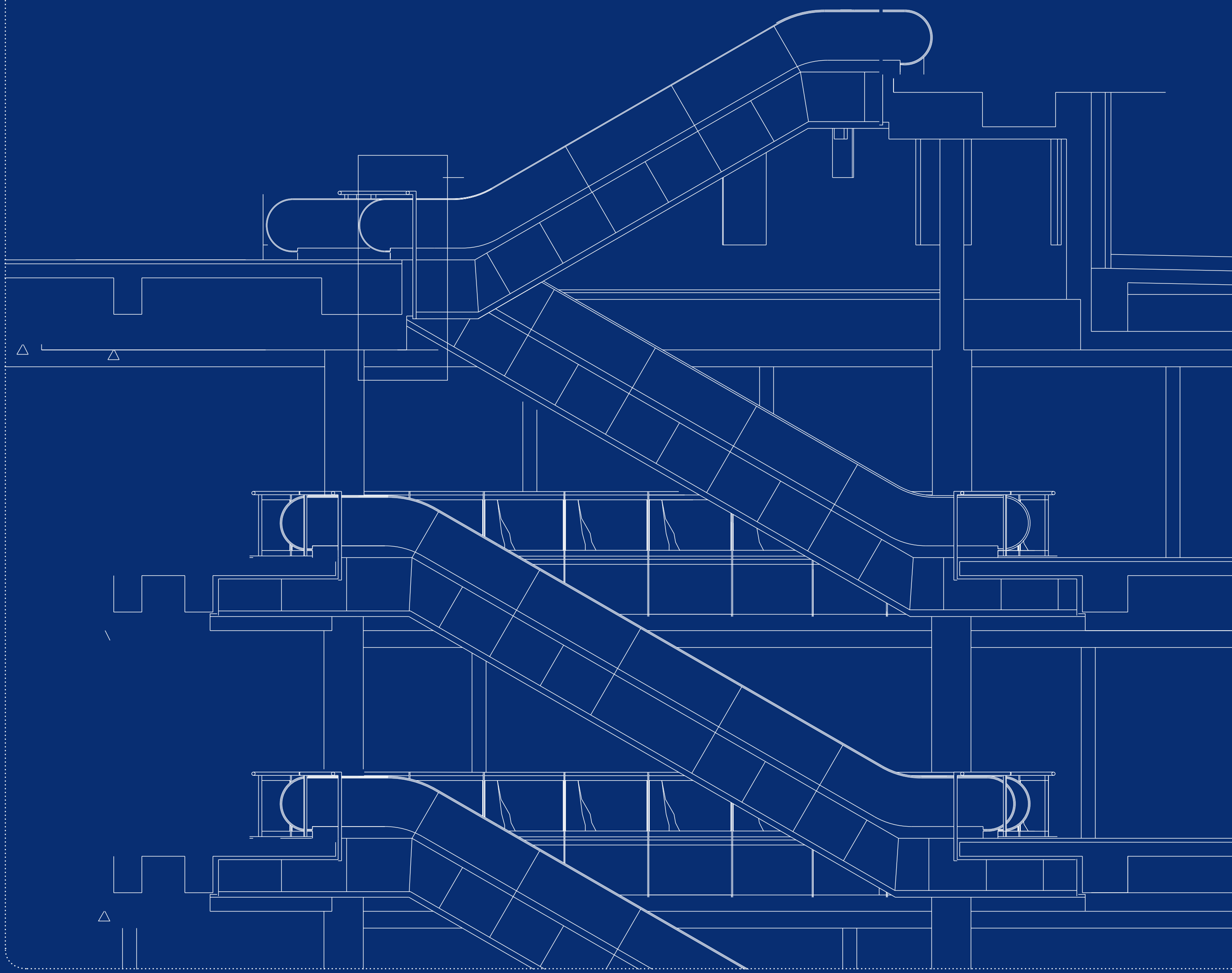
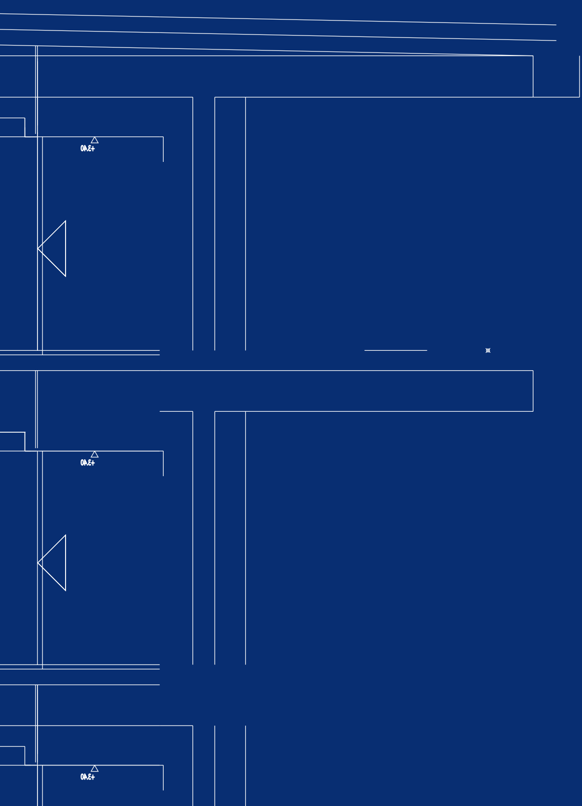


CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2008



Deutsche EuroShop AG, Hamburg

CONSOLIDATED FINANCIAL STATEMENTS

IFRS CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2008

ASSETS

in € thousands	Notes	31 Dec 2008	31 Dec 2007
Assets			
Non-current assets			
Intangible assets	1.	32	8
Property, plant and equipment	2.	21,199	144,353
Investment properties	3.	1,897,767	1,658,200
Non-current financial assets	4.	30,316	32,851
Investments in equity-accounted associates	5.	3,740	0
Other non-current assets	6.	930	3,802
Non-current assets		**1,953,984**	**1,839,214**
Current assets			
Trade receivables	7.	2,717	3,179
Other current assets	8.	6,737	21,269
Other financial investments	9.	1,740	3,681
Cash and cash equivalents	10.	41,671	108,993
Current assets		**52,865**	**137,122**
Total assets		**2,006,849**	**1,976,336**

EQUITY AND LIABILITIES

in € thousands	Notes	31 Dec 2008	31 Dec 2007
Equity and liabilities			
Equity and reserves			
Issued capital		34,375	34,375
Capital reserves		546,213	546,213
Retained earnings		279,862	280,210
Total equity	11.	**860,450**	**860,798**
Non-current liabilities			
Bank loans and overdrafts	12.	879,078	849,258
Deferred tax liabilities	13.	82,313	64,303
Right to redeem of limited partners	14.	117,320	113,249
Other non-current liabilities	19.	14,941	540
Non-current liabilities		**1,093,652**	**1,027,350**
Current liabilities			
Bank loans and overdrafts	12.	20,730	46,694
Current trade payables	15.	3,039	8,651
Liabilities to other investees and investors		35	0
Tax provisions	16.	662	520
Other provisions	17.	18,221	25,070
Other current liabilities	18.	10,060	7,253
Current liabilities		**52,747**	**88,188**
Total equity and liabilities		**2,006,849**	**1,976,336**

IFRS CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

in € thousands	Notes	2008	2007
Revenue	20.	115,343	95,762
Property operating costs	21.	-5,957	-8,015
Property management costs	22.	-7,151	-6,082
Net operating income (NOI)		102,235	81,665
Other operating income	23.	870	1,057
Other operating expenses (corporate costs)	24.	-5,000	-4,212
Earnings before interest and taxes (EBIT)		**98,105**	**78,510**
Income from investments	25.	1,715	1,505
Interest income		2,370	2,682
Interest expense		-46,079	-40,193
Profit/loss attributable to limited partners	26.	-6,191	-3,622
Net finance costs		**-48,185**	**-39,628**
Measurement gains of which measurement losses attributable to equity-accounted associates -1,255 (previous year: 0.00)	27.	**37,071**	**38,956**
Profit before tax (EBT)		**86,991**	**77,838**
Income tax expense	28.	-18,118	16,344
Other taxes		-1	-5
Consolidated profit		**68,872**	**94,177**
Basic earnings per share (€)		2.00	2.74
Diluted earnings per share (€)		2.00	2.74

IFRS CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2008

in € thousands	Notes	1 Jan to 31 Dec 2008	1 Jan to 31 Dec 2007
Profit after tax		**68,872**	**94,177**
Income from the application of IFRS 3		-892	0
Profit/loss attributable to limited partners		17,915	14,087
Depreciation of property, plant and equipment		10	16
Changes in value of investment property in accordance with IAS 40		-66,316	-46,759
Other non-cash income and expenses		17,506	-4,216
Deferred taxes		18,009	-16,719
Operating cash flow		**55,104**	**40,586**
Changes in receivables		17,866	32,243
Changes in other financial investments		1,940	-993
Changes in non-current tax provisions		0	-136
Changes in current provisions		-6,707	5,739
Changes in liabilities		11,632	-524
Cash flow from operating activities		**79,835**	**76,915**
Payments to acquire property, plant and equipment		-87,331	-144,345
Inflows and outflows for investments in non-current financial assets		-3,897	17
Cash flow from investing activities		**-91,228**	**-144,328**
Changes in interest-bearing financial liabilities		3,856	119,332
Contributions of minority interests		0	7
Payments to Group shareholders		-36,094	-36,094
Payments to minority shareholders		-6,897	-4,052
Cash flow from financing activities		**-39,135**	**79,193**
Net change in cash and cash equivalents		**-50,528**	**11,780**
Cash and cash equivalents at beginning of period		**108,993**	**94,214**
Currency related changes		1,329	3,695
Other changes		-18,123	-696
Cash and cash equivalents at end of period		**41,671**	**108,993**

STATEMENT OF CHANGES IN EQUITY AS OF 31 DECEMBER 2008

in € thousands	Share capital	Capital reserves	
1 January 2007	**22,000**	**558,588**	
Change due to IAS 39 measurement of investments			
Change in first-time application reserves IAS 12			
Change in first-time application reserves IAS 40			
Change in cash flow hedge			
Change due to currency translation effects			
Other changes			
Total of earnings recognised directly in equity	0	0	
Consolidated profit			
Total profit	22,000	558,588	
Capital increase from own funds	12,375	-12,375	
Dividend payments			
31 December 2007	**34,375**	**546,213**	
1 January 2008	**34,375**	**546,213**	
Change due to IAS 39 measurement of investments			
Change in cash flow hedge			
Change due to currency translation effects			
Other changes			
Total of earnings recognised directly in equity	0	0	
Consolidated profit			
Total profit	34,375	546,213	
Dividend payments			
31 December 2008	**34,375**	**546,213**	

	Other retained earnings	Legal reserve	Total
	213,688	**2,000**	**796,276**
	3,519		3,519
	136		136
	-861		-861
	1,263		1,263
	2,445		2,445
	-63		-63
	6,439	0	6,439
	94,177		94,177
	314,304	2,000	896,892
	0		0
	-36,094		-36,094
	278,210	**2,000**	**860,798**
	278,210	**2,000**	**860,798**
	-920		-920
	-16,429		-16,429
	-15,939		-15,939
	162		162
	-33,126	0	-33,126
	68,872		68,872
	313,956	2,000	896,544
	-36,094		-36,094
	277,862	**2,000**	**860,450**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE 2008 FINANCIAL YEAR

GENERAL DISCLOSURES

The Group parent is Deutsche EuroShop AG, Hamburg, Germany. The Company's registered office is Oderfelder Strasse 23, 20149 Hamburg, Germany and is entered in the Hamburg commercial register under HRB 91799.

The consolidated financial statements of Deutsche EuroShop AG have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), including the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the HGB. All IFRSs and IFRIC interpretations endorsed by the European Commission and required to be applied as of 31 December 2008 have been applied.

In addition to the consolidated balance sheet and the consolidated income statement, the consolidated financial statements comprise the statement of changes in equity, the cash flow statement and the notes.

Amounts are presented in thousands of €.

Since it began operating in 2000, Deutsche EuroShop AG has focused on acquiring, managing, using and selling investments of all kinds, and in particular investments in retail properties.

The preparation of the consolidated financial statements necessitates the use of estimates and assumptions. These affect the reported amounts of assets, liabilities and contingent liabilities at the balance sheet date, as well as the recognition of income and expenses during the reporting period. The actual amounts can differ from these estimates. Expected cash flows and the discount factor are essential parameters for the measurement of investment properties.

The consolidated financial statements were approved for publication by the Executive Board on 23 April 2009.

BASIS OF CONSOLIDATION AND CONSOLIDATION METHODS

BASIS OF CONSOLIDATION

Subsidiaries

The consolidated financial statements include all material subsidiaries in which Deutsche EuroShop AG directly or indirectly holds a majority of voting rights, plus those companies which are joint ventures.

As of 31 December 2008, the basis of consolidation comprised, in addition to the parent company, 12 (previous year: 12) fully consolidated domestic and foreign subsidiaries and 8 (previous year: 8) proportionately consolidated domestic and foreign companies.

Investments over which Deutsche EuroShop AG does not exercise control are measured at fair value, in line with the provisions of IAS 39. This includes the investment in Ilwro Joint Venture Sp. zo. o., Warsaw.

Associates

Previously, companies with no business operations or with a low volume of business were not included in the consolidated financial statements for reasons of materiality. In accordance with IAS 28, Deutsche EuroShop exercises a significant influence but no control over these companies and generally holds 20% to 50% of the shares. This relates to the following companies:

City-Point Beteiligungs GmbH, Pöcking
Kommanditgesellschaft Sechzehnte ALBA Grundstücksgesellschaft mbH & Co., Hamburg
EKZ Vier Errichtungs- und Betriebs Ges.m.b.H., Vienna

In the period under review, Deutsche EuroShop Verwaltungs GmbH invested in three shelf companies for a purchase price of €0. This relates to the following companies:

Kommanditgesellschaft PANTA Dreiunddreißigste Grundstücksgesellschaft m.b.H. & Co., Hamburg
Kommanditgesellschaft PANTA Achtundvierzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg
Kommanditgesellschaft PANTA Fünfundsiebzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg

The abovementioned companies were accounted for using the equity method pursuant to IAS 28 for the first time.

A detailed list of the companies included in the consolidated financial statements is included as part of the notes. A list of shareholdings in accordance with section 285 no. 11 of the Handelsgesetzbuch (HGB – German Commercial Code) and section 313 (2) nos. 1 to 4 and (3) of the HGB is published in the electronic Federal Official Gazette.

The annual financial statements of the consolidated companies were prepared as at 31 December 2008, the reporting date of the consolidated financial statements.

CONSOLIDATION METHODS

For purchase accounting, the cost is eliminated against the parent's interest in the re-valued equity of the subsidiaries at the date of acquisition or initial consolidation. Any remaining excess of cost of acquisition over identified net assets acquired is recognised as goodwill in intangible assets, unless it can be allocated to the carrying amounts of properties.

Joint ventures are included proportionately in the consolidated financial statements in accordance with IAS 31. Alternatively, the equity method is also permissible. The assets and liabilities as well as the income and expenses of jointly controlled entities are included in the consolidated financial statements according to the interest held in these entities. Proportionate consolidation and accounting for goodwill follows the same principles applied to the consolidation of subsidiaries.

For associates carried in the consolidated financial statements using the equity method, the cost of the investment is recognised in income at an amount increased or reduced by the changes in equity corresponding to the equity interest of Deutsche EuroShop.

Intragroup transactions are eliminated as part of the consolidation of intercompany balances and of income and expenses.

CURRENCY TRANSLATION

The Group currency is the euro (€).

Ongoing transactions in foreign currencies are translated at the middle rate on the date of the respective transaction. Realised translation differences are recognised in the income statement.

The companies located outside the European Monetary Union that are included in the consolidated financial statements are treated as foreign entities. Under IAS 21, annual financial statements prepared in foreign currencies are translated using the functional currency method. All assets and liabilities are translated at closing rates. The items in the income statement are measured at average rates. The resulting translation differences are taken to equity in the Change item due to currency translation effects.

Differences from the consolidation of intercompany balances and of income and expenses are recognised in profit or loss.

A closing rate of HUF 264.78 (previous year: HUF 253.73) and an average rate of HUF 251.51 (previous year: HUF 251.35) were used in the translation of the Hungarian single-entity financial statements from forint to euros. A closing rate of PLN 4.1724 (previous year: PLN 3.593) and an average rate of PLN 3.5121 (previous year: PLN 3.783) was taken as a basis for translating the single-entity financial statements of the Polish property company.

CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board (IASB) has issued several amendments to the existing International Financial Reporting Standards (IFRSs), as well as a number of new IFRSs, which are required to be applied effective 1 January 2008. The following IFRSs were applied for the first time during the year under review:

- IAS 39 A Reclassification of Financial Assets
- IAS 39 A Reclassification of Financial Assets – Effective Date and Transition
- IFRS 7 A Reclassification of Financial Assets
- IFRIC 12 Service Concession Arrangements
- IFRIC 14 IAS 19 – The limit on a Defined Benefit Asset, Minimal Funding Requirements and their Interaction

The application of these interpretations did not result in any changes of accounting policies within the Group.

The following new or revised Standards and Interpretations relevant to the Group’s business activities were published as of 31 December 2008 but are not yet required to be applied as of the balance sheet date:

- IFRS 2 A Vesting Conditions and Cancellations
- IFRS 8 Operating Segments
- IAS 1 A Presentation of Financial Statements
- IAS 23 A Borrowing Costs
- IFRIC 13 Customer Loyalty Programmes

SIGNIFICANT ACCOUNTING POLICIES

REVENUE AND EXPENSE RECOGNITION

Revenue and other operating income are recognised once the relevant service has been rendered or once the risk has passed to the customer. Operating expenses are recognised once the service has been utilised or at the time when they are incurred. Interest income and expense are accrued.

INTANGIBLE ASSETS

Intangible assets relate exclusively to software purchased by Deutsche EuroShop AG. Additions are measured at cost. These are amortised at 20% using the straight-line method over the expected useful life of 5 years. The method of amortisation and the amortisation period are reviewed annually at the end of each financial year.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is reported at cost less depreciation and, where applicable, impairment losses.

Properties constructed or developed for future use as investment property are initially reported as property, plant and equipment and then, following completion, as investment property.

Borrowing and initial rental costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset until the time at which the asset is largely ready for its intended use. Income from the temporary investment of specifically borrowed funds is deducted from the borrowing costs of these assets to be capitalised until the latter are used to obtain qualifying assets.

All other borrowing costs are recognised in income in the period in which they occur. Maintenance measures relating to property, plant and equipment are recognised as an expense in the year in which they occur.

Operating and office equipment comprises office equipment, fittings and technical equipment belonging to Deutsche EuroShop AG, and is depreciated using the straight-line method over 3 to 13 years. The method of depreciation and the depreciation period are reviewed annually at the end of each financial year.

INVESTMENT PROPERTIES

Under IAS 40, investment property must initially be measured at cost at the date of acquisition. The costs for the shopping centers under construction are transferred from Property, plant and equipment to Investment properties following their completion. The initial valuation at fair value takes place at the end of the financial year in which the property was completed.

Subsequently, all properties must be measured at their fair value, and the annual net changes recognised in income in measurement gains. Investment property is property held long term to earn rentals or for capital appreciation. Under IAS 40, investment property measured using the fair value model is not depreciated.

As in previous years, the fair values of the property in the period under review were determined by the Feri EuroRating Services AG/GfK GeoMarketing appraisal team using the discounted cash flow method (DCF). In accordance with the DCF method, future cash flows from the property concerned are discounted back to the measurement date. In addition, the net income from the respective property is determined over a detailed planning period of 10 years. A resale value is forecast for the end of the 10-year detailed planning phase. The net income is then capitalised over the remaining life. In a second step, the resale value is discounted back to the measurement date.

Averaged across all properties, net income amounts to 86.9% of rental income, i. e. 13.1% of rental income is deducted for management and administrative costs.

The capitalisation rate comprises a forecast interest rate for a 10-year German federal bond and a mark-up that takes account of the individual risk profile of the property. Around 150 individual indicators are used to determine the risk profile. These include a forecast of population development over the long term, the rate of employment and the resulting effects on retail demand, the development of the competitive environment and construction activity.

The capitalisation rate averaged 6.68% compared with 6.38% in the previous year. The rate is composed of a yield from a 10-year German federal bond of 4.58% (2007: 4.78%) compared with the current yield of 2.95% (as at 31 December 2008) and an average risk premium of 2.1% (2007: 1.6%).

On the basis of the expert appraisals, the real estate portfolio has an initial net yield of 5.64% for the 2009 financial year, compared with 5.49% in the previous year.

LEASE AGREEMENTS

In line with IAS 17, the rental agreements in the Deutsche EuroShop Group are classified as operating leases. The operating lease agreements relate to investment property owned by the Group with long-term rental periods. Rental income from operating leases is recognised in income on a straight-line basis over the term of the corresponding lease agreement. The lessee has no opportunity to acquire the property at the end of the term.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions governing the financial instrument.

1. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives that qualify for hedge accounting in accordance with IAS 39 are used to hedge interest rate risks. They are fixed-rate swaps to limit the interest rate risk of a variable-interest rate loan. These interest rate hedges are recognised at fair value under Other assets or Other liabilities. As long as the conditions of the underlying and hedge transaction are identical, changes are recognised directly in equity. A test of effectiveness for the hedges is regularly implemented. Present value is calculated based on discounted cash flows using current market rates. The interest rate hedges have terms that run until 2026.

2. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are classified as Available-for-Sale and include an investment in a Polish corporation that is a joint venture managed by Deutsche EuroShop jointly with the other venturers. As Deutsche EuroShop does not exercise control over this company, the investment is measured at fair value in line with the provisions of IAS 39. The measurement gains and losses are recognised directly in equity. The fair value of financial instruments for which there are no quoted market prices is estimated on the basis of the market values of the properties determined by appraisals, less net indebtedness. The determination of fair value assumes the existence of a going concern. In addition, an investment in CASPIA Investments Sp. zo. o., Warsaw, which was not included in the scope of consolidation in the period under review due to the difficulty of obtaining company data, was reported under Non-current financial assets. This is a small property company which generated revenue of PLN 1,373 thousand in the period under review and a net profit for the period of PLN 891 thousand. Deutsche EuroShop has a direct interest of 74% in CASPIA and plans to include it in the consolidated financial statements of the coming financial year by way of full consolidation.

3. INVESTMENTS IN EQUITY-ACCOUNTED ASSOCIATES

Companies with a small scope of business in which Deutsche EuroShop generally has an interest of 20% to 50% but over which it does not exercise control are included in the consolidated financial statements as equity-accounted associates. Here, the cost of investment is recognised in income on an annual basis in the amount of the change in the equity of such companies corresponding to the equity interest of Deutsche EuroShop.

4. RECEIVABLES AND OTHER CURRENT ASSETS

Receivables and other current assets are carried at amortised cost less write-downs.

5. OTHER FINANCIAL INVESTMENTS

Other financial investments relate on the one hand to money market fund units that are classified as Held-for-trading and carried at their fair value at the balance sheet date in accordance with IAS 39. The resulting gains on disposal are recognised in income in the Other operating income item. On the other hand, investments with a term of over 3 months are included at their fair value in these items and their interest income is included in net financial income.

6. RIGHT TO REDEEM OF LIMITED PARTNERS

The distinction between equity and liabilities is set out in IAS 32 Financial Instruments: Disclosure and Presentation. In accordance with this Standard, the equity interests of minority shareholders in commercial partnerships are reclassified as liabilities due to the shareholders’ potential right of redemption. In accordance with sections 131 et seq of the HGB, shareholders in commercial partnerships have an ordinary legal right of termination of six months to the end of the fiscal year, which the shareholders’ agreement can define in greater detail, but not exclude. As a result of this stipulation, a liability rather than equity is recognised in the balance sheet. This liability must be measured at fair value.

7. BANK LOANS AND OVERDRAFTS

Liabilities to banks/bank loans and overdrafts are reported at cost. Discounts have been deducted, which under IAS 39 must be amortised over the term of the loan agreement and recognised annually as an expense.

8. TRADE PAYABLES

Trade payables are carried at their repayment amount.

9. OTHER LIABILITIES

Other liabilities are recognised at amortised cost.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances at their principal amounts.

DEFERRED TAXES

In accordance with IAS 12, deferred taxes are recognised for all differences between the tax accounts and the IFRS balance sheet, using the currently enacted tax rate. Deutsche EuroShop AG calculates its deferred taxes on the basis of the on-balance liability method. A uniform corporation tax rate of 15% plus the solidarity surcharge of 5.5% is used for German companies and the local tax rates for foreign companies. In accordance with IAS 12.74 deferred tax assets on existing loss carryforwards are offset at present against deferred tax liabilities.

OTHER PROVISIONS

Under the IFRSs, other provisions may only be recognised if an obligation exists to a third party and settlement is probable. Non-current provisions are discounted.

DISCLOSURES ON THE CONSOLIDATED BALANCE SHEET – ASSETS

1. INTANGIBLE ASSETS

in € thousands	Concessions, industrial and similar rights and licenses in such rights and assets 2007
Costs as of 1 January	**25**
Currency differences	0
Additions	0
Disposals	0
Reclassifications	0
as of 31 December	**25**
Amortisation as of 1 January	**-12**
Currency differences	0
Additions	-5
Reversals of impairment losses	0
Disposals	0
as of 31 December	**-17**
Carrying amount 1 January	**13**
Carrying amount 31 December	**8**

in € thousands	Concessions, industrial and similar rights and licenses in such rights and assets 2008
Costs as of 1 January	**25**
Currency differences	0
Additions	28
Disposals	0
Reclassifications	0
as of 31 December	**53**
Amortisation as of 1 January	**-17**
Currency differences	0
Additions	-4
Reversals of impairment losses	0
Disposals	0
as of 31 December	**-21**
Carrying amount 1 January	**8**
Carrying amount 31 December	**32**

This item essentially includes software licenses.

2. PROPERTY, PLANT AND EQUIPMENT

in € thousands	Property, advance payments and assets under construction	Other equipment, operating and office equipment	Total 2007
Costs as of 1 January	**155,500**	**75**	**155,575**
Currency differences	8,034	0	8,034
Additions	130,775	8	130,783
Disposals	0	0	0
Reclassifications	-149,742	0	-149,742
as of 31 December	**144,567**	**83**	**144,650**
Depreciation as of 1 January	**-230**	**-55**	**-285**
Currency differences	0	0	0
Additions	0	-12	-12
Reversals of impairment losses	0	0	0
Disposals	0	0	0
as of 31 December	**-230**	**-67**	**-297**
Carrying amount 1 January	**155,270**	**20**	**155,290**
Carrying amount 31 December	**144,337**	**16**	**144,353**

in € thousands	Property, advance payments and assets under construction	Other equipment, operating and office equipment	Total 2008
Costs as of 1 January	**144,567**	**83**	**144,650**
Currency differences		0	0
Additions	87,089	32	87,121
Disposals	0	0	0
Reclassifications	-210,269	0	-210,269
as of 31 December	**21,387**	**115**	**21,502**
Depreciation as of 1 January	**-230**	**-67**	**-297**
Currency differences	0	0	0
Additions	0	-6	-6
Reversals of impairment losses	0	0	0
Disposals	0	0	0
as of 31 December	**-230**	**-73**	**-303**
Carrying amount 1 January	**144,337**	**16**	**144,353**
Carrying amount 31 December	**21,157**	**42**	**21,199**

The additions to the Property, advance payments and assets under construction item firstly concern the expansion measures in Dresden. In addition, further payments were made for the two centers in Hameln and Passau, which opened in 2008. On the balance sheet date, costs of €210.3 million relating to these two properties were reclassified to Investment properties.

The carrying amount as of the balance sheet date includes interest capitalised in the financial year amounting to €181 thousand which was incurred during construction. The capitalisation rate is 5.6%.

3. INVESTMENT PROPERTIES

	Investment properties
in € thousands	2007
Costs as of 1 January	**1,336,193**
Currency differences	-373
Additions	0
Investments during the current year	2,921
Disposals	0
Reclassifications	156,891
as of 31 December	**1,495,632**
Depreciation and amortisation/impairment losses and reversals as of 1 January	**115,809**
Currency differences	0
Additions	0
Reversals of impairment losses	46,759
Disposals	0
as of 31 December	**162,568**
Carrying amount 1 January	**1,452,002**
Carrying amount 31 December	**1,658,200**

	Investment properties
in € thousands	2008
Costs as of 1 January	**1,495,632**
Currency differences	-38,129
Additions	0
Investments during the current year	172
Disposals	0
Reclassifications	210,269
as of 31 December	**1,667,944**
Depreciation and amortisation/impairment losses and reversals as of 1 January	**162,568**
Currency differences	0
Additions	0
Reversals of impairment losses	89,947
Depreciation and amortisation	-23,631
Disposals	939
as of 31 December	**229,823**
Carrying amount 1 January	**1,658,200**
Carrying amount 31 December	**1,897,767**

The reclassifications relate to the properties in Hameln und Passau, which opened in March and September and were reported at fair value under IAS 40 for the first time.

The properties are secured by mortgages. Land charges exist in the amount of €899,808 thousand.

The rental income of the property valued in line with IAS 40 amounted to €115,343 thousand. The direct operating expenses amounted to €13,108 thousand.

4. NON-CURRENT FINANCIAL ASSETS

	Non-current financial assets
in € thousands	2007
Costs as of 1 January	**18,705**
Currency differences	273
Additions	526
Disposals	-543
Reclassifications	0
as of 31 December	**18,961**
Write-downs and impairments/impairment losses and reversals as of 1 January	**10,372**
Currency differences	0
Additions	0
Reversals of impairment losses	3,518
Write-downs and impairments	0
Disposals	0
as of 31 December	**13,890**
Carrying amount 1 January	**29,077**
Carrying amount 31 December	**32,851**

	Non-current financial assets
in € thousands	2008
Costs as of 1 January	**18,961**
Currency differences	-518
Additions	0
Disposals	0
Reclassifications	83
as of 31 December	**18,526**
Write-downs and impairments/impairment losses and reversals as of 1 January	**13,890**
Currency differences	0
Additions	0
Reversals of impairment losses	0
Write-downs and impairments	-920
Disposals	0
Reclassifications	-1,180
as of 31 December	**11,790**
Carrying amount 1 January	**32,851**
Carrying amount 31 December	**30,316**

The reclassifications within costs relate firstly to the reclassification of associates accounted for using the equity method for the first time in an amount of €1,541 thousand and secondly to adjustments to historic cost allocated to write-downs and impairments/impairment losses and reversals amounting to €1,624 thousand. This did not have an effect on the closing balance

As of the balance sheet date, the investments in Ilwro Joint Venture Sp. zo. o., Warsaw and CASPIA Investments Sp. zo. o., Warsaw were reported under Non-current financial assets.

In the period under review, the investment in Ilwro Joint Venture Sp. zo. o., Warsaw was written down by €920 thousand, resulting in a net carrying amount of €27,171 thousand as of 31 December 2008. The net carrying amount of CASPIA Investments Sp. zo. o., Warsaw is €3,145 thousand.

5. INVESTMENTS IN EQUITY-ACCOUNTED ASSOCIATES

The additions relate to the acquisition of investments in Kommanditgesellschaft Panta Fünfundsiebzigste Grundstücks-gesellschaft m.b.H. & Co., Kommanditgesellschaft Panta Achtundvierzigste Grundstücksgesellschaft m.b.H. & Co. and Kommanditgesellschaft Panta Dreiunddreißigste m.b.H. & Co.

	Investments in equity-accounted associates
in € thousands	2008
Costs as of 1 January	**0**
Currency differences	0
Additions	3,900
Disposals	-2
Reclassifications	1,541
as of 31 December	**5,439**
Amortisation/impairment losses and reversals as of 1 January	**0**
Currency differences	0
Additions	0
Reversals of impairment losses	0
Amortisation	-1,255
Disposals	0
Reclassifications	-444
as of 31 December	**-1,699**
Carrying amount 1 January	**0**
Carrying amount 31 December	**3,740**

The companies hold leased office properties. Some of these properties are included in project development plans.

The reclassifications concern Kommanditgesellschaft 16. ALBA Grundstücksgesellschaft mbH & Co., Hamburg, EKZ Eins Errichtungs- und Betriebs Ges.m.b.H & Co OEG, Vienna and City-Point Beteiligungs GmbH, Pöcking. These investments were previously reported under Non-current financial assets and were reclassified in the period under review. For the first time they were measured using the equity method in accordance with IAS 28.

The investments were written down by €1,255 thousand in 2008.

6. OTHER NON-CURRENT ASSETS

The item essentially includes the present value of a long-term receivable of €852 thousand attributable to our Polish property company. Annual cash flows of €207 thousand will flow to the company until 2016.

in € thousands	31 Dec 2008	31 Dec 2007
Other non-current assets	930	3,802
	930	**3,802**

7. TRADE RECEIVABLES

in € thousands	31 Dec 2008	31 Dec 2007
Trade receivables	3,440	4,166
Allowances for doubtful accounts	-723	-987
	2,717	**3,179**

Receivables result primarily from rental settlements and uncharged payments for investments. Guarantees, cash security deposits and letters of comfort serve as collateral.

8. OTHER CURRENT ASSETS

in € thousands	31 Dec 2008	31 Dec 2007
Unpaid contributions	0	11,326
Value added tax receivables	3,204	6,766
Deductible withholding tax on dividends/solidarity surcharge	321	209
Interest rate swap	207	207
Income tax receivables	0	39
Miscellaneous assets	3,005	2,722
	6,737	**21,269**

Value added tax receivables essentially concern our investment in Gdansk.

Miscellaneous assets primarily consist of other receivables from tenants as well as location securing costs.

RECEIVABLES

in € thousands	Total	Up to 1 year	Over 1 year
Trade receivables	2,717	2,717	0
	(3,179)	(3,179)	(0)
Other current assets	7,667	6,737	930
	(25,071)	(21,269)	(3,802)
	10,384	**9,454**	**930**
	(28,250)	**(24,448)**	**(3,802)**

Previous year's figures in brackets

9. OTHER FINANCIAL INVESTMENTS

in € thousands	31 Dec 2008	31 Dec 2007
Time deposits with a term of over 3 months	1,600	0
Other securities	140	3,681
	1,740	**3,681**

DWS money market fund units which have been recognised at fair value are reported, as are longer-term invested cash balances.

10. CASH AND CASH EQUIVALENTS

in € thousands	31 Dec 2008	31 Dec 2007
Short-term time deposits	6,229	100,029
Current accounts	35,427	8,770
Cash	15	194
	41,671	**108,993**

DISCLOSURES ON THE CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

11. EQUITY AND RESERVES

Changes in equity are presented in the statement of changes in equity.

On 6 August 2007, Deutsche EuroShop AG implemented a capital increase from own funds with a subsequent two-for-one share split. The share capital is thus divided into 34,374,998 no-par value registered shares and amounts to €34,374,998 following the changeover.

The share capital amounts to €34,374,998 and is composed of €34,374,998 no-par value registered shares. The notional value of each share is €1.00.

According to section 5 of the Articles of Association, the Executive Board is authorised, with the approval of the Supervisory Board, to increase the Company's share capital by up to a total of €17,187,499 on one or several occasions until 20 June 2012 by issuing up to 17,187,499 no-par value registered shares against cash or non-cash contributions.

The Executive Board is authorised, with the approval of the Supervisory Board, until 21 June 2011 to issue convertible bonds with a nominal value of up to a total of €150,000,000 and maturities of up to 7 years and to grant bond holders or creditors conversion rights to up to 7,500,000 new no-par value registered shares in the Company with a proportionate amount of share capital of up to €7,500,000 as detailed in the terms and conditions for convertible bonds to be published by the Executive Board, with the approval of the Supervisory Board.

As the parent company of the Group, Deutsche EuroShop AG has reported an unappropriated surplus of €36,094 thousand. The Executive Board and Supervisory Board will propose to distribute this amount as a dividend of €1.05 per share at the Annual General Meeting on 30 June 2009. The previous year's unappropriated surplus was distributed in full to the shareholders.

The Retained earnings item essentially contains the remeasurement reserves and currency items recognised at the time of transition to IFRSs.

12. BANK LOANS AND OVERDRAFTS

in € thousands	31 Dec 2008	31 Dec 2007
Non-current bank loans and overdrafts	879,078	849,258
Current bank loans and overdrafts	20,730	46,694
	899,808	**895,952**

Bank loans and overdrafts are recognised at amortised cost on the balance sheet date. The present value of loans is re-determined on the balance sheet date. To do so, the annuities due up to this time, together with any residual amount according to the redemption schedule, are discounted to the balance sheet date at market rates of interest plus a margin. The fair value of the bank loans and overdrafts at the balance sheet date amounts to €940,764 thousand (previous year: €897,972 thousand).

Bank loans and overdrafts relate to loans raised to finance real property acquisitions and investment projects. Land charges on company properties amounting to €899,808 thousand (previous year: €895,952 thousand) serve as collateral.

Discounts are amortised over the term of the loan. In the period under review, €6,077 thousand (previous year: €5,756 thousand) was recognised in income.

Currently, 6 out of a total of 27 loan agreements contain provisions on covenants. In all cases, these relate to debt service cover ratios (DSCR) prescribing minimum values of between 110% and 165%. One loan is subject to an additional condition of a maximum loan-to-value ratio of 60%. This condition is reviewed every 3 years. The next review will take place in March 2010 based on an appraiser's opinion of value. The loan conditions have not been breached thus far and will not be breached according to current planning for 2009 – 2013.

13. DEFERRED TAX LIABILITIES

in € thousands	As of 1 Jan 2008	Utilisation	Reversal	Addition	As of 31 Dec 2008
Deferred tax liabilities	64,303	0	0	18,010	82,313

Deferred tax liabilities relate primarily to properties reported at fair value in accordance with IAS 40. At the balance sheet date, they amounted to €98,937 thousand (previous year: €79,687 thousand) and were partially offset by deferred tax assets on tax loss carryforwards of €16,624 thousand (previous year: €15,564 thousand).

Additions for companies in Germany amounted to €5,642 thousand, while additions of €12,368 thousand were made for companies abroad.

14. RIGHT TO REDEEM OF LIMITED PARTNERS

in € thousands	31 Dec 2008	31 Dec 2007
Right to redeem of limited partners	117,320	113,249
	117,320	**113,249**

15. CURRENT TRADE PAYABLES

in € thousands	31 Dec 2008	31 Dec 2007
Construction services	2,281	7,295
Fees	0	729
Others	758	627
	3,039	**8,651**

16. TAX PROVISIONS

in € thousands	As of 1 Jan 2008	Utilisation	Reversal	Addition	As of 31 Dec 2008
Other income taxes	213	44	0	49	218
Real property tax	307	0	0	137	444
	520	**44**	**0**	**186**	**662**

Trade tax provisions were recognised for Deutsche EuroShop AG and Deutsche EuroShop Verwaltungs GmbH under the minimum taxation requirements, and corporation tax provisions were recognised for Deutsche EuroShop Management GmbH.

Real property tax provisions relate exclusively to companies in Germany.

17. OTHER PROVISIONS

in € thousands	As of 1 Jan 2008	Utilisation	Reversal	Addition	As of 31 Dec 2008
Maintenance and construction services already performed but not yet invoiced	20,676	18,286	1,793	487	1,084
Fees	65	65	0	14,488	14,488
Others	4,329	3,529	652	2,501	2,649
	25,070	**21,880**	**2,445**	**17,476**	**18,221**

The fees contain a performance-based development fee for Stadt-Galerie Passau. All provisions have a term of up to one year.

18. OTHER CURRENT LIABILITIES

in € thousands	31 Dec 2008	31 Dec 2007
Rental deposits	1,469	1,572
Value added tax	1,727	1,459
Service contract liabilities	4,122	779
Debtors with credit balances	252	338
Others	2,490	3,105
	10,060	**7,253**

The Miscellaneous item mainly comprises liabilities for supplementary heating and ancillary costs, as well as prepaid rent for the following year.

19. OTHER NON-CURRENT LIABILITIES

In connection with loans, interest rate hedges were concluded to hedge against increasing capital market interest. Their present value amounted to €14,546 thousand on the balance sheet date.

in € thousands	31 Dec 2008	31 Dec 2007
Interest rate swap	14,546	201
Others	395	339
	14,941	**540**

LIABILITIES

in € thousands	Total	Current	Non-current
Bank loans and overdrafts	899,808	20,730	879,078
	(895,952)	(46,694)	(849,258)
Current trade payables	3,039	3,039	0
	(8,651)	(8,651)	(0)
Other current liabilities	25,001	10,060	14,941
	(7,793)	(7,253)	(540)
thereof taxes	1,494	1,494	0
	(1,503)	(1,503)	(0)
	927,848	33,829	894,019
Previous year's figures in brackets	**(912,396)**	**(62,598)**	**(849,798)**

DISCLOSURES ON THE CONSOLIDATED INCOME STATEMENT

20. REVENUE

in € thousands	2008	2007
Minimum rental income	112,118	92,077
Turnover rental income	2,301	2,271
Other revenue	924	1,414
	115,343	**95,762**
thereof investment property under IAS 40 directly attributable rental income	115,343	95,762

Other revenue relates primarily to compensation for use and settlement payments made to former tenants.

The amounts reported here as operating leasing agreements relate to rental income from the investment property with long-term rental periods. With these types of leasing agreements, future minimum leasing payments from non-terminable rental agreements must be disclosed up to the end of the term.

The following maturities arise from the minimum leasing payments:

in € thousands	2008	2007
Maturity within a year	119,459	108,147
Maturity from 1 to 5 years	401,125	425,781
Maturity after 5 years	274,531	329,794
	795,115	**863,722**

21. PROPERTY OPERATING COSTS

in € thousands	2008	2007
Center marketing	-1,926	-2,048
Maintenance and repairs	-807	-1,659
Real property tax	-755	-693
Insurance	-400	-426
Write-downs of rent receivables	-267	-213
Others	-1,802	-2,976
	-5,957	**-8,015**
thereof investment property under IAS 40 directly attributable operating expenses	-5,957	-4,990

In the previous year, this item included rental costs from properties under construction in the amount of €1,339 thousand which were reclassified to Measurement gains in the period under review.

The disclosures on directly attributable operating expenses in line with IAS 40 Investment Properties relate to properties that are recognised at fair value.

22. PROPERTY MANAGEMENT COSTS

in € thousands	2008	2007
Center management/agency agreement costs	**-7,151**	**-6,082**
thereof investment property under IAS 40 directly attributable operating expenses	-7,151	-5,208

The disclosures on directly attributable operating expenses in line with IAS 40 Investment Properties relate to properties that are recognised at fair value.

23. OTHER OPERATING INCOME

in € thousands	2008	2007
Gains on the sale of current financial instruments	268	433
Income from the reversal of provisions	201	131
Exchange rate gains	126	30
Others	275	463
	870	**1,057**

Other income no longer necessary for allowances on receivables is reported in this item.

24. OTHER OPERATING EXPENSES

in € thousands	2008	2007
Personnel expenses	-1,359	-1,179
Legal and consulting costs, tax consultant fees and audit expenses	-1,474	-1,276
Marketing costs	-415	-458
Supervisory Board compensation	-314	-134
Appraisal costs	-240	-151
Exchange rate losses	-127	-21
Others	-1,071	-993
	-5,000	**-4,212**

The Legal and consulting costs, tax consultant fees and audit expenses item includes €322 thousand in fees for the audit of Group companies. €294 thousand of this figure is attributable to BDO Deutsche Warentreuhand AG.

25. INCOME FROM INVESTMENTS

in € thousands	2008	2007
Income from investments	1,715	1,505
	1,715	**1,505**

In the period under review, this item included the dividend paid by Ilwro Joint Venture Sp. zo. o. and City-Point Beteiligungs GmbH.

26. PROFIT/LOSS ATTRIBUTABLE TO LIMITED PARTNERS

in € thousands	2008	2007
Minority interest in commercial partnerships	-6,191	-3,622
	-6,191	**-3,622**

In the period under review, measurement gains/losses attributable to limited partners were reclassified (see item no. 27). The previous year's value was adjusted accordingly.

27. MEASUREMENT GAINS

in € thousands	2008	2007
Fair value gains in accordance with IAS 40	89,947	46,759
Fair value losses in accordance with IAS 40	-23,631	0
Exchange rate losses (previous year: gains)	-16,250	4,010
Excess of identified net assets acquired over cost of acquisition resulting from changes in the consolidated Group in accordance with IFRS 3in the consolidated Group in accordance with IFRS 3	892	-9
Measurements using the equity method	-1,255	0
Others	-908	-1,339
Minorities	-11,724	-10,465
	37,071	**38,956**

28. INCOME TAX EXPENSE

in € thousands	2008	2007
Current tax expense	-108	-375
Deferred tax liabilities – domestic companies	-5,642	19,576
Deferred tax liabilities – foreign companies	-12,368	-2,857
	-18,118	**16,344**

In measuring deferred taxes, the tax rates applicable in accordance with IAS 12 are the ones valid under current legislation at the date at which the temporary differences will probably reverse. In 2008, a tax rate of 15% was used for the companies in Germany. In addition, a solidarity surcharge of 5.5% on the calculated corporation tax was recognised. The respective local tax rates were recognised for companies abroad.

In the previous year, deferred tax items were reversed in light of the corporation tax reform and the associated reduction of corporation tax rates.

TAX RECONCILIATION

The income taxes in the amount of €18,118 thousand during the period under review are derived as follows from an expected income tax expense that would have resulted from the application of the parent company's statutory income tax rate to the profit before tax. This was calculated using a corporation tax rate of 15% plus the 5.5% solidarity surcharge.

in € thousands	2008	2007
Consolidated profit before income tax	**86,934**	**77,838**
Theoretical income tax 15.825%	**-13,757**	**-12,318**
Tax rate differences for foreign Group companies	-1,906	-695
Foreign tax expense incurred in prior periods	-2,601	0
Others	146	-330
Effective income tax	**-18,118**	**-13,343**
Reversal due to tax rate reduction	0	29,687
Current income taxes	**-18,118**	**16,344**

Deutsche EuroShop AG is a commercial enterprise by virtue of its legal form and its trade income is subject to trade tax.

However, since 2003 Deutsche EuroShop AG has met the requirements for the extended reduction of trade tax in accordance with section 9 (1) sentence 2 of the Gewerbsteuergesetz (GewStG – Trade Tax Act). As a result, no significant trade tax payments have been made to date.

At present, the trade tax is only applied to income not covered by the extended reduction of trade tax, such as interest income. In the current year, €52 thousand in trade tax expense was included in the effective tax expense.

In financial year 2008, the effective income tax rate was 21%.

DISCLOSURES ON THE CONSOLIDATED CASH FLOW STATEMENT

DISCLOSURES ON THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement has been prepared in accordance with IAS 7 and is broken down into operating cash flow and cash flow from operating activities, cash flow from investing activities, and cash flow from financing activities. Cash and cash equivalents consist of cash and bank balances.

in € thousands	31 Dec 2008	31 Dec 2007
Cash and cash equivalents	41,671	108,993
	41,671	**108,993**

Cash and cash equivalents consist of bank balances and cash.

OPERATING CASH FLOW

After adjustment of the profit for the period for non-cash income and expenses, the operating cash flow amounts to €55,104 thousand. All changes to cash flows from net finance costs are allocated to operating activities.

CASH FLOW FROM OPERATING ACTIVITIES

Changes in receivables, provisions and liabilities are allocated to cash flow from operating activities.

Cash flows from operating activities include:
- interest income in the amount of €2.4 million (previous year: €2.7 million)
- interest expense in the amount of €40.0 million (previous year: €34.4 million)
- income taxes paid in the amount of €0.1 million (previous year: €0.4 million)

CASH FLOW FROM INVESTING ACTIVITIES

Cash additions/disposals of property, plant and equipment and non-current financial assets during the current year are disclosed. This item contains interest inflows amounting to €147 thousand and interest outflows amounting to €1,608 thousand.

CASH FLOW FROM FINANCING ACTIVITIES

In the 2008 financial year, a dividend of €36,094 thousand was paid to the shareholders and distributions of €6,897 thousand made to the minority shareholders.

CURRENCY RELATED AND OTHER CHANGES

This item is primarily the result of equity effects in the amount of €1,329 thousand relating to currency translation of foreign investments. Interest rate hedge changes totalling €17,101 thousand and other changes totalling €1,022 thousand are also reported under this item.

CASH FLOW PER SHARE

in € thousands		2008	2007
Average outstanding shares		34,374,998	34,374,998
Operating cash flow	in € thousands	55,104	40,586
Operating cash flow per share	in €	1.60	1.18
Cash flow from operating activities	in € thousands	79,835	76,915
Cash flow per share	in €	2.32	2.24

EARNINGS PER SHARE

In accordance with IAS 33, earnings per share are calculated by dividing the consolidated profit for the period by the weighted average number of shares in issue. This ratio can be diluted by 'potential' shares (convertible bonds and stock options) or by capital increases.

According to the share split of August 2007, the share capital of Deutsche EuroShop AG is composed of 34,374,998 no-par value registered shares.

in € thousands		2008	2007
Shares in circulation		34,374,998	34,374,998
Consolidated net profit attributable to Group shareholders	in € thousands	68,872	94,177
Earnings per share (basic)	in €	2.00	2.74
Earnings per share (diluted)	in €	2.00	2.74

OTHER DISCLOSURES

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Carrying amounts, valuations and fair values according to measurement category

in € thousands	Valuation category in line with IAS 39	Carrying amount 31 Dec 2008	Carried cost
Financial assets			
Non-current financial assets			
Investments in equity-accounted associates	AfS	30,316	3,145
Trade receivables	AfS	3,740	1,095
Other current assets *	LaR	2,717	2,717
Other financial investments	LaR	2,093	1,034
Cash and cash equivalents	HfT	1,740	1,740
	LaR	41,671	41,671
Financial liabilities			
Bank loans and overdrafts			
Right to redeem of limited partners	FLAC	899,808	899,808
Current trade payables	FLAC	117,320	117,320
Other non-current liabilities *	FLAC	3,039	3,039
	FLAC	25,001	10,455
Aggregated according to measurement category in line with IAS 39:			
Loans and receivables (LaR)		46,481	45,422
Available-for-Sale (AfS)		34,056	4,240
Held-for-Trading (HfT)		1,740	1,740
Financial liabilities measured at amortised cost (FLAC)		1,045,168	1,030,622

* Only financial instruments in line with IAS 39/IFRS 7

					Balance sheet amount in line with IAS 39				
	Costs	Fair value reported in equity	Fair value recognised in income	Fair value 31 Dec 2008	Carrying amount 31 Dec 2007	Carried cost	Costs	Fair value reported in equity	Fair value 31 Dec 2007
	15,381	11,790		30,316	32,851	4,759	15,381	12,711	32,851
	3,900		-1,255	3,740					
				2,717	3,179	3,179			3,179
		1,059		2,093	15,951	12,026		3,925	15,951
				1,740	3,681	3,681			3,681
				41,671	108,993	108,993			108,993
				940,764	895,952	895,952			897,972
				117,320	113,249	113,249			113,249
				3,039	8,651	8,651			8,651
		14,546		25,001	3,936	3,625		311	3,936
		1,059		46,481	128,123	124,198		3,925	128,123
	19,281	11,790	-1,255	34,056	32,851	4,759	15,381	12,711	32,851
				1,740	3,681	3,681			3,681
		14,546		1,086,124	1,021,788	1,021,477		311	1,023,808

Non-current financial assets include an investment defined as available-for-sale, which was reported in equity on the balance sheet date. In addition, the investment in a property company in Poland was recognised at amortised cost corresponding to fair value.

Investments measured using the equity method for the first time are reported at fair value. Any write-downs in the period under review are recognised in net profit or loss for the period.

Trade receivables, other assets and cash and cash equivalents have predominantly short residual terms, unlike interest rate swaps, which are accounted for at present value. The carrying amounts thus correspond to the fair value.

Other assets and other financial investments include non-current amounts which have been recognised at present value, taking into account the interest and market price parameters applicable on the reporting date.

Bank loans and overdrafts have long-term durations and are recognised at cost. The fair value for Group loans is given in the Notes under item 12 Bank loans and overdrafts. In total, interest expense of €46,079 thousand is included in net finance costs.

Trade payables and other liabilities usually have short residual terms, unlike interest rate swaps, which are accounted for at present value. The carrying amounts thus correspond to the fair value.

Other liabilities include non-current amounts which have been recognised at present value, taking into account the interest and market price parameters applicable on the reporting date.

Interest from financial instruments is reported in net financial costs. The profit/loss share of minority shareholders of €6,191 thousand is included in net finance costs.

Allowances on receivables are reported in other operating expenses.

MARKET RISKS

LIQUIDITY RISKS

The liquidity of the Deutsche EuroShop Group is continuously monitored and planned. The subsidiaries regularly have sufficient cash to be able to pay for their current commitments. Furthermore, credit lines and bank overdrafts can also be made use of at short notice.

The contractually agreed future interest and principal repayments of the original financial liabilities and derivative financial instruments are to be shown in undiscounted form and are as follows as at 31 December 2008:

in € thousands	Carrying amount 31 Dec 2008	Cash flows 2009	Cash flows 2010 until 2013	Cash flows from 2014
Bankverbindlichkeiten	899,808	102,053	502,585	616,325

The amounts relate to all contractual commitments existing on the balance sheet date. Of the trade payables reported at the end of the financial year and other financial liabilities, the majority will be due in 2009.

CREDIT RISK

There are no significant credit risks in the Group. The trade receivables reported on the reporting date were predominantly paid up to the date of the preparation of the financial statements. During the reporting year, write-downs of rent receivables of €266 thousand (previous year: €213 thousand) are included in other operating expenses.

CURRENCY AND MEASUREMENT RISK

The Group companies operate exclusively in the European Economic Area and conduct the greater part of their business in euro. This does not entail currency risks. Only the inclusion of the Eastern European property companies causes translation gains or losses through the measurement of foreign currency liabilities on the balance sheet date, which are of minor importance in the view of the Group since they are non-cash items. These amounts are reported in measurement gains, which also include the changes in value from the property valuation.

On the basis of the expert appraisals, the property portfolio has a theoretical initial net yield of 5.64% for the 2008 financial year. An increase in the initial net yield of 100 basis points would result in a profit reduction of €286,000 thousand. A reduction of 100 basis points would result in a profit increase of €409,000 thousand.

INTEREST RATE RISK

A sensitivity analysis was implemented to determine the effect of potential interest rate changes. Based on the financial assets and liabilities underlying an interest rate risk on the balance sheet date, this shows the effect of a change on the Group's equity. Interest rate risks arose on the balance sheet date only for credit borrowed and the associated interest rate hedges, which have been accounted for at present value as cash flow hedges in equity. An increase in the market interest rate of 100 basis points would lead to an increase in equity of €14,856 thousand. The majority of the loan liabilities have fixed interest conditions. On the balance sheet date, credit of €157,400 thousand (previous year: €110,600 thousand) was hedged with derivative financial instruments.

CAPITAL MANAGEMENT

The Group's capital management is designed to maintain a strong equity base. The Group's financial policies are also based on the annual payment of a dividend.

in € thousands	31 Dec 2008	31 Dec 2007
Equity	**977,770**	**974,047**
Equity ratio (%)	48.72	49.29
Net financial debt	**-856,397**	**-783,278**

Equity is reported here including the share of the minority shareholders.

The net financial debt is determined from the financial liabilities on the balance sheet date less cash and cash equivalents and other financial investments. The increase in the net financial debt during the financial year was connected with our construction projects in Hameln and Passau. In addition, in 2008 payments totalling €42,991 thousand were made to Group shareholders and minority shareholders.

30. JOINT VENTURES AND EQUITY-ACCOUNTED ASSOCIATES

Joint ventures

Joint ventures, in which Deutsche EuroShop AG together with third parties has a majority of the voting rights, are proportionately included as joint ventures in the consolidated financial statements. For the purposes of proportionate consolidation, the share of the assets which are jointly controlled and the share of liabilities for which Deutsche EuroShop AG is jointly responsible, are assumed into the consolidated balance sheet. The income statement includes the share of the earnings and expenses of the jointly managed companies.

During the financial year, assets and liability items as well as expenses and earnings of the subsidiaries defined as joint ventures in line with IAS 31.56 have been included in the consolidated financial statements in the following way:

in € thousands	31 Dec 2008	31 Dec 2007
Current assets	19,299	14,579
Non-current assets	582,583	564,154
Current liabilities	8,673	4,890
Non-current liabilities	278,845	268,493
Earnings	39,483	50,805
Expenses	-24,808	19,500

Equity-accounted associates

Small property companies in which Deutsche EuroShop indirectly or directly has an interest of 50% are part of the Group. Deutsche EuroShop exercises control over these companies together with other shareholders. In 2008, these companies were included in the consolidated financial statements and accounted for using the equity method for the first time. In this process, the share in these companies' equity was compared to the net carrying amount and any differences recognised in income. In the period under review, a cumulative loss of €1,255 thousand was incurred from the measurement of these investments and is reported under measurement gains.

During the financial year, the equity-accounted companies posted the following assets and liability items and expenses and earnings:

in € thousands	31 Dec 2008	31 Dec 2007
Current assets	388	0
Non-current assets	10,655	0
Current liabilities	174	0
Non-current liabilities	7,200	0
Earnings	772	0
Expenses	-874	0

SEGMENT REPORTING

As a holding company, Deutsche EuroShop AG holds equity interests in shopping centers in the European Union. The investees are pure shelf companies without staff of their own. Operational management is contracted out to external service providers under agency agreements, meaning that the companies' activities are exclusively restricted to asset management. Due to the Company's uniform business activities within a relatively homogeneous region (the European Union), no separate segment reporting has been presented (single-product, single-region entity).

OTHER FINANCIAL OBLIGATIONS

RENTAL, LEASE AND LOAN OBLIGATIONS

in € thousands	31 Dec 2008	31 Dec 2007
Due 2009 (previous year 2008)	80	80
Due 2010 (previous year 2009)	42	80
Due after 2010 (previous year after 2009)	10	89
	132	**249**

Leasing expenses of €80 thousand were incurred in the current financial year.

OTHER DISCLOSURES

An average of four staff were employed in the Group during the reporting year.

EVENTS AFTER THE BALANCE SHEET DATE

Effective 2 January 2009, Deutsche EuroShop Verwaltungs GmbH increased its interest in City-Point Kassel from 40% to 90%. Including liabilities acquired on a pro rata basis, the total investment volume amounts to some €53.0 million.

No further significant events occurred between the balance sheet date and the date of preparation of the financial statements.

THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

SUPERVISORY BOARD

a) Membership of other statutory supervisory boards
b) Membership of comparable German and foreign supervisory bodies of business enterprises

Manfred Zaß, Königstein im Taunus, Chairman
Banker
a) Hypo Real Estate Holding AG, Munich (since 17 November 2008)

Dr. Michael Gellen, Cologne, Deputy Chairman
Independent lawyer
b) Rhein-Pfalz Wohnen GmbH, Mainz (until 25 January 2008)
MT Wohnen GmbH, Frankfurt am Main (until 25 January 2008)
Rhein-Main Wohnen GmbH, Frankfurt am Main (until 25 January 2008)
Rhein-Pfalz Wohnen GmbH, Mainz (until 25 January 2008)
Main-Taunus Wohnen GmbH & Co. KG, Frankfurt am Main (until 12 September 2008)

Thomas Armbrust, Hamburg
Member of the management of KG CURA Vermögensverwaltung G.m.b.H. & Co., Hamburg
a) C.J. Vogel Aktiengesellschaft für Beteiligungen, Hamburg (Chairman)
TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich (Chairman)
Verwaltungsgesellschaft Otto mbH, Hamburg
Platium AG, Hamburg (Chairman)
b) ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Deputy Chairman)
LBBW Equity Partners GmbH & Co. KG, Munich
LBBW Equity Partners Verwaltungs GmbH, Munich

Dr. Jörn Kreke, Hagen
Businessman
a) Douglas Holding AG, Hagen/Westphalia (Chairman)
Capital Stage AG, Hamburg (since 28 May 2008)
b) Kalorimeta AG & Co. KG, Hamburg
Urbana Gruppe, Hamburg

Alexander Otto, Hamburg
CEO of ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg
a) HSH Nordbank AG, Hamburg
Verwaltungsgesellschaft Otto mbH, Hamburg
British American Tobacco (Industrie) GmbH, Hamburg
British American Tobacco (Germany) GmbH, Hamburg
BATIG Gesellschaft für Beteiligungen, Hamburg
Hamburg-Mannheimer Versicherungs AG, Hamburg (until 6 March 2008)
b) Peek & Cloppenburg KG, Dusseldorf

Dr. Bernd Thiemann, Kronberg im Taunus
Management consultant
a) EM.Sport Media AG, Munich (Chairman)
EQC AG, Osnabrück
Thyssen Krupp Stainless AG, Duisburg
VHV Vereinigte Hannoversche Versicherung a.G., Hanover
VHV Leben AG, Hanover
Wave Management AG, Hamburg (Deputy Chairman)
b) Fraport AG, Frankfurt
Würth Gruppe, Künzelsau (Deputy Chairman)
Odewald & Companie, Berlin (Deputy Chairman)
M.M. Warburg & Co. KGaA Holding, Hamburg

EXECUTIVE BOARD

Claus-Matthias Böge, Hamburg (Speaker of the Executive Board)

Olaf G. Borkers, Hamburg

The **remuneration of the members of the Supervisory Board** amounted to €312 thousand in the period under review, and is broken down as follows:

in € thousands	Total 2008	Previous year
Manfred Zaß	83.30	35.70
Dr. Michael Gellen	62.49	26.77
Thomas Armbrust	41.65	17.85
Alexander Otto	41.65	17.85
Dr. Jörn Kreke	41.65	17.85
Dr. Bernd Thiemann	29.75	17.85
Incl. 19% value added tax	312.39	133.87

In accordance with the Annual General Meeting resolution of 19 June 2008, the remuneration of the Supervisory Board was increased to €188 thousand p.a. (plus value added tax). In addition to the remuneration for 2008, the reported amount includes the increases for 2007. No advances or loans were granted to the members of the Supervisory Board.

The **remuneration of the Executive Board** amounted to €894 thousand, and is broken down as follows:

in € thousands	Fixed remu-neration	Variable remuneration	Other benefits	Total	Total previous year
Claus-Matthias Böge	300	250	66	616	544
Olaf G. Borkers	168	100	10	278	243

Other benefits include the provision of a car for work or private use as well as contributions to a pension scheme.

No advances or loans were granted to members of the Executive Board. The Company has not entered into any contingencies or commitments in favour of these persons. For further details, please see the supplementary disclosures on remuneration contained in the management report.

CORPORATE GOVERNANCE:

The Declaration of Conformity with the German Corporate Governance Code required by section 161 of the Aktiengesetz (AktG – German Public Companies Act) has been issued jointly by the Supervisory Board and the Executive Board, and was made available to shareholders via publication on the Internet in December 2008.

RELATED PARTIES IN ACCORDANCE WITH IAS 24

Deutsche EuroShop AG's subsidiaries as well as the members of its Executive Board and the Supervisory Board are regarded as related parties in accordance with IAS 24. In the ordinary course of business, the Company maintained relationships involving the provision of goods and services with this group of persons and companies; the relevant terms and conditions fulfil the criteria for arm's length transactions.

Income of €5,731 thousand (previous year: €4,807 thousand) was generated in the financial year from the Douglas Group under existing rental contracts.

Fees for service contracts amounting to €31,984 thousand (previous year: €24,548 thousand) were paid to the ECE Group. €19,594 thousand (previous year: €3,552 thousand) of this amount related to properties under construction and €12,390 thousand (previous year: €20,996 thousand) to operational properties. This was partially offset by income from rental contracts with the ECE Group in the amount of €3,815 thousand (previous year: €3,246 thousand).

Hamburg, 7 April 2009

Deutsche EuroShop AG
The Executive Board

Claus-Matthias Böge　　　　Olaf G. Borkers

OTHER DISCLOSURES

In line with section 160 (1) no. 8 of the AktG, we give notice that the following investments and changes to voting rights in line with the duty of disclosure and in accordance with section 21 of the Wertpapierhandelsgesetz (WpHG – Securities Trading Act) have been registered to our Company:

Shareholder	Stock report as of	Event (in brackets: share threshold in %)	New voting rights share in %	of which own holdings in %	of which indirectly attributable in %
Benjamin Otto, Hamburg	2 April 2002	Exceeds threshold (5)	7.74	0.00	7.74
"Bravo-Alpha" Beteiligungs G.m.b.H., Hamburg	2 April 2002	Exceeds threshold (5)	7.74	3.71	4.03
Alexander Otto, Hamburg	25 November 2005	Exceeds threshold (5.10)	12.27	0.91	11.36
AROSA Vermögensverwaltungs-gesellschaft m.b.H., Hamburg	25 November 2005	Exceeds threshold (5.10)	11.36	11.36	0.00
Stockshare Nominees (Pty) Ltd., Waverly/South Africa	29 November 2007	Exceeds threshold (5)	5.29	5.29	0.00
Attfund Ltd, Pretoria/South Africa	29 November 2007	Exceeds threshold (5)	5.29	0.00	5.29
"Juliett-Alpha" Beteiligungs G.m.b.H., Hamburg	22 February 2008	Falls below threshold (3)	2.98	2.98	0.00
UBS AG, Zurich/Switzerland	21 April 2008	Exceeds threshold (3)	3.07	3.05	0.02
UBS AG, Zurich/Switzerland	3 June 2008	Falls below threshold (3)	1.85	1.85	0.00

SHAREHOLDINGS

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 285 OF THE HGB AS AT 31 DECEMBER 2008:

Company name and domicile	Interest in equity	thereof indirect	thereof direct	Equity as of 31 December 2008 in €	HGB profit/loss 2008 in €
Fully consolidated companies:					
Deutsche EuroShop Verwaltungs GmbH, Hamburg	100.00%	–	100.00%	14,279,224.97	-97,808.13
Deutsche EuroShop Management GmbH, Hamburg	100.00%	–	100.00%	81,222.20	34,196.05
Rhein-Neckar-Zentrum KG, Hamburg	99.90%	–	99.90%	23,318,705.95	1,725,094.60
Stadt-Galerie Hameln KG, Hamburg	94.90%	–	94.90%	72,250,144.41	1,886,598.69
Rathaus-Center Dessau KG, Hamburg	94.90%	–	94.90%	27,210,244.26	6,411,718.92
City-Galerie Wolfsburg KG, Hamburg	89.00%	–	89.00%	-4,146,429.27	1,058,516.98
Allee-Center Hamm KG, Hamburg	88.93%	–	88.93%	-38,202,966.22	3,546,519.71
Stadt-Galerie Passau KG, Hamburg	75.00%	–	75.00%	115,061,020.11	78,604.09
City-Arkaden Wuppertal KG, Hamburg	72.00%	–	72.00%	-2,515,098.85	305,040.36
Forum Wetzlar KG, Hamburg	65.00%	–	65.00%	19,470,970.28	541,661.20
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co.KG, Hamburg	74.00%	–	74.00%	49,785,071.63	2,326,519.22
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Sp. kom., Warsaw, Poland	74.00%	74.00%	–	478,263,184.21	274,093,031.05
Proportionately consolidated companies:					
Altmarkt-Galerie Dresden KG, Hamburg	50.00%	–	50.00%	21,913,724.01	173,943.44
Einkaufs-Center Arkaden Pécs KG, Hamburg	50.00%	–	50.00%	27,594,046.30	2,128,092.14
CAK City-Arkaden Klagenfurt KG, Hamburg	50.00%	–	50.00%	28,641,941.80	-50,064.61
EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OEG, Vienna	50.00%	50.00%	–	16,531,508.08	186,153.51
Immobilien KG FEZ Harburg, Hamburg	50.00%	–	50.00%	-12,641,051.53	1,367,330.65
Objekt City-Point Kassel GmbH & Co. KG, Pöcking	40.00%	40.00%	–	-13,636,902.02	-698,933.70
Main-Taunus-Zentrum Wieland KG, Hamburg	43.12%	37.38%	5.7 %	-20,648,516.14	12,975,458.30
DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG, Hamburg	40.77%	–	40.77%	100,505,946.60	9,103,574.25
Equity-accounted companies:					
Kommanditgesellschaft Sechzehnte ALBA Grundstücksgesellschaft mbH & Co., Hamburg	50.00%	50.00%		1,758,441.45	-13,391.85
Kommanditgesellschaft PANTA Fünfundsiebzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%		3,679,564.99	-71,038.05
Kommanditgesellschaft PANTA Dreiunddreißigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%		3,773,208.36	-64,329.48
Kommanditgesellschaft PANTA Achtundvierzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%		140,867.60	1,120.41
City-Point Beteiligungs GmbH, Pöcking	40.00%	–	40.00%	29,023.17	3,458.57
EKZ Vier Errichtungs- und Betriebs Ges.m.b.H., Vienna	50.00%	50.00%		881,337.91	-48,980.84
Investees:					
Ilwro Joint Venture Sp. z o.o., Warsaw, Poland	33.33%	–	33.33%	340,114,656.57	56,421,403.68
CASPIA Investments Sp. z o.o., Warsaw, Poland	74.00%	74.00%	–	14,394,743.74	890,812.71

RESPONSIBILITY STATEMENT BY THE EXECUTIVE BOARD

We declare that to the best of our knowledge, in line with the accounting policies to be applied, the consolidated financial statements present a true and fair view of the net assets, financial position and results of operations of the Group and the Group Management Report presents the situation of the Group and the course of business including business performance which is a fair and accurate view, and describes the essential opportunities and risks of the likely development of the Group.

Hamburg, 7 April 2009

Claus-Matthias Böge

Olaf G. Borkers

AUDITOR'S REPORT

We have audited the consolidated financial statements – comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and the notes – and the Group management report prepared by Deutsche EuroShop AG, Hamburg, for the financial year from 1 January to 31 December 2008. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the Handelsgesetzbuch (HG B – German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of the HG B and the German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting standards and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the HG B and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements, as a whole provides an accurate view of the Group's position and accurately presents the opportunities and risks of future development.

Hamburg, 9 April 2009

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dyckerhoff
Auditor

ppa. Jensen
Auditor