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# FOREWORD BY THE EXECUTIVE BOARD

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## DEAR SHAREHOLDERS AND FRIENDS,

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

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

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

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

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

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

share were ultimately composed of an operating profit of €1.25 and a measurement loss of €-0.32 and came to €0.93 per share.

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

We have good news to report with regard to our portfolio. At the beginning of 2009 we increased our share in City-Point Kassel from 40% to 90%. We were also able to start the expansions of the Altmarkt-Galerie Dresden and the Main-Taunus-Zentrum.

In early 2010, following three years of restrained investment, we once again acquired an attractive and profitable shopping center for our portfolio: the A10 Center in Wildau near Berlin. The total investment, including a planned modernisation and new construction (A10 Triangle) by 2011, will amount to around €265 million. A10 is one of the biggest and best known shopping centers in Germany. It was opened in 1996 and currently has around 120 specialist retail units, all of which are let. Anchor tenants at the center include Real, Karstadt Sport, P&C, C&A, H&M, Esprit, MediMax and Bauhaus. Once the A10 Triangle has opened in the spring of 2011, the A10 Center will offer in the region of 200 shops with a retail space of roughly 66,000m<sup>2</sup>.

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

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” AT ALMOST 99.3%  
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AT AN EXTREMELY  
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On 7 July 2009 we further improved the Company's equity base by means of a capital increase. The new shares were subscribed by institutional investors at a price of €19.50 per share via an accelerated bookbuilding process. This issue was oversubscribed roughly three times. Our Company's gross proceeds from this capital increase came to approximately €67 million. These were used, amongst other things, to finance the purchase of the share in City-Point Kassel and the expansion in Dresden.

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

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

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

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

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

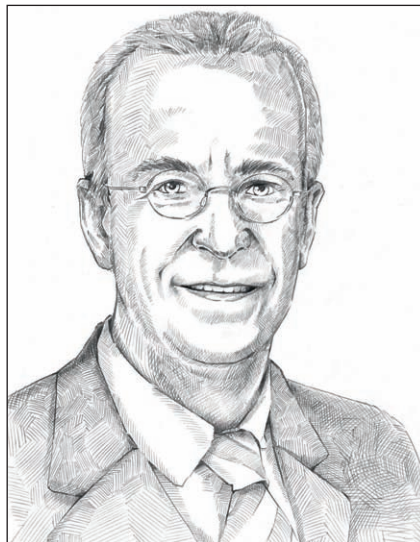
We will continue to pursue our strategy of selectively expanding our portfolio, which has proved to be extremely successful to date. Our dividend policy will also continue to be geared towards the long term and continuity. On the basis of the forecast outlined above we expect to be able to distribute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

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

Hamburg, April 2010

Claus-Matthias Böge

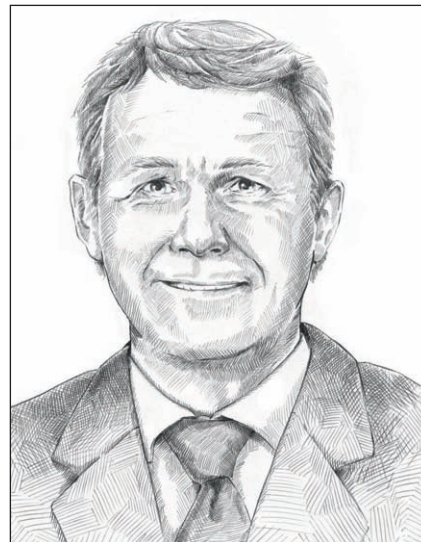
Olaf G. Borkers



**Claus-Matthias Böge**

CEO

*After successfully qualifying as a bank clerk and completing a business administration degree, Mr. Böge began his professional career in 1987 at the Düsseldorf-based Privatbankhaus Trinkaus & Burkhardt in Mergers & Acquisitions. His work, for which he was made a Prokurist (authorised signatory) in 1989, focused on advising small and medium-sized companies on buying and selling companies and equity interests. In 1990, Mr. Böge was appointed to the management of KST Stabltechnik GmbH, a subsidiary of the Austrian industrial plant construction group VA Technologie AG, where he was responsible for the financial control, personnel, legal, tax and administration departments. In autumn 1993, Mr. Böge moved to ECE Projektmanagement G.m.b.H. & Co. KG in Hamburg, the European market leader for the development, realisation, leasing and long-term management of shopping centers. It was here that he first became fascinated with the world of shopping centers. In addition to a series of management positions at subsidiaries in the ECE group, his work focused on concept planning, financing and ongoing profitability optimisation of property investments. Mr. Böge joined the Executive Board of Deutsche EuroShop AG in October 2001. He is married and has two children.*



**Olaf G. Borkers**

CFO

*After serving as a ships officer with the German Federal Navy, Mr. Borkers qualified as a bank clerk with Deutsche Bank AG in 1990. He then studied business administration in Frankfurt/Main. From 1995, Mr. Borkers worked as a credit analyst for Deutsche Bank AG in Frankfurt and Hamburg. In 1998, he joined RSE Grundbesitz und Beteiligungs-AG, Hamburg, as assistant to the Executive Board. In 1999, Mr. Borkers was appointed to the Executive Board of TAG Tegersee Immobilien und Beteiligungs-AG, Tegersee 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.*