Consolidated financial statements

DEUTSCHE EUROSHOP AG CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2010

CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2010

ASSETS

in € thousand	Note	31.12.2010	31.12.2009
Assets			
Non-current assets			
Intangible assets	1.	29	24
Property, plant and equipment	2.	30	48
Investment properties	3.	2,700,697	1,990,980
Non-current financial assets	4.	23,885	24,755
Investments in equity-accounted associates	5.	4,094	3,532
Other non-current assets	6.	605	865
Non-current assets		**2,729,340**	**2,020,204**
Current assets			
Trade receivables	7.	3,481	2,557
Other current assets	8.	164,971	5,870
Other financial investments	9.	0	1,600
Cash and cash equivalents	10.	65,784	81,914
Current assets		**234,236**	**91,941**
Total assets		**2,963,576**	**2,112,145**

Equity and liabilities

in € thousand	Note	31.12.2010	31.12.2009
Equity and liabilities			
Equity and reserves			
Issued capital		51,631	37,812
Capital reserves		890,130	609,364
Retained earnings		307,891	274,149
Total equity	11.	**1,249,652**	**921,325**
Non-current liabilities			
Bank loans and overdrafts	12.	1,227,096	921,170
Deferred tax liabilities	13.	101,052	85,600
Right to redeem of limited partners	14.	277,780	123,035
Other non-current liabilities	19.	21,839	19,845
Non-current liabilities		**1,627,767**	**1,149,650**
Current liabilities			
Bank loans and overdrafts	12.	61,060	13,025
Trade payables	15.	6,145	1,071
Tax provisions	16.	450	1,981
Other provisions	17.	7,329	19,688
Other current liabilities	18.	11,173	5,405
Current liabilities		**86,157**	**41,170**
Total equity and liabilities		**2,963,576**	**2,112,145**

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010

in € thousand	Note	2010	2009
Revenue	20.	144,189	127,563
Property operating costs	21.	-7,320	-5,843
Property management costs	22.	-7,892	-7,181
Net operating income (NOI)		**128,977**	**114,539**
Other operating income	23.	946	916
Other operating expenses	24.	-5,891	-4,748
Earnings before interest and taxes (EBIT)		**124,032**	**110,707**
Income from investments	25.	1,413	1,455
Interest income		1,040	674
Interest expense		-54,075	-49,680
Income from equity-accounted associates	26.	-593	-141
Profit/loss attributable to limited partners	27.	-7,948	-8,164
Net finance costs		**-60,163**	**-55,856**
Earnings before taxes and measurement (EBT before measurement)		**63,869**	**54,851**
Measurement gains / losses	28.	**33,129**	**-14,772**
of which excess of cost of acquisition over identified net assets acquired in accordance with IFRS 3: €13,298 thousand (previous year: €6,007 thousand)			
Earnings before tax (EBT)		**96,998**	**40,079**
Income tax expense	29.	-15,180	-5,711
Other taxes		-1	-1
Consolidated profit		**81,817**	**34,367**
Basic earnings per share (€)	33.	1.80	0.88
Diluted earnings per share (€)	33.	1.80	0.88

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME AS OF 31 DECEMBER 2010

in € thousand	Note	2010	2009
Consolidated profit		**81,817**	**34,367**
Changes due to currency translation effects		246	-350
Changes in cash flow hedge	31.	-864	-4,602
Change due to IAS 39 measurement of investments	4., 31.	-870	-2,417
Other changes		0	13
Deferred taxes on changes in value offset directly against equity	13.	94	3,370
Total earnings recognised directly in equity		**-1,394**	**-3,986**
Total profit		**80,423**	**30,381**
Share of Group shareholders		80,423	30,381

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2010

in € thousand	Note 30.	01.01.–31.12.2010	01.01.–31.12.2009
Profit after tax		**81,817**	**34,367**
Expenses / income from the application of IFRS 3		-13,298	-6,007
Profit / loss attributable to limited partners		10,917	8,949
Depreciation of property, plant and equipment		24	23
Unrealised changes in fair value of investment property		-31,431	20,467
Profit / loss for the period of equity accounted-companies		593	245
Other non-cash income and expenses		0	-471
Reconciliation of cash flow from operating activities		8,631	0
Deferred taxes		14,864	5,664
Operating cash flow		**72,117**	**63,237**
Changes in receivables	7., 8., 31.	-158,096	1,378
Changes in other financial investments	9.	1,600	140
Changes in current provisions	16., 17.	-16,228	2,754
Changes in liabilities	15., 18.	6,440	-6,986
Cash flow from operating activities		**-94,167**	**60,523**
Payments to acquire property, plant and equipment / investment properties	3.	-77,975	-20,493
Payments to acquire shareholdings in consolidated companies and business units		-210,007	-15,362
Inflows / outflows for equity-accounted companies		145	0
Cash flow from investing activities		**-287,837**	**-35,855**
Changes in interest-bearing financial liabilities		166,244	-7,212
Payments to Group shareholders		-46,320	-36,094
Contributions of Group shareholders		253,675	66,505
Contributions of third-party shareholders		4,225	0
Payments to third-party shareholders		-13,951	-7,660
Cash flow from financing activities	11.	**363,873**	**15,539**
Net change in cash and cash equivalents		**-18,131**	**40,207**
Cash and cash equivalents at beginning of period		**81,914**	**41,671**
Currency-related changes		330	119
Other changes		1,671	-83
Cash and cash equivalents at end of period		**65,784**	**81,914**

STATEMENT OF CHANGES IN EQUITY AS OF 31 DECEMBER 2010

in € thousand	Note	Number of shares outstanding	Share capital	Capital reserves	Other retained earnings	Statutory reserve	Total
1 January 2009		**34,374,998**	**34,375**	**546,213**	**277,862**	**2,000**	**860,450**
Change due to IAS 39 measurement of investments	4., 31.				-2,417		-2,417
Change in cash flow hedge	31.				-4,602		-4,602
Change due to currency translation effects					-350		-350
Change in deferred taxes	13.				3,370		3,370
Other changes					13		13
Total earnings recognised directly in equity			0	0	-3,986	0	-3,986
Consolidated profit					34,367		34,367
Total profit					30,381		30,381
Capital increase	11.	3,437,498	3,437	63,151			66,588
Dividend payments	11.				-36,094		-36,094
31 December 2009		**37,812,496**	**37,812**	**609,364**	**272,149**	**2,000**	**921,325**
1 January 2010		**37,812,496**	**37,812**	**609,364**	**272,149**	**2,000**	**921,325**
Change due to IAS 39 measurement of investments	4., 31.				-870		-870
Change in cash flow hedge	31.				-864		-864
Change due to currency translation effects					246		246
Change in deferred taxes	13.				94		94
Total earnings recognised directly in equity			0	0	-1,394	0	-1,394
Consolidated profit					81,817		81,817
Total profit				0	80,423		80,423
Dividend payments	11.				-46,320		-46,320
Other changes					-361		-361
Capital increase	11.	13,818,904	13,819	280,766	0		294,585
31 December 2010		**51,631,400**	**51,631**	**890,130**	**305,891**	**2,000**	**1,249,652**

Notes

DEUTSCHE EUROSHOP AG NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2010

GENERAL DISCLOSURES

The Group parent company is Deutsche EuroShop AG, Hamburg, Germany. The Company's registered office is Oderfelder Strasse 23, 20149 Hamburg, Germany, and it 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 Handelsgesetzbuch (HGB – German Commercial Code). They are based on the premise of a going concern. All IFRSs and IFRIC interpretations endorsed by the European Commission and required to be applied as of 31 December 2010 have been applied.

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

Amounts are mainly presented in thousands of €.

Since it began operating, 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 in particular are critical parameters for the measurement of investment properties.

The consolidated financial statements as at 31 December 2010 were approved for submission to the Supervisory Board on 14 April 2011 and are expected to be approved at the Supervisory Board's financial statements review meeting on 27 April 2011. Until the consolidated financial statements are adopted there is still a possibility that they may be amended.

A detailed list of the companies included in the consolidated financial statements forms part of the notes.

The annual financial statements of the consolidated companies were prepared as at 31 December 2010, the reporting date of the consolidated financial statements.

BASIS OF CONSOLIDATION AND CONSOLIDATION METHODS

Basis of consolidation

Subsidiaries

The consolidated financial statements include all subsidiaries in which Deutsche EuroShop AG directly or indirectly holds a majority of voting rights, plus those companies which are joint ventures.
As at 31 December 2010, the basis of consolidation comprised 20 (previous year: 16) fully consolidated domestic and foreign subsidiaries and four (previous year: seven) proportionately consolidated domestic and foreign joint ventures, in addition to the parent company.

On 6 January 2010, Kommanditgesellschaft PANTA Neunundneunzigste Grundstücksgesellschaft m.b.H. & Co KG, a subsidiary of Deutsche EuroShop, purchased the A 10 shopping center in Wildau near Berlin for approximately €195.7 million. The transfer of benefits and encumbrances took place on 1 February 2010. The purchase price was paid in cash. The first-time consolidation of the company revealed an excess of identified net assets acquired over cost of acquisition amounting to €8.6 million. In the period under review, the company generated revenue of €12.9 million and a profit of €11.1 million. As the operating activities of the company only commenced in February, revenue and profit would not have been materially different if the merger had taken place at the start of the year.

in € thousand	Carrying amounts	Fair value
Purchase price		195,750
Acquired property assets	204,381	204,381
Excess of identified net assets acquired over cost of acquisition	**-8,631**	**-8,631**

With effect from 31 December 2010, Deutsche EuroShop AG acquired 9.7% of the shares in the limited partnership of DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG, Hamburg, at a purchase price of €17.2 million, which was paid in cash. Deutsche EuroShop AG therefore holds 50.47% of the shares in this company.

As a consequence, the indirect proportion of Main-Taunus-Zentrum Wieland KG, Hamburg held has increased from 37.38% to 46.27%. Deutsche EuroShop AG owns 52.01% of shares in this company via direct and indirect holdings.

Both companies were previously included in Deutsche EuroShop AG's consolidated financial statements on a pro-rata basis. They were fully consolidated in the consolidated financial statements for the first time on 31 December 2010. In accordance with IFRS 3, the purchase of the shares resulted in an excess of identified net assets acquired over cost of acquisition amounting to €4.6 million, which was recognised in income. In the period under review, Main-Taunus-Zentrum Wieland KG generated revenue of €23.9 million and a profit of €25.3 million. DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG generated no revenue and a profit of €4.9 million.

in € thousand	Carrying amounts	Fair value
Purchase price		17,168
Fair value net assets prior to effective control	98,841	98,841
Minority interests	123,503	123,503
Total amount of consideration	**239,512**	**239,512**
Net assets acquired:		
Property assets	431,141	431,141
Cash and cash equivalents	13,370	13,370
Receivables and other assets	1,866	1,866
Loan liabilities	180,213	180,213
Deferred taxes	14,639	14,639
Provisions	2,023	2,023
Other liabilities	5,378	5,378
	244,124	**244,124**
Excess of identified net assets acquired over cost of acquisition (bargain purchase)	**-4,612**	**-4,612**

Deutsche EuroShop AG has a 50% stake in Immobilienkommanditgesellschaft FEZ Harburg, Hamburg. With effect from 31 December 2010, Deutsche EuroShop has a voting agreement with a co-shareholder and therefore “controls” this company. The company was previously included in the consolidated financial statements on a pro-rata basis. The balance sheet was fully consolidated for the first time on the balance sheet date, with the addition of property assets to the value of €95.7 million and other assets to the value of €1.9 million to Group assets. In addition, liabilities totalling €55.9 million were assumed. In the period under review, the company generated revenue of €11.9 million and a profit of €7.2 million.

in € thousand	Carrying amounts	Fair value
Fair value net assets prior to effective control	41,668	41,668
Minority interests	41,668	41,668
Total amount of consideration	**83,336**	**83,336**
Net assets acquired:		
Property assets	191,440	191,440
Cash and cash equivalents	3,155	3,155
Receivables and other assets	604	604
Loan liabilities	111,330	111,330
Provisions	167	167
Liabilities	366	366
	83,336	**83,336**
Excess of identified net assets acquired over cost of acquisition	**0**	**0**

Deutsche EuroShop AG founded 1. DES Grundbesitz KG, Hamburg with an investment of €10 thousand with effect from 23 September 2010. The fair value of the identified net asset value at the acquisition date was €10 thousand. No excess of identified net assets acquired over cost of acquisition was determined in the first-time consolidation.

The fair values of the assets and liabilities of the acquisitions recognised were calculated on the basis of a property valuation and the application of a cost-model approach.

With effect from 1 July 2010, Deutsche EuroShop AG increased its shareholding in City-Arkaden Wuppertal KG from 72% to 97%. The purchase price for the shares in the limited partnership was €11.8 million, paid by means of the issue of new shares. The resulting excess of identified net assets acquired over cost of acquisition of €0.1 million was recognised directly in equity.

In addition, with effect from 1 July 2010, 3% of the shares in the limited partnership City-Arkaden Wuppertal KG were acquired within the framework of a purchase and transfer contract at a purchase price of €1.4 million, which was paid in cash. An excess of identified net assets acquired over cost of acquisition amounting to €7 thousand was included in the measurement gains. Deutsche EuroShop AG therefore holds 100% of the shares in this company.

Also with effect from 1 July 2010, Deutsche EuroShop Verwaltungs GmbH acquired 10% of the shares in the limited partnership City-Point Kassel KG within the framework of a purchase and transfer contract at a purchase price of €5.1 million, which was paid in cash. Deutsche Euro-Shop Verwaltungs GmbH therefore holds 100% of the shares in this company. The acquisition of the shares resulted in an excess of identified net assets acquired over cost of acquisition of €62 thousand, which was recognised in income.

Joint ventures

With effect from 1 July 2010, Deutsche EuroShop AG increased its shareholding in Altmarkt-Galerie Dresden KG from 50% to 67%. The purchase price for the shares in the limited partnership was €28.9 million, paid by means of the issuance of new shares. The purchase price exceeded the fair value of the assets acquired and liabilities assumed by €0.3 million, which was recognised in equity.

Although Deutsche EuroShop AG now holds more than half of the voting rights, the company is still included proportionally in the consolidated financial statements as, due to contractual arrangements, Deutsche EuroShop AG does not exercise control over it.

in € thousand	Carrying amounts	Fair value
Purchase price	28,943	28,943
Fair value net assets prior to effective control	71,432	71,432
Full amount of consideration	**100,375**	**100,375**
Net assets acquired:		
Property assets	216,859	216,859
Cash and cash equivalents	14,839	14,839
Receivables and other assets	1,198	1,198
Loan liabilities	111,678	111,678
Deferred taxes	12,593	12,593
Provisions	4,373	4,373
Other liabilities	4,177	4,177
	100,075	**100,075**
Excess of identified net assets acquired over cost of acquisition	**300**	**300**

The fair values of the assets and liabilities of the acquisitions recognised were calculated on the basis of a property valuation and the application of a cost-model approach.

Investments over which Deutsche EuroShop AG has neither significant influence nor control are measured at fair value, in line with the provisions of IAS 39. This includes the investment in Ilwro Joint Venture Sp. z o.o., Warsaw.

Associates

In accordance with IAS 28, where Deutsche EuroShop AG can exercise a significant influence but not control over companies, generally holding 20% to 50% of the shares, these are measured using the equity method. Six companies fall into this category as at the balance sheet date.

Consolidation methods

For purchase accounting, the cost is eliminated against the parent company's interest in the re-valued equity of the subsidiaries at the date of acquisition or initial consolidation. Any remaining excess of identified net assets acquired over cost of acquisition is recognised as goodwill in intangible assets. Any excess of identified net assets acquired over cost of acquisition is recognised in income following a further reassessment.

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 and the income and expenses of jointly controlled companies are included in the consolidated financial statements according to the interest held in these companies. Proportionate consolidation and accounting for goodwill follows the same principles applied to the consolidation of subsidiaries.

For associates measured 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 (€).

The companies located outside the eurozone that are included in the consolidated financial statements are treated as legally independent, but economically dependent, integrated companies. The reporting currencies of these companies (Polish zloty and Hungarian forint) therefore deviate from the functional currency (euro). Under IAS 21, annual financial statements prepared in foreign currencies are translated using the functional currency method, with the result that the balance sheet is to be translated as if the transactions had arisen for the Group itself, as the local currency of the integrated companies is deemed to be a foreign currency for these companies themselves.

Monetary values are therefore translated at the closing rate and non-monetary items at the rate that applied at the time of initial recognition. Non-monetary items to be reported at fair value are translated at the closing rate. Items in the consolidated income statement are translated at average rates for the year or, in the event of strong fluctuations, using the rate that applied on the date of the transaction. Any translation differences that may arise if the translation rates of the balance sheet and consolidated income statement differ are recognised in profit or loss.

A closing rate of HUF 278.75 (previous year: HUF 270.84) and an average rate of HUF 275.48 (previous year: HUF 280.33) were used in the translation of the separate Hungarian financial statements for Einkaufs-Center Arkaden Pécs KG, Hamburg from forint to euros. A closing rate of PLN 3.9603 (previous year: PLN 4.1082) and an average rate of PLN 3.9947 (previous year: PLN 4.3276) were taken as a basis for translating the separate financial statements of the Polish property company.

CHANGES IN ACCOUNTING POLICIES

The following standards and interpretations or amendments to these were applicable for the first time in financial year 2010:

» IFRS 1 (rev. 2008) – First Time Adoption of IFRS (since 1 January 2010)
» Amendment to IFRS 1 Additional Exemptions for First-time Adopters (since 1 January 2010)
» Amendments to IFRS 2 Group Cash-settled Share-based Payment Transactions (since 1 January 2010)
» IFRS 3 (rev. 2008) – Business Combinations (since 1 July 2009)
» IAS 27 (rev. 2008) – Amendments to IAS 27 Consolidated and Separate Financial Statements (since 1 July 2009)
» Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (since 1 July 2009)
» Improvements to IFRSs (issued by the IASB in April 2009) (since 1 January 2010)
» IFRIC 12 – Service Concession Arrangements (since 30 March 2009)
» IFRIC 15 – Agreements for the Construction of Real Estate (since 1 January 2010)
» IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (since 1 July 2009)
» IFRIC 17 – Distributions of Non-Cash Assets to Owners (since 1 November 2009)
» IFRIC 18 – Transfer of Assets from Customers

Revised IFRS 3 “Business Combinations” and Amendments to IAS 27 “Consolidated and Separate Financial Statements”:
The amendments to IFRS 3 and IAS 27 were published on 10 January 2008, incorporated into EU law on 3 June 2009 and became applicable for financial years starting on or after 30 June 2009. Changes include broadening the scope of application to business combinations of mutual entities and those not involving financial considerations. Costs of issuing debt or equity securities associated with an acquisition are now accounted for using IAS 39 and IAS 32, all other acquisition-related expenses are recognised in income. The right to opt for the “full goodwill method” has also been introduced. In step acquisition, goodwill and reassessment of the net asset values are recognised only once control has been obtained. The provisions of IFRS 3 and IAS 27 are applicable to the Deutsche Euroshop Group. The other changes or new announcements had no or no material effects on the presentation of the net assets, financial position and results of operations of the Group.

In 2010, the IASB issued standards and interpretations of and amendments to existing standards which it was not yet compulsory to apply in the consolidated financial statements for this period.

» Amendment to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (since 1 July 2010)
» Revised IAS 24 Related Party Disclosures (from 1 January 2011)
» Amendment to IAS 32 Classification of Rights Issues (since 1 February 2010)
» Improvements to IFRS (issued May 2010) (since 1 July 2010)
» Amendment to IFRIC 14 Prepayments of a Minimum Funding (from 1 January 2011)
» IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (since 1 July 2010)

The official announcements that did not yet have to be applied in 2010 will be implemented in the year in which their application becomes compulsory for the first time. The effects of these individual amendments are being examined by the Group.

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 five years. The method of depreciation and the depreciation period are reviewed annually at the end of each financial year.

Property, plant and equipment

Property, plant and equipment is reported at cost, less scheduled depreciation and, where applicable, unscheduled write-downs (impairment charges).

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 three 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. Since 1 January 2009, property that is under construction and that is intended to be used as investment property following its completion also falls under the scope of IAS 40. Such property can either be recognised at amortised cost (cost model) or using the fair-value model.

Subsequently, all properties must be measured at their fair value and the annual net changes recognised in income under measurement gains/ losses. Investment property is property held for the long term to earn rental income or capital gains. Under IAS 40, investment property measured using the fair value model is no longer depreciated.

As in previous years, the fair values of the property in the period under review were determined by the Feri EuroRating Services AG and GfK GeoMarketing GmbH appraisal team using the discounted cash flow (DCF) method. In accordance with the DCF method, future cash flows from the property in question are discounted back to the measurement date. In addition, the net income from the property is determined over a detailed planning period of ten years. A resale value is forecast for the end of the ten-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 equates to 88.3% (2009: 88.6%) of rental income, i.e. 11.7% (2009: 11.4%) of rental income is deducted for management and administrative costs. In financial year 2010, these costs came to 10.5% of rental income.

The capitalisation rate comprises a forecast yield on a ten-year German federal government bond and a premium 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 trends over the long term, the rate of employment and the resulting effects on retail demand, trends in the competitive environment and construction activity.

The discount rate averaged 6.65%, compared with 6.80% in the previous year. It is composed of a yield of 4.44% on a ten-year German federal government bond (2009: 4.48%) compared with the current yield of 3.4% (as at 31 December 2010) and an average risk premium of 2.21% (2009: 2.32%).

On the basis of the expert appraisals, the property portfolio has a net initial yield of 5.89% for financial year 2010, compared with 5.82% in the previous year.

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 realised from the temporary investment of specifically borrowed funds up to the point when these are used to obtain qualifying assets is deducted from the capitalisable costs of these 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 financial year in which they occur.

No appraisal report was produced for the properties owned by CASPIA Investments Sp. z o.o., Warsaw, due to their lesser importance. The properties were also recognised at market value in accordance with IAS 40.

Lease agreements

In line with IAS 17, the tenancy 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 leases. Rental income from operating leases is recognised in income on a straight-line basis over the term of the corresponding lease. 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.

Financial instruments are generally recognised at fair value. When determining fair value, three assessment categories are differentiated between:

Level 1: At the first level of the “fair value hierarchy”, fair values are determined using publicly quoted market prices, as the best-possible objective indication of the fair value of a financial asset or liability can be observed on an active market.

Level 2: If there is no active market for an instrument, a company determines the fair value using measurement models. These models include use of the most recent arm’s-length transactions between knowledgeable and willing parties, comparison with the current fair value of another, essentially identical financial instrument, use of the discounted cash flow method and option pricing models. The fair value is estimated on the basis of the results of a method of measurement that uses data from the market to the greatest possible extent and is based as little as possible on company-specific data.

Level 3: The measurement models used for this level are based on parameters that are not observable on the market.

1. Derivative financial instruments

Derivatives that qualify for hedge accounting in accordance with IAS 39 are used to hedge interest rate risks. These are fixed-rate swaps to limit the interest rate risk of variable interest rate loans, which have terms extending to 2026. The interest rate hedges are recognised at fair value under “Other assets” or “Other liabilities”. Changes are recognised directly in equity, provided that the conditions of the underlying and hedge transaction are identical. Hedge effectiveness tests are regularly conducted. Present value is calculated based on discounted cash flows using current market interest rates. The final maturities of the interest rate hedges and loan agreements are identical.

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 controlled by Deutsche EuroShop jointly with partner companies. As Deutsche EuroShop, under the provisions of the shareholders’ agreement, exercises neither significant influence nor control over this company, the investment is measured at fair value in line with the provisions of IAS 39. Measurement gains and losses are recognised directly in equity. Fair values of financial instruments for which there are no quoted market prices are estimated on the basis of the market values of the properties determined by appraisals, less net debt. The determination of fair value assumes the existence of a going concern.

3. Investments in equity-accounted associates

Companies with a narrow scope of business in which Deutsche EuroShop generally has an interest of between 20% and 50% and over which it exercises significant influence but not control are measured as equity-accounted associates. Here, the changes in the equity of such companies corresponding to the equity interest of Deutsche EuroShop are recognised in income.

4. Receivables and other current assets

Receivables and other current assets are recognised at amortised cost less write-downs. Allowances are established for trade receivables if it is no longer certain that payment will be received. This is reviewed on a case-by-case basis at the balance sheet date. They are written off if the receivable becomes uncollectible.

5. Other financial investments

Investments with a term of over three months are included at their fair value in this item, and their interest income is recognised under 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 third-party shareholders in commercial partnerships are reclassified as liabilities due to the shareholders' potential right of redemption. According to sections 131 et seq. HGB, shareholders in commercial partnerships have an ordinary legal right of termination of six months with effect from the end of the financial 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 amortised cost. Discounts are 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 recognised 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 (terms of up to three months) 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. Currently, deferred taxes are primarily formed on the differences between the IFRS carrying amounts of the properties and their carrying amounts for tax purposes. A uniform corporation tax rate of 15% plus the solidarity surcharge of 5.5% is used for German companies, and the local tax rates are used for foreign companies. In accordance with IAS 12.74, deferred tax assets on existing loss carryforwards are at present offset against deferred tax liabilities.

Other provisions

Under IFRS, other provisions may only be recognised if a present obligation exists towards a third party and payment is more likely than not. Non-current provisions are discounted.

NOTES TO THE CONSOLIDATED BALANCE SHEET – ASSETS

1. Intangible assets

in € thousand	Concessions, industrial and similar rights and licences in such rights and assets	
	2010	2009
Costs as at 1 January	**48**	**53**
Currency differences	0	0
Additions	14	1
Disposals	0	-6
Reclassifications	0	0
as at 31 December	**62**	**48**
Amortisation as at 1 January	**-24**	**-21**
Currency differences	0	0
Additions	-9	-9
Reversals of impairment losses	0	0
Disposals	0	6
as at 31 December	**-33**	**-24**
Carrying amount at 1 January	**24**	**32**
Carrying amount at 31 December	**29**	**24**

This item consists mainly of software licences.

2. Property, plant and equipment

2009 in € thousand	Property, advance payments and assets under construction	Other equipment, operating and office equipment	**Total**
Costs as at 1 January	**21,387**	**115**	**21,502**
Currency differences	0	0	0
Additions	0	14	14
Additions to basis of consolidation	7	0	7
Disposals	0	-45	-45
Reclassifications	-21,157	0	-21,157
as at 31 December	**237**	**84**	**321**
Depreciation as at 1 January	**-230**	**-73**	**-303**
Currency differences	0	0	0
Additions	0	-14	-14
Reversals of impairment losses	0	0	0
Disposals	0	44	44
as at 31 December	**-230**	**-43**	**-273**
Carrying amount at 1 January	**21,157**	**42**	**21,199**
Carrying amount at 31 December	**7**	**41**	**48**

2010 in € thousand	Property, advance payments and assets under construction	Other equipment, operating and office equipment	**Total**
Costs as at 1 January	**237**	**84**	**321**
Currency differences	0	0	0
Additions	0	5	5
Additions to basis of consolidation	0	0	0
Disposals	0	-12	-12
Reclassifications	-7	0	-7
as at 31 December	**230**	**77**	**307**
Depreciation as at 1 January	**-230**	**-43**	**-273**
Currency differences	0	0	0
Additions	0	-14	-14
Reversals of impairment losses	0	0	0
Disposals	0	10	10
as at 31 December	**-230**	**-47**	**-277**
Carrying amount at 1 January	**7**	**41**	**48**
Carrying amount at 31 December	**0**	**30**	**30**

3. Investment properties

in € thousand	Investment properties 2010	2009
Carrying amount at 1 January	**1,990,980**	**1,897,767**
Currency differences	0	0
Additions	75,330	16,459
Additions to basis of consolidation	600,323	71,228
Investments during the year	2,626	4,703
Unrealised changes in fair value	31,333	-20,467
Reclassifications	105	21,290
Carrying amount at 31 December	**2,700,697**	**1,990,980**

The presentation of the development of investment properties was changed in the year under review. The key changes during the year are shown in the following table.

in € thousand	
Investment properties as at 1 January	**1,990,980**
First-time consolidation	0
– Main-Taunus-Zentrum	245,198
– Phoenix-Center	95,720
– A 10 Center	204,381
	545,299
Increase in stake Altmarkt-Galerie Dresden	55,024
Additions to basis of consolidation	**600,323**
Additions, expansion measures	75,330
Ongoing investments / maintenance measures	2,626
Other	105
Value increases	32,315
Value decreases	-982
Change in investment properties	**709,717**
Investment properties as at 31 December	**2,700,697**

The properties are secured by mortgages. There are land charges in the amount of €1,288,156 thousand (previous year: €934,195 thousand). The rental income of the properties valued in accordance with IAS 40 was €144,189 thousand (previous year: €127,563 thousand). Directly associated operating expenses were €15,212 thousand (previous year: €13,024 thousand).

4. Non-current financial assets

in € thousand	Non-current financial assets	
	2010	2009
Costs as at 1 January	**15,381**	**18,526**
Currency differences	0	-114
Additions	0	0
Disposals	0	-3,031
Reclassifications	0	0
as at 31 December	**15,381**	**15,381**
Write-downs and impairments/impairment losses and reversals as at 1 January	**9,374**	**11,790**
Currency differences	0	0
Additions	0	0
Reversals of impairment losses	0	0
Write-downs and impairments	-870	-2,416
Disposals	0	0
Reclassifications	0	0
as at 31 December	**8,504**	**9,374**
Carrying amount at 1 January	**24,755**	**30,316**
Carrying amount at 31 December	**23,885**	**24,755**

The investment in Ilwro Joint Venture Sp. z o.o., Warsaw, was written down by €870 thousand in the year under review, resulting in a net carrying amount of €23,885 thousand on the balance sheet date.

5. Investments inequity-accounted associates

in € thousand	Investments in equity-accounted associates	
	2010	2009
Costs as at 1 January	**5,528**	**5,439**
Currency differences	0	0
Additions	1,350	91
Disposals	-195	-2
Reclassifications	0	0
as at 31 December	**6,683**	**5,528**
Amortisation / impairment losses and reversals as at 1 January	**-1,996**	**-1,699**
Currency differences	0	0
Additions	0	0
Reversals of impairment losses	0	68
Amortisation	-593	-364
Disposals	0	0
Reclassifications	0	0
as at 31 December	**-2,589**	**-1,996**
Carrying amount at 1 January	**3,532**	**3,740**
Carrying amount at 31 December	**4,094**	**3,532**

The additions relate to a mandatory capital contribution to Kommanditgesellschaft PANTA Achtundvierzigste Grundstücksgesellschaft GmbH & Co., Hamburg. The amortisations concern value adjustments on four property companies which are not important to the Group.

6. Other non-current assets

in € thousand	**31.12.2010**	31.12.2009
Other non-current assets	605	865
	605	**865**

This item consists mainly of the present value of a non-current receivable of €585 thousand attributable to our Polish property company. The company will have annual cash inflows of €207 thousand until 2016.

7. Trade receivables

in € thousand	**31.12.2010**	31.12.2009
Trade receivables	4,534	3,521
Allowances for doubtful accounts	-1,053	-964
	3,481	**2,557**

Receivables result primarily from rental invoices and services in relation to investments for which charges are passed on. These were predominantly paid at the time the consolidated financial statements were prepared. Guarantees, cash security deposits and letters of comfort serve as collateral.

8. Other current assets

in € thousand	31.12.2010	31.12.2009
Advance payment Billstedt-Center Hamburg	156,713	0
Value added tax receivables	2,312	689
Deductible withholding tax on dividends / solidarity surcharge	60	159
Interest rate swaps	207	207
Other current assets	5,679	4,815
	164,971	**5,870**

The purchase price and ancillary acquisition costs for the Billstedt-Center Hamburg were paid at the end of the year.

Other current assets primarily consist of other receivables from tenants and costs to protect locations. This items also includes a secured receivable against ARCANDOR AG i.L. worth €1.8 million which was settled in early 2011.

Receivables

in € thousand	Total	Up to 1 year	Over 1 year
Trade receivables	3,481	3,481	0
	(2,557)	(2,557)	(0)
Other assets	165,576	164,971	605
	(6,735)	(5,870)	(865)
	169,057	**168,452**	**605**
(Previous year's figure in brackets)	**(9,292)**	**(8,427)**	**(865)**

Maturity of trade receivables and other assets

in € thousand	Carrying amount	Not overdue
Trade receivables	3,481	3,481
	(2,557)	(2,557)
Other assets	165,576	165,576
	(6,735)	(6,735)
	169,057	**169,057**
(Previous year's figure in brackets)	**(9,292)**	**(9,292)**

9. Other financial investments

in € thousand	31.12.2010	31.12.2009
Time deposits with a term of over 3 months	0	1,600
	0	**1,600**

10. Cash and cash equivalents

in € thousand	**31.12.2010**	31.12.2009
Short-term deposits / time deposits	51,742	62,448
Current accounts	14,030	19,452
Cash	12	14
	65,784	**81,914**

NOTES TO THE CONSOLIDATED BALANCE SHEET – LIABILITIES

11. Equity and reserves

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

The share capital is €51,631,400 and is composed of 51,631,400 no-par-value registered shares.

The notional value of each share is €1.00.

Deutsche EuroShop carried out a rights issue at a ratio of 6:1 in February, thereby increasing the share capital from 37,812,496 to 44,114,578 shares. The new shares were acquired in full by existing shareholders exercising their subscription right and an oversubscription right granted by the Company. A total of 6.3 million new shares were issued at a subscription price of €19.50 per share. Around €123 million flowed into the company as a result. The corresponding entry in the commercial register was made on 2 February 2010.

In July 2010, the Company's increased its share capital by €1,780,000 to a total of €45,894,578 by issuing 1,780,000 additional shares against non-cash contributions. The corresponding entry in the commercial register was made on 13 August 2010.

The Company carried out a rights issue at a ratio of 8:1 in November, thereby increasing the share capital by 5,736,822 shares to €51,631,400. The new shares were acquired in full by existing shareholders exercising their subscription right and an oversubscription right granted by the Company. A total of 5.7 million new shares were issued at a subscription price of €23.00 per share. Around €132 million flowed into the company as a result. The corresponding entry in the commercial register was made on 24 November 2010 According to Article 5 of the Articles of Association, the Executive Board is authorised, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to a total of €14,540,467 on one or multiple occasions until 16 June 2015 by issuing no-par-value registered shares against cash and/or non-cash contributions (approved capital 2010).

The Executive Board is authorised, subject to the approval of the Supervisory Board and until 21 June 2011, to issue convertible bonds with a total notional value of up to €150,000,000 and maturities of up to seven years and to grant bondholders or creditors conversion rights 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.

The parent company of the Group, Deutsche EuroShop AG, is reporting an unappropriated surplus of €56,795 thousand. The Executive Board and the Supervisory Board will propose to distribute this amount as a dividend of €1.10 per share at the Annual General meeting on 16 June 2011. The previous year's unappropriated surplus was distributed in full to the shareholders. The dividend paid was €1.05 per share.

The capital reserves contain amounts in accordance with section 272 (2) nos. 1 and 4 of the Handelsgesetzbuch (HGB – German Commercial Code).

Retained earnings consists primarily of the remeasurement reserves and currency items recognised at the time of transition to IFRS.

12. Bank loans and overdrafts

in € thousand	31.12.2010	31.12.2009
Non-current bank loans and overdrafts	1,227,096	921,170
Current bank loans and overdrafts	61,060	13,025
	1,288,156	**934,195**

Bank loans and overdrafts are recognised at amortised cost on the balance sheet date. The present value of loans is redetermined at the balance sheet date. To do so, the annuities due up to this date, together with any residual amount according to the redemption schedule are discounted at 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 is €1,324,096 thousand (previous year: €968,000 thousand).

Bank loans and overdrafts relate to loans raised to finance real property acquisitions and investment projects. Land charges on Company properties amounting to €1,288,156 thousand (previous year: €934,195 thousand) serve as collateral.

Discounts are amortised over the term of the loan. In the year under review, €4,592 thousand (previous year: €5,555 thousand) was recognised in income.

Currently, eight of a total of 34 loan agreements contain provisions on covenants. In all cases, these related to debt service cover ratios (DSCR) prescribing minimum values of between 110% and 165%. One loan is also subject to a condition of a maximum loan-to-value ratio of 60%. This condition is reviewed every three years. The last review took 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 2011–2014.

13. Deferred tax liabilities

in € thousand	As at 1 Jan 2010	Utilisation	Reversal	Addition	As at 31 Dec 2010
Deferred tax liabilities	**85,600**	**0**	**0**	**15,452**	**101,052**

Deferred tax liabilities relate primarily to properties reported at fair value in accordance with IAS 40. At the balance sheet date, they totalled €121,236 thousand (previous year: €104.301 thousand) and were partially offset by deferred tax assets on tax loss carryforwards of €16,053 thousand (previous year: €15,248 thousand). In addition, deferred tax assets were formed on equity items recognised directly in equity in the amount of €4,131 thousand (previous year: €3,784 thousand).

Additions for companies in Germany were €12,476 thousand (previous year: €4,240 thousand), while additions of €2,976 thousand (previous year: €2,699 thousand) were made for foreign companies.

Other total income is divided into the following components:

2009 in € thousand	Before taxes	Taxes	Net
Measurement of investments (AfS) IAS 39	-2,417	0	-2,417
Cash flow hedges	-4,602	2,787	-1,815
Currency conversion foreign companies	-350	583	233
	-7,369	**3,370**	**-3,999**

2010 in € thousand	Before taxes	Taxes	Net
Measurement of investments (AfS) IAS 39	-870	0	-870
Cash flow hedges	-864	141	-723
Currency conversion foreign companies	246	-47	199
	-1,488	**94**	**-1,394**

14. Right to redeem of limited partners

in € thousand	
As at 01.01.10	**123,035**
Profit share	
from valuation	2,969
attributable to operating profit	7,377
Deposits	4,225
Withdrawals	-7,467
Acquisition payments	-17,686
First-time consolidations	165,171
Other	156
As at 31 December 2010	**277,780**

15. Trade payables

in € thousand	**31.12.2010**	31.12.2009
Construction services	3,056	145
Other	3,089	926
	6,145	**1,071**

16. Tax provisions

in € thousand	As at 1 Jan 2010	Addition to basis of consolidation	Utilisation	Reversal	Addition	**As at 31 Dec 2010**
Other income taxes	1,529	0	1,466	2	370	431
Real property tax	452	4	267	173	3	19
	1,981	**4**	**1,733**	**175**	**373**	**450**

Other income taxes primarily comprise trade tax payments in connection with the acquisition of shareholdings in Objekt City-Point Kassel GmbH & Co. KG.

Real property tax provisions relate exclusively to companies in Germany.

17. Other provisions

in € thousand	As at 1 Jan 2010	Addition to basis of consolidation	Utilisation	Reversal	Addition	As at 31 Dec 2010
Maintenance and construction services already performed but not yet invoiced	1,293	0	1,096	154	3,781	3,824
Fees	16,497	0	16,497	0	413	413
Other	1,898	608	2,191	196	2,973	3,091
	19,688	**608**	**19,785**	**349**	**7,167**	**7,329**

Other provisions includes a present value of €116 thousand for a long-term incentive plan which was contractually agreed between the Executive Board and employees of Deutsche EuroShop AG with effect from 1 July 2010. The term is five years and it is based on the performance of the Company's market capitalisation within this period. Please also refer to the details in the remuneration report, which is part of the management report.

All other provisions have a term of up to one year.

18. Other current liabilities

in € thousand	31.12.2010	31.12.2009
Rental deposits	837	873
Value added tax	2,521	1,850
Trade tax	1,795	0
Obligations to make capital contributions	1,300	0
Service contract liabilities	507	639
Debtors with credit balances	402	110
Other	3,811	1,933
	11,173	**5,405**

Other mainly comprises liabilities for heating and ancillary costs together with prepaid rent for the following year.

19. Other non-current liabilities

in € thousand	31.12.2010	31.12.2009
Interest rate swaps	21,168	19,501
Other	671	344
	21,839	**19,845**

In connection with borrowing, interest rate hedges were concluded to hedge against higher capital market interest rates. Their present value totalled €21,168 thousand as at the balance sheet date.

Liabilities

in € thousand	Total	Current	Non-current
Bank loans and overdrafts	1,288,156	61,060	1,227,096
	(934,195)	(13,025)	(921,170)
Trade payables	6,145	6,145	0
	(1,071)	(1,071)	(0)
Other liabilities	33,012	11,173	21,839
	(25,250)	(5,405)	(19,845)
of which taxes	4,316	4,316	0
	(1,850)	(1,850)	(0)
	1,327,313	**78,378**	**1,248,935**
(Previous year's figure in brackets)	**(960,516)**	**(19,501)**	**(941,015)**

NOTES TO THE CONSOLIDATED INCOME STATEMENT

20. Revenue

in € thousand	31.12.2010	31.12.2009
Minimum rental income	140,658	124,606
Turnover rental income	2,571	2,232
Other revenue	960	725
	144,189	**127,563**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	144,189	127,563

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

The amounts reported here as operating leases relate to rental income from investment property with long-term rental periods. With these types of lease 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 € thousand	2010	2009
Maturity within 1 year	172,457	125,562
Maturity from 1 to 5 years	552,637	401,426
Maturity after 5 years	308,328	238,002
	1,033,422	**764,990**

21. Property operating costs

in € thousand	2010	2009
Center marketing	-2,325	-2,078
Maintenance and repairs	-944	-937
Real property tax	-838	-805
Insurance	-393	-320
Write-downs of rent receivables	-578	-563
Other	-2,242	-1,140
	-7,320	**-5,843**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	-7,320	-5,843

22. Property management costs

in € thousand	2010	2009
Center management / agency agreement costs	-7,892	-7,181
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	-7,892	-7,181

23. Other operating income

in € thousand	2010	2009
Income from the reversal of provisions	349	300
Exchange rate gains	33	71
Other	564	545
	946	**916**

24. Other operating expenses

in € thousand	2010	2009
Personnel expenses	-1,836	-1,361
Legal and consulting costs, tax consultant fees and audit expenses	-1,432	-1,371
Marketing costs	-486	-425
Supervisory Board compensation	-223	-223
Appraisal costs	-227	-155
Exchange rate losses	-177	-221
Write-downs	-24	-23
Other	-1,486	-969
	-5,891	**-4,748**

Legal and consulting costs, tax consultant fees and audit expenses include €376 thousand in fees for the audit of Group companies.

25. Income from investments

in € thousand	2010	2009
Income from investments	1,413	1,455
	1,413	**1,455**

In the year under review, this item included the dividends paid by Ilwro Joint Venture Sp. z o.o. and City-Point Beteiligungs GmbH.

26. Income from equity-accounted associates

in € thousand	2010	2009
Profit / loss from equity-accounted associates	-593	-141
	-593	**-141**

This includes the share in the profits/losses of and dividends received from property companies included in the consolidated financial statements in accordance with the equity method.

27. Profit / loss attributable to limited partners

in € thousand	2010	2009
Profit / loss attributable to limited partners	-7,948	-8,164
	-7,948	**-8,164**

With effect from 1 July 2010, Deutsche EuroShop AG has acquired shareholdings in City-Arkaden Wuppertal KG and Objekt City-Point Kassel GmbH & Co. KG. The profit / loss attributable to third-party shareholders to the acquisition date of €571 thousand is included in this item.

28. Measurement gains / losses

in € thousand	2010	2009
Unrealised changes in fair value	31,431	-20,466
Profit / loss attributable to limited partners	-2,969	-784
Ancillary acquisitions costs	-8,631	0
Excess of identified net assets acquired over cost of acquisition resulting from changes in the consolidated capital in accordance with IFRS 3	13,298	6,007
Exchange rate gains	0	431
Other	0	40
	33,129	**-14,772**

Ancillary acquisition costs relate exclusively to the acquisition of the A 10-Center. The excess of net assets acquired over cost of acquisition in accordance with IFRS 3 primarily results from the first-time consolidation of the A 10 Center Wildau KG, DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG and the Main-Taunus-Zentrum Wieland KG.

29. Income tax expense

in € thousand	2010	2009
Current tax expense	-316	-47
Deferred tax liabilities – domestic companies	-11,889	-3,165
Deferred tax liabilities – foreign companies	-2,975	-2,499
	-15,180	**-5,711**

In measuring deferred taxes, the tax rates applicable in accordance with IAS 12 are those valid under current legislation at the date at which the temporary differences will probably reverse. In 2010, a corporate 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 taxes were applied for companies in other countries.

Tax reconciliation

Income taxes in the amount of €15,180 thousand in the year 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 € thousand	2010	2009
Consolidated profit before income tax	**96,998**	**40,079**
Theoretical income tax 15.825%	**-15,350**	**-6,343**
Tax rate differences for foreign Group companies	-631	-656
Tax-free income / non-deductible expenses	1,001	1,151
Divergent domestic tax	-202	-33
Aperiodic tax income	52	0
Reversal due to tax rate reduction abroad	0	199
Other	-50	-29
Current income tax	**-15,180**	**-5,711**

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 Gewerbesteuergesetz (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, €202 thousand in trade tax expense was included in the current tax expense.

The effect arising from tax-free income is largely the result of recognising the excess of identified assets over cost of acquisition (which is not relevant for tax purposes) in accordance with IFRS 3 from the acquisitions of shares in DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG.

In financial year 2010, the effective income tax rate was 15.6% (previous year: 14.2%). The previous year's figures have been adjusted with regard to tax-free income / non-deductible expenses in the amount of €245 thousand.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Notes to 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 consists of cash bank balances and short-term deposits.

The previous year's figures have been adjusted to take into account €1,607 thousand in cash flow from currentoperating activities.

Composition of cash and cash equivalents

in € thousand	31.12.2010	31.12.2009
Cash and cash equivalents	65,784	81,914
	65,784	**81,914**

Operating cash flow

After adjustment of the annual profit for non-cash income and expenses, operating cash flow was €72,117 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. The change in receivables includes, among others, the purchase price of €156.7 million (including ancillary acquisition costs) paid at the end of the year for the Billstedt-Center.

Cash outflows from operating activities includes, among others:

- interest income in the amount of €1.0 million (previous year: €0.7 million).
- interest expense in the amount of €49.5 million (previous year: €44.1 million).
- income taxes paid in the amount of €0.3 million (previous year: €0.0 million).

Cash flow from investing activities

Cash additions/disposals of non-current assets during the year are recognised.

In the year under review, expansion investments totalling €78.0 million were made in our properties. The acquisition price for A 10 in Wildau was €204.4 million (including ancillary acquisition costs) and was paid in cash on 1 February 2010.

In July 2010, Deutsche EuroShop AG increased its share in the Altmarkt-Galerie Dresden from 50% to 67%. The purchase price was raised by means of the issue of new shares in a non-cash capital increase. Cash and cash equivalents of €3.8 million were recognised.

On 31 December 201, Deutsche EuroShop AG acquired 9.7% of the shares in the limited partnership of DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG, Hamburg. The purchase price of €17.1 million was paid in cash. Cash and cash equivalents of €7.8 million were recognised.

Cash flow from financing activities

In financial year 2010, a dividend of €46,320 thousand was paid to the shareholders.

Three capital increases were carried out, of which one in the form of a non-cash capital increase. In total, the Company raised €253.7 million.

A capital increase was conducted for the Stadt-Galerie Passau in 2010, in which third-party shareholders participated in the amount of €4.2 million.

Payments to third-party shareholders totalled €14.0 million and included distributions of €7.5 million, payment of the acquisition prices to increase the shareholdings in City-Point Kassel (€5.1 million) and City-Arkaden Wuppertal (€1.4 million).

Currency-related and other changes

This item is the result of changes recognised directly in equity from the currency translation of foreign investments in the amount of €330 thousand and the effects of the expansion of the basis of consolidation of €1,671 thousand.

Cash flow per share

in € thousand		2010	2009
Average outstanding shares (diluted)	no.	45,544,976	39,065,542
Average outstanding shares (basic)	no.	45,544,976	39,065,542
Operating cash flow	in € thousand	72,117	63,237
Operating cash flow per share (diluted)	€	1.58	1.62
Operating cash flow per share (basic)	€	1.58	1.62
Cash flow from operating activities	in € thousand	-94,167	60,523
Cash flow per share (diluted)	€	-2.07	1.55
Cash flow per share (basic)	€	-2.07	1.55

In order to take into account the capital increase conducted in the year under review, a pro-rata weighting and a retrospective adjustment of the number of shares must be applied in accordance with IAS 33 when determining the basic and diluted earnings per share. Please also refer to our detailed notes on equity. For this reason, the average number of outstanding shares in financial year 2010 was 45,544,976. The previous year's figure was adjusted from 36,799,402 shares to 39,065,542 shares accordingly.

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. The companies are operated individually. Due to the Company's uniform business activities within a relatively homogeneous region (the European Union), for reasons of simplification and in accordance with IFRS 8.12, separate segment reporting is presented only in the form of a breakdown by domestic and international results.

Deutsche EuroShop AG assesses the performance of the segments primarily on the EBIT of the individual property companies. The valuation principles for the segment reporting correspond to those of the Group. Eliminations of intra-Group ties between the segments are summarised in the reconciliation.

Breakdown by geographical segment

in € thousand	Domestic	International	Total
Revenue	**121,330**	**22,859**	**144,189**
(previous year's figures)	(105,003)	(22,560)	(127,563)

Around 10% of rental income in the previous year (€13,495 thousand) was generated in Poland. In the year under review, revenues in this region were below this level.

in € thousand	Domestic	International	Reconciliation	Total
EBIT	**107,951**	**20,431**	**-4,350**	**124,032**
(previous year's figures)	(93,439)	(20,127)	-(2,859)	(110,707)

in € thousand	Domestic	International	Reconciliation	Total
Net interest income	**-45,644**	**-7,606**	**215**	**-53,035**
(previous year's figures)	(-41,374)	(-7,537)	(-95)	(-49,006)

in € thousand	Domestic	International	Reconciliation	Total
EBT (before measurement gains / losses)	**60,858**	**10,600**	**-7,589**	**63,869**
(previous year's figures)	(32,771)	(15,275)	(6,805)	(54,851)

in € thousand	Domestic	International	Total
Segment assets	**2,621,311**	**342,265**	**2,963,576**
(previous year's figures)	(1,775,305)	(336,840)	(2,112,145)
of which investment properties	**2,367,696**	**333,001**	**2,700,697**
(previous year's figures)	(1,663,951)	(327,029)	(1,990,980)

OTHER DISCLOSURES

31. Financial instruments and risk management

Carrying amounts, valuations and fair values according to measurement category

			Balance sheet amount in line with IAS 39		
in € thousand	Measurement category pursuant to IAS 39	Carrying amount 31 Dec 2010	Amortised cost	Costs	Fair value recognised in equity
Financial assets*					
Non-current financial assets	AfS	23,885	0	15,381	8,505
Trade receivables	LaR	3,481	3,481		
Other assets	LAR	3,628	701		792
Other financial investments	HtM	0			
Cash and cash equivalents	LaR	65,784	65,784		
Financial liabilities*					
Bank loans and overdrafts	FLAC	1,288,156	1,288,156		
Right to redeem of limited partners	FLAC	277,780	277,780		
Trade payables	FLAC	6,145	6,145		
Other liabilities	FLAC	27,641	6,473		21,168
Aggregated according to measurement category pursuant to IAS 39:					
Loans and receivables (LaR)		72,893	69,966		792
Available for sale (AfS)		23,885		15,381	8,505
Held to maturity (HtM)		0			
Financial liabilities measured at amortised cost (FLAC)		1,599,722	1,578,554		21,168

* Corresponds to level 2 of the IFRS 7 fair value hierarchy

Non-current financial assets include an investment defined as available for sale, which was reported in equity on the balance sheet date.

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

Trade receivables, other assets and cash and cash equivalents have predominantly short- term residual terms. The carrying amounts thus correspond to the fair value. The change in the present value of the long-term interest rate swap recognised was €161 thousand (previous year: €106 thousand).

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 are are recognised at amortised cost. The fair value for Group loans is given in the notes under item 12 “Bank loans and overdrafts”. In total, interest expense of €54,075 thousand (previous year: €49,680 thousand) is included in net finance costs.

Trade payables and other liabilities, with the exception of interest rate swaps – which are recognised at present value – usually have short residual terms. The carrying amounts thus correspond to the fair value.

Fair value recognised in income	Fair value 31 Dec 2010	Carrying amount 31 Dec 2009	Balance sheet amount in line with IAS 39: Amortised cost	Costs	Fair value recognised in equity	Fair value recognised in income	Fair value 31 Dec 2009
	23,886	24,756		15,381	9,375		24,756
	3,481	2,557	2,557				2,557
	3,628	1,807	853		954		1,807
	0	1,600	1,600				1,600
	65,784	81,914	81,914				81,914
	1,324,096	934,195	934,195				968,000
	277,780	123,035	123,035				123,035
	6,145	1,071	1,071				1,071
	27,641	22,893	3,392		19,501		22,893
	72,893	86,278	85,324		954		86,278
	23,886	24,756		15,381	9,375		24,756
	0	1,600	1,600				1,600
	1,635,662	1,081,194	1,061,693		19,501		1,114,999

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 finance costs. The profit/loss share of third-party shareholders of €7,948 thousand (previous year: €8,164 thousand) is also included in net finance costs.

Impairment charges on receivables are reported in property operating costs.

Risk management

In risk management, the emphasis is on ensuring compliance with the strategy and, building on this, on identifying and assessing risks and opportunities, as well as on the fundamental decision to manage these risks. Risk management ensures that risks are identified at an early stage and can then be evaluated, communicated promptly and mitigated. Risk analysis involves the identification and analysis of factors that may jeopardise the achievement of goals.

Market risks

Liquidity risk

The liquidity of 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 be utilised at short notice.

The contractually agreed future interest and principle repayments of the original financial liabilities and derivative financial instruments are as follows as at 31 December 2010:

in € thousand	Carrying amount 31 Dec 2010	Cash flows 2011	Cash flows 2012 to 2015	Cash flows from 2016
Bank loans and overdrafts	1,288,156	94,021	746,917	803,806

The amounts relate to all contractual commitments existing on the balance sheet date. The majority of the trade payables and other financial liabilities reported at the end of the financial year will fall due in 2011.

Credit and default 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 preparation of the financial statements. During the reporting year, write-downs of rent receivables of €578 thousand (previous year: €563 thousand) were recognised under property operating costs.

The maximum default risk in relation to trade receivables and other assets totals €11,772 thousand (previous year: €8,424 thousand) as at the reporting date.

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.

On the basis of expert appraisals, the property portfolio has a theoretical net yield of 5.89% (previous year: 5.82%) for financial year 2010. An increase of 100 basis points in the net initial yield would result in a profit reduction of €405 million. A reduction of 100 basis points would result in a profit increase of €571 million. Changes in the value of the properties are recognised under measurement gains / losses.

Interest rate risk

A sensitivity analysis was implemented to determine the effect of potential interest rate changes. Based on the financial assets and liabilities subject to 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 are recognised in equity as cash flow hedges at present value. An increase in the market interest rate of 100 basis points would lead to an increase in equity of €17,628 thousand. The majority of the loan liabilities have fixed interest terms. On the balance sheet date, loans totalling €201,780 thousand (previous year: €195,700 thousand) were hedged using derivative financial instruments.

Capital management

The Group's capital management is designed to maintain a strong equity base with the aim of ensuring that its ability to repay its debts and financial well-being are maintained in the future. The Group's financial policies are also based on the annual payment of a dividend.

in € thousand	31.12.2010	31.12.2009
Equity	**1,527,432**	**1,044,360**
Equity ratio (%)	51.5	49.5
Net financial debt	**-1,222,372**	**-850,681**

Equity is reported here including the share of the third-party shareholders.

Net financial debt is determined from the financial liabilities on the balance sheet date less cash and cash equivalents and other financial investments.

32. 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 recognised in the consolidated balance sheet. The income statement includes the share of income and expenses of the jointly controlled companies.

During the financial year, assets and liability items and income of the subsidiaries defined as joint ventures in line with IAS 31.56 were recognised in the consolidated financial statements as follows:

in € thousand	31.12.2010	31.12.2009
Current assets	18,357	14,140
Non-current assets	375,587	545,498
Current liabilities	3,615	4,781
Non-current liabilities	190,741	261,002
Income	21,316	35,194
Expenses	-9,298	-26,719

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 a controlling influence over these companies together with other shareholders. Overall, these companies are not important to the Group.

The share in these companies' equity is compared to the net carrying amount and any differences are recognised in date.

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

in € thousand	31.12.2010	31.12.2009
Current assets	2,115	655
Non-current assets	9,716	10,128
Current liabilities	449	89
Non-current liabilities	7,204	7,200
Income	686	772
Expenses	-1,157	-2,294

33. EARNINGS PER SHARE

in € thousand		2010	2009
Average outstanding shares (diluted)	no.	45,544,976	39,065,542
Average outstanding shares (basic)	no.	45,544,976	39,065,542
Consolidated net profit attributable to Group shareholders	in € thousand	81,817	34,367
Earnings per share (basic)	in €	1.80	0.88
Earnings per share (diluted)	in €	1.80	0.88

Basic earnings per share

Basic earnings per share are determined by dividing the net income for the period to which shareholders of Deutsche EuroShop AG are entitled by the weighted average number of shares outstanding within the reporting period.

Diluted earnings per share

For the calculation of diluted earnings per share, potential ordinary shares must be taken into account when determining the number of outstanding shares, and the net income for the period attributable to the shareholders of Deutsche EuroShop AG must be adjusted. As Deutsche EuroShop AG has no potential ordinary shares, the calculation of diluted earnings per share is the same as the method used to calculate basic earnings per share.

In order to take into account the capital increase conducted in the year under review, a pro-rata weighting and a retrospective adjustment of the number of shares must be applied in accordance with IAS 33 when determining the basic and diluted earnings per share. Please also refer to our detailed notes on equity. For this reason, the average number of outstanding shares in financial year 2010 was 45,544,976. The previous year's figure was adjusted from 36,799,402 shares to 39,065,542 shares accordingly.

OTHER FINANCIAL OBLIGATIONS

There are other financial obligations of €92.8 million arising from service contracts.

Financial obligations of €69.2 million arise for the investment measures in the Main-Taunus-Zentrum in Sulzbach, in the Altmarkt-Galerie Dresden and the A10 Center in Wildau.

OTHER DISCLOSURES

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

EVENTS AFTER THE BALANCE SHEET DATE

With effect from 23 September 2010, Deutsche EuroShop AG founded 1. DES Grundbesitz KG, Hamburg with an investment of €10 thousand. On 1 January 2011, this company acquired the Billstedt-Center Hamburg. The acquisition price was €148.4 million and was paid in cash on 30 December 2010. This amount is recognised under other current assets on the balance sheet date. The fair value of the acquired real property on the acquisition date was €156.7 million. The company incurred an excess of identified net assets acquired over the purchase price allocation amounting to €8.3 million.

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

THE SUPERVISORY BOARD AND EXECUTIVE BOARD

Supervisory Board

a) Membership of other statutory supervisory boards
b) Membership of comparable supervisory bodies of business enterprises in Germany or other countries

Manfred Zaß, Königstein im Taunus, Chairman
Banker

Dr Michael Gellen, Cologne, Deputy Chairman
Independent lawyer

Thomas Armbrust, Hamburg
Member of Management of KG CURA Vermögensverwaltung G.m.b.H. & Co., Hamburg
a) C.J. Vogel Aktiengesellschaft für Beteiligungen, Hamburg (Chairman)
Platinum AG, Hamburg (Chairman)
TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich (Chairman)
Verwaltungsgesellschaft Otto mbH, Hamburg
b) ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Deputy Chairman)
LBBW Equity Partners GmbH & Co. KG, Munich (until 16 August 2010)
LBBW Equity Partners Verwaltungs GmbH, Munich (until 16 August 2010)

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

Alexander Otto, Hamburg
CEO of ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg
a) Verwaltungsgesellschaft Otto mbH, Hamburg
b) Peek & Cloppenburg KG, Dusseldorf

Dr Bernd Thiemann, Kronberg im Taunus
Management consultant
a) Deutsche Pfandbriefbank AG, Unterschleissheim (Chairman)
EQC AG, Osnabrück (Deputy Chairman)
Hypo Real Estate Holding AG, Unterschleißheim (Chairman)
VHV Vereinigte Hannoversche Versicherung a.G., Hanover
VHV Leben AG, Hanover (until 5 July 2010)
Wave Management AG, Hamburg (Deputy Chairman)
IVG Immobilien AG, Bonn (from 20 May 2010)
b) M.M. Warburg & Co. KGaA, Hamburg
Odewald & Companie, Berlin (Deputy Chairman)
Würth Gruppe, Künzelsau (Deputy Chairman)

Executive Board

Claus-Matthias Böge, Hamburg, Executive Board Spokesman
b) Palladium Praha s.r.o.

Olaf Borkers, Hamburg

The remuneration of the members of the Supervisory Board totalled €223 thousand in the period under review (previous year: €223 thousand).

The remuneration of the Executive Board totalled €1,154 thousand (previous year: €893 thousand), which includes performance-related compensation in the amount of €611 thousand (previous year: €350 thousand).

A long-term incentive (LTI) remuneration component was agreed for the first time in 2010. A provision of €85 thousand was created for the Executive Board during the year under review.

For further details, please see the supplementary disclosures on remuneration 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 2010.

RELATED PARTIES FOR THE PURPOSES OF IAS 24

Deutsche EuroShop AG's subsidiaries and the members of its Executive Board and Supervisory Board are regarded as related parties for the purposes of IAS 24. The remuneration of the Supervisory Board and the Executive Board is described in the notes.

Income of €6,396 thousand (previous year: €6,248 thousand) was generated in the financial year from the Douglas Group under existing lease agreements. Receivables from the Douglas Group amounted to €292 thousand on the balance sheet date.

Fees for service contracts with the ECE Group amounted to €27,772 thousand (previous year: €18,846 thousand). This amount was partially offset by income from lease agreements with the ECE Group in the amount of €5,278 thousand (previous year: €4,674 thousand). Receivables from ECE amounted to €2,565 thousand, while liabilities were €3,644 thousand.

Transactions with related parties involving the provision of goods and services were at standard market rates.

With effect from 31 December 2010, a voting agreement was entered into with ARENA Vermögensverwaltung (G.m.b.H. & Co.), a company belonging to Alexander Otto, in relation to adopting resolutions at Immobilien Kommanditgesellschaft FEZ Harburg, Hamburg. In return, ARENA Vermögensverwaltung (G.m.b.H. & Co.) received compensation amounting to €10 thousand.

Hamburg, 13 April 2011

Deutsche EuroShop AG
The Executive Board

Claus-Matthias Böge

Olaf G. Borkers

OTHER DISCLOSURES

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

Shareholder	Shareholding report as at	Event (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	2 February 2010	Falls below threshold (10)	9.63	9.63	0.00
Glenwood Office Investments (Pty) Limited, Brooklyn, South Africa	2 February 2010	Falls below threshold (3)	2.66	0.00	2.66
"Charlie-Fox" Beteiligungs G.m.b.H., Hamburg	13 August 2010	Falls below threshold (3)	2.90	2.90	0.00
BlackRock, Inc., New York, USA	13 September 2010	Exceeds threshold (3)	3.29	0.00	3.29
BlackRock Holdco 2, Inc., Wilmington, Delaware, USA	13 September 2010	Exceeds threshold (3)	3.23	0.00	3.23
BlackRock Financial Management, Inc., New York, USA	13 September 2010	Exceeds threshold (3)	3.23	0.00	3.23
Karoo Investment Fund S.C.A. SICAV-SIF, Luxembourg, Grand Duchy of Luxembourg	14 September 2010	Falls below threshold (3)	2.89	2.89	0.00
Pinelake International Limited, Douglas, Isle of Man	13 September 2010	Falls below threshold (3)	2.89	0.00	2.89
Sasfin Holdings Limited, Johannesburg, South Africa	14 September 2010	Falls below threshold (3)	2.89	0.00	2.89
Sasfin Financial Services (Pty) Ltd, Johannesburg, South Africa	14 September 2010	Falls below threshold (3)	2.89	0.00	2.89
Sasfin Securities (Pty) Ltd, Johannesburg, South Africa	14 September 2010	Falls below threshold (3)	2.89	0.00	2.89
Stockshare Nominees (Pty) Limited, Johannesburg, South Africa	14 September 2010	Falls below threshold (3)	2.89	0.00	2.89
Attfund Ltd., Brooklyn, South Africa	14 September 2010	Falls below threshold (3)	2.89	0.00	2.89
Commerzbank AG, Frankfurt	26 November 2010	Falls below threshold (5, 3)	0.04	0.04	0.00
DZ BANK AG, Deutsche Zentral-Genossen-schaftsbank, Frankfurt	26 November 2010	Falls below threshold (5, 3)	0.00	0.00	0.00

The total fees for the consolidated financial statements for the 2010 financial year amounted to €328 thousand (previous year: €282 thousand). The Group auditor performed no other services.

SHAREHOLDINGS

List of shareholdings in accordance with section 313 (2) nos. 1 and 4 of the Handelsgesetzbuch (HGB – German Commercial Code) as at 31 December 2010:

Company name and domicile	Interest in equity	of which indirect	of which direct	Equity as at 31 December 2010	HGB profit / loss 2010
Fully consolidated companies				in €	in €
Deutsche EuroShop Verwaltungs GmbH, Hamburg	100.00%	-	100.00%	41,349,938.68	-61,668.22
Deutsche EuroShop Management GmbH, Hamburg	100.00%	-	100.00%	58,658.85	33,658.85
DES Beteiligungs GmbH, Hamburg	100.00%	-	100.00%	97,366,705.92	221,905.92
A 10 Center Wildau KG. Hamburg (previously Kommanditgesellschaft PANTA Neunundneunzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg)	100.00%	100.00%		100,201,481.66	-3,394,019.16
1. DES Grundbesitz KG, Hamburg	100.00%	-	100.00%	155,194,269.38	-10,730.62
Objekt City-Point Kassel GmbH & Co, KG. Pöcking	100.00%	100.00%		17,013,528.30	-707,817.52
City-Arkaden Wuppertal KG, Hamburg	100.00%	-	100.00%	-7,877,640.89	266,459.14
Rhein-Neckar-Zentrum KG, Hamburg	99.90%	-	99.90%	13,665,193.25	2,001,806.57
Stadt-Galerie Hameln KG, Hamburg	94.90%	-	94.90%	66,853,050.90	3,251,147.29
Rathaus-Center Dessau KG, Hamburg	94.90%	-	94.90%	25,264,455.45	6,224,591.70
City-Galerie Wolfsburg KG, Hamburg	89.00%	-	89.00%	-8,253,952.36	1,320,791.65
Allee-Center Hamm KG, Hamburg	88.93%	-	88.93%	-35,155,859.85	3,972,263.62
Stadt-Galerie Passau KG, Hamburg	75.00%	-	75.00%	124,253,193.04	4,003,745.16
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co.KG, Hamburg	74.00%	-	74.00%	43,557,588.69	9,253,522.47
Forum Wetzlar KG. Hamburg	65.00%	-	65.00%	13,691,685.77	1,629,031.15
Main-Taunus-Zentrum Wieland KG, Hamburg	52.01%	46.27%	5.74%	-30,073,125.83	8,570,961.41
DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG, Hamburg	50.47%	-	50.47%	93,432,818.60	4,898,866.51
Immobilien Kommanditgesellschaft FEZ Harburg, Hamburg	50.00%	-	50.00%	-13,847,355.11	1,559,874.75
				in PLN	in PLN
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Sp. kom., Warsaw, Poland	74.00%	74.00%	-	465,242,715.17	32,300,873.07
CASPIA Investments Sp. z o.o., Warsaw, Poland	74.00%	74.00%	-	11,875,074.08	516,559.20

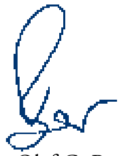
Company name and domicile	Interest in equity	of which indirect	of which direct	Equity as at 31 December 2010	HGB profit/loss 2010
Proportionately consolidated companies				in €	in €
Altmarkt-Galerie Dresden KG, Hamburg	67.00%	-	67.00%	55,677,016.02	-1,903,267.11
CAK City-Arkaden Klagenfurt KG, Hamburg	50.00%	-	50.00%	17,362,954.39	318,668.52
EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OG, Wien	50.00%	50.00%	-	7,915,940.97	373,084.35
Einkaufs-Center Arkaden Pécs KG, Hamburg	50.00%	-	50.00%	24,729,129.16	1,917,746.85
Equity-accounted companies/associates:				in €	in €
Kommanditgesellschaft Sechzehnte ALBA Grundstücksgesellschaft mbH & Co., Hamburg	50.00%	50.00%		1,780,729.56	3,786.74
Kommanditgesellschaft PANTA Fünfundsiebzigste Grundstücks-gesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%		2,907,666.32	-882,495.44
Kommanditgesellschaft PANTA Dreiunddreißigste Grundstücks-gesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%		1,958,158.30	-1,489,307.37
Kommanditgesellschaft PANTA Achtundvierzigste Grundstücks-gesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%		-1,384,494.98	-1,532,933.40
EKZ Vier Errichtungs- und Betriebs Ges.m.b,H., Vienna	50.00%	50.00%		10,030,661.84	28,010.50
City-Point Beteiligungs GmbH, Pöcking	40.00%	-	40.00%	28,119.59	2,554.99
Investees				in PLN	in PLN
Ilwro Joint Venture Sp. z o.o., Warsaw, Poland	33.33%	-	33.33%	283,774,968.84	-3,870,271.44

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.d,

Hamburg 13 April 2011


Claus-Matthias Böge


Olaf G. Borkers

AUDITOR'S REPORT

We have audited the consolidated financial statements – comprising the balance sheet, statement of comprehensive income, 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 2010. 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 (HGB – 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 HGB and 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 HGB 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 a suitable understanding of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 14 April 2010

BDO AG
Wirtschaftsprüfungsgesellschaft

Dyckerhoff
Auditor

Dr Probst
Auditor