
REPORT OF THE SUPERVISORY BOARD



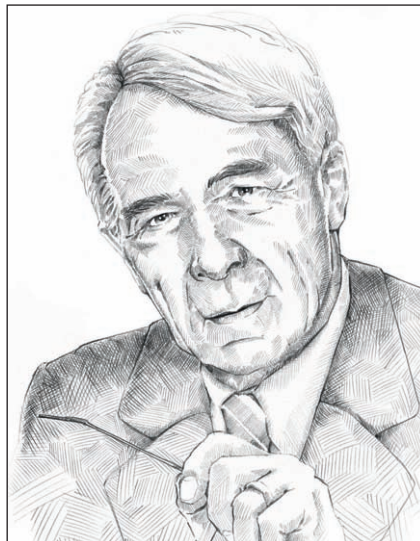
DEAR SHAREHOLDERS,

During financial year 2009, the Supervisory Board performed the duties incumbent on it according to the law and the Articles of Association and closely followed the performance of Deutsche EuroShop AG. The strategic orientation of the Company was coordinated with the Supervisory Board and the progress of strategy implementation discussed at regular intervals. The Supervisory Board monitored and advised the Executive Board on its management of the business, and the Executive Board informed us regularly, promptly and in detail of business developments.

Focus of advisory activities

We examined our Company's net assets, financial position and results of operations, as well as its risk management, regularly and in detail. In this context, we checked that the formal conditions for implementing an efficient system of monitoring our Company were met and that the means of supervision at our disposal were effective. We were informed on an ongoing basis of all significant factors affecting the business.

Our discussions focused on the development of the portfolio properties, their sales trends, outstanding accounts, occupancy rates, construction measures and liquidity as well as investment cost trends for our new development projects.



Manfred Zaß

Chairman of the Supervisory Board

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

Other current topics were discussed by the Chairman of the Supervisory Board and the Executive Committee of the Supervisory Board together with the Executive Board as required. Transactions requiring the approval of the Supervisory Board were discussed and resolved at the scheduled meetings. In addition, for transactions of the Executive Board requiring approval, a conference call of the Executive Committee

was held and a circular resolution was passed in writing. All resolutions of the reporting period were passed unanimously.

Meetings

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

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

At the first scheduled meeting on **23 April 2009**, the Supervisory Board's annual review of efficiency was completed and the agenda for the Annual General Meeting approved. In this context, we selected the

auditor who was proposed to the shareholders for election. With regard to the audit of the annual financial statements, we once again attached great importance to the explanations of the Executive Board and those of the auditor on the real estate appraisals. In addition, the Executive Board reported to us in particular on the expansion of the Altmarkt-Galerie in Dresden and the preparation for the expansion measures for the Main-Taunus-Zentrum.

At the meeting on **30 June 2009** the first action was to elect the undersigned once again as Chairman of the Supervisory Board and Dr Gellen as Deputy Chairman pursuant to section 107 of the Aktiengesetz (AktG – German Public Companies Act). Regular elections of members of the Supervisory Board took place at the Annual General Meeting concluded prior to this.

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

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

At the last meeting on **26 November 2009**, the Executive Board reported to us on the completion of the renovation measures at City-Point in Kassel and the Allee-Center in Hamm. Following a presentation, the possible acquisition of the A10 Center in Wildau

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was discussed intensively during this meeting, as was the external financing of this investment. A circular resolution on the acquisition of the A10 Center was passed in writing in December 2009 once further information resulting from the ongoing due diligence process became available. Against the background of the worsening outlook in

general for the retail sector, the Executive Report also reported to us at this meeting on the revenues of our tenants and on the outstanding rents in our shopping centers. An extensive discussion also ensued on the projection and medium-term performance planning of the Company presented by the Executive Board.

Committees

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

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

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

Corporate governance

In December 2009, together with the Executive Board, we issued an updated declaration of conformity with the recommendations of the government commission pursuant to section 161 AktG and made this permanently available on the Deutsche EuroShop website. A separate report on the implementation of the German Corporate Governance Code is included in this Annual Report. The members of the Supervisory Board and the Executive Board declared in writing at the beginning of 2010 that no conflicts of interest had arisen.

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

At the Audit Committee meeting on 20 April 2010 and the Supervisory Board meeting on 28 April 2010, the Audit Committee and the Supervisory Board examined in detail the annual financial statements of Deutsche EuroShop AG in accordance with German commercial law, and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), each as at 31 December 2009, as well as the management report and group management report for financial year 2009.

The documents relating to the financial statements, the auditor's reports and the Executive Board's proposal for the appropriation of the unappropriated surplus were presented to us in good time. The auditor elected by the Annual General Meeting on 30 June 2009 – Hamburg-based BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft – had audited the financial statements prior to this and issued an **unqualified audit opinion** in each case. The auditor also confirmed that the accounting policies, assessment and consolidation methods in the consolidated financial statements complied with the relevant accounting provisions. In addition, the auditor determined in the course of its assessment of the risk management system that the Executive Board has undertaken all required measures pursuant to section 91 (2) AktG in order to identify risks promptly which could jeopardise the continued existence of the Company.

The auditor's representatives took part in the discussion of the annual financial statements and the consolidated financial statements on the occasions of the Audit Committee meeting on 20 April 2010 and the Supervisory Board meeting on 28 April 2010 and explained their main findings.

Following its own examination of the annual financial statements of Deutsche EuroShop AG, the consolidated financial statements and the management reports appertaining thereto, the Supervisory Board did not raise any objections, agreed with the findings of the auditor's examination and approved the annual financial statements of Deutsche EuroShop AG and the consolidated financial statements. The annual financial statements have thus been adopted. The Supervisory Board endorses the Executive Board's proposal for the appropriation of the unappropriated surplus and distribution of a dividend of €1.05 per share.

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

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

Hamburg, 28 April 2010



Manfred Zaß, Chairman