

Manfred Zaß,
Chairman of the
Supervisory Board

Report of
the Super-
visory Board

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

During financial year 2010, the Supervisory Board performed the duties incumbent on it according to the law and the Articles of Association and closely followed the performance of Deutsche EuroShop AG. The strategic orientation of the Company was coordinated with the Supervisory Board, and the progress of strategy implementation was discussed at regular intervals. The Supervisory Board monitored and advised the Executive Board on its management of the business, and the Executive Board informed us regularly, promptly and in detail of business developments.

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Focus of advisory activities

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

The development of the portfolio properties, their turnover trends, accounts receivable, occupancy rates, the construction measures and the liquidity of the Company, as well as investment cost trends for our new development projects formed the focus of our discussions.

Intensive and repeated discussions were conducted with the Executive Board on trends on the capital, credit, real estate and retail markets and the effects of these on the Company's strategy and, in particular, on the raising of equity. These resulted in three capital increases over the course of the financial year. The Executive Board and Supervisory Board also examined various investment options. We received regular reports detailing the turnover trends and payment patterns of our tenants.

“ WE EXAMINED THE COMPANY'S NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS, AS WELL AS ITS RISK MANAGEMENT, REGULARLY AND IN DETAIL.

The Chairman of the Supervisory Board and the Executive Committee of the Supervisory Board also discussed other topical issues with the Executive Board as required. Transactions requiring the approval of the Supervisory Board were discussed and resolved upon at the scheduled meetings. In addition, for transactions of the Executive Board requiring approval, circular resolutions were passed in writing by the Supervisory Board or the Executive Committee, in connection with the capital increases by the Capital Market Committee. In the event of decisions that could potentially have led to conflicts of interest, the Supervisory Board members in question abstained from voting. All resolutions in the reporting period were passed unanimously.

Meetings

Four scheduled Supervisory Board meetings took place during financial year 2010. In addition, the Supervisory Board met once for an unscheduled meeting. No Supervisory Board member attended fewer than half of the Supervisory Board's meetings.

At the first scheduled meeting, on **28 April 2010**, the Supervisory Board's annual review of efficiency was completed and the agenda for the Annual

General Meeting was approved. We selected the auditor, who was proposed to the shareholders for election. In relation to the audit of the annual financial statements, we once again attached great importance to the explanations of the Executive Board and those of the auditor on the real estate appraisals. In addition, the Executive Board reported to us in particular on the expansion of the Altmarkt-Galerie in Dresden and the Main-Taunus-Zentrum near Frankfurt and the acquisition of the A10 Center in Wildau, near Berlin. The change to the remuneration system for Executive Board members bringing it into line with the legal requirements of the Gesetz zur Angemessenheit der Vorstandsvergütung (German Act on the Appropriateness of Executive Board Remuneration – VorstAG) was approved. ▶

At the meeting on **17 June 2010**, the Executive Board presented the current status of construction work and also further potential acquisitions. The longer-term prospects, economic circumstances and the Company's possible options were discussed at length. At this meeting we agreed to acquire, by means of the issue of new shares or against cash, limited partnership shares in City-Arkaden Wuppertal KG, Altmarkt-Galerie Dresden KG and Objekt City-Point Kassel GmbH & Co. KG. In addition, the Supervisory Board agreed to a framework agreement with the limited partnership CURA Vermögensverwaltung G.m.b.H. & Co. (KG CURA) governing the Company's close collaboration with ECE and also KG CURA's participation in the Company's capital increases for the next ten years.

At the third meeting, on **23 September 2010**, we discussed in detail with the Executive Board the intended acquisition of the Billstedt-Center and how to finance this investment. The Executive Board also reported on the now-completed capital increase against non-cash contributions.

At the last meeting, on **18 November 2010**, the Executive Board reported to us on the concrete possibility of increasing our shareholding in DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG. It also presented further potential acquisitions and the status of ongoing construction. An extensive discussion also ensued on the Company's projections and medium-term performance planning as presented by the Executive Board, and on the Company's and Group's internal control system based on the documentation presented. It was further agreed that Mr Borkers' contract as a member of the Executive Board would be extended to 2016.

In an unscheduled meeting on **18 November 2010**, we resolved to adapt the Supervisory Board's rules of procedure to bring these into line with VorstAG and to form a permanent Capital Market Committee. The members of this committee are the undersigned (Chairman), Dr Michael Gellen (Deputy Chairman) and Thomas Armbrust. The powers held by the Supervisory Board with regard to the utilisation of the existing authorised capital have been transferred to this committee to enable it to make decisions and take action independently.

IN RELATION TO THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS, WE ONCE AGAIN ATTACHED GREAT IMPORTANCE TO THE EXPLANATIONS OF THE EXECUTIVE BOARD AND THOSE OF THE AUDITOR ON THE REAL ESTATE APPRAISALS.

Committees

The Supervisory Board has established three committees: the Executive Committee of the Supervisory Board, the Audit Committee and the Capital Market Committee. Each of these is made up of three members. Given the size of the Company and the number of Supervisory Board members, we consider the number of committees and members to be appropriate.

During the reporting period, the Executive Committee of the Supervisory Board and the Audit Committee met on 20 April 2010.

The Audit Committee discussed the quarterly financial reports with the Executive Board on 28 April and in conference calls on 11 August and 3 November 2010.

The Capital Market Committee passed its resolutions on the implementation of capital increases in conference calls on 11 January, 1 February, 6 July, 4 November and 23 November 2010.

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Corporate Governance

In December 2010, together with the Executive Board, we issued an updated declaration of conformity in relation to the recommendations of the government commission pursuant to section 161 of the Aktiengesetz (German Public Companies Act – AktG) and made this permanently available on the Deutsche EuroShop AG website. A separate report on the implementation of the German Corporate Governance Code is included in this Annual Report. The members of the Supervisory Board and the Executive Board declared in writing at the beginning of 2011 that no conflicts of interest had arisen.

Financial statements of Deutsche EuroShop AG and the Group for the period ended 31 December 2010

At the Audit Committee meeting on 14 April 2011 and the Supervisory Board meeting on 27 April 2011, the Audit Committee and the Supervisory Board examined in detail the annual financial statements of Deutsche EuroShop AG in accordance with German commercial law, and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), each as at 31 December 2010, as well as the management report and group management report for financial year 2010.

The documents relating to the financial statements, the auditor's reports and the Executive Board's proposal for the appropriation of the unappropriated surplus were presented to us in good time. The auditor elected by the Annual General Meeting on 17 June 2010 – BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg – had audited the financial statements prior to this and issued an unqualified audit opinion in each case. The auditor also confirmed that the accounting policies, measurement methods and methods of consolidation in the consolidated financial statements complied with the relevant accounting provisions. In addition, the auditor determined in the course of its assessment of the risk management system that the Executive Board had undertaken all required measures pursuant to section 91 (2) AktG to promptly identify risks that could jeopardise the continued existence of the Company.

The auditor's representatives took part in the discussion of the annual financial statements and the consolidated financial statements on the occasions of the Audit Committee meeting on 14 April 2011 and the Supervisory Board meeting on 27 April 2011 and explained the main findings.

Following its own examination of the annual financial statements of Deutsche EuroShop AG, the consolidated financial statements and the corresponding management reports, the Supervisory Board did not raise any objections, agreed with the findings of the auditor's examination and approved the annual financial statements of Deutsche EuroShop AG and the consolidated financial statements. The annual financial statements have thus been adopted. The Supervisory Board endorses the Executive Board's proposal for the appropriation of the unappropriated surplus and distribution of a dividend of €1.10 per share.

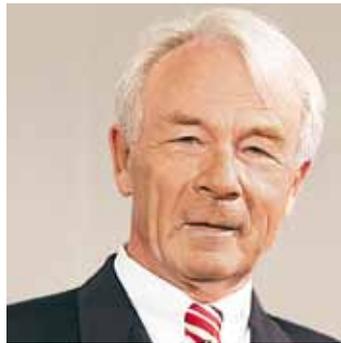
Financial year 2010 was the tenth in the Company's history. It was also an extremely successful year, characterised by continual growth. The Company's conservative strategy formed a solid foundation for this. This success was also built on the dedication of both the Executive Board and the Company's employees, for which the Supervisory Board would like to express its particular gratitude.

Hamburg, 27 April 2011



Manfred Zaß, Chairman

MEMBERS OF THE SUPERVISORY BOARD



MANFRED ZASS
(Chairman)



DR. MICHAEL GELLEN
(Deputy Chairman)



THOMAS ARMBRUST



DR. JÖRN KREKE



ALEXANDER OTTO



DR. BERND THIEMANN