



CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2009



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DEUTSCHE EUROSHOP AG

CONSOLIDATED FINANCIAL STATEMENTS



Consolidated Balance Sheet (IFRS)

as of 31 December 2009

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

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

Consolidated Income Statement (IFRS)

for the period from 1 January to 31 December 2009

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

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

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

Consolidated Cash Flow Statement (IFRS)

for the period from 1 January to 31 December 2009

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2009



General disclosures

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

The consolidated financial statements of Deutsche EuroShop AG have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), including the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code). All IFRSs and IFRIC interpretations endorsed by the European Commission and required to be applied as of 31 December 2009 have been applied.

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

Amounts are mainly presented in thousands of €.

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

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

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

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

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

Basis of consolidation and consolidation methods

BASIS OF CONSOLIDATION

Subsidiaries

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

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

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

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

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

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

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

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

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

Associates

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

CONSOLIDATION METHODS

For purchase accounting, the cost is eliminated against the parent company's interest in the re-valued equity of the subsidiaries at the date of acquisition or initial consolidation. Any remaining excess of cost of acquisition over identified net assets acquired is recognised as goodwill in intangible assets. Any excess of identified net assets acquired over cost of acquisition is recognised in income following a further reassessment.

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

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

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

Currency translation

The Group currency is the euro (€).

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

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

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

Changes in accounting policies

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

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

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

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

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

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

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

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

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

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

Significant accounting policies

REVENUE AND EXPENSE RECOGNITION

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

INTANGIBLE ASSETS

Intangible assets relate exclusively to software purchased by Deutsche EuroShop AG. Additions are measured at cost. These are amortised at 20% using the straight-line method over the expected useful life of five years. The method of amortisation and the amortisation period are reviewed annually at the end of each financial year.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is reported at cost, less scheduled depreciation and, where applicable, unscheduled write-downs (impairment charges).

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

INVESTMENT PROPERTIES

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

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

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

Averaged across all properties, net income equates to 88.6% (2008: 86.9%) of rental income, i.e. 11.4% (2008: 13.1%) of rental income is deducted for management and administrative costs. The appraisers brought the management and administrative costs reported closer into line with the costs actually incurred in the past. In financial year 2009, these came to 10.2% of rental income.

The capitalisation rate comprises a forecast yield on a ten-year German federal government bond and a premium that takes account of the individual risk profile of the property. Around 150 individual indicators are used to determine the risk profile. These include a forecast of population trends over the long term, the rate of employment and the resulting effects on retail demand, trends in the competitive environment and construction activity.

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

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

Borrowing and initial rental costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset until the time at which the asset is largely ready for its intended use. Income realised from the temporary investment of specifically borrowed funds up to the point when these are used to obtain qualifying assets is deducted from the capitalisable costs of these assets.

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

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

LEASE AGREEMENTS

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

Financial instruments

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

1. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives that qualify for hedge accounting in accordance with IAS 39 are used to hedge interest rate risks. These are fixed-rate swaps to limit the interest rate risk of variable interest rate loans, which have terms extending to 2026. The interest rate hedges are recognised at fair value under “Other assets” or “Other liabilities”. Changes are recognised directly in equity, provided that the conditions of the underlying and hedge transaction are identical. Hedge effectiveness tests are regularly conducted. Present value is calculated based on discounted cash flows using current market interest rates. The final maturities of the interest rate hedges and loan agreements are identical.

2. NON-CURRENT FINANCIAL ASSETS

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

3. INVESTMENTS IN EQUITY-ACCOUNTED ASSOCIATES

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

4. RECEIVABLES AND OTHER CURRENT ASSETS

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

5. OTHER FINANCIAL INVESTMENTS

Investments with a term of over three months are included at their fair value in this item, and their interest income is recognised under net financial income.

6. RIGHT TO REDEEM OF LIMITED PARTNERS

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

7. BANK LOANS AND OVERDRAFTS

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

8. TRADE PAYABLES

Trade payables are recognised at their repayment amount.

9. OTHER LIABILITIES

Other liabilities are recognised at amortised cost.

10. CASH AND CASH EQUIVALENTS

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

DEFERRED TAXES

In accordance with IAS 12, deferred taxes are recognised for all differences between the tax accounts and the IFRS balance sheet, using the currently enacted tax rate. Currently, deferred taxes are primarily formed on the differences between the IFRS carrying amounts of the properties and their carrying amounts for tax purposes. A uniform corporation tax rate of 15% plus the solidarity surcharge of 5.5% is used for German companies, and the local tax rates are used for foreign companies. In accordance with IAS 12.74, deferred tax assets on existing loss carryforwards are at present offset against deferred tax liabilities.

OTHER PROVISIONS

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

Notes to the consolidated balance sheet – Assets

I. INTANGIBLE ASSETS

2008 in € thousands	Concessions, industrial and similar rights and licences in such rights and assets
Costs as at 1 January	25
Currency differences	0
Additions	28
Disposals	0
Reclassifications	0
as at 31 December	53
Amortisation as at 1 January	-17
Currency differences	0
Additions	-4
Reversals of impairment losses	0
Disposals	0
as at 31 December	-21
Carrying amount at 1 January	8
Carrying amount at 31 December	32
2009 in € thousands	Concessions, industrial and similar rights and licences in such rights and assets
Costs as at 1 January	53
Currency differences	0
Additions	1
Disposals	-6
Reclassifications	0
as at 31 December	48
Amortisation as at 1 January	-21
Currency differences	0
Additions	-9
Reversals of impairment losses	0
Disposals	6
as at 31 December	-24
Carrying amount at 1 January	32
Carrying amount at 31 December	24

This item consists mainly of software licences.

2. PROPERTY, PLANT AND EQUIPMENT

2008 in € thousands	Property, advance payments and assets under construction	Other equipment, operating and office equipment	Total
Costs as at 1 January	144,567	83	144,650
Currency differences	0	0	0
Additions	87,089	32	87,121
Disposals	0	0	0
Reclassifications	-210,269	0	-210,269
as at 31 December	21,387	115	21,502
Depreciation as at 1 January	-230	-67	-297
Currency differences	0	0	0
Additions	0	-6	-6
Reversals of impairment losses	0	0	0
Disposals	0	0	0
as at 31 December	-230	-73	-303
Carrying amount at 1 January	144,337	16	144,353
Carrying amount at 31 December	21,157	42	21,199
2009 in € thousands	Property, advance payments and assets under construction	Other equipment, operating and office equipment	Total
Costs as at 1 January	21,387	115	21,502
Currency differences	0	0	0
Additions	0	14	14
Additions to basis of consolidation	7	0	7
Disposals	0	-45	-45
Reclassifications	-21,157	0	-21,157
as at 31 December	237	84	321
Depreciation as at 1 January	-230	-73	-303
Currency differences	0	0	0
Additions	0	-14	-14
Reversals of impairment losses	0	0	0
Disposals	0	44	44
as at 31 December	-230	-43	-273
Carrying amount at 1 January	21,157	42	21,199
Carrying amount at 31 December	7	41	48

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

3. INVESTMENT PROPERTIES

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

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

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

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

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

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

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

NON-CURRENT FINANCIAL ASSETS

2008 in € thousands	Non-current financial assets
Cost as at 1 January	18,961
Currency differences	-518
Additions	0
Disposals	0
Reclassifications	83
as at 31 December	18,526
Write-downs and impairments/impairment losses and reversals as at 1 January	13,890
Currency differences	0
Additions	0
Reversals of impairment losses	0
Write-downs and impairments	-920
Disposals	0
Reclassifications	-1,180
as at 31 December	11,790
Carrying amount at 1 January	32,851
Carrying amount at 31 December	30,316
2009 in € thousands	Non-current financial assets
Cost as at 1 January	18,526
Currency differences	-113
Additions	0
Disposals	-3,031
Reclassifications	0
as at 31 December	15,382
Write-downs and impairments/impairment losses and reversals as at 1 January	11,790
Currency differences	0
Additions	0
Reversals of impairment losses	0
Write-downs and impairments	-2,416
Disposals	0
Reclassifications	0
as at 31 December	9,374
Carrying amount at 1 January	30,316
Carrying amount at 31 December	24,756

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

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

5. INVESTMENTS IN EQUITY-ACCOUNTED ASSOCIATES

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

2009 in € thousands	Investments in equity- accounted associates
Cost as at 1 January	5,439
Currency differences	0
Additions	91
Disposals	-2
Reclassifications	0
as at 31 December	5,528
Amortisation/impairment losses and reversals as at 1 January	-1,699
Currency differences	0
Additions	0
Reversals of impairment losses	68
Amortisation	-364
Disposals	0
Reclassifications	0
as at 31 December	-1,996
Carrying amount at 1 January	3,740
Carrying amount at 31 December	3,532

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

6. OTHER NON-CURRENT ASSETS

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

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

7. TRADE RECEIVABLES

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

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

8. OTHER CURRENT ASSETS

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

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

RECEIVABLES

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

MATURITY OF TRADE RECEIVABLES AND OTHER ASSETS

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

9. OTHER FINANCIAL INVESTMENTS

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

10. CASH AND CASH EQUIVALENTS

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

Notes to the consolidated balance sheet – equity and liabilities

II. EQUITY AND RESERVES

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

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

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

The notional value of each share is €1.00.

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

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

The parent company of the Group, Deutsche EuroShop AG, is reporting an unappropriated surplus of €46,320 thousand. The Executive Board and Supervisory Board will propose to distribute this amount as a dividend of €1.05 per share at the Annual General Meeting on 17 June 2010. The previous year's unappropriated surplus was distributed in full to the shareholders. The dividend paid was €1.05 per share.

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

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

12. BANK LOANS AND OVERDRAFTS

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

Bank loans and overdrafts are recognised at amortised cost on the balance sheet date. The present value of loans is redetermined at the balance sheet date. To do so, the annuities due up to this time, together with any residual amount according to the redemption schedule, are discounted to the balance sheet date at market rates of interest plus a margin. The fair value of the bank loans and overdrafts at the balance sheet date is €968,000 thousand (previous year: €940,764 thousand).

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

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

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

In all cases, these relate to debt service cover ratios (DSCRs) prescribing minimum values of between 110% and 165%. One loan is subject to an additional condition of a maximum loan-to-value ratio of 60%. This condition is reviewed every three years. The last review took place in March 2010, based on an appraiser's opinion of value. The loan conditions have not been breached thus far and will not be breached according to current planning for 2010–2013.

13. DEFERRED TAX LIABILITIES

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

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

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

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

14. RIGHT TO REDEEM OF LIMITED PARTNERS

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

15. TRADE PAYABLES

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

16. TAX PROVISIONS

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

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

Real property tax provisions relate exclusively to companies in Germany.

17. OTHER PROVISIONS

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

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

18. OTHER CURRENT LIABILITIES

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

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

19. OTHER NON-CURRENT LIABILITIES

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

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

LIABILITIES

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

Notes to the consolidated income statement

20. REVENUE

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

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

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

The following maturities arise from the minimum leasing payments: in € thousands	2009	2008
Maturity within 1 year	125,562	119,459
Maturity from 1 to 5 years	401,426	401,125
Maturity after 5 years	238,002	274,531
	764,990	795,115

21. PROPERTY OPERATING COSTS

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

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

22. PROPERTY MANAGEMENT COSTS

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

23. OTHER OPERATING INCOME

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

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

24. OTHER OPERATING EXPENSES

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

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

25. INCOME FROM INVESTMENTS

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

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

26. INCOME FROM EQUITY-ACCOUNTED ASSOCIATES

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

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

27. PROFIT/LOSS ATTRIBUTABLE TO LIMITED PARTNERS

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

28. MEASUREMENT GAINS/LOSSES

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

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

29. INCOME TAX EXPENSE

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

In measuring deferred taxes, the tax rates applicable in accordance with IAS 12 are those valid under current legislation at the date at which the temporary differences will probably reverse. In 2009, a tax rate of 15% was used for the companies in Germany. In addition, a solidarity surcharge of 5.5% on the calculated corporation tax was recognised. The respective local tax rates were applied for companies in other countries. Deferred taxes were released in connection with the reduction in the rate of corporation tax in Hungary from 20% to 19% from 2010.

TAX RECONCILIATION

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

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

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

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

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

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

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

Notes to the consolidated cash flow statement

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

COMPOSITION OF CASH AND CASH EQUIVALENTS

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

OPERATING CASH FLOW

After adjustment of the profit for the period for non-cash income and expenses, operating cash flow was €63,237 thousand. All changes to cash flows from net finance costs are allocated to operating activities.

CASH FLOW FROM OPERATING ACTIVITIES

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

Cash flows from operating activities include:

- » interest income in the amount of €0.7 million (previous year: €2.4 million)
- » interest expense in the amount of €44.1 million (previous year: €40.0 million)
- » income taxes paid in the amount of €0.0 million (previous year: €0.1 million)

CASH FLOW FROM INVESTING ACTIVITIES

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

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

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

CASH FLOW FROM FINANCING ACTIVITIES

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

CURRENCY-RELATED AND OTHER CHANGES

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

CASH FLOW PER SHARE

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

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

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

Segment reporting

As a holding company, Deutsche EuroShop AG holds equity interests in shopping centers in the European Union. The investees are pure shelf companies without staff of their own. Operational management is contracted out to external service providers under agency agreements, meaning that the companies' activities are exclusively restricted to asset management. Due to the Company's uniform business activities within a relatively homogeneous region (the European Union), separate segment reporting is presented only in the form of a breakdown by domestic and international results.

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

BREAKDOWN BY GEOGRAPHICAL SEGMENT

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

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

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

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

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

Other disclosures

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Carrying amounts, valuations and fair values according to measurement category

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

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

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

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

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

Trade receivables, other assets and cash and cash equivalents have predominantly short residual terms, unlike interest rate swaps, which are recognised at their present value. The carrying amounts thus correspond to the fair value. The change in the present value of the long-term interest rate swap recognised was €106 thousand.

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

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

Trade payables and other liabilities with the exception of interest rate swaps – which are recognised at present value – usually have short residual terms. The carrying amounts thus correspond to the fair value.

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

Interest from financial instruments is reported in net finance costs. The profit/loss share of minority shareholders of €8,164 thousand is also included in net finance costs.

Impairment charges on receivables are reported in property operating costs.

RISK MANAGEMENT

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

MARKET RISKS

Liquidity risk

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

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

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

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

Credit and default risk

There are no significant credit risks in the Group. The trade receivables reported on the reporting date were predominantly paid up to the date of the preparation of the financial statements. During the reporting year, write-downs of rent receivables of €563 thousand (previous year: €152 thousand) were recognised under property operating costs.

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

Currency and measurement risk

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

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

Interest rate risk

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

Capital management

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

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

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

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

31. JOINT VENTURES AND EQUITY-ACCOUNTED ASSOCIATES

Joint ventures

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

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

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

Equity-accounted associates

Small property companies in which Deutsche EuroShop indirectly or directly has an interest of 50% are part of the Group. Deutsche EuroShop exercises a controlling influence over these companies together with other shareholders.

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

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

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

32. EARNINGS PER SHARE

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

Basic earnings per share:

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

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

Diluted earnings per share:

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

Other financial obligations

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

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

Other disclosures

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

Events after the balance sheet date

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

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

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

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

The Supervisory Board and Executive Board

SUPERVISORY BOARD

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

Manfred Zaß, Königstein im Taunus, Chairman
Banker

- a) Deutsche Pfandbriefbank AG, Munich (18 May 2009 to 13 August 2009)
- Hypo Real Estate Holding AG, Munich (until 13 August 2009)

Dr. Michael Gellen, Cologne, Deputy Chairman
Independent lawyer

Thomas Armbrust, Hamburg

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

- a) C.J. Vogel Aktiengesellschaft für Beteiligungen, Hamburg (Chairman)
- Platinum AG, Hamburg (Chairman)
- TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich (Chairman)
- Verwaltungsgesellschaft Otto mbH, Hamburg
- b) ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Deputy Chairman)
- LBBW Equity Partners GmbH & Co. KG, Munich
- LBBW Equity Partners Verwaltungs GmbH, Munich

Dr. Jörn Kreke, Hagen/Westphalia
Businessman

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

Alexander Otto, Hamburg

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

- a) BATIG Gesellschaft für Beteiligungen, Hamburg (until 9 April 2009)
British American Tobacco (Industrie) GmbH, Hamburg (until 9 April 2009)
British American Tobacco (Germany) GmbH, Hamburg (until 9 April 2009)
HSH Nordbank AG, Hamburg (until 30 June 2009)
Verwaltungsgesellschaft Otto mbH, Hamburg
- b) Ergo Versicherungsgruppe, Dusseldorf (since 29 October 2009)
Peek & Cloppenburg KG, Dusseldorf

Dr. Bernd Thiemann, Kronberg im Taunus

Management consultant

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

EXECUTIVE BOARD

Claus-Matthias Böge, Hamburg, Executive Board Spokesman

- b) Palladium Praha s.r.o. (since 20 November 2009)

Olaf Borkers, Hamburg

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

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

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

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

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

Other benefits include the provision of a car for business and private use and contributions to a pension scheme.

No advances or loans were granted to members of the Executive Board. The Company has not entered into any contingencies or commitments in favour of these persons.

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

CORPORATE GOVERNANCE

The Declaration of Conformity with the German Corporate Governance Code required by section 161 of the Aktiengesetz (AktG – German Public Companies Act) has been issued jointly by the Supervisory Board and the Executive Board, and was made available to shareholders via publication on the Internet in December 2009.

Related parties for the purposes of IAS 24

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

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

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

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

Hamburg, 20 April 2010

Deutsche EuroShop AG
The Executive Board



Claus-Matthias Böge



Olaf G. Borkers

Other disclosures

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

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

Shareholdings

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

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

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

Responsibility statement by the Executive Board

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

Hamburg, 20 April 2010



Claus-Matthias Böge



Olaf G. Borkers

Auditor's Report

We have audited the consolidated financial statements – comprising the balance sheet, statement of comprehensive income, income statement, statement of changes in equity, cash flow statement and the notes – and the Group management report prepared by Deutsche EuroShop AG, Hamburg, for the financial year from 1 January to 31 December 2009. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

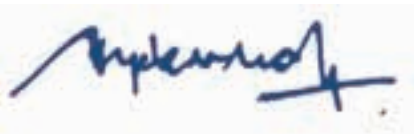
We conducted our audit of the consolidated financial statements in accordance with section 317 of the HGB and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting standards and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, as a whole provides a suitable understanding of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 20 April 2010

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft



Dyckerhoff
Auditor



Dr. Probst
Auditor