Consolidated FINANCIAL STATEMENTS

2011

Deutsche EuroShop AG
Consolidated Financial Statements for Financial Year 2011

ASSETS

in € thousand	Note	31.12.2011	31.12.2010 before adjustment	31.12.2010 adjustment	31.12.2010 after adjustment
ASSETS					
Non-current assets					
Intangible assets	1.	20	29		29
Property, plant and equipment	2.	137	30		30
Investment properties	3.	3,106,832	2,700,697		2,700,697
Non-current financial assets	4.	27,815	23,885		23,885
Investments in equity-accounted associates	5.	4,514	4,094		4,094
Other non-current assets	6.	459	605		605
Non-current assets		**3,139,777**	2,729,340	0	**2,729,340**
Current assets					
Trade receivables	7.	5,606	3,481		3,481
Other current assets	8.	15,334	164,971		164,971
Cash and cash equivalents	9.	64,408	65,784		65,784
Current assets		**85,348**	234,236	0	**234,236**
Total assets		**3,225,125**	**2,963,576**	**0**	**2,963,576**

EQUITY AND LIABILITIES

in € thousand	Note	31 Dec 2011	31 Dec 2010 before adjustment	31 Dec 2010 adjustment	31 Dec 2010 after adjustment
EQUITY AND LIABILITIES					
Equity and reserves					
Issued capital		51,631	51,631		51,631
Capital reserves		890,482	890,130	485	890,615
Retained earnings		250,928	307,891	-86,400	221,491
Total equity	10.	**1,193,041**	1,249,652	-85,915	**1,163,737**
Non-current liabilities					
Bank loans and overdrafts	11.	1,335,986	1,227,096		1,227,096
Deferred tax liabilities	12.	210,587	101,052	83,778	184,830
Right to redeem of limited partners		280,078	277,780		277,780
Other liabilities	17.	38,451	21,839		21,839
Non-current liabilities		**1,865,102**	1,627,767	83,778	**1,711,545**
Current liabilities					
Bank loans and overdrafts	11.	136,163	61,060		61,060
Trade payables	13.	2,835	6,145		6,145
Tax liabilities	14.	5,935	450	2,137	2,587
Other provisions	15.	8,859	7,329		7,329
Other liabilities	16.	13,190	11,173		11,173
Current liabilities		**166,982**	86,157	2,137	**88,294**
Total equity and liabilities		**3,225,125**	2,963,576	0	**2,963,576**

CONSOLIDATED INCOME STATEMENT

in € thousand	Note	2011	2010 before adjustment	2010 adjustment	2010 after adjustment
Revenue	18.	189,975	144,189	0	144,189
Property operating costs	19.	-8,519	-7,320	0	-7,320
Property management costs	20.	-9,814	-7,892	0	-7,892
Net operating income (NOI)		**171,642**	128,977	0	**128,977**
Other operating income	21.	1,010	946	0	946
Other operating expenses	22.	-6,991	-5,891	0	-5,891
Earnings before interest and taxes (EBIT)		**165,661**	124,032	0	**124,032**
Income from investments	23.	1,261	1,413	0	1,413
Interest income		862	1,040	0	1,040
Interest expense		-65,761	-54,075	0	-54,075
Income from equity-accounted associates	24.	270	-593	0	-593
Profit/loss attributable to limited partners	25.	-15,730	-7,948	0	-7,948
Net finance costs		**-79,098**	-60,163	0	**-60,163**
Measurement gains/losses	**26.**	**41,811**	33,129	0	**33,129**
of which excess of identified net assets acquired over cost of acquisition in accordance with IFRS 3: € 7,888 thousand (previous year: € 13,298 thousand)					
Earnings before tax (EBT)		**128,374**	96,998	0	**96,998**
Income tax expense	27.	-34,978	-15,180	-89,631	-104,811
Other taxes		0	-1	0	-1
Consolidated profit		**93,396**	**81,817**	**-89,631**	**-7,814**
Basic earnings per share (€)	31.	1.81	1.80	-1.97	-0.17
Diluted earnings per share (€)	31.	1.81	1.80	-1.97	-0.17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in € thousand	Note	2011	2010 before adjustment	2010 adjustment	2010 after adjustment
Consolidated profit		**93,396**	81,817	-89,631	**-7,814**
Changes due to currency translation effects		-373	246	0	246
Changes in cash flow hedge	29.	-16,405	-864	0	-864
Change due to IAS 39 measurement of investments	4.. 29.	3,930	-870	0	-870
Other changes		0	0	0	0
Deferred taxes on changes in value offset directly against equity	12.	5,684	94	3,716	3,810
Total earnings recognised directly in equity		**-7,164**	-1,394	3,716	**2,322**
Total profit		**86,232**	**80,423**	**-85,915**	**-5,492**
Share of Group shareholders		86,232	80,423	-85,915	-5,492

CONSOLIDATED CASH FLOW STATEMENT

in € thousand	Note	01.01.–31.12.2011	01.01.–31.12.2010
Profit after tax		**93,396**	**-7,814**
Expenses/income from the application of IFRS 3	26.	-7,888	-13,298
Profit/loss attributable to limited partners	25., 26.	27,596	10,917
Depreciation of property, plant and equipment	1., 2.	36	24
Unrealised changes in fair value of investment property	26.	-54,302	-31,431
Profit / loss for the period of equity-accounted companies	24.	-270	593
Expenses from investment activities to be allocated to the cash flow	26.	8,512	8,631
Deferred taxes	27.	31,606	102,358
Operating cash flow		**98,686**	**69,980**
Changes in receivables*	6., 7., 8., 29.	147,660	-158,096
Changes in other financial investments		0	1,600
Changes in current provisions	15.	1,482	-14,091
Changes in liabilities	13., 14., 16., 17., 29.	1,593	6,440
Cash flow from operating activities		**249,421**	**-94,167**
Payments to acquire property, plant and equipment/investment properties	2., 3.	-77,201	-77,975
Expenses from investment activities to be allocated to the cash flow		-8,512	-8,631
Payments to acquire shareholdings in consolidated companies and business units*		-266,323	-201,376
Inflows/outflows to/from the financial assets		-150	145
Cash flow from investing activities		**-352,186**	**-287,837**
Changes in interest-bearing financial liabilities	11.	183,993	166,244
Payments to Group shareholders		-56,795	-46,320
Contributions of Group shareholders		0	253,675
Contributions of third-party shareholders		0	4,225
Payments to third-party shareholders		-25,319	-13,951
Cash flow from financing activities		**101,879**	**363,873**
Net change in cash and cash equivalents		**-886**	**-18,131**
Cash and cash equivalents at beginning of period		**65,784**	**81,914**
Currency-related changes		-487	330
Other changes		-3	1,671
Cash and cash equivalents at end of period	**9.**	**64,408**	**65,784**

* The purchase price including the ancillary acquisition costs (€156.7 million) for the acquisition of the Billstedt-Center Hamburg was recognised in the cash flow from operating activities in the previous year. In order to achieve a meaningful cross-period presentation of this transaction, changes connected with the initial consolidation are recognised gross in the reporting year.

STATEMENT OF CHANGES IN EQUITY

in € thousand	Note	Number of shares outstanding	Share capital	Capital reserves	Other retained earnings	Statutory reserve	Total
01.01.10		**37,812,496**	**37,812**	**609,364**	**272,149**	**2,000**	**921,325**
Change due to IAS 39 measurement of investments	4., 29.				-870		-870
Change in cash flow hedge	29.				-864		-864
Change due to currency translation effects					246		246
Change in deferred taxes	12.				94		94
Total earnings recognised directly in equity			0	0	-1,394	0	-1,394
Consolidated profit					81,817		81,817
Total profit					80,423		80,423
Dividend payments	10.				-46,320		-46,320
Other changes					-361		-361
Capital increase	10.	13,818,904	13,819	280,766	0		294,585
Trade tax (IAS 8 - correction of an error)				485	-86,400		-85,915
31.12.10		**51,631,400**	**51,631**	**890,615**	**219,491**	**2,000**	**1,163,737**
01.01.11		**51,631,400**	**51,631**	**890,615**	**219,491**	**2,000**	**1,163,737**
Change due to IAS 39 measurement of investments	4., 29.				3,930		3,930
Change in cash flow hedge	29.				-16,405		-16,405
Change due to currency translation effects					-373		-373
Change in deferred taxes	12.				5,684		5,684
Total earnings recognised directly in equity			0		-7,164	0	-7,164
Consolidated profit					93,396		93,396
Total profit					86,232		86,232
Change in deferred taxes	12.			-133	0		-133
Dividend payments	10.				-56,795		-56,795
31.12.11		**51,631,400**	**51,631**	**890,482**	**248,928**	**2,000**	**1,193,041**

NOTES 2011 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 2011 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 €.

Deutsche EuroShop AG focuses 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 2011 were approved by the Audit Committee of the Supervisory Board on 18 April 2012 and are expected to be approved at the Supervisory Board's financial statements review meeting on 26 April 2012. 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 2011, 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 2011, the basis of consolidation comprised, in addition to the parent company, 19 (previous year: 20) fully consolidated domestic and foreign subsidiaries and five (previous year: four) proportionately consolidated domestic and foreign joint ventures.

Deutsche EuroShop AG acquired the Billstedt-Center in Hamburg through a subsidiary with effect from 1 January 2011, having already paid the purchase price of €148.4 million at the end of 2010. The fair value of the acquired property was €156.0 million, which resulted in an excess of identified net assets acquired over the purchase price allocation. This stood at €7.9 million and was recognised under measurement gains/losses. It is offset by ancillary acquisition costs in connection with the acquisition of the property totalling €8.4 million and was recognised under measurement gains/losses. In the period under review, the company generated revenue of €10.8 million and a profit of €9.1 million.

in € thousand	Carrying amounts	Fair value
Acquired property assets	155,977	155.977
Purchase price	-148,375	-148.375
Deferred taxes	272	272
Excess of identified net assets acquired over cost of acquisition	**7,874**	**7.874**

With effect from 1 January 2011, Deutsche EuroShop acquired 5.1% of the limited partnership shares in Stadt-Galerie Hameln KG at a purchase price of €4.9 million, thereby increasing its shareholding to 100%. The acquisition of the shares resulted in an excess of identified net assets acquired over cost of acquisition of €0.2 million and was recognised under measurement gains/losses.

With effect from 1 July 2011, Deutsche EuroShop acquired 11% of the limited partnership shares in City-Galerie Wolfsburg KG at a purchase price of €6.5 million, thereby increasing its shareholding to 100%. The acquisition of the shares resulted in an excess of cost of acquisition over identified net assets acquired of €0.8 million and was recognised under measurement gains/losses.

Joint ventures

On 30 August 2011, Deutsche EuroShop AG acquired 50% of the shares in Einkaufscenter Allee-Center Magdeburg at a purchase price of €118.7 million. The transfer of benefits and encumbrances took place on 1 October 2011. The purchase price was paid at the start of October. The first-time proportionate consolidation of the company revealed an excess of identified net assets acquired over cost of acquisition of €0.6 million, which was recognised under measurement gains/losses. In the period under review, the company generated revenue of €2.0 million and a profit of €2.8 million (according to IFRS). If the acquisition date had been 1 January 2011, revenues of €7.8 million and profit of €8.1 million would have flowed into the consolidated income statement.

in € thousand	Carrying amounts	Fair value
Property assets	118,790	118,790
Cash and cash equivalents	634	634
Receivables and other assets	164	164
Deferred taxes	-233	-233
Provisions	-47	-47
Other liabilities	-168	-168
Net assets acquired	**119,140**	**119,140**
Purchase price	-118,583	-118,583
Excess of identified net assets acquired over cost of acquisition	**557**	**557**

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.

Associates

In accordance with IAS 28, where Deutsche EuroShop AG can exercise a significant influence but not control over companies these are measured using the equity method, irrespective of the interest held in these companies. Six companies fall into this category as at the balance sheet date.

Investees

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.

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 311.13 (previous year: HUF 278.75) and an average rate of HUF 279.28 (previous year: HUF 275.48) 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 4.4168 (previous year: PLN 3.9603) and an average rate of PLN 4.1189 (previous year: PLN 3.9947) were taken as a basis for translating the separate financial statements of the Polish property company.

CHANGES IN ACCOUNTING POLICIES

ADJUSTMENT OF PREVIOUS YEAR'S VALUES IN ACCORDANCE WITH IAS 8 (CORRECTION OF AN ERROR)

The parent company Deutsche EuroShop AG is an asset management holding company that has until now availed itself of the "extended trade tax deduction" (section 9 para. 1 sentence 2 Gewerbesteuergesetz (GewStG – Trade Tax Act)). Because this approach was accepted by the tax authorities for many years, Deutsche EuroShop AG had no reason until the end of February 2011 to doubt that these deductions would also be possible in the future.

However, this was changed by a ruling by the German Federal Fiscal Court (BFH) on 19 October 2010 published on the BFH's website on 23 February 2011. It could no longer be assumed that this trade tax deduction would be possible in the future. The announcement coincided with the publication of provisional annual results on 24 February 2011. In view of the complex Group structures, reliable figures on the amount of deferred tax liabilities to be created were not available by the date of presentation. Given the circumstances, it was not possible to incorporate the information into the Company's annual financial statements. Under IAS 8.41 et seq., that represents an error that must be retroactively corrected.

The previous year's figures as at 31 December 2010 have been adjusted in the annual financial statements based on the assumption that the expanded trade tax deduction will no longer apply. The impact on the published statements is explained below. It was decided not to present the balance sheet amounts as at 1 January 2010, as the changes relate solely to the reporting date of 31 December 2010.

Deferred tax liabilities are to be created on the accumulated undisclosed reserves to account for temporary differences in measurements arising particularly from the measurement of market value of properties in accordance with IAS 40 versus the respective tax accounting approach. In the consolidated financial statements as at 31 December 2010, only deferred corporation taxes of €105.2 million were so far recognised for this purpose, taking into account any deferred tax assets on loss carryforwards that could be offset.

Provisions recognised in profit and loss have now been created for the deferred trade tax based on the measurement differences in previous years (€87.5 million) and for trade tax to be paid in the future on the current earnings for the time period in question (€2.1 million). Provisions of €3.7 million were recognised directly in equity.

The impact on the balance sheet, consolidated profit, NAV and FFO can be taken from the table below:

BALANCE SHEET in € thousand	31 Dec 2010 before adjustment	IAS 8 adjustment	31 Dec 2010 after adjustment
Equity (retained earnings)	1,249,652	-85,915	1,163,737
Deferred taxes	101,052	83,778	184,830
Tax liabilities	450	2,137	2,587
Total assets	**2,963,576**	**0**	**2,963,576**

INCOME STATEMENT in € thousand	2010 before adjustment	IAS 8 adjustment	2010 after adjustment
Income tax expense			
Current tax expense	-316	-2,137	-2,453
Deferred tax liabilities – domestic companies	-11889	-87,494	-99,383
Deferred tax liabilities – foreign companies	-2,975	0	-2,975
Total	**-15,180**	**-89,631**	**-104,811**

CONSOLIDATED PROFIT in € thousand and per share	2010 before adjustment	Per share before adjustment	IAS 8 adjustment	2010 after adjustment	Per share after adjustment
Tax expense up to 2009	0		-77,377	-77,377	-1.70 €
Measurement gains/losses	27,691	0.61 €	-2,952	24,739	0.54 €
Current profit	54,126	1.19 €	-9,302	44,824	0.98 €
Consolidated profit	**81,817**	**1.80 €**	**-89,631**	**-7,814**	**-0.17 €**

NET ASSET VALUE (NAV) in € thousand and per share	31 Dec 2010 before adjustment	Per share before adjustment	IAS 8 adjustment	31 Dec 2010 after adjustment	Per share after adjustment
Equity	1,249,652	24.20 €	-85,915	1,163,737	22.54 €
Deferred taxes	101,052	1.96 €	83,778	184,830	3.58 €
Total	**1,350,704**	**26.16 €**	**-2,137**	**1,348,567**	**26.12 €**

FUNDS FROM OPERATIONS (FFO)

in € thousand and per share

	31 Dec 2010 before adjustment	IAS 8 adjustment	31 Dec 2010 after adjustment
Consolidated profit	81,817	-89,631	-7,814
Measurement gains/losses for equity accounted-companies	122		122
Measurement gains/losses	-33,129		-33,129
Deferred taxes	14,864	87,494	102,358
FFO	63,674	-2,137	61,537
FFO per share	**1.40 €**	**-0.05 €**	**1.35 €**

REPORTING PRINCIPLES

The following standards and interpretations or amendments to these were applicable for the first time in financial year 2011:

- IFRS 1 First-Time Adoption of International Financial Reporting Standards (amendment, since 1 July 2010)
- IFRS 1 – First-Time Adoption of International Financial Reporting Standards – Annual Improvements to IFRSs (AIP 2010, since 1 January 2011)
- IFRS 3 – Business Combinations – Improvements to IFRSs (AIP 2010, since 1 July 2010)
- IFRS 7 – Financial Instruments: Disclosures – Improvements to IFRSs (AIP 2010, since 1 January 2011)
- IAS 1 – Presentation of Financial Statements – Improvements to IFRSs (AIP 2010, since 1 January 2011)
- IAS 24 – Related Party Disclosures (revision, from 1 January 2011)

Consequential amendments to IAS 21, IAS 28 and IAS 31 arising from IAS 27 Separate Financial Statements (since 1 July 2010)

- IAS 32 –Financial Instruments: Presentation (amendment, from 1 February 2010)
- IAS 34 – Interim Financial Reporting – Improvements to IFRSs (AIP 2010, since 1 January 2011)
- IFRIC 13 – Customer Loyalty Programmes – Amendments to IFRSs (AIP 2010, since 1 January 2011)
- IFRIC 14/IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (amendment, since 1 January 2011)
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (since 1 July 2010)

The 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 2011, 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.

IFRS 7 Financial Instruments: Disclosures (since 1 July 2011)

The official announcements that did not yet have to be applied in 2011 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 booked through profit and loss. 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 company cars, 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 properties 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, 11.8% (2010: 11.7%) of rental income is deducted for management and administrative costs, with the result that net income equates to 88.2% (2010: 88.3%) of rental income. The management and administrative costs amounted to 9.7% of rental income in the year under review.

The capitalisation rate applied 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 6.68%, compared with 6.65% in the previous year. It is composed of an average yield of 4.34% on a ten-year German federal government bond (2010: 4.44%) and an average risk premium of 2.34% (2010: 2.21%).

On the basis of the expert appraisals, the property portfolio has an net initial yield of 5.92% for financial year 2011, compared with 5.89% in the previous year.

There is no differentiation between the domestic and international operations, as the differences are not material.

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. 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.

6. 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.

7. TRADE PAYABLES

Trade payables are recognised at their repayment amount.

8. OTHER LIABILITIES

Other liabilities are recognised at amortised cost.

9. 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% was used for German companies, and a rate of 16.45% for trade tax. The respective local tax rates were applied for foreign companies. In accordance with IAS 12.74, deferred tax assets on existing loss carryforwards are 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

Concessions, industrial and similar rights and licences in such rights and assets in € thousand	2011	2010
Costs as at 1 January	62	48
Additions	2	14
as at 31 December	64	62
Depreciation as at 1 January	-33	-24
Additions	-11	-9
as at 31 December	-44	-33
Carrying amount at 1 January	29	24
Carrying amount at 31 December	**20**	**29**

This item consists mainly of software licences.

2. PROPERTY, PLANT AND EQUIPMENT

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
Additions	0	5	5
Disposals	0	-12	-12
Reclassifications	-7	0	-7
as at 31 December	230	77	307
Depreciation as at 1 January	-230	-43	-273
Additions	0	-14	-14
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**

2011 in € thousand	Property, advance payments and assets under construction	Other equipment, operating and office equipment	**Total**
Costs as at 1 January	230	77	307
Additions	0	132	132
Disposals	0	-5	-5
as at 31 December	230	204	434
Depreciation as at 1 January	-230	-47	-277
Additions	0	-24	-24
Disposals	0	4	4
as at 31 December	-230	-67	-297
Carrying amount at 1 January	0	30	30
Carrying amount at 31 December	**0**	**137**	**137**

Additions in the reporting year relate primarily to two company cars, to be amortised over a period of five years.

3. INVESTMENT PROPERTIES

Investment Properties in € thousand	2011	2010
Carrying amount at 1 January	2,700,697	1,990,980
Additions	77,067	77,956
Additions to basis of consolidation	274,767	600,323
Unrealised changes in fair value	54,301	31,333
Reclassifications	–	105
Carrying amount at 31 December	**3,106,832**	**2,700,697**

The presentation of the development of investment properties was changed in regard to additions/investments.

The properties are secured by mortgages. There are land charges in the amount of €1,472,149 thousand. (previous year: €1,288,156 thousand). The rental income of the properties valued in accordance with IAS 40 was €189,975 thousand (previous year: €144,189 thousand). Directly associated operating expenses were €18,333 thousand (previous year: €15,212 thousand).

The additions include investments in expansion measures in Dresden, Wildau and Sulzbach and ongoing investments in portfolio properties. The Billstedt-Center (acquired 1 January 2011) and the Allee-Center Magdeburg (acquired 1 October 2011) were recognised for the first time in the reporting year, at fair value, and represent additions to the scope of consolidation.

Unrealised changes in market value relate to appreciation and depreciation in accordance with IAS 40 on shopping center properties.

4. NON-CURRENT FINANCIAL ASSETS

Non-current fi nancial assets in € thousand	2011	2010
Costs as at 1 January	15,381	15,381
as at 31 December	15,381	15,381
Amortisation/impairment losses and reversals as at 1 January	8,504	9,374
Reversals of impairment losses	3,930	0
Write-downs	0	-870
as at 31 December	12,434	8,504
Carrying amount at 1 January	23,885	24,755
Carrying amount at 31 December	**27,815**	**23,885**

During the reporting year, a reversal of impairment losses, recognised directly in equity, on the stake in Ilwro Joint Venture Sp. z o.o., Warsaw, was made, in the amount of €3,930 thousand, taking the carrying amount of the participation to €27,815 thousand on the reporting date.

5. INVESTMENTS IN EQUITY-ACCOUNTED ASSOCIATES

Investments in equity-accounted associates in € thousand	2011	2010
Carrying amount at 1 January 2010	4,094	3,532
Deposits/withdrawals	150	1,155
Share of profit/loss	177	-471
Value increases	93	0
Value decreases	0	-122
Carrying amount at 31 December	**4,514**	**4,094**

The presentation of changes in equity-accounted associates has changed for both the previous and the reporting year. The changes relate to deposits made and shares in the profits/losses of smaller property companies that are not of material significance from a Group perspective.

6. OTHER NON-CURRENT ASSETS

in € thousand	31.12.2011	31.12.2010
Other non-current assets	**459**	**605**

This item consists mainly of the present value of a non-current receivable of €422 thousand (previous year: €585 thousand) for our Polish property company. The company will have annual cash inflows of €207 thousand until 2016.

7. TRADE RECEIVABLES

in € thousand	31.12.2011	31.12.2010
Trade receivables	6,617	4,534
Allowances for doubtful accounts	-1,011	-1,053
	5,606	**3,481**

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. The amounts recognised at the reporting date are protected by means of guarantees, cash security deposits and letters of comfort.

8. OTHER CURRENT ASSETS

in € thousand	31.12.2011	31.12.2010
Prepayments of purchase prices	9,101	156,713
Value added tax receivables	3	2,312
Deductible withholding tax on dividends/solidarity surcharge	133	60
Interest rate swaps	207	207
Other current assets:	5,890	5,679
	15,334	**164,971**

With effect from 1 January 2012, the stakes in the Rhein-Neckar-Zentrum and Allee-Center Hamm were increased to 100%. The purchase prices were paid at the end of 2011. In the previous year, this position included the prepaid purchase price for the Billstedt-Center Hamburg (paid in 2010). Other current assets primarily consist of other receivables from tenants and prepaid costs to protect locations.

RECEIVABLES

in € thousand	Total	Up to 1 year	Over 1 year
Trade receivables	5,606	5,606	0
	(3,481)	(3,481)	(0)
Other assets	15,793	15,334	459
	(165,576)	(164,971)	(605)
	21,399	**20,940**	459
Previous year's figure in brackets	**(169,057)**	**(168,452)**	**(605)**

MATURITY OF TRADE RECEIVABLES AND OTHER ASSETS

in € thousand	Carrying amount	Not overdue
Trade receivables	5,606	5,606
	(3,481)	(3,481)
Other assets	15,793	15,793
	(165,576)	(165,576)
	21,399	21,399
Previous year's figure in brackets	**(169,057)**	**(169,057)**

9. CASH AND CASH EQUIVALENTS

in € thousand	31.12.2011	31.12.2010
Short-term deposits/time deposits	45,783	51,742
Current accounts	18,611	14,030
Cash	14	12
	64,408	**65,784**

NOTES TO THE CONSOLIDATED BALANCE SHEET – LIABILITIES

10. 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.

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 15 June 2016, to issue convertible bonds with a total nominal value of up to €200,000,000 and maturities of up to ten years and to grant the holders of the respective, equally privileged, bonds conversion rights (conditional capital) to new no-par value shares in the Company up to a total of 10,000,000 shares (€10 million), in accordance with the detailed provisions of the terms and conditions for convertible bonds ("bond conditions"). The convertible bonds may also pay a variable rate of interest, in which case, as with a participating bond, the interest may be dependent in full or in part on the level of the Company's dividend.

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 21 June 2012. The previous year's unappropriated surplus was distributed in full to the shareholders. The dividend paid was €1.10 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.

Other total income is divided into the following components:

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

2011 in € thousand	Before taxes	Taxes	Net
Measurement of investments (AfS) IAS 39	3,930	0	3,930
Cash flow hedge	-16,405	5,613	-10,792
Currency conversion foreign companies	-373	71	-302
	-12,848	**5,684**	**-7,164**

11. BANK LOANS AND OVERDRAFTS

in € thousand	31.12.2011	31.12.2010
Non-current bank loans and overdrafts	1,335,986	1,227,096
Current bank loans and overdrafts	136,163	61,060
	1,472,149	**1,288,156**

Bank loans and overdrafts are recognised at amortised cost on the balance sheet date. The present value of loans is redetermined at the reporting 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 reporting date at market rates of interest plus a margin. The fair value of the bank loans and overdrafts at the reporting date is €1,539,651 thousand (previous year: €1,330,746 thousand). The previous year's figure has been restated.

Bank loans and overdrafts relate to loans raised to finance property acquisitions and investment projects. Land charges on Company properties totalling €1,472,149 thousand (previous year: €1,288,156 thousand) serve as collateral.

Discounts are amortised over the term of the loan. In the year under review, €4,954 thousand (previous year: €4,592 thousand) was recognised in income.

Eleven of the 31 loan agreements currently contain arrangements regarding covenants. There are a total of 15 different conditions on different debt service cover ratios (DSCR), interest cover ratios (ICR), changes in rental income, the equity ratio and loan-to-value ratios (LTV). The credit conditions have not to date been breached, and according to the current planning will not be breached in 2012-2014 either.

12. DEFERRED TAX LIABILITIES

in € thousand	As at 1 Jan 2011	Utilisation	Reversal	Addition	As at 31 Dec 2011
Deferred tax liabilities	**184,830**	**0**	**0**	**25,757**	**210,587**

Deferred tax liabilities relate primarily to properties reported at fair value in accordance with IAS 40. At the reporting date, they totalled €238,376 thousand (previous year: €205,014 thousand) and were partially offset by deferred tax assets on tax loss carryforwards of €14,391 thousand (previous year: €16,053 thousand) and are offset against equity items recognised directly in equity in the amount of €13,399 thousand (previous year: €7,847 thousand).

Additions for companies in Germany in the reporting year were €24,878 thousand (previous year: €12,476 thousand), while additions of €879 thousand (previous year: €2,976 thousand) were made for foreign companies.

13. TRADE PAYABLES

in € thousand	31.12.2011	31.12.2010
Construction services	1,027	3,056
Other	1,808	3,089
	2,835	**6,145**

14. TAX LIABILITIES

in € thousand	As at 1 Jan 2011	Utilisation	Reversal	Addition	As at 31 Dec 2011
Income taxes	2,568	136	230	3,061	5,263
Real estate transfer tax	0	0	0	635	635
Real property tax	19	0	0	18	37
	2,587	**136**	**230**	**3,714**	**5,935**

Income taxes consist of corporation taxes and a solidarity surcharge totalling €400 thousand and trade taxes of €4,863 thousand.

15. OTHER PROVISIONS

in € thousand	As at 1 Jan 2011	Addition to basis of consolidation	Utilisation	Reversal	Addition	As at 31 Dec 2011
Maintenance and construction services	3,824	0	3,508	60	5,143	5,399
already performed but not yet invoiced	413	0	413	0	86	86
Fees	3,091	13	2,719	142	3,130	3,373
Other	**7,329**	**13**	**6,640**	**202**	**8,359**	**8,859**

Other provisions includes a present value of €244 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 the plan is based on the performance of the Company's market capitalisation within this period. Please also see the details in the remuneration report, which is part of the management report.

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

16. OTHER CURRENT LIABILITIES

in € thousand	31.12.2011	31.12.2010
Rental deposits	829	837
Value added tax	3,472	2,521
Trade tax	0	1,795
Obligations to make capital contributions	0	1,300
Service contract liabilities	819	507
Debtors with credit balances	636	402
Other	7,434	3,811
	13,190	**11,173**

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

17. OTHER NON-CURRENT LIABILITIES

in € thousand	31.12.2011	31.12.2010
Interest rate swaps	38,075	21,168
Other	376	671
	38,451	**21,839**

In connection with borrowing, interest rate hedges were concluded to hedge against higher capital market interest rates. Their present value totalled €38,075 thousand as at the reporting date.

LIABILITIES

in € thousand	Total	Current	Non-current
Bank loans and overdrafts	1,472,149	136,163	1,335,986
	(1,288,156)	(61,060)	(1,227,096)
Trade payables	2,835	2,835	0
	(6,145)	(6,145)	(0)
Other liabilities	51,641	13,190	38,451
	(33,012)	(11,173)	(21,839)
of which taxes	3,502	3,502	0
	(4,316)	(4,316)	(0)
	1,526,625	**152,188**	**1,374,437**
Previous year's figure in brackets	**(1,327,313)**	**(78,378)**	**(1,248,935)**

NOTES TO THE CONSOLIDATED INCOME STATEMENT

18. REVENUE

in € thousand	2011	2010
Minimum rental income	185,405	140,658
Turnover rental income	3,313	2,571
Other revenue	1,257	960
	189,975	**144,189**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	189,975	144,189

Other revenue relates primarily to compensation for use, residential leases 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	2011	2010
Maturity within 1 year	202,950	172,457
Maturity from 1 to 5 years	712,207	552,637
Maturity after 5 years	479,696	308,328
	1,394,853	**1,033,422**

19. PROPERTY OPERATING COSTS

in € thousand	2011	2010
Center marketing	-2,860	-2,325
Maintenance and repairs	-1,619	-944
Real property tax	-979	-838
Insurance	-406	-393
Write-downs of rent receivables	-441	-578
Other	-2,214	-2,242
	-8,519	**-7,320**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	-8,519	-7,320

20. PROPERTY MANAGEMENT COSTS

in € thousand	2011	2010
Center management/agency agreement costs	**-9,814**	**-7,892**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	-9,814	-7,892

21. OTHER OPERATING INCOME

in € thousand	2011	2010
Income from the reversal of provisions	202	349
Exchange rate gains	83	33
Other	725	564
	1,010	**946**

22. OTHER OPERATING EXPENSES

in € thousand	2011	2010
Personnel expenses	-1,733	-1,836
Legal, consulting and audit expenses	-1,521	-1,432
Ancillary financing costs	-1,285	-548
Marketing costs	-442	-486
Supervisory Board compensation	-223	-223
Appraisal costs	-287	-227
Exchange rate losses	-323	-177
Write-downs	-35	-24
Other	-1,142	-938
	-6,991	**-5,891**

Legal and consulting costs, tax consultant fees and audit expenses include €321 thousand in fees for the audit of Group companies.

23. INCOME FROM INVESTMENTS

in € thousand	2011	2010
Income from investments	**1,261**	**1,413**

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

24. INCOME FROM EQUITY-ACCOUNTED ASSOCIATES

in € thousand	2011	2010
Profit/loss from equity-accounted associates	**270**	**-593**

This includes the share in the profits/losses of smaller property companies that are included in the consolidated financial statements in accordance with the equity method.

25. PROFIT/LOSS ATTRIBUTABLE TO LIMITED PARTNERS

in € thousand	2011	2010
Profit/loss attributable to limited partners	-15,730	-7,948

26. MEASUREMENT GAINS/LOSSES

in € thousand	2011	2010
Unrealised changes in fair value	54,302	31,431
Profit/loss attributable to limited partners	-11,866	-2,969
Ancillary acquisition costs	-8,513	-8,631
Excess of identified net assets acquired over cost of acquisition resulting from changes in the consolidated capital in accordance with IFRS 3	7,888	13,298
	41,811	**33,129**

Ancillary acquisition costs relate mainly to the acquisition of the Billstedt-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 Billstedt-Center Hamburg and the proportionate consolidation of the Allee-Center Magdeburg.

27. INCOME TAX EXPENSE

in € thousand	2011	2010
Current tax expense	-3,372	-2,453
Deferred tax liabilities – domestic companies	-30,634	-99,383
Deferred tax liabilities – foreign companies	-972	-2,975
	-34,978	**-104,811**

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 2011, 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 and 16.45% in trade tax were recognised.

The respective local tax rates were applied for foreign companies.

TAX RECONCILIATION

Income taxes in the amount of €34,978 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 and a trade tax rate of 16.45%.

in € thousand	**2011**	2010
Consolidated profit before income tax	128,374	96,998
Theoretical income tax 32.275 %	-41,433	-31,306
Tax rate differences for foreign Group companies	2,161	1,759
Tax rate differences for domestic Group companies	972	-591
Tax-free income/non-deductible expenses	3,126	2,223
Aperiodic tax income	196	0
Aperiodic tax expense	0	-76,896
Current income tax	**-34,978**	**-104,811**

In financial year 2011, the effective income tax rate was 27.25%.

The previous year's figures were restated, as the figures for the 2010 tax reconciliation had to be recalculated by retroactive booking of trade tax.

28. 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.

Composition of cash and cash equivalents in € thousand	**31.12.2011**	31.12.2010
Cash and cash equivalents	**64,408**	**65,784**

OPERATIVER CASHFLOW

After adjustment of the annual profit for non-cash income and expenses, operating cash flow was €98,686 thousand. All changes to cash flows from net finance costs are allocated to operating activities.

CASH FLOW FROM OPERATING ACTIVITIES

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

Cash outflows from operating activities includes, among others:
- interest income of €0.9 million (previous year: €1.0 million)
- interest expense of €60.8 million (previous year: €49.5 million)
- income taxes paid of €3.3 million (previous year: €2.4 million)
- allocations to provisions of €8.2 million (previous year: €6.8 million)

CASH FLOW FROM INVESTING ACTIVITIES

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

During the year under review, expansion investments and investments in portfolio properties totalling €77.2 million were made.

The purchase price for the Allee-Center Magdeburg of €118,7 million (including ancillary acquisition costs) was paid in October 2011. Cash and equivalents of €0.6 million were acquired as part of the transaction. For details of the assets acquired and liabilities assumed, see the detailed notes on the scope of consolidation. The reclassification of cash flows from operating activities in connection with the Billstedt-Center Hamburg acquisition, in the amount of €156.7 million (shown inclusive of ancillary acquisition costs) is also recognised here, as the purchase price was paid at the end of 2010 but the company was not included in the scope of consolidation until 2011.

CASH FLOW FROM FINANCING ACTIVITIES

In financial year 2011, a dividend of €56,795 thousand was paid to the shareholders.

Payments to third-party shareholders include the distributions paid of €13.9 million and the purchase price payments for the increased shareholding in Stadt-Galerie Hameln and City-Galerie Wolfsburg totalling €11.4 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 €487 thousand and smaller changes.

CASH FLOW PER SHARE

in € thousand		2011	2010
Average outstanding shares (diluted)	no.	51,631,400	45,544,976
Average outstanding shares (basic)	no.	51,631,400	45,544,976
Operating cash flow	in € thousands	98,686	69,980
Operating cash flow per share (diluted)	€	1.91	1.54
Operating cash flow per share (basic)	€	1.91	1.54
Cash flow from operating activities	in € thousands	249,421	-94,167
Cash flow per share (diluted)	€	4.83	-2.07
Cash flow per share (basic)	€	4.83	-2.07

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), and in accordance with IFRS 8.12,
separate segment reporting is presented in the form of a breakdown by domestic and international results.

As the Group's main decision-making body, the Deutsche EuroShop AG Executive Boardlargely assesses the performance of the segments based on the EBIT of the individual property companies. The valuation principles for the segment reporting correspond to those of the Group. Intra-Group activities between the segments are eliminated in the reconciliation statement.

In view of the geographical segmentation, no further information pursuant to IFRS 8.33 is given.

The previous year's figures have been restated in the reconciliation statement for earnings before tax (EBT) and net interest income.

BREAKDOWN BY GEOGRAPHICAL SEGMENT

in € thousand	Domestic	International	Reconciliation	Total
Revenue	166,832	23,143	0	189,975
(previous year's figures)	(121,330)	(22,859)	(0)	(144,189)

in € thousand	Domestic	International	Reconciliation	Total
EBIT	148,652	20,698	-3,689	165,661
(previous year's figures)	(107,951)	(20,431)	-(4,350)	(124,032)

in € thousand	Domestic	International	Reconciliation	Total
Net interest income	-55,972	-7,516	-1,411	-64,899
(previous year's figures)	-(45,644)	-(7,606)	(215)	-(53,035)

in € thousand	Domestic	International	Reconciliation	Total
Earnings before tax (EBT)	119,397	17,754	-8,777	128,374
(previous year's figures)	(84,759)	(14,809)	-(2,570)	(96,998)

in € thousand	Domestic	International	Total
Segment assets	2,874,224	350,901	3,225,125
(previous year's figures)	(2,621,311)	(342,265)	(2,963,576)
of which investment properties	2,763,626	343,206	3,106,832
(previous year's figures)	(2,367,696)	(333,001)	(2,700,697)

OTHER DISCLOSURES

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Carrying amounts, valuations and fair values according to measurement category

in € thousand	Measurement category pursuant to IAS 39	Carrying amount 31 Dec 2011	Amortised cost	Costs	Fair value recognised in equity
		Balance sheet amount in line with IAS 39			
Financial assets *					
Non-current financial assets	AfS	27,815		15,381	12,434
Trade receivables	LaR	5,606	5,606		
Other assets**	LAR	1,783	1,153		630
Cash and cash equivalents	LaR	64,408	64,408		
Financial liabilities *					
Bank loans and overdrafts	FLAC	1,472,149	1,472,149		
Right to redeem of limited partners	FLAC	280,078	280,078		
Trade payables	FLAC	2,835	2,835		
Other liabilities	FLAC	45,999	7,924		38,075
Aggregated according to measurement category pursuant to IAS 39:					
Loans and receivables (LaR)		71,797	71,167		630
Available for sale (AfS)		27,815	0	15,381	12,434
Financial liabilities measured at amortised cost (FLAC)		1,801,061	1,762,986		38,075

* Corresponds to level 2 of the IFRS 7 fair value hierarchy
** The previous year's figure has been restated.

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

Trade receivables, other assets and cash and cash equivalents, with the exception of interest rate swaps - which are recognised at present value – have predominantly short 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 €162 thousand (previous year: €161 thousand).

Bank loans and overdrafts have long-term durations and are recognised at amortised cost. The fair value for Group loans is given in the notes under item 11 "Bank loans and overdrafts". In total, interest expense of €65,761 thousand (previous year: €54,075 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 2011**	Balance sheet amount in line with IAS 39					
		Carrying amount 31 Dec 2010	Amortised cost	Costs	Fair value recognised in equity	Fair value recognised in income	Fair value 31 Dec 2010
	27,815	23,885	0	15,381	8,505		23,886
	5,606	3,481	3,481				3,481
	1,783	1,493	701		792		1,493
	64,408	65,784	65,784				65,784
	1,539,651	1,288,156	1,288,156				1,324,096
	280,078	277,780	277,780				277,780
	2,835	6,145	6,145				6,145
	45,999	27,641	6,473		21,168		27,641
	71,797	70,758	69,966		792		70,758
	27,815	23,886		15,381	8,505		23,886
	1,868,563	1,599,722	1,578,554		21,168		1,635,662

When measuring interest rate swaps, the interest and market price parameters applicable on the reporting date are applied.

Interest from financial instruments is reported in net finance costs. The profit/loss share of third-party shareholders of €15,730 thousand (previous year: €7,948 thousand) is also included in net finance costs.

Impairment charges on receivables are recognised 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 2011:

in € thousand	Carrying amount 31 Dec 2011	Cash flows 2012	Cash flows 2013 to 2016	Cash flows from 2017
Bank loans and overdrafts	**1,472,149**	**161,311**	**786,134**	**937,875**

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 2012.

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 €441 thousand (previous year: €578 thousand) were recognised under property operating costs.

The maximum default risk in relation to trade receivables and other assets totals €12,298 thousand (previous year: €12,344 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 5.92% (previous year: 5.89%) for financial year 2011. A 25 bp change in a material parameter affecting the market value of properties would have the following impact on measurement gains/losses before taxes:

in € thousand	Basis	-0.25 %	+0.25 %
Rate of rent increases	1.70 %	-106.3	+111.7
Discount rate	6.68 %	+98.1	-93.3
Net initial yield	5.92 %	+138.0	-126.8
Cost ratio	11.80 %	+9.0	-9.0

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 €18,320 thousand (previous year: €17,628 thousand). The majority of the loan liabilities have fixed interest terms. On the reporting date, loans totalling €198,651 thousand (previous year: €201,780 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	31.12.2011	31.12.2010
Equity	1,473,119	1,441,517
Equity ratio (%)	45.7	48.6
Net financial debt	**-1,407,741**	**-1,222,372**

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.

30. JOINT VENTURES AND EQUITY-ACCOUNTED ASSOCIATES

Joint Ventures

Joint ventures in which Deutsche EuroShop AG together with third parties has a majority of the voting rights are proportionately included as joint ventures in the consolidated financial statements. For the purposes of proportionate consolidation, the share of the assets which are jointly controlled and the share of liabilities for which Deutsche EuroShop AG is jointly responsible are 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	31.12.2011	31.12.2010
Non-current assets	510,701	375,587
Current assets	9,065	18,357
Non-current liabilities	149,874	190,741
Current liabilities	46,479	3,615
Income	30,024	21,316
Expenses	-16,315	-9,298

Equity-accounted associates

Small property companies in which Deutsche EuroShop indirectly or directly has an interest 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 income. The share in the profits/losses of these companies is assigned to the domestic segment.

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

in € thousand	31.12.2011	31.12.2010
Non-current assets	9,811	9,716
Current assets	1,167	2,115
Non-current liabilities	0	7,204
Current liabilities	6,476	449
Income	730	686
Expenses	-554	-1,157

31. EARNINGS PER SHARE

in € thousand		2011	2010
Average outstanding shares (diluted)	Stück	51,631,400	45,544,976
Average outstanding shares (basic)	Stück	51,631,400	45,544,976
Consolidated net profit attributable to Group shareholders	in € thousand	93,396	-7,814
Earnings per share (basic)	€	1.81	-0.17
Earnings per share (diluted)	€	1.81	-0.17

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.

OTHER FINANCIAL OBLIGATIONS

There are other financial obligations of €87.7 million arising from service contracts.

Financial obligations of €22.6 million arise for the investment measures in the Main-Taunus-Zentrum in Sulzbach, the Altmarkt-Galerie Dresden and the A10 Center in Wildau.

Other financial obligations are the purchase price arising from the acquisition of shares in the Rathaus-Center Dessau, which amounted to €5.9 million as at the reporting date.

OTHER DISCLOSURES

An average of five (previous year: four) staff members were employed in the Group during the financial year.

EVENTS AFTER THE BALANCE SHEET DATE

Deutsche EuroShop AG acquired 5.1% of Rathaus-Center Dessau KG with effect from 1 January 2012, taking its shareholding to 100%. The purchase price of €5.9 million was paid at the start of 2012.

Also with effect from 1 January 2012, approximately 11% of Allee-Center Hamm KG (purchase price: €8.9 million) and 0.1% of the shares in Rhein-Neckar Zentrum KG (purchase price: €0.2 million) were acquired. Deutsche EuroShop now holds 100% of the shares in these companies as well. The purchase prices were paid at the end of 2011 and are included as at the reporting date under other assets.

In accordance with IFRS 3, the share purchases resulted in an excess of identified net assets acquired over cost of acquisition of €0.5 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, Köln, Deputy Chairman
Independent lawyer

Thomas Armbrust, Reinbek
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)

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
Wave Management AG, Hamburg (Deputy Chairman)
IVG Immobilien AG, Bonn
M.M. Warburg & Co. KG aA, Hamburg (Deputy Chairman)

c) Würth Gruppe, Künzelsau (Deputy Chairman)
Würth Finance International B.V., Amsterdam

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

EXECUTIVE BOARD

Claus-Matthias Böge, Hamburg, Executive Board Spokesman

a) Douglas Holding AG, Hagen (since 23 March 2011)
b) Palladium Praha s.r.o. (until 30 March 2011)

Olaf Borkers, Hamburg

The remuneration of the Executive Board totalled €1,066 thousand (previous year: €1,154 thousand), which includes performance-related compensation in the amount of €523 thousand (previous year: €611 thousand).

€96 thousand (previous year: €85 thousand) was allocated to the provision for the Executive Board's long-term incentive plan (LTI). Accrued interest was €5 thousand.

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 November 2011.

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 "Supervisory Board and Executive Board" section and in the remuneration report part of the group management report.

Fees for service contracts with the ECE Group totalled €23,454 thousand (previous year: €27,772 thousand). This amount was partially offset by income from lease agreements with the ECE Group in the amount of €5,983 thousand (previous year: €5,278 thousand). Receivables from ECE were €2,992 thousand, while liabilities were €943 thousand.

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

Hamburg, 17 April 2012
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	02.04.2002	Exceeds threshold (5)	7.74	0.00	7.74
"Bravo-Alpha" Beteiligungs G.m.b.H., Hamburg	02.04.2002	Exceeds threshold (5)	7.74	3.71	4.03
Alexander Otto, Hamburg	25.11.2005	Exceeds threshold (5, 10)	12.27	0.91	11.36
Gemeinnützige Hertie-Stifung, Frankfurt	15.08.2011	Exceeds threshold (3)	3.02	3.02	0.00
Dexia S.A., Brussels, Belgium	20.10.2011	Falls below threshold (3)	0.48	0.00	0.48
BlackRock Inc., New York, USA	20.12.2011	Exceeds threshold (3)	3.06	0.00	3.06
BlackRock Holdco 2, Inc., Wilmington, Delaware, USA	20.12.2011	Exceeds threshold (3)	3.05	0.00	3.05
BlackRock Financial Management, Inc., New York, USA	20.12.2011	Exceeds threshold (3)	3.05	0.00	3.05
BlackRock Inc., New York, USA	23.01.2012	Falls below threshold (3)	2.97	0.00	2.97
BlackRock Holdco 2, Inc., Wilmington, Delaware, USA	23.01.2012	Falls below threshold (3)	2.97	0.00	2.97
BlackRock Financial Management, Inc., New York, USA	23.01.2012	Falls below threshold (3)	2.97	0.00	2.97

The total fees for the consolidated financial statements for financial year 2011 came to €321 thousand (previous year: €328 thousand). An additional €7 thousand (previous year: €0) was spent on other advisory services. The Group auditor performed no other services.

SHAREHOLDINGS

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 (2) NOS. 1 TO 4 OF THE HANDELSGESETZBUCH (HGB – GERMAN COMMERCIAL CODE) AS AT 31 DECEMBER 2011:

Company name and domicile	Interest in equity	of which indirect	of which direct	Equity as at 31 December 2011	HGB profit/loss 2011
Fully consolidated companies:				in €	in €
Deutsche EuroShop Verwaltungs GmbH, Hamburg	100.00 %	-	100.00 %	32,612,838.37	1,552,899.69
Deutsche EuroShop Management GmbH, Hamburg	100.00 %	-	100.00 %	63,419.31	38,419.31
DES Beteiligungs GmbH, Hamburg (in future: A10 Center Wildau GmbH)	100.00 %		100.00 %	90,640,130.52	-1,126,325.76
Billstedt-Center Hamburg KG, Hamburg (formerly 1. DES Grundbesitz KG, Hamburg)	100.00 %		100.00 %	73,756,424.68	3,695,930.65
Objekt City-Point Kassel GmbH & Co. KG, Pöcking	100.00 %	100.00 %	-	-20,403,382.09	710,677.70
City-Arkaden Wuppertal KG, Hamburg	100.00 %	-	100.00 %	13,069,103.01	2,155,409.99
Rhein-Neckar-Zentrum KG, Hamburg	99.90 %	-	99.90 %	13,403,104.35	4,159,544.95
Stadt-Galerie Hameln KG, Hamburg	100.00 %	-	100.00 %	64,611,445.12	3,842,775.89
Rathaus-Center Dessau KG, Hamburg	94.90 %	-	94.90 %	24,432,765.61	5,324,193.18
City-Galerie Wolfsburg KG, Hamburg	100.00 %	-	100.00 %	-7,093,628.49	2,766,365.11
Allee-Center Hamm KG, Hamburg	88.93 %	-	88.93 %	-33,913,917.12	4,631,387.07
Stadt-Galerie Passau KG, Hamburg	75.00 %	-	75.00 %	120,476,693.76	4,505,329.41
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co.KG, Hamburg	74.00 %	-	74.00 %	42,059,702.09	7,438,674.17
Forum Wetzlar KG, Hamburg	65.00 %	-	65.00 %	12,428,364.83	2,345,651.32
Main-Taunus-Zentrum Wieland KG, Hamburg	52.01 %	46.27 %	5.74 %	-33,574,456.31	10,537,989.68
DB Immobilienfonds 12 Main-Taunus-Zentrum Wieland KG, Hamburg	50.47 %	-	50.47 %	90,321,854.58	6,640,850.00
Immobilien Kommanditgesellschaft FEZ Harburg, Hamburg *	50.00 %	-	50.00 %	-16,240,577.76	2,099,818.38
Proportionately consolidated companies:				in €	in €
Allee-Center Magdeburg KG, Hamburg	50.00 %	-	50.00 %	80,367,177.82	10,134,714.42
Altmarkt-Galerie Dresden KG, Hamburg **	67.00 %	-	67.00 %	53,391,527.92	671,163.06
CAK City Arkaden Klagenfurt KG, Hamburg	50.00 %	-	50.00 %	13,470,386.69	501,691.97
EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OG, Vienna	50.00 %	50.00 %	-	4,023,400.79	556,065.05
Einkaufs-Center Arkaden Pécs KG, Hamburg	50.00 %	-	50.00 %	23,485,842.88	1,611,869.47
				in PLN	in PLN
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Sp. kom., Warsaw, Poland	74.00 %	74.00 %	-	575,991,262.21	143,072,087.15
CASPIA Investments Sp. z o.o., Warsaw, Poland	74.00 %	74.00 %	-	11,468,857.43	522,638.35

Company name and domicile	Interest in equity	of which indirect	of which direct	Equity as at 31 December 2011	HGB profit/loss 2011
Equity-accounted companies/associates				**in €**	**in €**
Kommanditgesellschaft Sechzehnte ALBA Grundstücksgesellschaft mbH & Co., Hamburg	50.00 %	50.00 %		1,798,415.38	17,761.16
EKZ Vier Errichtungs- und Betriebs Ges.m.b.H., Vienna	50.00 %	50.00 %		826,264.73	5,702.89
Kommanditgesellschaft PANTA Fünfundsiebzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00 %	50.00 %		3,332,171.80	125,333.98
Kommanditgesellschaft PANTA Dreiunddreißigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00 %	50.00 %		2,173,653.67	216,811.41
Kommanditgesellschaft PANTA Achtundvierzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00 %	50.00 %		857,502.20	-357,818.40
City-Point Beteiligungs GmbH, Pöcking	40.00 %	-	40.00 %	27,651.19	2,086.59
				in PLN	**in PLN**
Ilwro Joint Venture Sp. z o.o., Warsaw, Poland	33.33 %	-	33.33 %	368,560,473.85	101,227,556.26

* Parent / subsidiary relationship based on voting agreement

** No controlling relationship exists, based on the provisions of the shareholders' agreement

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, 18 April 2012

BDO AG
Wirtschaftsprüfungsgesellschaft

Dyckerhoff	Dr Probst
Auditor	Auditor

RESPONSIBILITY STATEMENT BY THE EXECUTIVE BOARD

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

Hamburg, 17 April 2012

Claus-Matthias Böge　　　　Olaf Borkers