shares in this company. The acquisition of the shares resulted in an excess of identified net assets acquired over cost of acquisition of €62 thousand, which was recognised in income.

Joint ventures

With effect from 1 July 2010, Deutsche EuroShop AG increased its shareholding in Altmarkt-Galerie Dresden KG from 50% to 67%. The purchase price for the shares in the limited partnership was €28.9 million, paid by means of the issuance of new shares. The purchase price exceeded the fair value of the assets acquired and liabilities assumed by €0.3 million, which was recognised in equity.

Although Deutsche EuroShop AG now holds more than half of the voting rights, the company is still included proportionally in the consolidated financial statements as, due to contractual arrangements, Deutsche EuroShop AG does not exercise control over it.

in € thousand	Carrying amounts	Fair value
Purchase price	28,943	28,943
Fair value net assets prior to effective control	71,432	71,432
Full amount of consideration	**100,375**	**100,375**
Net assets acquired:		
Property assets	216,859	216,859
Cash and cash equivalents	14,839	14,839
Receivables and other assets	1,198	1,198
Loan liabilities	111,678	111,678
Deferred taxes	12,593	12,593
Provisions	4,373	4,373
Other liabilities	4,177	4,177
	100,075	**100,075**
Excess of identified net assets acquired over cost of acquisition	**300**	**300**

The fair values of the assets and liabilities of the acquisitions recognised were calculated on the basis of a property valuation and the application of a cost-model approach.

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 AG 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 identified net assets acquired over cost of acquisition 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. The reporting currencies of these companies (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.

A closing rate of HUF 278.75 (previous year: HUF 270.84) and an average rate of HUF 275.48 (previous year: HUF 280.33) were used in the translation of the separate Hungarian financial statements for Einkaufs-Center Arkaden Pécs KG, Hamburg from forint to euros. A closing rate of PLN 3.9603 (previous year: PLN 4.1082) and an average rate of PLN 3.9947 (previous year: PLN 4.3276) 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 were applicable for the first time in financial year 2010:

- » IFRS 1 (rev. 2008) – First Time Adoption of IFRS (since 1 January 2010)
- » Amendment to IFRS 1 Additional Exemptions for First-time Adopters (since 1 January 2010)
- » Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions (since 1 January 2010)
- » IFRS 3 (rev. 2008) – Business Combinations (since 1 July 2009)
- » IAS 27 (rev. 2008) – Amendments to IAS 27 Consolidated and Separate Financial Statements (since 1 July 2009)
- » Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (since 1 July 2009)
- » Improvements to IFRSs (issued by the IASB in April 2009) (since 1 January 2010)
- » IFRIC 12 – Service Concession Arrangements (since 30 March 2009)
- » IFRIC 15 – Agreements for the Construction of Real Estate (since 1 January 2010)
- » IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (since 1 July 2009)
- » IFRIC 17 – Distributions of Non-Cash Assets to Owners (since 1 November 2009)
- » IFRIC 18 – Transfer of Assets from Customers

Revised IFRS 3 “Business Combinations” and Amendments to IAS 27 “Consolidated and Separate Financial Statements”:
The amendments to IFRS 3 and IAS 27 were published on 10 January 2008, incorporated into EU law on 3 June 2009 and became applicable for financial years starting on or after 30 June 2009. Changes include broadening the scope of application to business combinations of mutual entities and those not involving financial considerations. Costs of issuing debt or equity securities associated with an acquisition are now accounted for using IAS 39 and IAS 32, all other acquisition-related expenses are recognised in income. The right to opt for the “full goodwill method” has also been introduced. In step acquisition, goodwill and reassessment of the net asset values are recognised only once control has been obtained. The provisions of IFRS 3 and IAS 27 are applicable to the Deutsche Euroshop Group. The other changes or new announcements had no or no material effects on the presentation of the net assets, financial position and results of operations of the Group.

In 2010, 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.

» Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (since 1 July 2010)
» Revised IAS 24 Related Party Disclosures (from 1 January 2011)
» Amendment to IAS 32 Classification of Rights Issues (since 1 February 2010)
» Improvements to IFRS (issued May 2010) (since 1 July 2010)
» Amendment to IFRIC 14 Prepayments of a Minimum Funding (from 1 January 2011)
» IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (since 1 July 2010)

The official announcements that did not yet have to be applied in 2010 will be implemented in the year in which their application becomes compulsory for the first time. The effects of these individual amendments are being examined by the Group.

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 depreciation and the depreciation 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 88.3% (2009: 88.6%) of rental income, i.e. 11.7% (2009: 11.4%) of rental income is deducted for management and administrative costs. In financial year 2010, these costs came to 10.5% 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 6.65%, compared with 6.80% in the previous year. It is composed of a yield of 4.44% on a ten-year German federal government bond (2009: 4.48%) compared with the current yield of 3.4% (as at 31 December 2010) and an average risk premium of 2.21% (2009: 2.32%).

On the basis of the expert appraisals, the property portfolio has a net initial yield of 5.89% for financial year 2010, compared with 5.82% 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.

No appraisal report was produced for the properties owned by CASPIA Investments Sp. z o.o., Warsaw, due to their lesser importance. The properties were also recognised at market value in accordance with IAS 40.

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.

Financial instruments are generally recognised at fair value. When determining fair value, three assessment categories are differentiated between:

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.

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 third-party 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 (terms of up to three months) 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

in € thousand	Concessions, industrial and similar rights and licences in such rights and assets	
	2010	2009
Costs as at 1 January	**48**	**53**
Currency differences	0	0
Additions	14	1
Disposals	0	-6
Reclassifications	0	0
as at 31 December	**62**	**48**
Amortisation as at 1 January	**-24**	**-21**
Currency differences	0	0
Additions	-9	-9
Reversals of impairment losses	0	0
Disposals	0	6
as at 31 December	**-33**	**-24**
Carrying amount at 1 January	**24**	**32**
Carrying amount at 31 December	**29**	**24**

This item consists mainly of software licences.

2. Property, plant and equipment

2009 in € thousand	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**

2010 in € thousand	Property, advance payments and assets under construction	Other equipment, operating and office equipment	**Total**
Costs as at 1 January	**237**	**84**	**321**
Currency differences	0	0	0
Additions	0	5	5
Additions to basis of consolidation	0	0	0
Disposals	0	-12	-12
Reclassifications	-7	0	-7
as at 31 December	**230**	**77**	**307**
Depreciation as at 1 January	**-230**	**-43**	**-273**
Currency differences	0	0	0
Additions	0	-14	-14
Reversals of impairment losses	0	0	0
Disposals	0	10	10
as at 31 December	**-230**	**-47**	**-277**
Carrying amount at 1 January	**7**	**41**	**48**
Carrying amount at 31 December	**0**	**30**	**30**

3. Investment properties

in € thousand	Investment properties	
	2010	2009
Carrying amount at 1 January	**1,990,980**	**1,897,767**
Currency differences	0	0
Additions	75,330	16,459
Additions to basis of consolidation	600,323	71,228
Investments during the year	2,626	4,703
Unrealised changes in fair value	31,333	-20,467
Reclassifications	105	21,290
Carrying amount at 31 December	**2,700,697**	**1,990,980**

The presentation of the development of investment properties was changed in the year under review. The key changes during the year are shown in the following table.

in € thousand	
Investment properties as at 1 January	**1,990,980**
First-time consolidation	0
– Main-Taunus-Zentrum	245,198
– Phoenix-Center	95,720
– A 10 Center	204,381
	545,299
Increase in stake Altmarkt-Galerie Dresden	55,024
Additions to basis of consolidation	**600,323**
Additions, expansion measures	75,330
Ongoing investments / maintenance measures	2,626
Other	105
Value increases	32,315
Value decreases	-982
Change in investment properties	**709,717**
Investment properties as at 31 December	**2,700,697**

The properties are secured by mortgages. There are land charges in the amount of €1,288,156 thousand (previous year: €934,195 thousand). The rental income of the properties valued in accordance with IAS 40 was €144,189 thousand (previous year: €127,563 thousand). Directly associated operating expenses were €15,212 thousand (previous year: €13,024 thousand).

4. Non-current financial assets

in € thousand	Non-current financial assets	
	2010	2009
Costs as at 1 January	**15,381**	**18,526**
Currency differences	0	-114
Additions	0	0
Disposals	0	-3,031
Reclassifications	0	0
as at 31 December	**15,381**	**15,381**
Write-downs and impairments / impairment losses and reversals as at 1 January	**9,374**	**11,790**
Currency differences	0	0
Additions	0	0
Reversals of impairment losses	0	0
Write-downs and impairments	-870	-2,416
Disposals	0	0
Reclassifications	0	0
as at 31 December	**8,504**	**9,374**
Carrying amount at 1 January	**24,755**	**30,316**
Carrying amount at 31 December	**23,885**	**24,755**

The investment in Ilwro Joint Venture Sp. z o.o., Warsaw, was written down by €870 thousand in the year under review, resulting in a net carrying amount of €23,885 thousand on the balance sheet date.

5. Investments inequity-accounted associates

in € thousand	Investments in equity-accounted associates	
	2010	2009
Costs as at 1 January	**5,528**	**5,439**
Currency differences	0	0
Additions	1,350	91
Disposals	-195	-2
Reclassifications	0	0
as at 31 December	**6,683**	**5,528**
Amortisation / impairment losses and reversals as at 1 January	**-1,996**	**-1,699**
Currency differences	0	0
Additions	0	0
Reversals of impairment losses	0	68
Amortisation	-593	-364
Disposals	0	0
Reclassifications	0	0
as at 31 December	**-2,589**	**-1,996**
Carrying amount at 1 January	**3,532**	**3,740**
Carrying amount at 31 December	**4,094**	**3,532**

The additions relate to a mandatory capital contribution to Kommanditgesellschaft PANTA Achtundvierzigste Grundstücksgesellschaft GmbH & Co., Hamburg. The amortisations concern value adjustments on four property companies which are not important to the Group.

6. Other non-current assets

in € thousand	**31.12.2010**	31.12.2009
Other non-current assets	605	865
	605	**865**

This item consists mainly of the present value of a non-current receivable of €585 thousand attributable to our Polish property company. The company will have annual cash inflows of €207 thousand until 2016.

7. Trade receivables

in € thousand	**31.12.2010**	31.12.2009
Trade receivables	4,534	3,521
Allowances for doubtful accounts	-1,053	-964
	3,481	**2,557**

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 € thousand	31.12.2010	31.12.2009
Advance payment Billstedt-Center Hamburg	156,713	0
Value added tax receivables	2,312	689
Deductible withholding tax on dividends / solidarity surcharge	60	159
Interest rate swaps	207	207
Other current assets	5,679	4,815
	164,971	**5,870**

The purchase price and ancillary acquisition costs for the Billstedt-Center Hamburg were paid at the end of the year.

Other current assets primarily consist of other receivables from tenants and costs to protect locations. This items also includes a secured receivable against ARCANDOR AG i.L. worth €1.8 million which was settled in early 2011.

Receivables

in € thousand	Total	Up to 1 year	Over 1 year
Trade receivables	3,481	3,481	0
	(2,557)	(2,557)	(0)
Other assets	165,576	164,971	605
	(6,735)	(5,870)	(865)
	169,057	**168,452**	**605**
(Previous year's figure in brackets)	**(9,292)**	**(8,427)**	**(865)**

Maturity of trade receivables and other assets

in € thousand	Carrying amount	Not overdue
Trade receivables	3,481	3,481
	(2,557)	(2,557)
Other assets	165,576	165,576
	(6,735)	(6,735)
	169,057	**169,057**
(Previous year's figure in brackets)	**(9,292)**	**(9,292)**

9. Other financial investments

in € thousand	31.12.2010	31.12.2009
Time deposits with a term of over 3 months	0	1,600
	0	**1,600**

10. Cash and cash equivalents

in € thousand	31.12.2010	31.12.2009
Short-term deposits/time deposits	51,742	62,448
Current accounts	14,030	19,452
Cash	12	14
	65,784	**81,914**

NOTES TO THE CONSOLIDATED BALANCE SHEET – LIABILITIES

11. Equity and reserves

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

The share capital is €51,631,400 and is composed of 51,631,400 no-par-value registered shares.

The notional value of each share is €1.00.

Deutsche EuroShop carried out a rights issue at a ratio of 6:1 in February, thereby increasing the share capital from 37,812,496 to 44,114,578 shares. The new shares were acquired in full by existing shareholders exercising 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. Around €123 million flowed into the company as a result. The corresponding entry in the commercial register was made on 2 February 2010.

In July 2010, the Company's increased its share capital by €1,780,000 to a total of €45,894,578 by issuing 1,780,000 additional shares against non-cash contributions. The corresponding entry in the commercial register was made on 13 August 2010.

The Company carried out a rights issue at a ratio of 8:1 in November, thereby increasing the share capital by 5,736,822 shares to €51,631,400. The new shares were acquired in full by existing shareholders exercising their subscription right and an oversubscription right granted by the Company. A total of 5.7 million new shares were issued at a subscription price of €23.00 per share. Around €132 million flowed into the company as a result. The corresponding entry in the commercial register was made on 24 November 2010 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 €14,540,467 on one or multiple occasions until 16 June 2015 by issuing no-par-value registered shares against cash and/or non-cash contributions (approved capital 2010).

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 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 €56,795 thousand. The Executive Board and the Supervisory Board will propose to distribute this amount as a dividend of €1.10 per share at the Annual General meeting on 16 June 2011. 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 € thousand	31.12.2010	31.12.2009
Non-current bank loans and overdrafts	1,227,096	921,170
Current bank loans and overdrafts	61,060	13,025
	1,288,156	**934,195**

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 date, together with any residual amount according to the redemption schedule are discounted at 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 €1,324,096 thousand (previous year: €968,000 thousand).

Bank loans and overdrafts relate to loans raised to finance real property acquisitions and investment projects. Land charges on Company properties amounting to €1,288,156 thousand (previous year: €934,195 thousand) serve as collateral.

Discounts are amortised over the term of the loan. In the year under review, €4,592 thousand (previous year: €5,555 thousand) was recognised in income.

Currently, eight of a total of 34 loan agreements contain provisions on covenants. In all cases, these related to debt service cover ratios (DSCR) prescribing minimum values of between 110% and 165%. One loan is also subject to a 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 2011–2014.

13. Deferred tax liabilities

in € thousand	As at 1 Jan 2010	Utilisation	Reversal	Addition	As at 31 Dec 2010
Deferred tax liabilities	**85,600**	**0**	**0**	**15,452**	**101,052**

Deferred tax liabilities relate primarily to properties reported at fair value in accordance with IAS 40. At the balance sheet date, they totalled €121,236 thousand (previous year: €104.301 thousand) and were partially offset by deferred tax assets on tax loss carryforwards of €16,053 thousand (previous year: €15,248 thousand). In addition, deferred tax assets were formed on equity items recognised directly in equity in the amount of €4,131 thousand (previous year: €3,784 thousand).

Additions for companies in Germany were €12,476 thousand (previous year: €4,240 thousand), while additions of €2,976 thousand (previous year: €2,699 thousand) were made for foreign companies.

Other total income is divided into the following components:

2009 in € thousand	Before taxes	Taxes	Net
Measurement of investments (AfS) IAS 39	-2,417	0	-2,417
Cash flow hedges	-4,602	2,787	-1,815
Currency conversion foreign companies	-350	583	233
	-7,369	**3,370**	**-3,999**

2010 in € thousand	Before taxes	Taxes	Net
Measurement of investments (AfS) IAS 39	-870	0	-870
Cash flow hedges	-864	141	-723
Currency conversion foreign companies	246	-47	199
	-1,488	**94**	**-1,394**

14. Right to redeem of limited partners

in € thousand	
As at 01.01.10	**123,035**
Profit share	
from valuation	2,969
attributable to operating profit	7,377
Deposits	4,225
Withdrawals	-7,467
Acquisition payments	-17,686
First-time consolidations	165,171
Other	156
As at 31 December 2010	**277,780**

15. Trade payables

in € thousand	**31.12.2010**	31.12.2009
Construction services	3,056	145
Other	3,089	926
	6,145	**1,071**

16. Tax provisions

in € thousand	As at 1 Jan 2010	Addition to basis of consolidation	Utilisation	Reversal	Addition	**As at 31 Dec 2010**
Other income taxes	1,529	0	1,466	2	370	431
Real property tax	452	4	267	173	3	19
	1,981	**4**	**1,733**	**175**	**373**	**450**

Other income taxes primarily comprise trade tax payments in connection with the acquisition of shareholdings in Objekt City-Point Kassel GmbH & Co. KG.

Real property tax provisions relate exclusively to companies in Germany.

17. Other provisions

in € thousand	As at 1 Jan 2010	Addition to basis of consolidation	Utilisation	Reversal	Addition	As at 31 Dec 2010
Maintenance and construction services already performed but not yet invoiced	1,293	0	1,096	154	3,781	3,824
Fees	16,497	0	16,497	0	413	413
Other	1,898	608	2,191	196	2,973	3,091
	19,688	**608**	**19,785**	**349**	**7,167**	**7,329**

Other provisions includes a present value of €116 thousand for a long-term incentive plan which was contractually agreed between the Executive Board and employees of Deutsche EuroShop AG with effect from 1 July 2010. The term is five years and it is based on the performance of the Company's market capitalisation within this period. Please also refer to the details in the remuneration report, which is part of the management report.

All other provisions have a term of up to one year.

18. Other current liabilities

in € thousand	31.12.2010	31.12.2009
Rental deposits	837	873
Value added tax	2,521	1,850
Trade tax	1,795	0
Obligations to make capital contributions	1,300	0
Service contract liabilities	507	639
Debtors with credit balances	402	110
Other	3,811	1,933
	11,173	**5,405**

Other mainly comprises liabilities for heating and ancillary costs together with prepaid rent for the following year.

19. Other non-current liabilities

in € thousand	31.12.2010	31.12.2009
Interest rate swaps	21,168	19,501
Other	671	344
	21,839	**19,845**

In connection with borrowing, interest rate hedges were concluded to hedge against higher capital market interest rates. Their present value totalled €21,168 thousand as at the balance sheet date.

Liabilities

in € thousand	Total	Current	Non-current
Bank loans and overdrafts	1,288,156	61,060	1,227,096
	(934,195)	(13,025)	(921,170)
Trade payables	6,145	6,145	0
	(1,071)	(1,071)	(0)
Other liabilities	33,012	11,173	21,839
	(25,250)	(5,405)	(19,845)
of which taxes	4,316	4,316	0
	(1,850)	(1,850)	(0)
	1,327,313	**78,378**	**1,248,935**
(Previous year's figure in brackets)	**(960,516)**	**(19,501)**	**(941,015)**

NOTES TO THE CONSOLIDATED INCOME STATEMENT

20. Revenue

in € thousand	31.12.2010	31.12.2009
Minimum rental income	140,658	124,606
Turnover rental income	2,571	2,232
Other revenue	960	725
	144,189	**127,563**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	144,189	127,563

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 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 € thousand	2010	2009
Maturity within 1 year	172,457	125,562
Maturity from 1 to 5 years	552,637	401,426
Maturity after 5 years	308,328	238,002
	1,033,422	**764,990**

21. Property operating costs

in € thousand	2010	2009
Center marketing	-2,325	-2,078
Maintenance and repairs	-944	-937
Real property tax	-838	-805
Insurance	-393	-320
Write-downs of rent receivables	-578	-563
Other	-2,242	-1,140
	-7,320	**-5,843**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	-7,320	-5,843

22. Property management costs

in € thousand	2010	2009
Center management / agency agreement costs	-7,892	-7,181
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	-7,892	-7,181

23. Other operating income

in € thousand	2010	2009
Income from the reversal of provisions	349	300
Exchange rate gains	33	71
Other	564	545
	946	**916**

24. Other operating expenses

in € thousand	2010	2009
Personnel expenses	-1,836	-1,361
Legal and consulting costs, tax consultant fees and audit expenses	-1,432	-1,371
Marketing costs	-486	-425
Supervisory Board compensation	-223	-223
Appraisal costs	-227	-155
Exchange rate losses	-177	-221
Write-downs	-24	-23
Other	-1,486	-969
	-5,891	**-4,748**

Legal and consulting costs, tax consultant fees and audit expenses include €376 thousand in fees for the audit of Group companies.

25. Income from investments

in € thousand	2010	2009
Income from investments	1,413	1,455
	1,413	**1,455**

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 € thousand	2010	2009
Profit / loss from equity-accounted associates	-593	-141
	-593	**-141**

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.

27. Profit / loss attributable to limited partners

in € thousand	2010	2009
Profit / loss attributable to limited partners	-7,948	-8,164
	-7,948	**-8,164**

With effect from 1 July 2010, Deutsche EuroShop AG has acquired shareholdings in City-Arkaden Wuppertal KG and Objekt City-Point Kassel GmbH & Co. KG. The profit / loss attributable to third-party shareholders to the acquisition date of €571 thousand is included in this item.

28. Measurement gains / losses

in € thousand	2010	2009
Unrealised changes in fair value	31,431	-20,466
Profit / loss attributable to limited partners	-2,969	-784
Ancillary acquisitions costs	-8,631	0
Excess of identified net assets acquired over cost of acquisition resulting from changes in the consolidated capital in accordance with IFRS 3	13,298	6,007
Exchange rate gains	0	431
Other	0	40
	33,129	**-14,772**

Ancillary acquisition costs relate exclusively to the acquisition of the A 10-Center. The excess of net assets acquired over cost of acquisition in accordance with IFRS 3 primarily results from the first-time consolidation of the A 10 Center Wildau KG, DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG and the Main-Taunus-Zentrum Wieland KG.

29. Income tax expense

in € thousand	2010	2009
Current tax expense	-316	-47
Deferred tax liabilities – domestic companies	-11,889	-3,165
Deferred tax liabilities – foreign companies	-2,975	-2,499
	-15,180	**-5,711**

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 2010, a corporate 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 taxes were applied for companies in other countries.

Tax reconciliation

Income taxes in the amount of €15,180 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 € thousand	2010	2009
Consolidated profit before income tax	**96,998**	**40,079**
Theoretical income tax 15.825%	**-15,350**	**-6,343**
Tax rate differences for foreign Group companies	-631	-656
Tax-free income / non-deductible expenses	1,001	1,151
Divergent domestic tax	-202	-33
Aperiodic tax income	52	0
Reversal due to tax rate reduction abroad	0	199
Other	-50	-29
Current income tax	**-15,180**	**-5,711**

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, €202 thousand in trade tax expense was included in the current tax expense.

The effect arising from tax-free income is largely the result of recognising the excess of identified assets over cost of acquisition (which is not relevant for tax purposes) in accordance with IFRS 3 from the acquisitions of shares in DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG.

In financial year 2010, the effective income tax rate was 15.6% (previous year: 14.2%). The previous year's figures have been adjusted with regard to tax-free income / non-deductible expenses in the amount of €245 thousand.

30. 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 deposits.

The previous year's figures have been adjusted to take into account €1,607 thousand in cash flow from currentoperating activities.

Composition of cash and cash equivalents

in € thousand	**31.12.2010**	31.12.2009
Cash and cash equivalents	65,784	81,914
	65,784	**81,914**

Operating cash flow

After adjustment of the annual profit for non-cash income and expenses, operating cash flow was €72,117 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. The change in receivables includes, among others, the purchase price of €156.7 million (including ancillary acquisition costs) paid at the end of the year for the Billstedt-Center.

Cash outflows from operating activities includes, among others:
- interest income in the amount of €1.0 million (previous year: €0.7 million).
- interest expense in the amount of €49.5 million (previous year: €44.1 million).
- income taxes paid in the amount of €0.3 million (previous year: €0.0 million).

Cash flow from investing activities

Cash additions/disposals of non-current assets during the year are recognised.

In the year under review, expansion investments totalling €78.0 million were made in our properties. The acquisition price for A 10 in Wildau was €204.4 million (including ancillary acquisition costs) and was paid in cash on 1 February 2010.

In July 2010, Deutsche EuroShop AG increased its share in the Altmarkt-Galerie Dresden from 50% to 67%. The purchase price was raised by means of the issue of new shares in a non-cash capital increase. Cash and cash equivalents of €3.8 million were recognised.

On 31 December 201, Deutsche EuroShop AG acquired 9.7% of the shares in the limited partnership of DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG, Hamburg. The purchase price of €17.1 million was paid in cash. Cash and cash equivalents of €7.8 million were recognised.

Cash flow from financing activities

In financial year 2010, a dividend of €46,320 thousand was paid to the shareholders.

Three capital increases were carried out, of which one in the form of a non-cash capital increase. In total, the Company raised €253.7 million.

A capital increase was conducted for the Stadt-Galerie Passau in 2010, in which third-party shareholders participated in the amount of €4.2 million.

Payments to third-party shareholders totalled €14.0 million and included distributions of €7.5 million, payment of the acquisition prices to increase the shareholdings in City-Point Kassel (€5.1 million) and City-Arkaden Wuppertal (€1.4 million).

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 €330 thousand and the effects of the expansion of the basis of consolidation of €1,671 thousand.

Cash flow per share

in € thousand		2010	2009
Average outstanding shares (diluted)	no.	45,544,976	39,065,542
Average outstanding shares (basic)	no.	45,544,976	39,065,542
Operating cash flow	in € thousand	72,117	63,237
Operating cash flow per share (diluted)	€	1.58	1.62
Operating cash flow per share (basic)	€	1.58	1.62
Cash flow from operating activities	in € thousand	-94,167	60,523
Cash flow per share (diluted)	€	-2.07	1.55
Cash flow per share (basic)	€	-2.07	1.55

In order to take into account the capital increase conducted in the year under review, a pro-rata weighting and a retrospective adjustment of the number of shares must be applied in accordance with IAS 33 when determining the basic and diluted earnings per share. Please also refer to our detailed notes on equity. For this reason, the average number of outstanding shares in financial year 2010 was 45,544,976. The previous year's figure was adjusted from 36,799,402 shares to 39,065,542 shares accordingly.

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. The companies are operated individually. Due to the Company's uniform business activities within a relatively homogeneous region (the European Union), for reasons of simplification and in accordance with IFRS 8.12, 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 primarily on the EBIT of the individual property companies. The valuation principles for the segment reporting correspond to those of the Group. Eliminations of intra-Group ties between the segments are summarised in the reconciliation.

Breakdown by geographical segment

in € thousand	Domestic	International	Total
Revenue	**121,330**	**22,859**	**144,189**
(previous year's figures)	(105,003)	(22,560)	(127,563)

Around 10% of rental income in the previous year (€13,495 thousand) was generated in Poland. In the year under review, revenues in this region were below this level.

in € thousand	Domestic	International	Reconciliation	Total
EBIT	**107,951**	**20,431**	**-4,350**	**124,032**
(previous year's figures)	(93,439)	(20,127)	-(2,859)	(110,707)

in € thousand	Domestic	International	Reconciliation	Total
Net interest income	**-45,644**	**-7,606**	**215**	**-53,035**
(previous year's figures)	(-41,374)	(-7,537)	(-95)	(-49,006)

in € thousand	Domestic	International	Reconciliation	Total
EBT (before measurement gains / losses)	**60,858**	**10,600**	**-7,589**	**63,869**
(previous year's figures)	(32,771)	(15,275)	(6,805)	(54,851)

in € thousand	Domestic	International	Total
Segment assets	**2,621,311**	**342,265**	**2,963,576**
(previous year's figures)	(1,775,305)	(336,840)	(2,112,145)
of which investment properties	**2,367,696**	**333,001**	**2,700,697**
(previous year's figures)	(1,663,951)	(327,029)	(1,990,980)

OTHER DISCLOSURES

31. Financial instruments and risk management

Carrying amounts, valuations and fair values according to measurement category

in € thousand	Measurement category pursuant to IAS 39	Carrying amount 31 Dec 2010	Balance sheet amount in line with IAS 39: Amortised cost	Costs	Fair value recognised in equity
Financial assets*					
Non-current financial assets	AfS	23,885	0	15,381	8,505
Trade receivables	LaR	3,481	3,481		
Other assets	LAR	3,628	701		792
Other financial investments	HtM	0			
Cash and cash equivalents	LaR	65,784	65,784		
Financial liabilities*					
Bank loans and overdrafts	FLAC	1,288,156	1,288,156		
Right to redeem of limited partners	FLAC	277,780	277,780		
Trade payables	FLAC	6,145	6,145		
Other liabilities	FLAC	27,641	6,473		21,168
Aggregated according to measurement category pursuant to IAS 39:					
Loans and receivables (LaR)		72,893	69,966		792
Available for sale (AfS)		23,885		15,381	8,505
Held to maturity (HtM)		0			
Financial liabilities measured at amortised cost (FLAC)		1,599,722	1,578,554		21,168

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

Non-current financial assets include 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 year under review are recognised in net profit or loss for the period.

Trade receivables, other assets and cash and cash equivalents have predominantly short- term residual terms. The carrying amounts thus correspond to the fair value. The change in the present value of the long-term interest rate swap recognised was €161 thousand (previous year: €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 are 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 €54,075 thousand (previous year: €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.

			Balance sheet amount in line with IAS 39				
Fair value recognised in income	**Fair value 31 Dec 2010**	Carrying amount 31 Dec 2009	Amortised cost	Costs	Fair value recognised in equity	Fair value recognised in income	**Fair value 31 Dec 2009**
	23,886	24,756		15,381	9,375		24,756
	3,481	2,557	2,557				2,557
	3,628	1,807	853		954		1,807
	0	1,600	1,600				1,600
	65,784	81,914	81,914				81,914
	1,324,096	934,195	934,195				968,000
	277,780	123,035	123,035				123,035
	6,145	1,071	1,071				1,071
	27,641	22,893	3,392		19,501		22,893
	72,893	86,278	85,324		954		86,278
	23,886	24,756		15,381	9,375		24,756
	0	1,600	1,600				1,600
	1,635,662	1,081,194	1,061,693		19,501		1,114,999

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 third-party shareholders of €7,948 thousand (previous year: €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 are identified at an early stage and can then be evaluated, communicated promptly and mitigated. Risk analysis involves the identification and analysis of factors that may jeopardise the achievement of goals.

Market risks

Liquidity risk

The liquidity of 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 be utilised at short notice.

The contractually agreed future interest and principle repayments of the original financial liabilities and derivative financial instruments are as follows as at 31 December 2010:

in € thousand	Carrying amount 31 Dec 2010	Cash flows 2011	Cash flows 2012 to 2015	Cash flows from 2016
Bank loans and overdrafts	1,288,156	94,021	746,917	803,806

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 2011.

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 preparation of the financial statements. During the reporting year, write-downs of rent receivables of €578 thousand (previous year: €563 thousand) were recognised under property operating costs.

The maximum default risk in relation to trade receivables and other assets totals €11,772 thousand (previous year: €8,424 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 euro. This does not entail currency risks.

On the basis of expert appraisals, the property portfolio has a theoretical net yield of 5.89% (previous year: 5.82%) for financial year 2010. An increase of 100 basis points in the net initial yield would result in a profit reduction of €405 million. A reduction of 100 basis points would result in a profit increase of €571 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 €17,628 thousand. The majority of the loan liabilities have fixed interest terms. On the balance sheet date, loans totalling €201,780 thousand (previous year: €195,700 thousand) were 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 € thousand	31.12.2010	31.12.2009
Equity	**1,527,432**	**1,044,360**
Equity ratio (%)	51.5	49.5
Net financial debt	**-1,222,372**	**-850,681**

Equity is reported here including the share of the third-party shareholders.

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

32. 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 income and expenses of the jointly controlled companies.

During the financial year, assets and liability items 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 € thousand	31.12.2010	31.12.2009
Current assets	18,357	14,140
Non-current assets	375,587	545,498
Current liabilities	3,615	4,781
Non-current liabilities	190,741	261,002
Income	21,316	35,194
Expenses	-9,298	-26,719

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. Overall, these companies are not important to the Group.

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

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

in € thousand	31.12.2010	31.12.2009
Current assets	2,115	655
Non-current assets	9,716	10,128
Current liabilities	449	89
Non-current liabilities	7,204	7,200
Income	686	772
Expenses	-1,157	-2,294

33. EARNINGS PER SHARE

in € thousand		2010	2009
Average outstanding shares (diluted)	no.	45,544,976	39,065,542
Average outstanding shares (basic)	no.	45,544,976	39,065,542
Consolidated net profit attributable to Group shareholders	in € thousand	81,817	34,367
Earnings per share (basic)	in €	1.80	0.88
Earnings per share (diluted)	in €	1.80	0.88

Basic earnings per share

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

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.

In order to take into account the capital increase conducted in the year under review, a pro-rata weighting and a retrospective adjustment of the number of shares must be applied in accordance with IAS 33 when determining the basic and diluted earnings per share. Please also refer to our detailed notes on equity. For this reason, the average number of outstanding shares in financial year 2010 was 45,544,976. The previous year's figure was adjusted from 36,799,402 shares to 39,065,542 shares accordingly.

OTHER FINANCIAL OBLIGATIONS

There are other financial obligations of €92.8 million arising from service contracts.

Financial obligations of €69.2 million arise for the investment measures in the Main-Taunus-Zentrum in Sulzbach, in the Altmarkt-Galerie Dresden and the A10 Center in Wildau.

OTHER DISCLOSURES

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

EVENTS AFTER THE BALANCE SHEET DATE

With effect from 23 September 2010, Deutsche EuroShop AG founded 1. DES Grundbesitz KG, Hamburg with an investment of €10 thousand. On 1 January 2011, this company acquired the Billstedt-Center Hamburg. The acquisition price was €148.4 million and was paid in cash on 30 December 2010. This amount is recognised under other current assets on the balance sheet date. The fair value of the acquired real property on the acquisition date was €156.7 million. The company incurred an excess of identified net assets acquired over the purchase price allocation amounting to €8.3 million.

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

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 (until 16 August 2010)
LBBW Equity Partners Verwaltungs GmbH, Munich (until 16 August 2010)

Dr Jörn Kreke, Hagen
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) Verwaltungsgesellschaft Otto mbH, Hamburg
b) Peek & Cloppenburg KG, Dusseldorf

Dr Bernd Thiemann, Kronberg im Taunus
Management consultant
a) Deutsche Pfandbriefbank AG, Unterschleissheim (Chairman)
EQC AG, Osnabrück (Deputy Chairman)
Hypo Real Estate Holding AG, Unterschleißheim (Chairman)
VHV Vereinigte Hannoversche Versicherung a.G., Hanover
VHV Leben AG, Hanover (until 5 July 2010)
Wave Management AG, Hamburg (Deputy Chairman)
IVG Immobilien AG, Bonn (from 20 May 2010)
b) 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.

Olaf Borkers, Hamburg

The remuneration of the members of the Supervisory Board totalled €223 thousand in the period under review (previous year: €223 thousand).

The remuneration of the Executive Board totalled €1,154 thousand (previous year: €893 thousand), which includes performance-related compensation in the amount of €611 thousand (previous year: €350 thousand).

A long-term incentive (LTI) remuneration component was agreed for the first time in 2010. A provision of €85 thousand was created for the Executive Board during the year under review.

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 2010.

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 €6,396 thousand (previous year: €6,248 thousand) was generated in the financial year from the Douglas Group under existing lease agreements. Receivables from the Douglas Group amounted to €292 thousand on the balance sheet date.

Fees for service contracts with the ECE Group amounted to €27,772 thousand (previous year: €18,846 thousand). This amount was partially offset by income from lease agreements with the ECE Group in the amount of €5,278 thousand (previous year: €4,674 thousand). Receivables from ECE amounted to €2,565 thousand, while liabilities were €3,644 thousand.

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

With effect from 31 December 2010, a voting agreement was entered into with ARENA Vermögensverwaltung (G.m.b.H. & Co.), a company belonging to Alexander Otto, in relation to adopting resolutions at Immobilien Kommanditgesellschaft FEZ Harburg, Hamburg. In return, ARENA Vermögensverwaltung (G.m.b.H. & Co.) received compensation amounting to €10 thousand.

Hamburg, 13 April 2011

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 (share threshold in %)	New voting rights share in %	of which own holdings in %	of which indirectly attributable in %
Benjamin Otto, Hamburg	2 April 2002	Exceeds threshold (5)	7.74	0.00	7.74
"Bravo-Alpha" Beteiligungs G.m.b.H., Hamburg	2 April 2002	Exceeds threshold (5)	7.74	3.71	4.03
Alexander Otto, Hamburg	25 November 2005	Exceeds threshold (5, 10)	12.27	0.91	11.36
AROSA Vermögensverwaltungs-gesellschaft m.b.H., Hamburg	2 February 2010	Falls below threshold (10)	9.63	9.63	0.00
Glenwood Office Investments (Pty) Limited, Brooklyn, South Africa	2 February 2010	Falls below threshold (3)	2.66	0.00	2.66
"Charlie-Fox" Beteiligungs G.m.b.H., Hamburg	13 August 2010	Falls below threshold (3)	2.90	2.90	0.00
BlackRock, Inc., New York, USA	13 September 2010	Exceeds threshold (3)	3.29	0.00	3.29
BlackRock Holdco 2, Inc., Wilmington, Delaware, USA	13 September 2010	Exceeds threshold (3)	3.23	0.00	3.23
BlackRock Financial Management, Inc., New York, USA	13 September 2010	Exceeds threshold (3)	3.23	0.00	3.23
Karoo Investment Fund S.C.A. SICAV-SIF, Luxembourg, Grand Duchy of Luxembourg	14 September 2010	Falls below threshold (3)	2.89	2.89	0.00
Pinelake International Limited, Douglas, Isle of Man	13 September 2010	Falls below threshold (3)	2.89	0.00	2.89
Sasfin Holdings Limited, Johannesburg, South Africa	14 September 2010	Falls below threshold (3)	2.89	0.00	2.89
Sasfin Financial Services (Pty) Ltd, Johannesburg, South Africa	14 September 2010	Falls below threshold (3)	2.89	0.00	2.89
Sasfin Securities (Pty) Ltd, Johannesburg, South Africa	14 September 2010	Falls below threshold (3)	2.89	0.00	2.89
Stockshare Nominees (Pty) Limited, Johannesburg, South Africa	14 September 2010	Falls below threshold (3)	2.89	0.00	2.89
Attfund Ltd., Brooklyn, South Africa	14 September 2010	Falls below threshold (3)	2.89	0.00	2.89
Commerzbank AG, Frankfurt	26 November 2010	Falls below threshold (5, 3)	0.04	0.04	0.00
DZ BANK AG, Deutsche Zentral-Genossen-schaftsbank, Frankfurt	26 November 2010	Falls below threshold (5, 3)	0.00	0.00	0.00

The total fees for the consolidated financial statements for the 2010 financial year amounted to €328 thousand (previous year: €282 thousand). The Group auditor performed no other services.

SHAREHOLDINGS

List of shareholdings in accordance with section 313 (2) nos. 1 and 4 of the Handelsgesetzbuch (HGB – German Commercial Code) as at 31 December 2010:

Company name and domicile	Interest in equity	of which indirect	of which direct	Equity as at 31 December 2010	HGB profit / loss 2010
Fully consolidated companies				in €	in €
Deutsche EuroShop Verwaltungs GmbH, Hamburg	100.00%	-	100.00%	41,349,938.68	-61,668.22
Deutsche EuroShop Management GmbH, Hamburg	100.00%	-	100.00%	58,658.85	33,658.85
DES Beteiligungs GmbH, Hamburg	100.00%	-	100.00%	97,366,705.92	221,905.92
A 10 Center Wildau KG. Hamburg (previously Kommanditgesellschaft PANTA Neunundneunzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg)	100.00%	100.00%		100,201,481.66	-3,394,019.16
1. DES Grundbesitz KG, Hamburg	100.00%	-	100.00%	155,194,269.38	-10,730.62
Objekt City-Point Kassel GmbH & Co, KG. Pöcking	100.00%	100.00%		17,013,528.30	-707,817.52
City-Arkaden Wuppertal KG, Hamburg	100.00%	-	100.00%	-7,877,640.89	266,459.14
Rhein-Neckar-Zentrum KG, Hamburg	99.90%	-	99.90%	13,665,193.25	2,001,806.57
Stadt-Galerie Hameln KG, Hamburg	94.90%	-	94.90%	66,853,050.90	3,251,147.29
Rathaus-Center Dessau KG, Hamburg	94.90%	-	94.90%	25,264,455.45	6,224,591.70
City-Galerie Wolfsburg KG, Hamburg	89.00%	-	89.00%	-8,253,952.36	1,320,791.65
Allee-Center Hamm KG, Hamburg	88.93%	-	88.93%	-35,155,859.85	3,972,263.62
Stadt-Galerie Passau KG, Hamburg	75.00%	-	75.00%	124,253,193.04	4,003,745.16
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co.KG, Hamburg	74.00%	-	74.00%	43,557,588.69	9,253,522.47
Forum Wetzlar KG. Hamburg	65.00%	-	65.00%	13,691,685.77	1,629,031.15
Main-Taunus-Zentrum Wieland KG, Hamburg	52.01%	46.27%	5.74%	-30,073,125.83	8,570,961.41
DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG, Hamburg	50.47%	-	50.47%	93,432,818.60	4,898,866.51
Immobilien Kommanditgesellschaft FEZ Harburg, Hamburg	50.00%	-	50.00%	-13,847,355.11	1,559,874.75
				in PLN	in PLN
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Sp. kom., Warsaw, Poland	74.00%	74.00%	-	465,242,715.17	32,300,873.07
CASPIA Investments Sp. z o.o., Warsaw, Poland	74.00%	74.00%	-	11,875,074.08	516,559.20

Company name and domicile	Interest in equity	of which indirect	of which direct	Equity as at 31 December 2010	HGB profit / loss 2010
Proportionately consolidated companies				in €	in €
Altmarkt-Galerie Dresden KG, Hamburg	67.00%	-	67.00%	55,677,016.02	-1,903,267.11
CAK City-Arkaden Klagenfurt KG, Hamburg	50.00%	-	50.00%	17,362,954.39	318,668.52
EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OG, Wien	50.00%	50.00%	-	7,915,940.97	373,084.35
Einkaufs-Center Arkaden Pécs KG, Hamburg	50.00%	-	50.00%	24,729,129.16	1,917,746.85
Equity-accounted companies / associates:				in €	in €
Kommanditgesellschaft Sechzehnte ALBA Grundstücksgesellschaft mbH & Co., Hamburg	50.00%	50.00%		1,780,729.56	3,786.74
Kommanditgesellschaft PANTA Fünfundsiebzigste Grundstücks-gesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%		2,907,666.32	-882,495.44
Kommanditgesellschaft PANTA Dreiunddreißigste Grundstücks-gesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%		1,958,158.30	-1,489,307.37
Kommanditgesellschaft PANTA Achtundvierzigste Grundstücks-gesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%		-1,384,494.98	-1,532,933.40
EKZ Vier Errichtungs- und Betriebs Ges.m.b,H., Vienna	50.00%	50.00%		10,030,661.84	28,010.50
City-Point Beteiligungs GmbH, Pöcking	40.00%	-	40.00%	28,119.59	2,554.99
Investees				in PLN	in PLN
Ilwro Joint Venture Sp. z o.o., Warsaw, Poland	33.33%	-	33.33%	283,774,968.84	-3,870,271.44

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.d,

Hamburg 13 April 2011

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 2010. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the HGB and 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, 14 April 2010

BDO AG
Wirtschaftsprüfungsgesellschaft

Dyckerhoff
Auditor

Dr Probst
Auditor

READERS' LETTERS

DEAR MS SCHÄFER,
It must be something quite unique in the history of public companies for a shareholder to be congratulated on his or her birthday. It was a huge surprise for me in any case and I was delighted by this thoughtful gesture.

As I have been the proud owner of a laptop for the last six months, I'm sure you won't hold it against me if I save myself the walk to the post box and send you my sincere thanks electronically.

Gerda M.,
Berlin*

DEAR MR KISS,
Many thanks for sending the EuroShopper. I must pass on my heartiest congratulations on the report as a whole. It is very well done, extremely pleasing on the eye and refreshingly different from the usual annual reports.

Rüdiger Pleus,
Managing Director, German Council of Shopping Centers e.V., Ludwigsburg

DEAR MR BÖGE,
Thank you for sending your 2009 annual report.

As always you have managed to present not only good, sustainable figures, but also a wonderfully refreshing and "charming" annual report. Please accept my highest compliments!

Ulrich Höller,
CEO, DIC Asset AG, Frankfurt

DEAR SIR / MADAM,
Thank you very much for the information you sent. It would be wonderful if you were able to continue the outstanding reporting that we have seen to date. I feel very well informed about developments at the company. Ultimately, this means that one is happy to participate in the capital increases, as one gets the impression that they are creating added value.

Olaf Krieger,
Leipzig*

DEAR MR BÖGE,
DEAR MR BORKERS,
Many congratulations on your company's tenth anniversary. We firmly believe that you can look back with justifiable pride on the history of the company to date.

Approach the next decade with confidence and vigour. We are certain that you will continue to be successful in your actions on the German capital market.

René Parmantier,
CEO, Close Brothers Seydler Bank AG

* name and city changed by the editors

Service

GLOSSARY

A

ADVERTISING VALUE EQUIVALENCE Index number for the assessment of the monetary value of an editorial article. It is based on the advertising rate of the medium.

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.

B

BENCHMARK A standard of comparison, e.g. an index which serves as a guideline.

C

CASHFLOW 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.

CORE Designation of a real estate investment and / or individual properties as well as the name of an investment style. The term refers to the relationship between risk and return. Core designates mature, transparent, sufficiently large markets or high-quality, well-situated properties that are fully let on a long-term basis to tenants with strong credit ratings. Other return / risk categories are value-added and opportunistic.

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.

COVENANTS A clause in a loan agreement which pertains to and contractually defines the binding warranties to be adhered to by the borrower during the term of a loan.

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

D

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

DISCOUNTED CASH FLOW MODEL (DCF) Method for the assessment of companies which is used to determine the future payments surplusses and discount them to the valuation date.

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

E

EBIT Earnings before interest and taxes.

EBT Earnings before taxes.

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

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

EPS Earnings per Share

F

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

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

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.

G

GEARING Ratio which shows the relationship between liabilities and equity.

H

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

I

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

INTEREST RATE SWAP Exchange of fixed and variable interest pay able 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.

L

LOAN TO VALUE Ratio that expresses the amount of a mortgage as a percentage of the market value of real property.

M

MALL Row of shops in a shopping center.

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

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

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

N

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

P

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

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

R

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

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

ROADSHOW Corporate presentations to institutional in vestors.

S

SAVINGS RATIO Share of savings of the income available in households.

SUBPRIME Mortgage loan to borrower with a low degree of creditworthiness.

T

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

V

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

X

XETRA EAn electronic stock exchange trading system that, in contrast to floor trading, uses and open order book, thus increasing market transparency. The trading hours are currently 9.00 a.m. to 5.30 p.m.

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LEGAL

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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.

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

Online Annual Report
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- ☐ 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

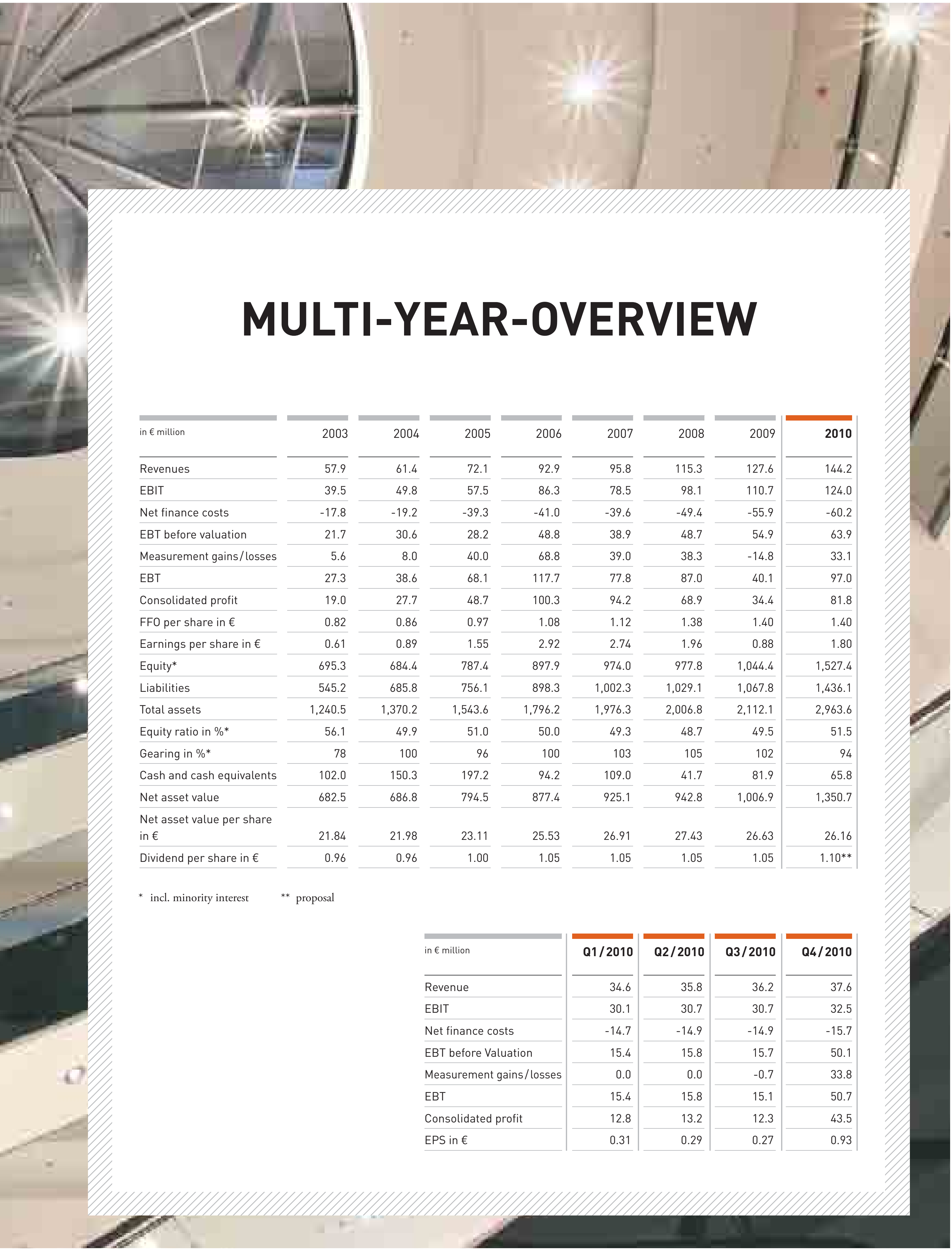
Deutsche EuroShop AG
Investor & Public Relations
Oderfelder Straße 23

20149 Hamburg / Germany

FINANCIAL CALENDAR 2011

02.02.	Seydler Small & Midcap Conference, Frankfurt
28.02.	Roadshow Zurich, WestLB
01.03.	HSBC S&M Real Estate & Construction Conference, Frankfurt
17. – 18.03.	Kempen & Co. Property Seminar, New York
22.03.	Roadshow London, Metzler
23.03.	Roadshow Edinburgh, M.M. Warburg
25.03.	Roadshow Amsterdam, Kempen & Co.
31.03.	Opening of the extension of Altmarkt-Galerie, Dresden
05. – 06.04.	Deutsche Bank's VIP Real Estate Event, Frankfurt, Berlin
06.04.	Opening of the A10 Triangle, Wildau
12.04.	WestLB German Property Day, London
14.04.	Audit Committee meeting, Hamburg
27.04.	Supervisory Board meeting, Hamburg
29.04.	Annual earnings press conference, Hamburg
02.05.	Roadshow Munich, Baader Bank
13.05.	**Interim report Q1 2011**
17.05.	Roadshow Luxembourg, Close Brothers Seydler
18.05.	Roadshow Paris, Bankhaus Lampe
24.05.	Metzler Property Day, Frankfurt
25.05.	Kempen & Co European Property Seminar, Amsterdam
30.05.	Roadshow Copenhagen, UniCredit
31.05.	Roadshow Helsinki, UniCredit
31.05.	Roadshow Stockholm, ABN-Amro
09.06.	Roadshow Vienna, Berenberg
16.06.	**Annual General Meeting, Hamburg**
16.06.	Supervisory Board meeting, Hamburg
21. – 22.06.	Bankhaus Lampe Hamburg Investment Conference, Hamburg
11.08.	**Interim report H1 2011**
22.09.	Supervisory Board meeting, Hamburg
27. – 29.09	UniCredit German Investment Conference, Munich
04. – 06.10.	Expo Real, Munich
19.10.	Real Estate Share Initiative, Frankfurt
05.11.	Hamburg Exchange Convention
10.11.	**Nine-month report 2011**
14.11.	Roadshow Zurich, Rabo
16. – 17.11.	WestLB Deutschland Conference, Frankfurt
17.11.	Supervisory Board meeting, Hamburg
23.11.	Roadshow Brussels, Petercam
29.11. – 02.12.	Berenberg European Conference, Pennyhill

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



MULTI-YEAR-OVERVIEW

in € million	2003	2004	2005	2006	2007	2008	2009	**2010**
Revenues	57.9	61.4	72.1	92.9	95.8	115.3	127.6	144.2
EBIT	39.5	49.8	57.5	86.3	78.5	98.1	110.7	124.0
Net finance costs	-17.8	-19.2	-39.3	-41.0	-39.6	-49.4	-55.9	-60.2
EBT before valuation	21.7	30.6	28.2	48.8	38.9	48.7	54.9	63.9
Measurement gains/losses	5.6	8.0	40.0	68.8	39.0	38.3	-14.8	33.1
EBT	27.3	38.6	68.1	117.7	77.8	87.0	40.1	97.0
Consolidated profit	19.0	27.7	48.7	100.3	94.2	68.9	34.4	81.8
FFO per share in €	0.82	0.86	0.97	1.08	1.12	1.38	1.40	1.40
Earnings per share in €	0.61	0.89	1.55	2.92	2.74	1.96	0.88	1.80
Equity*	695.3	684.4	787.4	897.9	974.0	977.8	1,044.4	1,527.4
Liabilities	545.2	685.8	756.1	898.3	1,002.3	1,029.1	1,067.8	1,436.1
Total assets	1,240.5	1,370.2	1,543.6	1,796.2	1,976.3	2,006.8	2,112.1	2,963.6
Equity ratio in %*	56.1	49.9	51.0	50.0	49.3	48.7	49.5	51.5
Gearing in %*	78	100	96	100	103	105	102	94
Cash and cash equivalents	102.0	150.3	197.2	94.2	109.0	41.7	81.9	65.8
Net asset value	682.5	686.8	794.5	877.4	925.1	942.8	1,006.9	1,350.7
Net asset value per share in €	21.84	21.98	23.11	25.53	26.91	27.43	26.63	26.16
Dividend per share in €	0.96	0.96	1.00	1.05	1.05	1.05	1.05	1.10**

* incl. minority interest ** proposal

in € million	**Q1/2010**	**Q2/2010**	**Q3/2010**	**Q4/2010**
Revenue	34.6	35.8	36.2	37.6
EBIT	30.1	30.7	30.7	32.5
Net finance costs	-14.7	-14.9	-14.9	-15.7
EBT before Valuation	15.4	15.8	15.7	50.1
Measurement gains/losses	0.0	0.0	-0.7	33.8
EBT	15.4	15.8	15.1	50.7
Consolidated profit	12.8	13.2	12.3	43.5
EPS in €	0.31	0.29	0.27	0.93

DES

Deutsche EuroShop

ANNUAL REPORT

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