

**FOREWORD BY THE  
EXECUTIVE BOARD**

**Dear Shareholders and Friends**

The headlines of the international capital markets remain dominated by one word in particular: crisis. There is still no sign at present of any sustained relief of the situation. The transaction volume for investments in shopping centers on the European continent declined in 2008 and the market came to a virtual standstill.

Despite this environment, Deutsche EuroShop managed not only to achieve all its business targets but even to exceed them. The solid foundation enabling this is made up of our outstanding shopping center portfolio. The 16 centers are situated in prime locations in four European countries, are fully let and are generating long-term secured earnings.

We conservatively predicted revenue of €110 million to €113 million in 2008 and ultimately achieved €115.3 million, which represented a year-on-year increase of 20%. Earnings before interest and taxes (EBIT) were forecast to lie between €93 million and €95 million but instead rose by 25% to €98.1 million. We expected earnings before taxes (EBT) without measurement gains/losses of between €45 million and €47 million. At the end of the day these increased to €49.9 million, which is equivalent to growth of 29%.

Taking into account the measurement gains and losses and taxes that we do not normally forecast, consolidated profit decreased by 27% from €94.2 million to €68.9 million.

You will find in our reporting a new key statistic that has now established itself in the real estate business: funds from operations or FFO for short. The FFO is defined as the cash flows from operating activities and is used to finance ongoing investments in existing properties, scheduled payments on our long-term bank loans and the distribution of dividends. In 2008, an FFO of €49.8 million or €1.45 per share was posted, up from €38.5 million or €1.12 per share in the previous year.

Earnings per share were derived from several sources: €1.13 came from operations as against €0.94 in the previous financial year. A further €0.87 per share resulted from the valuation of the shopping centers (2007: €0.94). Total earnings per share fell from €2.74 to €2.00 albeit that in the previous year they contained additional earnings of €0.86 per share from the reversal of deferred tax provisions in connection with the corporate tax reform.

The net asset value of our Company rose from €925.1 million as at 31 December 2007 to €942.8 million at the end of 2008. This is equivalent to an increase of €17.7 million and a net asset value per share of €27.43.

After celebrating two new openings in 2008, our entire portfolio is now productive. In March we opened Stadt-Galerie Hameln and in September this was followed by Stadt-Galerie Passau. Both were fully let on a long-term basis at the outset as was the case with all our new openings in the past.

CLAUS-MATTHIAS BÖGE



OLAF G. BORKERS

On the investment side we remained restrained and only carried out selected activity:

- Dresden's Altmarkt-Galerie, in which we have a 50% share, is to be expanded by almost 70% or 18,000 m<sup>2</sup> of retail space by early 2011 for a total sum of € 150 million.



**fr. left:** Thomas Armbrust, Dr. Michael Gellen, Manfred Zaß, Alexander Otto, Claus-Matthias Böge, Dr. Bernd Thiemann, Olaf G. Borkers, Dr. Jörn Kreke

As announced above expect to distribute a dividend of €1.05 per share to our shareholders again in 2009 and 2010.

We would like to thank you for your confidence in Deutsche EuroShop and would be pleased if you remain loyal to us in the future.

Hamburg, April 2009

Claus-Matthias Böge

Olaf G. Borkers

On the investment side we remained restrained and only carried out selected activity:

- Dresden's Altmarkt-Galerie, in which we have a 50% share, is to be expanded by almost 70% or 18,000 m<sup>2</sup> of retail space by early 2011 for a total sum of € 150 million. Altogether around 90 new shops will be located here.
- At the start of 2009, we increased our stake in City-Point Kassel from 40% to 90%. Including the liabilities acquired, the investment volume came to some €53 million. By the end of the year around 7,000 m<sup>2</sup> of retail space is to be revamped for eight new speciality shops. City-Point Kassel will then have around 70 speciality shops, cafes and restaurants. The retail space will remain unchanged at roughly 20,000 m<sup>2</sup> and the area undergoing reconstruction has already been fully let out.

Our share coped comparatively well with the extremely difficult year on the stock markets. It started the year at €23.50 and closed slightly up at €24.30. Taking into account the dividend distribution of €1.05 per share, the performance of the Deutsche EuroShop share came to an annualised 7.9%. Compared with our European competitors we were therefore one of the top performers and achieved the fourth best result worldwide.

More and more companies are taking a very cautious stance in their predictions. However, since our business is predictable, stable and laid out on a long-term basis, we are prepared to venture a glimpse into the future and cite some key figures that we intend to take as a benchmark:

- For the 2009 financial year, we are anticipating revenue of between 125 million and 128 million. In the 2010 financial year revenue should increase to between 128 million and 131 million.
- We forecast earnings before interest and taxes (EBIT) in the current year of between 105 million and 108 million and rising to between 109 million and 112 million in 2010.
- We expect earnings before taxes (EBT) excluding measurement gains/losses to be between 50 million and 52 million in 2009 and between 53 million and 55 million in 2010.
- We expect funds from operations of between 1.45 and 1.50 and in the 2010 financial year of between 1.55 and 1.60.

We intend to maintain our long-term dividend policy geared towards continuity and on the basis of the forecast outlined above expect to distribute a dividend of €1.05 per share to our shareholders again in 2009 and 2010.

We would like to thank you for your confidence in Deutsche EuroShop and would be pleased if you remain loyal to us in the future.

Hamburg, April 2009



Claus-Matthias Böge



Olaf G. Borkers

**Claus-Matthias Böge, CEO**  
born 13 February 1959

After successfully qualifying as a bank clerk and completing a business administration degree, Mr. Böge began his professional career in 1987 at the Düsseldorf-based Privatbankhaus Trinkaus & Burkhardt in Mergers & Acquisitions. His work, for which he was made a Prokurist (authorised signatory) in 1989, focused on advising small and medium-sized companies on buying and selling companies and equity interests.

In 1990, Mr. Böge was appointed to the management of KST Stahltechnik GmbH, a subsidiary of the Austrian industrial plant construction group VA Technologie AG, where he was responsible for the financial control, personnel, legal, tax and administration departments. In autumn 1993, Mr. Böge moved to ECE Projektmanagement G.m.b.H. & Co. KG in Hamburg, the European market leader for the development, realisation, leasing and long-term management of shopping centers. It was here that he first became fascinated with the world of shopping centers. In addition to a series of management positions at subsidiaries in the ECE group, his work focused on concept planning, financing and ongoing profitability optimisation of property investments.

Mr. Böge joined the Executive Board of Deutsche EuroShop AG in October 2001.  
He is married and has two children.

**Olaf G. Borkers, CFO**  
born 10 December 1964

After serving as a ships officer with the German Federal Navy, Mr. Borkers qualified as a bank clerk with Deutsche Bank AG in 1990. He then studied business administration in Frankfurt/Main. From 1995, Mr. Borkers worked as a credit analyst for Deutsche Bank AG in Frankfurt and Hamburg. In 1998, he joined RSE Grundbesitz und Beteiligungs-AG, Hamburg, as assistant to the Executive Board. In 1999, Mr. Borkers was appointed to the Executive Board of TAG Tegernsee Immobilien und Beteiligungs-AG, Tegernsee and Hamburg, where he was responsible for finances and investor relations until September 2005. In addition, Mr. Borkers held various Supervisory Board and management positions within the TAG Group.

Olaf G. Borkers joined the Executive Board of Deutsche EuroShop AG in October 2005.  
He is married and has two children.