

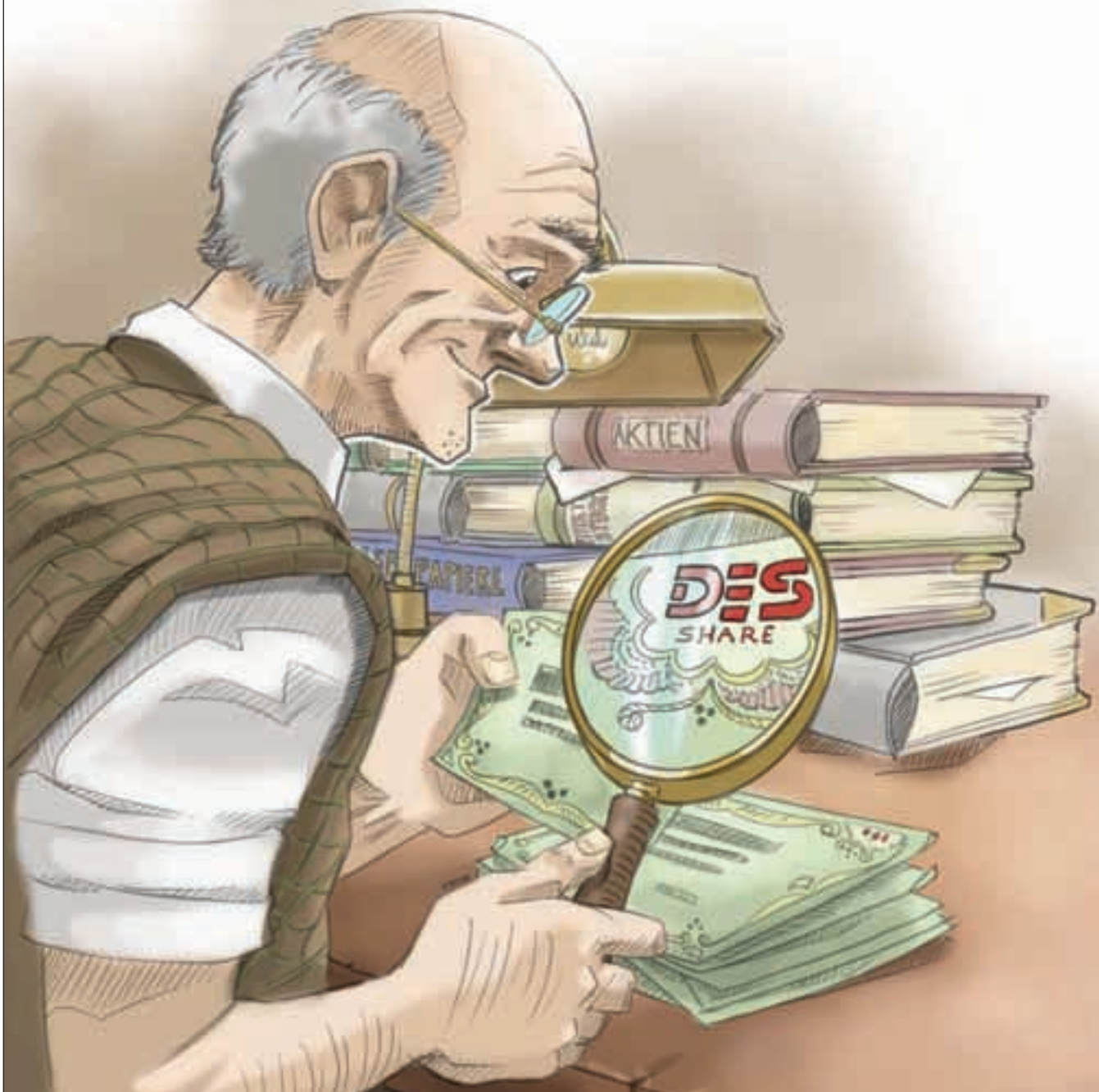
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# THE SHOPPING CENTER SHARE

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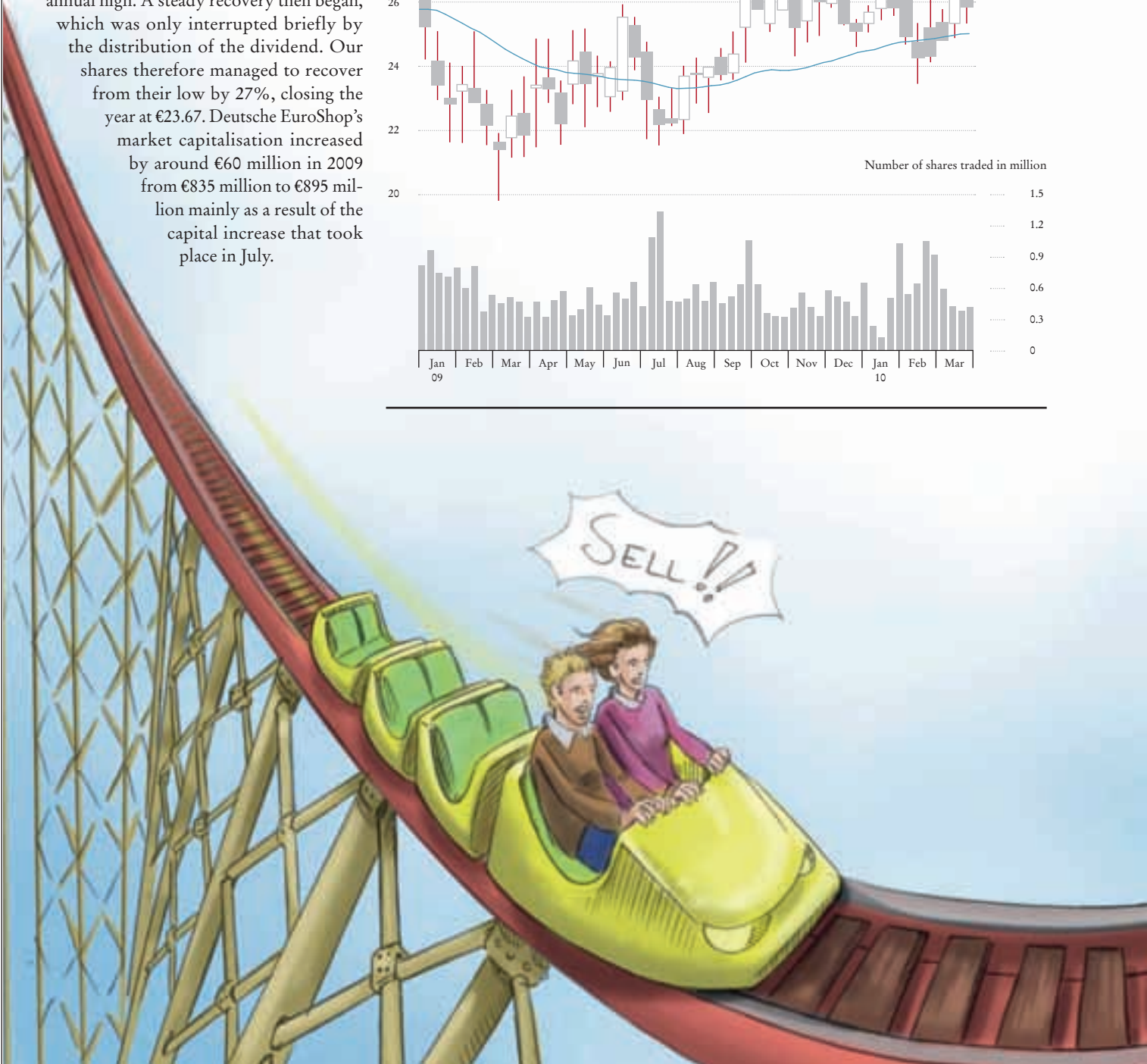
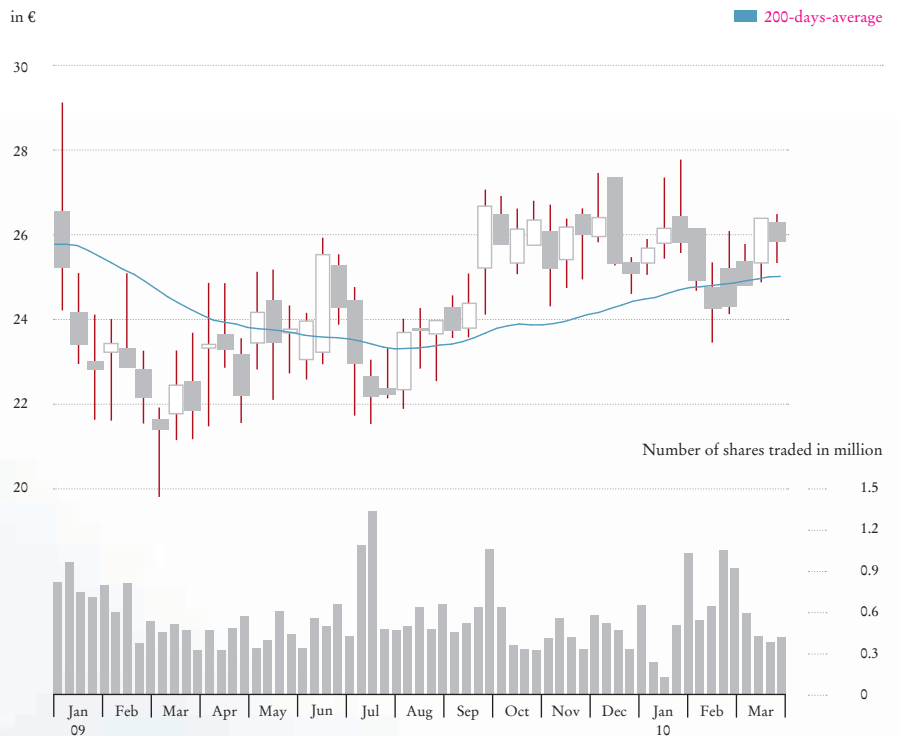
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### SHARE PRICE: VOLATILE TIMES

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

#### TREND OF SHARE



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

### LAST YEAR'S LOSERS COME OUT ON TOP IN 2009

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

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

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

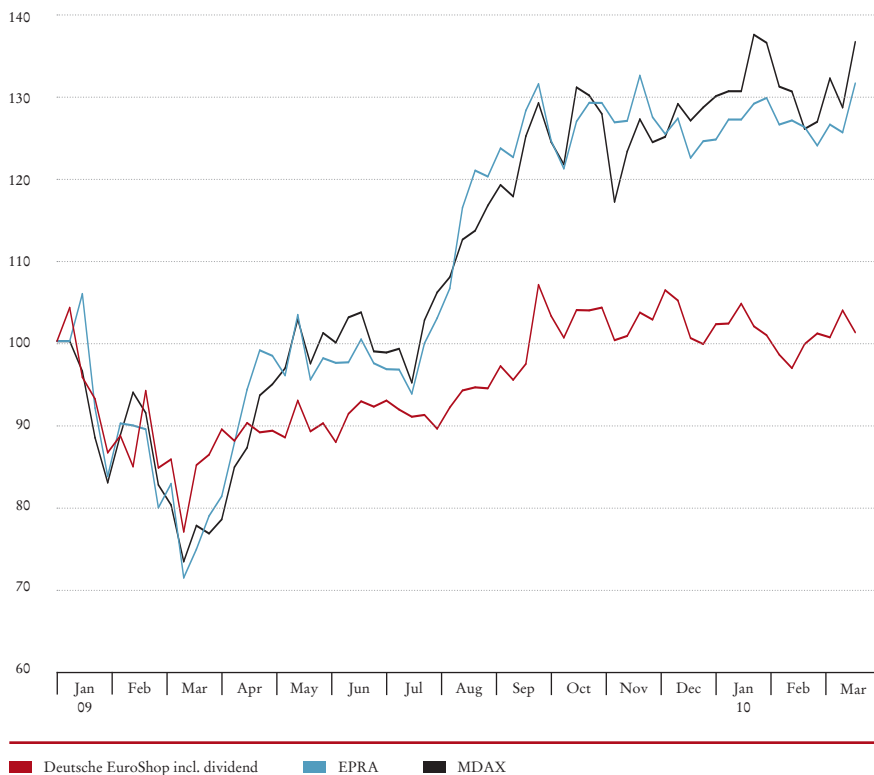
### STABLE ATTENDANCE AT ANNUAL GENERAL MEETING

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



## TREND OF SHARE (INDEXED)

in %



## SUCCESSFUL CAPITAL INCREASES IN JULY 2009 AND JANUARY 2010

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

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

## DEUTSCHE EUROSHOP SHARES-KEYFIGURES



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

## RIGHTS ISSUE WITHOUT PUBLICATION OF A SALES PROSPECTUS

by Dr Benedikt Gillissen

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

What are the advantages of this transaction model? As a sales prospectus is

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

A number of restrictions also apply to the transaction model, however, which – in addition to other legal aspects – include the following: shares that are not subscribed for within the framework of the offer to subscribe may only be placed with existing shareholders; the otherwise usual step of allowing new investors to participate via a so-called rump placement is not possible. In addition, investment banks that are assisting with the capital increase can only monitor demand for the company's shares to a limited extent before the expiry of the subscription period and consequently can also only intervene to a limited extent in a controlling capacity (e.g. by addressing major shareholders in a targeted way). If no major shareholder has undertaken in advance to

acquire any shares that are not subscribed for, this essentially means that there is uncertainty about the amount of the issue proceeds that can be realised and, consequently, about the success of the transaction. Under certain circumstances the company may not only realise lower issue proceeds than it had planned, but it may also attract the negative publicity associated with a failed placement.

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

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

## IR WORK ONCE AGAIN "AWARD-WINNING"

In June, for the fourth time in a row, Deutsche EuroShop received the **Capital Investor Relations Prize** for first place in the MDAX category for its investor relations activities. No other company in the competition has achieved such a run of success. Each year the financial magazine Capital awards this prestigious prize for the best communication with the financial markets, judging companies on their target group focus, transparency, track record and extra financial reporting.

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



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

[www.boerse-online.de](http://www.boerse-online.de)

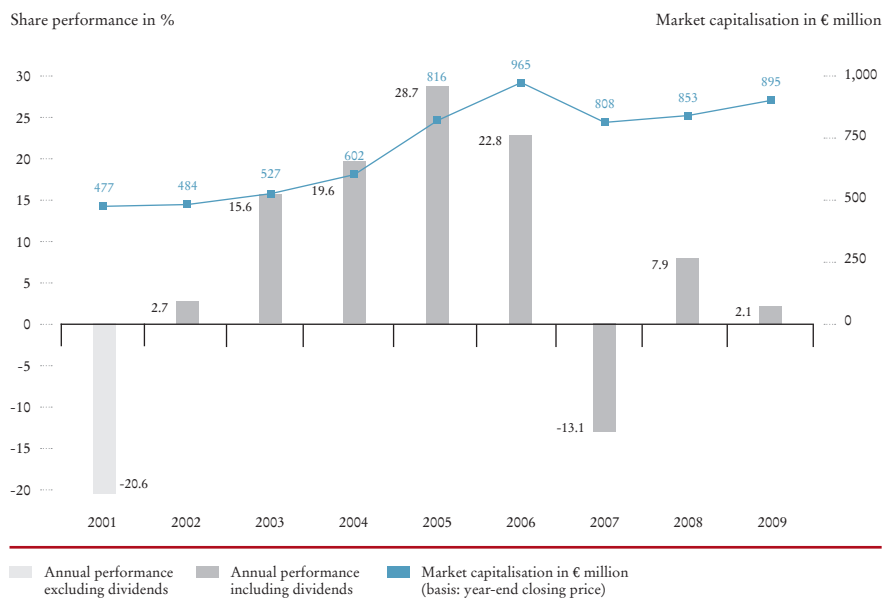


The 2008 annual report with its motto "The Third Place" achieved 33<sup>rd</sup> position out of over 3,000 entries in the "LACP 2009 Vision Awards Annual Competition". The LACP is the League of American Communications Professionals. With 98 out of a possible 100 points, the Deutsche EuroShop annual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

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



## SHARE PERFORMANCE AND MARKET CAPITALISATION SINCE THE IPO



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

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

[www.dirk.org](http://www.dirk.org)

**Institutional Investor**



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

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

**EXTELSURVEYS**



### SHARE PRICE UNDER THE SPOTLIGHT

Our shares are now regularly followed by 29 analysts (as at 16 March 2010, compared with 24 a year earlier) from well-known German and international financial institutions and their recommendations introduce us to new groups of investors. This puts Deutsche EuroShop among those property companies in Europe with the best coverage, and it also does not need to shy away from comparison within the MDAX (average of 23 analysts). Particularly good news is that other financial institutions intend to begin covering Deutsche EuroShop shares in 2010. Information on the recommendations is available at: [www.deutsche-euroshop.com/research](http://www.deutsche-euroshop.com/research)



**NEGATIV: 0**



**NEUTRAL: 12**



**POSITIVE: 17**

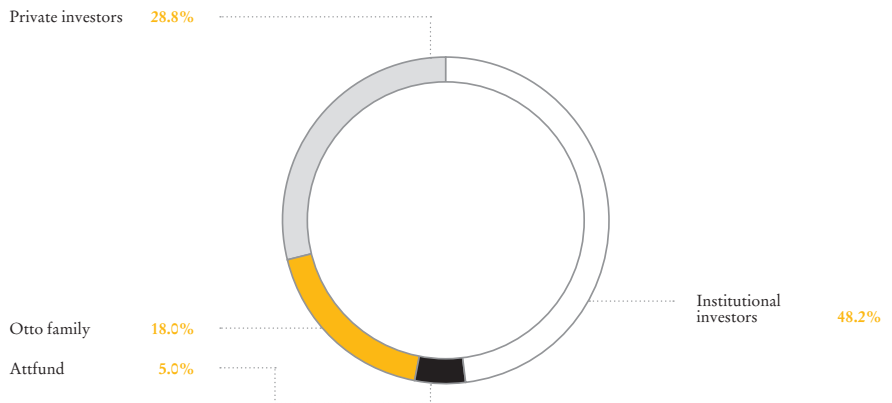
The majority of analysts give positive recommendations for Deutsche EuroShop shares (as at 16 March 2010).

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

### SLIGHT SHIFTS IN THE SHAREHOLDER STRUCTURE

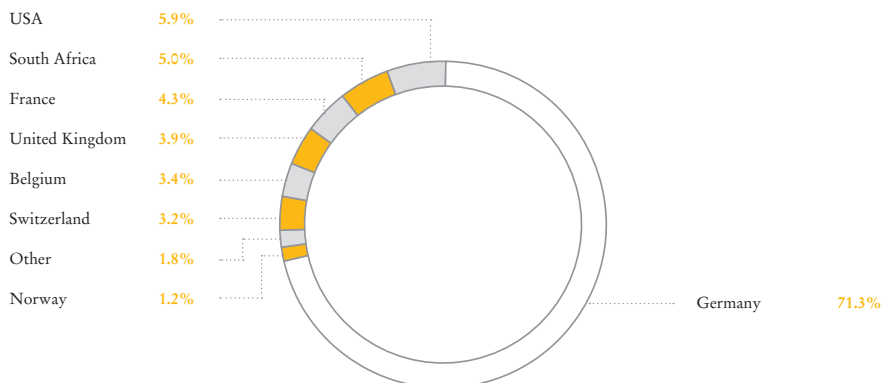
In 2009 the number of shareholders rose significantly to around 9,450 (as at 16 March 2010, previous year: 7,800, +21%). The structural distribution has shifted slightly towards private investors: institutional investors hold around 53% (previous year: 56%) of the shares and private investors around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

#### SHAREHOLDER'S STRUCTURE



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

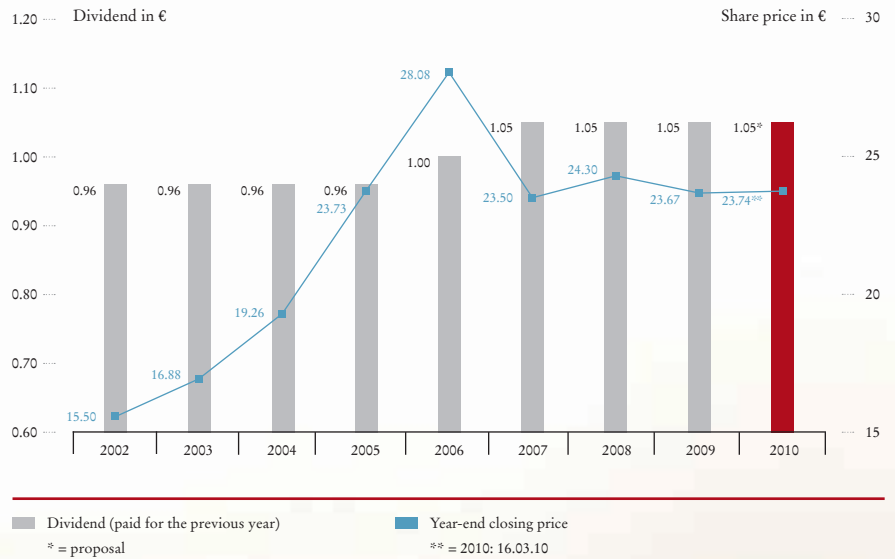
#### SHAREHOLDER'S STRUCTURE REGIONAL



## DIVIDEND CONTINUITY

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

## DIVIDEND



## TAX-FREE DIVIDEND

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

However since 2009 these distributions are taxable due to the new legal status, as capital gains from securities are subject to tax if they are bought after 31 December 2008. In this case the acquisition costs are reduced by the dividends and lead to higher capital gains at the time of the disposal.

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

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



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# ROADSHOWS & CONFERENCES

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

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

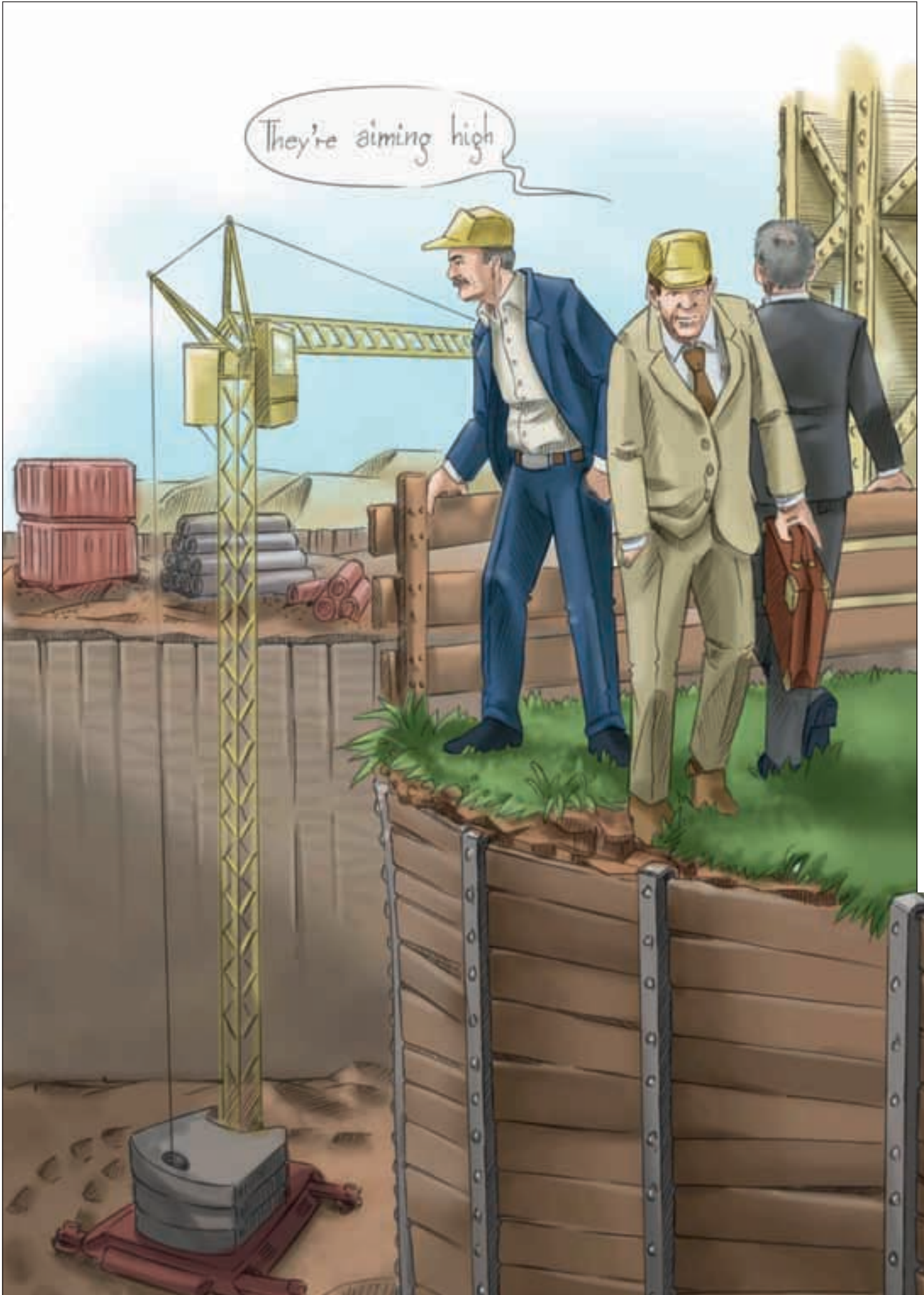
At road shows in Dusseldorf, Frankfurt, Cologne, Munich, Amsterdam, Brussels, Dublin, Edinburgh, Geneva, Helsinki, Copenhagen, London, Milan, Paris, Stockholm and Zurich, we had numerous individual and group appointments with fund and portfolio managers and analysts.

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

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

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





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 DEUTSCHE EUROSHOP

# REAL ESTATE SUMMER



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

The day of the event began with a series of lectures: Claus-Matthias Böge, Executive Board Spokesman, spoke first to clarify the possible changes to the accounting standards (IAS 31) and their impact on the Company's statements of financial position and comprehensive income. Then came Steffen Eric Friedlein, Regional Director Leasing (East), ECE, who talked about the rental situation in economically challenging times and explained, among other things, how to emerge from a recession stronger. The final lecture was delivered by Thorsten Kemp, Center Manager at Altmarkt-Galerie, who outlined the past, present and future of the

center and focussed particularly on the expansion work that is currently underway and the opportunities that this will bring. Afterwards, there was a tour of the center as well as the construction site, with expert comments from the site management on the current progress of the work, followed by an inspection of the pedestrian zone including an account of the competitive landscape.

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



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# IR-EVENTS 2009

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## Exchange Convention

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

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

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

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

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

## Real Estate Share Initiative

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

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

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

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

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

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

## Annual General Meeting

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

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

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

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

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

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



# MARKETING



*In addition to share marketing, we concentrate on developing and maintaining the Deutsche EuroShop brand. Our goal is to further increase the awareness and recognition value of the brand. Deutsche EuroShop is an established brand for an investment in shopping centers.*

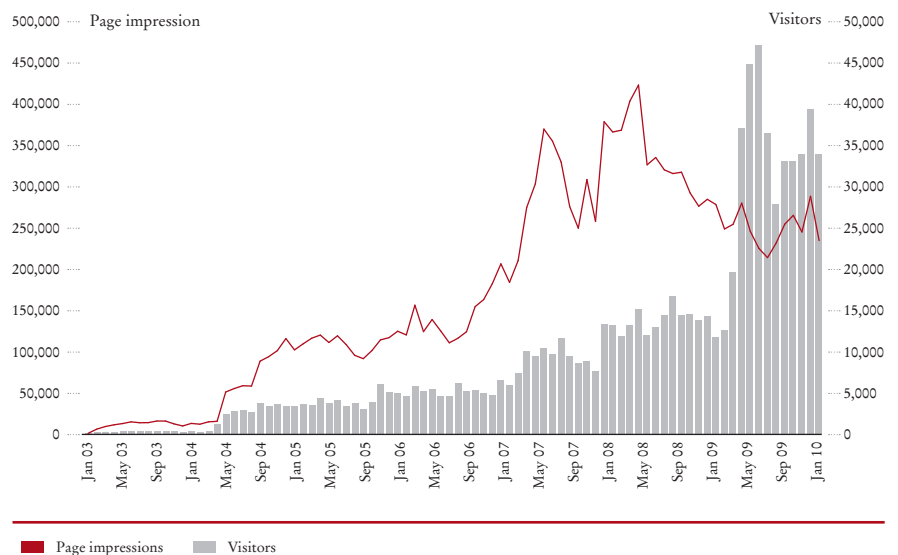
## “THE SHADES OF PASSAU” ADVERTISEMENT SERIES

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

## WEBSITE WITH STABLE HIT RATES

Our accessible website proved to be extremely popular again in 2009, even though last year’s peak figures were not reached. Our Internet presence can be found at [www.deutsche-euroshop.com](http://www.deutsche-euroshop.com)

## SITE VISITORS PER MONTH





## MEDIA ATTENTION UP SLIGHTLY

Deutsche EuroShop is still enjoying a strong media presence. It is primarily business and financial journalists that regularly write about our Company. In addition, diverse television and radio channels as well as online publications all devoted reports and interviews to Deutsche EuroShop. The print circulation of these media increased by around 5% from 27.6 million in the previous year to 28.9 million copies and the equivalent advertising value through reports in newspapers and magazines rose from around €4.3 million to almost €4.5 million (up 5%).

## SOCIAL MEDIA

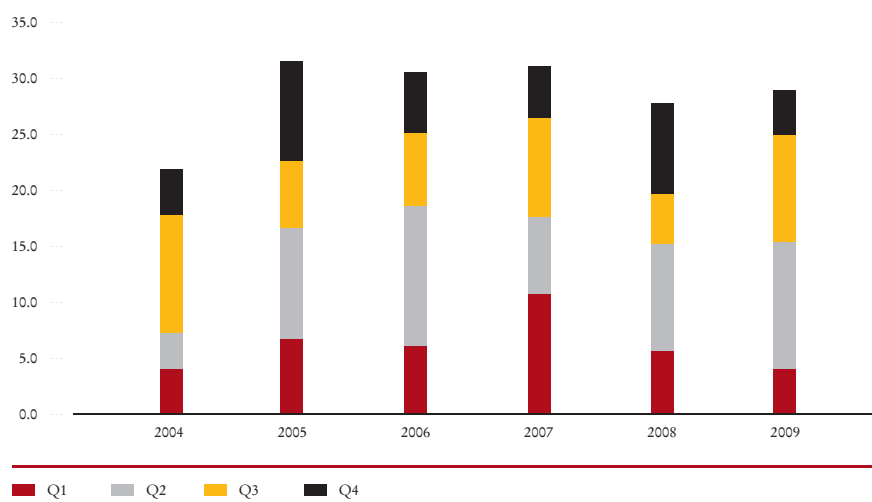
Everyone is talking about social media. For many years we have shown ourselves to be open to technical innovations and use these actively to supply our investors and interested parties with news and supplementary information about Deutsche EuroShop. Perhaps we can establish contact with you through one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

### Facebook

Become a fan on Facebook:  
[www.facebook.com/desag](http://www.facebook.com/desag)

## TREND IN MEDIA PRESENCE

Circulation of newspapers and magazines containing reports in millions.



### Flickr

View our photos on the online platform  
 Flickr: [www.flickr.com/desag](http://www.flickr.com/desag)

### SlideShare

See our presentations and reports on  
 SlideShare: [www.slideshare.net/desag](http://www.slideshare.net/desag)

### YouTube

Watch our videos on YouTube:  
[www.youtube.com/DeutscheEuroShop](http://www.youtube.com/DeutscheEuroShop)

### Twitter

Follow us on Twitter:  
[www.twitter.com/DES\\_AG](http://www.twitter.com/DES_AG)

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 VERENA TENZ

# KEEP IN THE KNOW WHILE YOU SHOP

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 ★★★
 

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*Deutsche EuroShop sponsors  
stock market news*

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

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

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

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

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

Last year, ECE flatmedia managed to acquire a number of rental partners, such as RENO, Jack Wolfskin and REWE and to gradually raise their profile

in the market. Thanks to a joint venture entered into at the end of 2009 with outdoor advertiser Wall AG, rental partners will in future have the opportunity not just to accompany their customers as far as the doors to the center but also to communicate with them inside the center thanks to the combination of City Light Posters and flat screens.

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





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# CORPORATE GOVERNANCE

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**T**he Government Commission on the German Corporate Governance Code published the German Corporate Governance Code on 26 February 2002 and approved amendments and additions to individual recommendations and suggestions, most recently on 18 June 2009. Going forward, the Government Commission will continue to monitor the development of corporate governance in legislation and in practice and will adapt the Code as needed.

Deutsche EuroShop welcomes the German Corporate Governance Code presented by the Government Commission. The Code not only creates a transparent legal framework for corporate management and control in Germany, it also documents generally accepted standards for good and responsible corporate leadership.

## WORKING METHODS OF THE EXECUTIVE AND SUPERVISORY BOARDS

The Supervisory Board and the Executive Board work together closely and on the basis of mutual trust for the benefit of the Company. The Supervisory Board is informed regularly, promptly and comprehensively by the Executive Board about the Company's business development, strategy

and planning and the risk situation. Detailed information on the main areas of focus of the Supervisory Board's activities in the 2009 financial year can be found in its report on pages 5 to 7.

In the 2009 financial year, there were no advisory or other contracts for work or services in existence between members of the Supervisory Board and the Company.

## EXECUTIVE BOARD

The Executive Board of Deutsche EuroShop manages the Company in accordance with the provisions of German company law and with its rules of procedure. The Executive Board's duties, responsibilities and business procedures are laid down in its rules of procedure and in its schedule of responsibilities. The chief management duties of the Executive Board are the determination of the Group's strategic orientation and management of the Group, planning, and the establishment and implementation of risk management.

The Executive Board of Deutsche EuroShop currently comprises two members.

### Claus-Matthias Böge

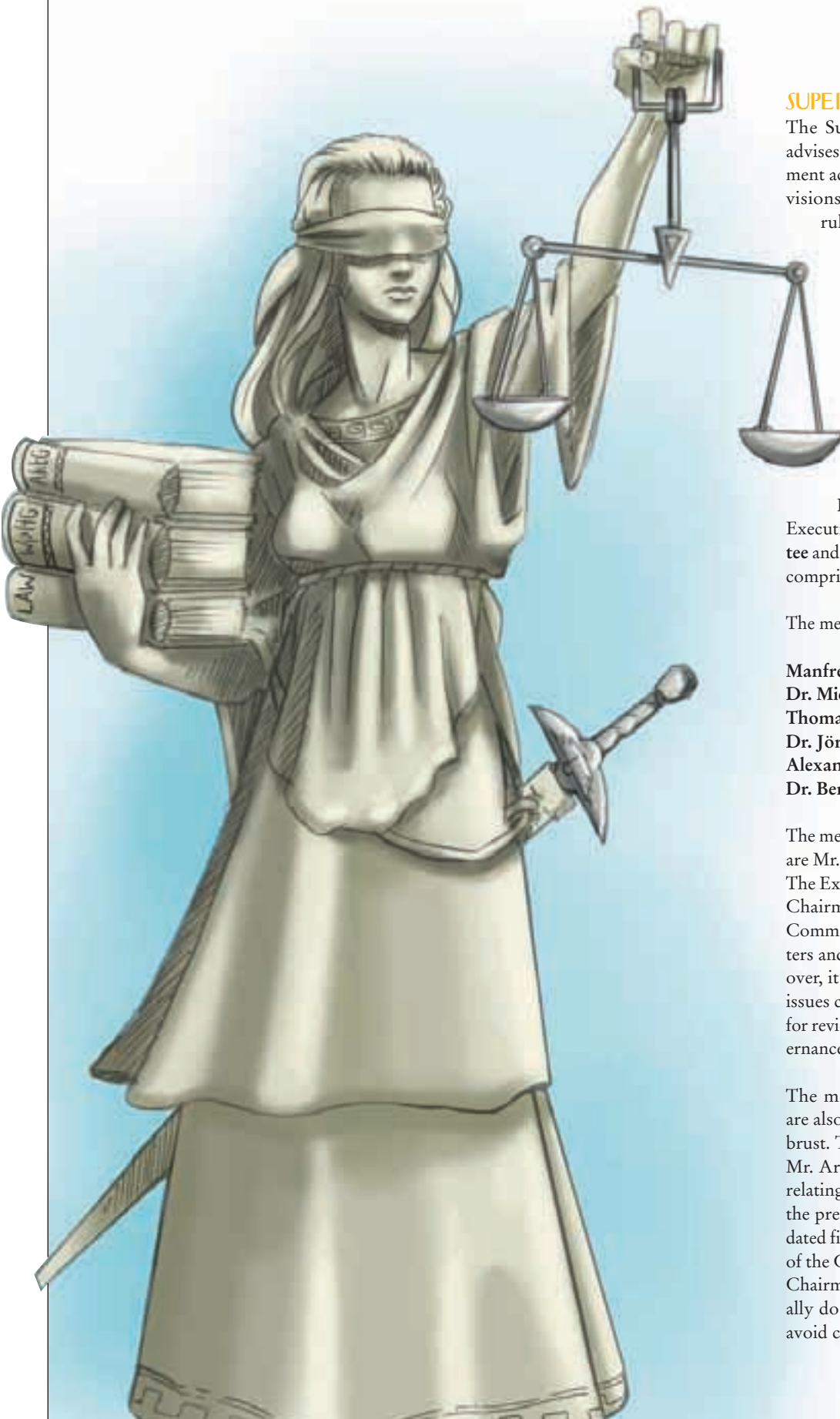
Born 13 February 1959  
First appointment: 2001  
Appointment ends: 2015

Claus-Matthias Böge joined Deutsche EuroShop in 2001, as a member of the Executive Board. In 2003 he assumed his current position as spokesman for the Executive Board. He is also a Managing Director of Deutsche EuroShop Verwaltungs GmbH, Deutsche EuroShop Management GmbH and DES Beteiligungs GmbH.

### Olaf Borkers

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

Olaf Borkers joined Deutsche EuroShop in 2005, as a member of the Executive Board. He is also a Managing Director of Deutsche EuroShop Verwaltungs GmbH, Deutsche EuroShop Management GmbH and DES Beteiligungs GmbH.



## SUPERVISORY BOARD

The Supervisory Board supervises and advises the Executive Board in its management activities in accordance with the provisions of German company law and its rules of procedure. It appoints members of the Executive Board, and significant business transacted by the Executive Board is subject to its approval. The Supervisory Board is composed of six members who are elected by the Annual General Meeting.

The Supervisory Board has established the information and reporting duties to be met by the **Executive Board** and has formed an **Executive Committee**, an **Audit Committee** and a **Capital Market Committee**, each comprising three people.

The members of the Supervisory Board are:

**Manfred Zaß**, Chairman  
**Dr. Michael Gellen**, Deputy Chairman  
**Thomas Armbrust**  
**Dr. Jörn Kreke**  
**Alexander Otto**  
**Dr. Bernd Thiemann**

The members of the **Executive Committee** are Mr. Zaß, Dr. Gellen and Mr. Armbrust. The Executive Committee is chaired by the Chairman of the Supervisory Board. The Committee discusses urgent business matters and passes relevant resolutions. Moreover, it is responsible for human resources issues concerning the Executive Board and for reviewing the Company's corporate governance principles.

The members of the **Audit Committee** are also Mr. Zaß, Dr. Gellen and Mr. Armbrust. The Audit Committee is chaired by Mr. Armbrust. It is responsible for issues relating to financial reporting, auditing and the preparation of the annual and consolidated financial statements. Former members of the Company's Executive Board and the Chairman of the Supervisory Board generally do not chair the Audit Committee, to avoid conflicts of interest. ►

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

## REMUNERATION

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

## SHAREHOLDINGS

### Executive Board

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

### Supervisory Board

As at 31 December 2009, the Supervisory Board held a total of 4,614,821 shares, more than 1% of Deutsche EuroShop's share capital.

In addition to the general legal provisions requiring public disclosure, the rules of procedure of the Executive Board and of the Supervisory Board govern the reporting duties of Executive and Supervisory Board members in the event of dealings involving shares of the Company or related rights of purchase or sale, as well as rights directly dependent on the Company's share price.

## DIRECTORS' DEALINGS

The following securities transactions by members of the Executive Board and of the Supervisory Board or by certain persons related to members of the executive bodies were notified to Deutsche EuroShop during the 2009 financial year in accordance with section 15a of the Wertpapierhandelsgesetz (WpHG – Securities Trading Act):

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

## RELATIONSHIPS TO SHAREHOLDERS

Shareholders exercise their rights in matters concerning the Company at the Annual General Meeting. The Annual General Meeting elects the members of the Supervisory Board and passes resolutions approving the actions of the Executive and Supervisory Boards. It decides on the appropriation of the unappropriated surplus and also on the remuneration of the Supervisory Board, as well as on amendments to the Company's Articles of Association. The Annual General Meeting, at which the Executive and Supervisory Boards give an account of the past financial year, takes place once a year. When resolutions are adopted at the Annual General Meeting, each share grants one vote in line with the principle of 'one share, one vote'. Every shareholder is entitled to attend the Annual General Meeting and to speak and submit questions about items on the agenda.

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

The Executive Board gives regular presentations to analysts and at investor events as part of the Company's investor relations activities. Analyst conferences on the release

of the annual and quarterly financial statements are broadcast over the Internet, where they are available to anyone interested in the Company. In addition, Deutsche EuroShop provides financial information and other information about the Deutsche EuroShop Group on its website.

## ACCOUNTING AND AUDITS

The Deutsche EuroShop Group prepares its financial statements according to International Financial Reporting Standards (IFRSs) on the basis of section 292a of the Handelsgesetzbuch (HGB – German Commercial Code). The annual financial statements of Deutsche EuroShop AG will continue to be prepared in line with the accounting provisions of the HGB. The Executive Board is responsible for the preparation of the financial statements. The Chairman of the Audit Committee commissions the auditor of the annual financial statements, previously elected by the Annual General Meeting. The increased requirements for the independence of the auditor are met in this process.

## OUTLOOK

The German Corporate Governance Code was amended significantly last year in terms of the remuneration rules for executive boards. The Gesetz zur Angemessenheit der Vorstandsvergütung (VorstAG – German Act on the Appropriateness of Executive Board Remuneration) underlined the importance of the new rules, which will be observed by shareholders in future. Closely linking executive board remuneration with the success of a company, and hence of its shareholders,

will – where not already practised by companies – improve credibility and in future also have an impact on the willingness of shareholders to place further equity at a company's disposal.

## DECLARATION OF CONFORMITY

In December 2009, the Executive and Supervisory Boards of the Company jointly submitted their updated declaration of conformity with the recommendations of the Government Commission on the German Corporate Governance Code for the 2009 financial year in accordance with section 161 of the Aktiengesetz (AktG – German Public Companies Act). The declaration was made permanently available to the public on the Company's website at [www.deutsche-euroshop.de](http://www.deutsche-euroshop.de).

### Joint declaration by the Executive and Supervisory Boards of Deutsche EuroShop AG relating to the recommendations of the Government Commission on the German Corporate Governance Code in accordance with section 161 AktG

The Executive Board and the Supervisory Board of Deutsche EuroShop AG declare that the Company has complied with, and will continue to comply with, the recommendations of the Government Commission on the German Corporate Governance Code (as published by the German Federal Ministry of Justice in the official section of the electronic Federal Gazette (Bundesanzeiger) on 4 July 2003, and as amended on 18 June 2009), subject to a limited number of exceptions, as indicated below:

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

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

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

The Executive and Supervisory Boards of Deutsche EuroShop AG have acted in a responsible manner, managing and supervising the Company in line with the principles of creating enterprise value ever since the Company was established, preceding the official introduction of corporate governance guidelines. The Company therefore believed that the agreement of a deductible was not necessary, in particular as this had no effect on the level of the insurance premium. However, to satisfy the obligations of the VorstAG, a deductible is to be agreed for the Executive Board from 1 July 2010 for the current D&O insurance policy.

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

The share price performance depends on various factors, which are not necessarily consistent with the Company's actual business performance or with the personal performance of Executive Board members. This could counteract the long-term incentive effect of share option programmes. For this reason, the Company has not implemented any share option programmes or similar securities-based incentive schemes to date.

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

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

- » **The Supervisory Board has not formed a nomination committee (Section 5.3.3).**

The Company's Supervisory Board consists of only six members, all of whom are shareholder representatives. Given the size and

structure, the Executive Committee of the Supervisory Board has assumed the duties of a nomination committee.

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

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

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

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

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

It is important to the Company to publish audited financial statements that have been approved by the Supervisory Board. An earlier publication date is not feasible due to the schedules for the preparation, auditing and adoption of the financial statements.

Hamburg, 2 December 2009

The Executive Board and the Supervisory Board  
Deutsche EuroShop AG