

# THE SHOPPING CENTER SHARE



## SHARE PRICE: CAUGHT BY THE FINANCIAL CRISIS

Deutsche EuroShop shares began the year at €23.50 and by May 2008 recovered from the losses experienced in the fourth quarter of 2007. On 13 May, it posted an annual high of €28.40 on the basis of the Xetra closing price. From June to September, the share price levelled out at around the €24 mark following the dividend payment. In October, our shares were also affected by the sharp price falls on the global stock markets and the price moved down to €18.50 as of 20 November. A noticeable recovery phase then began in December. The share price ended the year with a slight plus at €24.30. This resulted in the market capitalisation of Deutsche EuroShop rising by around €27 million in 2008 from €808 million to €835 million.

## AGAINST THE CURRENT

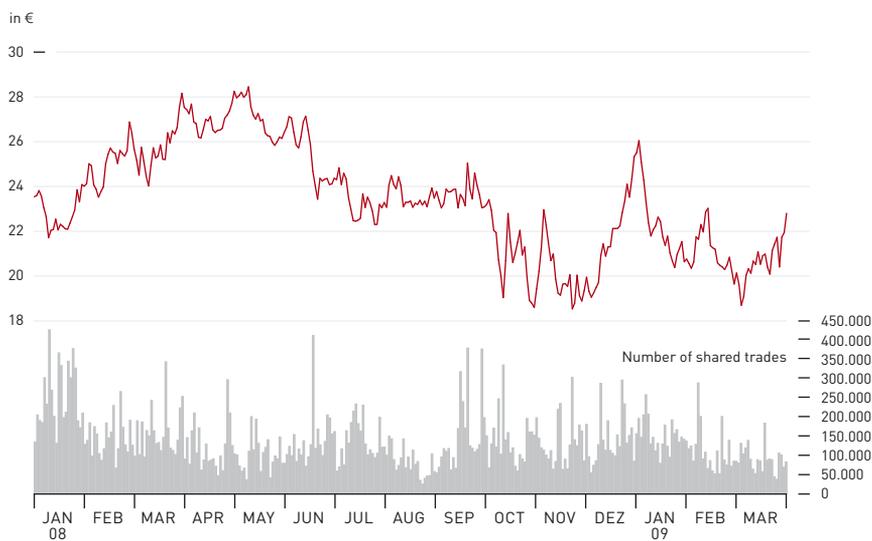
Taking into account the dividend paid of €1.05 per share, the performance of Deutsche EuroShop shares amounted to 7.9% year-on-year. The share price rose by 3.4%. Our shares exceeded the European benchmark, the EPRA index (-48.6%) by a substantial margin and in comparison with European peers, they came out at the top end of the field.

<sup>1</sup> Corio, Eurocommercial Properties, Klepierre, Liberty International and Unibail-Rodamco

The Hamburg-Hanover stock exchange, the newspaper "Die Welt" and Hamburger Sparkasse bestowed Deutsche EuroShop with the Haspax Award for Top Performer 2008 in recognition of its positive share performance.

Open-ended property funds – our competitors for investor capital alongside other property management companies – achieved an average performance of 4.7% in the past year (2007: 5.7%) and, despite all market distortions, had cash inflows of around €0.6 billion (2007: €6.7 billion).

### TREND OF SHARE



### TREND OF SHARE (INDEXED)



■ Deutsche EuroShop incl. dividend ■ EPRA ■ MDAX

## HIGHER ATTENDANCE AT ANNUAL GENERAL MEETING

The Annual General meeting was held on 19 June 2008 in Hamburg. Approximately 400 shareholders were in attendance at the "Alte Dressurhalle" at the Hagenbeck Zoo in Hamburg, representing 56.1% of the capital (previous year: 46.4%) and approved all the items on the agenda.

## SHARE PRICE IN THE ANALYSTS' SPOTLIGHT

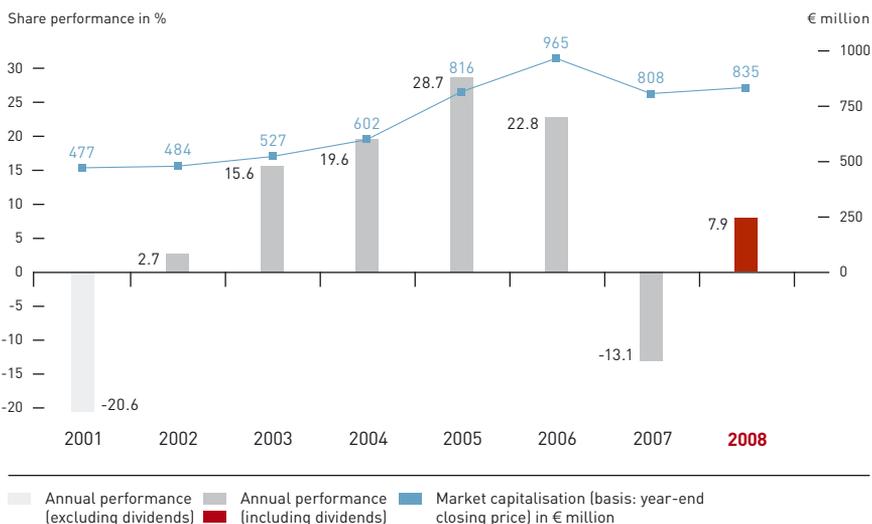
Our share is now regularly followed by 24 analysts (as at 31 March 2009, compared with 19 a year earlier) from well-known German and international financial institutions and their recommendations introduce us to new groups of investors. This puts Deutsche EuroShop among those property companies in Europe with the best coverage meaning that it does not need to shy away

from comparison within the MDAX (average of 21 analysts). Particularly good news is that other banks intend to begin covering Deutsche EuroShop shares in 2009. Information on the recommendations is available at:

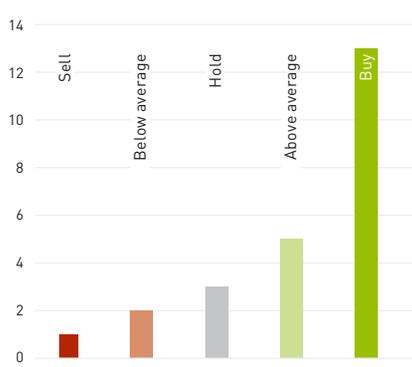
[www.deutsche-euroshop.com/research](http://www.deutsche-euroshop.com/research)

**The majority of analysts give positive recommendations for Deutsche EuroShop shares (as at 31 March 2009)**

### SHARE PERFORMANCE AND MARKET CAPITALISATION SINCE THE IPO



### DIVERSITY OF ANALYST'S OPINION



<sup>1</sup> Aurel, Bankhaus Lampe, Berenberg Bank, CB Seydler Research, Commerzbank, Credit Suisse, Deutsche Bank, DZ Bank, equinet, Hamburger Sparkasse, HSBC, HSH Nordbank, Kempen & Co., Macquarie, Merrill Lynch, Metzler, M.M. Warburg & Co, Petercam Bank, Rabobank, Sal. Oppenheim, Silvia Quandt Bank, Societe Generale, Unicredit and West LB

## DEUTSCHE EUROSHOP SHARES – KEY FIGURES

WKN/ISIN	748 020/DE 000 748 020 4
Ticker-Symbol	DEQ
Share capital in €	34.374.998.00
Number of share (no-par value registered shares)	34.374.998
Indices	MDAX, HDAX, DAX International Mid 100, EPRA, GPR 250, MSCI Small Cap, Dow Jones EURO STOXX TMI, EPIX 30, HASPAX
Official market	Prime Standard Frankfurt Stock Exchange and Xetra
OTC markets	Berlin-Bremen, Düsseldorf, Hamburg, Hannover, Munich and Stuttgart

## AWARD-WINNING IR WORK

In July, Deutsche EuroShop received for the third consecutive time 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 this three times in a row. Each year, the financial magazine Capital awards this well-known prize for the best communication with the financial markets, judging companies on their target group focus, transparency, track record and extra financial reporting.

Deutsche EuroShop also won at BIRD 2008 (Beste Investor Relations Deutschlands – Germany’s Best Investor Relations) for the third time in a row. The investor magazine Börse Online awarded for the sixth time those companies whose capi-

tal market information is regarded as particularly open, honest and fair by private investors. We thus succeeded in 2008 not only in defending our top position in the MDAX, but equally in remaining ahead in the overall evaluation of 160 companies from the DAX, the MDAX, the SDAX and the TecDAX.

The 2007 annual report with its motto “The changing face of retail” won tenth place among over 3,000 entries in the LACP 2008 Vision Awards Annual Competition. The LACP is the League of American Communications Professionals. With 98 of a possible 100 points, the Deutsche EuroShop annual report was awarded platinum in the “Real Estate/REIT category”.

In addition, the international specialist magazine Institutional Investor awarded

Deutsche EuroShop and its IR managers the Best European Investor Relations prize. We also received the Deutscher Investor Relations Preis 2008 prize in the MDAX and IR Managers categories as awarded by DIRK (Deutscher Investor Relations Verband – German Investor Relations Association).

In the pan-European Extel Survey, we are happy to point out that the capital market team emerged among the top five in the industry in the relevant categories on a continual basis.

Further awards for our capital market communication can be found on our website at: [www.deutsche-euroshop.com/ircommunication](http://www.deutsche-euroshop.com/ircommunication)



## SLIGHT SHIFTS IN THE SHAREHOLDER STRUCTURE

At around 7,800, the number of shareholders remained stable in 2008 (as of 31 March 2009, previous year: 7,750). Structural distribution has changed slightly – institutional investors now hold almost 56% of shares (previous year: 55%) and private investors

hold around 25% (previous year: 26%). The Otto Family stake remained stable at around 19.5%. South Africa-based Attfund Ltd. reported holding a stake of almost 5.8%.

However, the share of foreign investors has fallen by 2 percentage points. There were slight changes to the country distribution, particularly to the share of French investors which has dropped by 2.3 percentage points to 4.7%. ▶

SHAREHOLDER'S STRUCTURE



SHAREHOLDER'S STRUCTURE



	2008	2007	2006	2005	2004	2003	2002	2001
Market capitalisation, (basis: year-end closing price) (€m)	835	808	965	816	602	527	484	477
High (€)	28,40 (13.05.08)	30.09 (23.04.07)	29.12 (31.03.06)	25.25 (27.07.05)	19.44 (29.12.04)	17.35 (18.11.03)	18.58 (28.05.02)	19.75 (12.03.01)
Low (€)	18,50 (20.11.08)	23.22 (20.08.07)	23.89 (02.01.06)	19.12 (05.01.05)	16.45 (12.08.04)	14.85 (03.03.03)	13.90 (31.10.02)	15.00 (21.09.01)
Year-end closing price (31 Dec) (€)	24,30	23.50	28.08	23.73	19.26	16.88	15.50	15.25
Dividend per share (€)	1,05 <sup>1</sup>	1.05	1.05	1.00	0.96	0.96	0.96	0.96
Dividend yield (31 Dec) (%)	4,3	4.5	3.7	4.2	5.0	5.7	6.2	6.3
Annual performance excl./incl. dividend	3,4%/7,9%	-16,3%/-13,1%	18,4%/22,8%	23,2%/28,7%	14,1%/19,6%	8,9%/15,6%	1,6%/2,7%	-20,6%/-
Average daily trading volume (shares)	143.297	144,361	93,744	76,786	36,698	12,438	3,558	5,512
EPS (€) (undiluted)	2,00	2.74	2.92	1.55	0.89	0.61	-0.09 <sup>2</sup>	-0.48 <sup>2</sup>
CFPS (€)	1,60	1.18	1.08	0.96	0.70	0.67	-	-

All share price information up to 2002 relates to the Frankfurt Stock Exchange; all information from 2003 onwards relates to Xetra

<sup>1</sup>proposal <sup>2</sup>HGB accounting

## DIVIDEND CONTINUITY

The Executive and Supervisory Boards will propose payment of a dividend of €1.05 again per share for the 2008 financial year to the Annual General Meeting of 30 June 2009 in Hamburg. With our long-term strategy of a dividend policy based on continuity, and a comparatively high yield of 4.3% (based on the 2008 year-end closing price of €24.30), 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  
Tel.: +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)



# EVENTS

## HAMBURG EXCHANGE CONVENTION

Deutsche EuroShop made its fourth consecutive appearance at the Hamburg Exchange Convention, which took place on 6 September in the historic trading rooms of the Hamburg Chamber of Commerce. Organisers of the largest finance trade show for private investors in Northern Germany were the Hamburg Stock Exchange and the Hanseatischer Börsenkreis at the University of Hamburg.

Over 5,500 visitors took the opportunity to learn more from the over 100 exhibitors which included many companies from all over Germany who are listed on the stock exchange. In addition, there were 70 presentations given on current topics from the world of economy and finance which were intended for both non-experts and well-versed traders alike.

Once again, Deutsche EuroShop's stand at the trade show was quite popular among attendees. Shareholders and other curious attendees took the opportunity to speak personally with the company employees and members of the Executive Board in attendance.

In 2009 Deutsche EuroShop will once again participate in the event, which is free of charge to visitors: The next Hamburg Exchange Convention takes place on 7 November.



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

## REAL ESTATE SHARE INITIATIVE

In 2001 Deutsche EuroShop formed the Real Estate Share Initiative with four other real estate companies. The purpose of the association, which began as an informal arrangement, was to generate publicity for German real estate shareholders among a wider audience. Today the initiative consists of 29 member companies who give presentations once a year at a jointly organised specialist- and capital market conference. Over 300 participants, including company representatives, inves-

tors, financial analysts and journalists, met on 20 and 21 October 2008 at the Westin Grand Hotel in Frankfurt for the 8th specialist conference, which has become a fixture in the industry calendar of yearly events.

Along with the opportunity to mix with the most important players in the market, participants enjoyed the opportunity to gain information by attending reports, podium discussions and company presentations on the newest developments and

trends in real estate and the financial market.

Olaf G. Borkers gave a presentation before a large audience on Deutsche EuroShop's current developments and strategy. In addition, the Executive Board joined with the Investor Relations Team in leading around 18 individual and group discussions with investors, analysts and journalists.

The next specialist conference by the Real Estate Share Initiative will be on 20 October 2009 in Frankfurt.



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

## ANNUAL GENERAL MEETING



The Annual General Meeting of Deutsche EuroShop took place on 19 June 2008 at a special location: Over 400 shareholders met in the historical ambience of the "Old Circus Hall" at the world-famous Hagenbeck Zoo, which for many years was used as a circus hall.

The Executive and Supervisory Boards presented detailed reports to shareholder on the 2007 financial year, new developments from Deutsche Euro-

Shop's shopping center portfolio and on the current situation in the real estate and capital market.

With an attendance rate at above 56% at the time of the vote, the shareholders approved all the points on the agenda; which included the regular (re-)election of three Supervisory Board members.

It's already a tradition at Deutsche EuroShop's main shareholder meetings to have the opportunity to personally meet

and interact with the Executive Board as well as the employees who are available to answer questions at one of the informational stands. After the meeting, many visitors took advantage of the proximity to the zoo for a short excursion.

Deutsche EuroShop shareholders have once again been invited to the "Old Circus Hall" for this year's general meeting on 30 June 2009.

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

# STOCK MARKET

**ANNUS HORRIBILIS**



One can spin it any which way. However, there is no longer anything good to say about the stock market's performance in 2008. After the previous year when already the US credit crisis became the market's defining feature, the pessimists took over completely in 2008. Falling real estate prices and an increase in the expected number of defaults in the so-called sub-prime sector resulted in trading with structured mortgage products coming to a standstill across the board. This in turn essentially ripped out the commercial basis of the major American investment banks. In March, Bear Stearns could only be saved with audacious measures. In summer, mortgage lenders Fannie Mae and Freddie Mac were sucked into the crisis and had to be completely nationalised. Next in September Lehman Brothers declared bankruptcy and started a chain reaction that dragged down the entire banking sector. State and

national central banks were forced to use all conceivable financial instruments to prevent the worst from happening.

### IN THE RED, DARK RED

One cannot rule out the possibility that the financial crisis will increasingly affect the US real economy in the coming year. Moreover, the crisis has continued to expand into other regions. By the end of the fourth quarter, the rampant virus had infected Europe and Asia. Almost all the important stock indexes lost more than 30% of their value in 2008. The American S&P 500 declined 38%. Germany's own DAX lost almost 40%. In newly industrialising countries, it was commonplace to see indexes sink more than 50% and sometimes even significantly more, as in China with 63%. Since the epicentre of the crises was the highly inflated real estate market in the US, this sector completely fell apart. For

instance, the European real estate index EPRA fell an incredible 49% in 2008 after it had already fallen 34% in the previous year. Share profits from the last five years for this market segment basically disappeared into thin air. In Germany, it was especially the mortgage real estate sector's write-offs in the double-digit billions of euros that prompted political intervention. Only one publicly traded German real estate company managed to escape this negative trend: the German concern EuroShop was able to go against the general decline of 2008 and delivered its investors a respectable 7.9% increase in stock value.

◀ Ralf Flierl

## PROPERTY SHARES SIGNIFICANTLY UNDER PRESSURE ACROSS THE GLOBE IN 2008

In the course of the financial crisis and economic downturn, property shares throughout the world came under significant pressure in 2008. This development affected companies from sectors and regions. The EPRA/NAREIT Europe Index went down by 48.6% last year while the EPRA/NAREIT Global Index lost 45%. In Asia the fall in property share prices amounted to as much as 50%,

while in North America it was 37.6%. Within Europe, property shares from Norway posted the greatest loss at -91.5% followed by Spain (-87.4%) and Austria (-85.5%). Switzerland was the only country to register a slight price gain of 1.1% for property shares (source: EPRA). The performance of the EPRA/NAREIT Germany Index was in line with the European average at -52.7%.

Deutsche EuroShop AG successfully combated the negative sector trend in 2008 with a 7.9% gain in its share price. The share of Deutsche EuroShop AG accordingly achieved the fourth best performance of all shares represented globally in the EPRA/NAREIT indices and the best performance of all European real estate companies contained in the EPRA/NAREIT indices. In terms of market

capitalisation, the Deutsche EuroShop share grew to become the largest German real estate company with €835.3 million as per 31 March 2009.

◀ Christian Schiffmacher



# ROAD SHOWS AND CONFERENCES IN 2008

In order to maintain contact with existing investors and introduce the Deutsche EuroShop share to new investor groups as an attractive investment, the Executive Board and Investor Relations team once more held a large number of roadshows and attended capital market conferences in 2008.

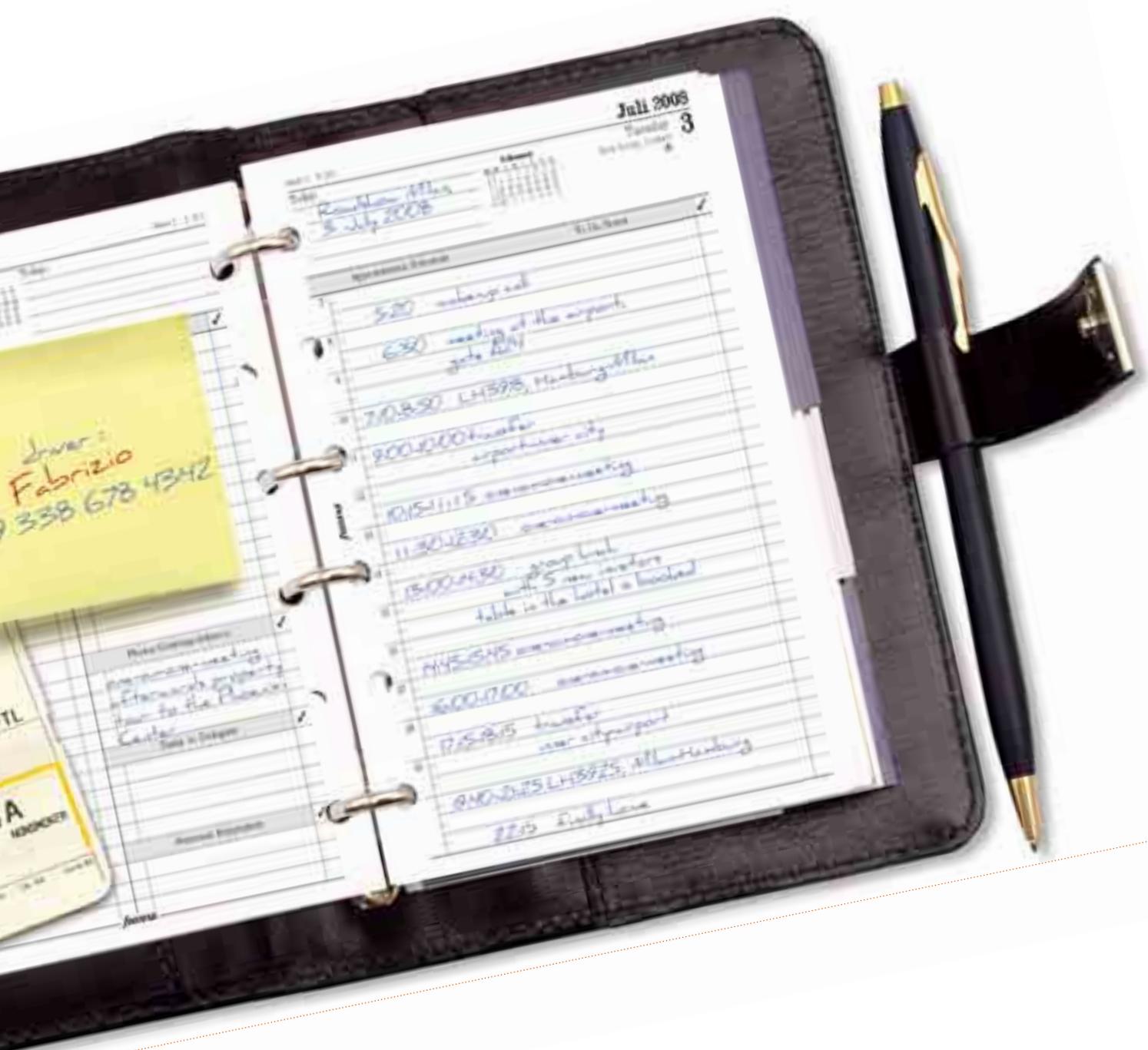
The focus of our roadshow activities was on the European financial centres, with visits to Frankfurt, London, Paris and Zurich. However, we also presented Deutsche EuroShop again in cities that at first glance are not in the top league of stock exchanges:

In Hamburg, Munich, Amsterdam, Brussels, Dublin, Edinburgh, Helsinki, Copenhagen, Lisbon, Madrid, Milan, Stockholm, Vaduz and Vienna we held talks with institutional investors such as fund and portfolio managers and informed them about the current business development of Deutsche EuroShop. One trip took us to New York and Chicago in the USA as well as to Canada where we scheduled meetings in Montreal.

The roadshows are organised by various banks which carry out a precise analysis in advance to ascertain which customers

have already invested or can be considered potential investors and have prepared specific questions for the company. Getting to know the management of a company personally often acts as a decisive investment criterion for this target group. Up to ten individual and/or group events are held during a roadshow on any one day. The Deutsche EuroShop team is often accompanied on such trips by representatives of the organising bank such as analysts and account executives.

We also make use of the opportunity to attend capital market conferences to which



we are invited throughout the year by various investment companies. Professional investors like to attend these events as they enable them to come into contact with representatives of many companies at a single venue on the same day. In addition to hosting corporate presentations for interested audiences, the conferences also provide us with the opportunity to provide in-depth and targeted answers to the questions put forward by investors and analysts at so-called one-on-one meetings.

In 2008, we introduced Deutsche EuroShop at conferences in Dusseldorf, Frankfurt,

Munich, Amsterdam, London, Milan and New York.

However, many investors from Germany and abroad also visited us at our headquarters in Hamburg and put their questions about the company directly to the Executive Board. We often made use of this opportunity and subsequently showed our guests the Phoenix-Center in order to provide them with an insight into the high quality of our portfolio.

Altogether, we held 21 road shows last year and visited 12 conferences, which enabled

us to meet individually with over 350 investors and analysts.

We also aim to maintain and enhance the close contact with our investors in 2009. To this end we plan once again to hold various roadshows and attend capital market conferences. You will find some dates on page 145 in our financial calendar. You can also keep up to date with our investor relations activities at all times on our website at [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. The intention of Deutsche EuroShop is to establish itself as the investment brand in shopping centers.

## “THE CHANGING FACE OF RETAIL” ADVERTISEMENT SERIES

In 2008, we expressed “The changing face of retail” motto for our annual report by means of unusual advertisement motives by using historical photographs from the 1960s. This allowed us to emphasise our successful business performance in specialist publications. Our image and financial advertising was designed to coincide with the publication of our current financial figures with exceptional emphasis on target groups and exact timing.



## MEDIA ATTENTION DOWN SLIGHTLY

Deutsch EuroShop is still enjoying a large 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 concentrated on Deutsche EuroShop with reports and interviews. Whilst the editions of these media fell by 11% from 31.0 million in the previous year to 27.6 million copies, the equivalent advertising value through reports in newspapers and magazines rose significantly from almost €3.3 million to around €4.3 million in 2008 (up 30%).

## WEBSITE WITH INCREASING HITS

The trend towards higher visitor figures on our accessible website continued throughout 2008. What is noticeable however is that the number of visits diminished yet the number of pages viewed climbed considerably. Our Internet presence can be found at

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

### TREND IN MEDIA PRESENCE



### PAGE REQUESTS AND HITS PER MONTH



**D**eutsche EuroShop is a transparent enterprise whose actions are aimed at achieving long-term success. This focus on continuity is an essential part of our corporate culture. Our aim is to promote the confidence of investors, lenders, employees, business partners and the public in the management and control of our Company on the basis of the legal and enterprise-specific framework for the management of listed enterprises. This aim coincides with the objectives of high-quality corporate governance.

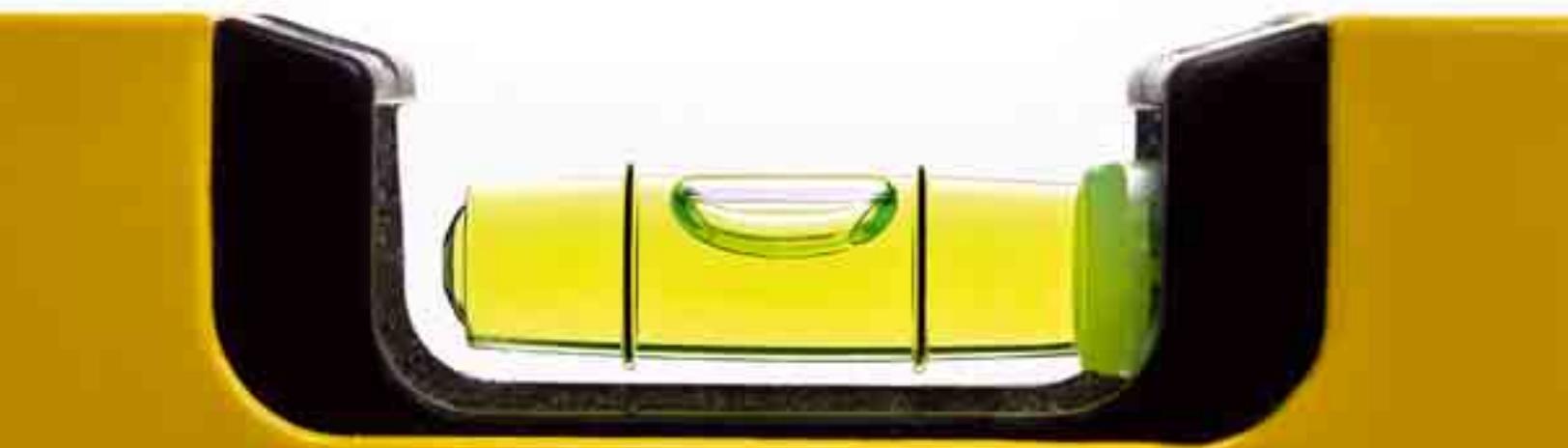
The Government Commission on the German Corporate Governance Code published the German Corporate Governance Code on 26 February 2002 and approved amendments and additions to individual recommendations and suggestions, most recently on 6 June 2008. Going forward, the Government Commission will continue 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.

## MANAGEMENT AND CONTROL STRUCTURE

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 financial year 2008 can be found in its report on pages 6 to 7.

# CORPORATE GOVERNANCE



In financial year 2008, 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, 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: 2010

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 and of Deutsche EuroShop Management GmbH.

Olaf G. Borkers  
Born 10 December 1964  
First appointment: 2005  
Appointment ends: 2011

Olaf G. Borkers joined Deutsche EuroShop in October 2005, as a member of the Executive Board. He is also a Managing Director of Deutsche EuroShop Verwaltungs GmbH and of Deutsche EuroShop Management 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 and an Audit 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 and passes relevant resolutions on urgent business matters. 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 accounting, 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.

## REMUNERATION

The detailed disclosures relating to the remuneration, ancillary benefits and pension commitments of the Executive Board and the Supervisory Board can be found in the remuneration report, which is part of the management report on page 81, and in the notes on page 135.

## SHAREHOLDINGS

### Executive Board

As at 31 December 2008, the Executive Board held a total of 21,700 shares, less than 1% of Deutsche EuroShop's share capital.

### Supervisory Board

As at 31 December 2008, the Supervisory Board held a total of 4,300,571 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 Board 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 financial year 2008 in accordance with section 15a of the Wertpapierhandelsgesetz (WpHG – Securities Trading Act):

Notifying party	Date of transaction	Transaction	Instrument	Number	Price (per share in in €)
Claus-Matthias Böge	07.01.2008	Purchase	Share	1,000	22.83
Claus-Matthias Böge	07.01.2008	Purchase	DES bonus cert.	1,000	24.14
AROSA Vermögensverwaltungsges. mbH	07.01.2008	Purchase	Share	22,103	23.00
AROSA Vermögensverwaltungsges. mbH	08.01.2008	Purchase	Share	32,521	22.80
Gabriele Cattarius-Armbrust	08.01.2008	Purchase	Share	5,000	22.59
Thomas Armbrust	09.01.2008	Purchase	Share	5,000	22.34
Olaf Borkers	09.01.2008	Purchase	Share	500	21.88
Claus-Matthias Böge	27.05.2008	Purchase	Share	500	25.95
Carlotta Böge	27.05.2008	Purchase	DES bonus cert.	200	27.05
Henry Böge	27.05.2008	Purchase	DES bonus cert.	200	27.05
Annette Armbrust	07.10.2008	Purchase	Share	230	21.60
Dr. Bernd Thiemann	07.10.2008	Purchase	Share	5,000	22.04
Claus-Matthias Böge	10.10.2008	Purchase	Share	1,000	18.00
CMB Böge Vermögensverwaltungs GmbH	05.12.2008	Sale	Share	2,000	19.67
Carlotta Böge	05.12.2008	Purchase	Share	1,000	19.67
Henry Böge	05.12.2008	Purchase	Share	1,000	19.67

## 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 compensation 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 activi-

ties. 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 web site.

## 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 (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 clarifies the rights of the shareholders, who provide the company with the required equity and who carry the entrepreneurial risk. Particularly in critical business situations with increasing risk, the 'discipline of the marketplace' will also have considerable influence on the scope of

corporate governance in practice. In future, this will also have an impact on the willingness of shareholders to place further equity at the disposal of a company.

## DECLARATION OF CONFORMITY

In December 2008, 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 2008 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 '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 6 June 2008), 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).

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 members of the Executive Board and the Supervisory Board does not provide for any deductible. (Section 3.8 (2) of the Code).

The Executive Board and the Supervisory Board 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 believes that the agreement of a deductible is not necessary, in particular as this has no effect on the level of the insurance premium.

- The remuneration of the members of the Management Board does not include stock options (Section 4.2.3 (3) of the Code). The Company's 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 stock option programmes. For this reason, the Company has not implemented any stock-option programmes or similar securities-based incentive schemes to date.

- There is no stipulated age limit for a Member of the Executive Board (Section 5.1.2 (2) of the Code).

The Supervisory Board believes that professional qualification and skills represent the key criteria for members of the Executive Board. If an age limit policy was in force, such a policy might force the retirement of a qualified and successful Executive Board member.

- The Supervisory Board did not establish 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 the structure, the Executive Committee of the Supervisory Board has assumed the duties of a nomination committee.

- There is no stipulated age limit for a Member of the Executive Board (Section 5.4.1 (1) of the Code).

The Company believes that professional qualification and skills represent the key criteria for members of the Supervisory Board. If an age limit policy was in force, such a policy would restrict the options available to shareholders in selecting members - and might, in fact, force the retirement of a qualified and successful Supervisory Board member.

- The remuneration of Supervisory Board members does not take into account the performance of duties as a member of Supervisory Board committees (Section 5.4.7 (1) of the Code) and does not comprise performance-based remuneration components (Section 5.4.7 (2) of the Code).

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 of the Code)

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, December 2008

The Executive Board and the Supervisory Board  
Deutsche EuroShop AG