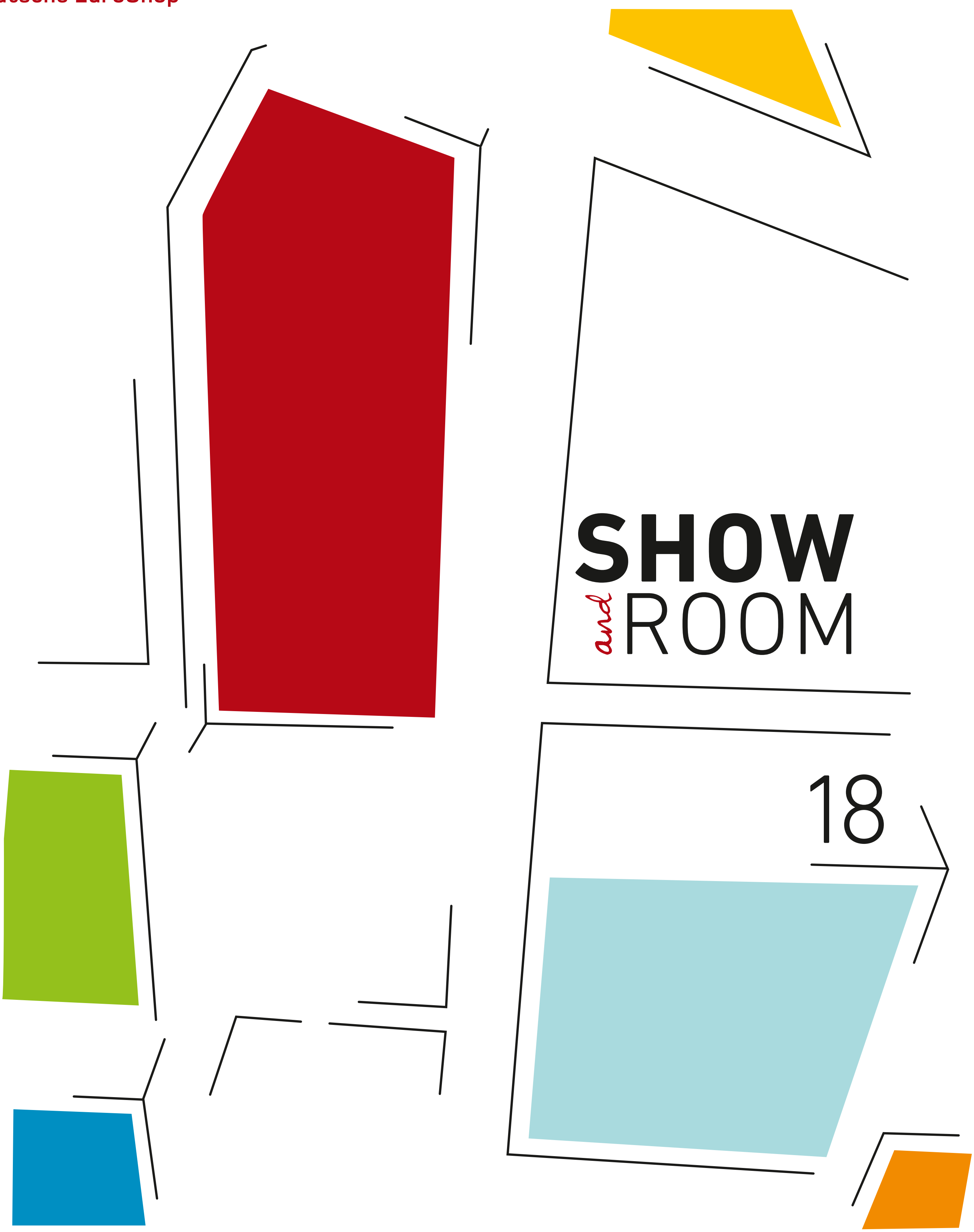
Deutsche EuroShop



SHOW and ROOM

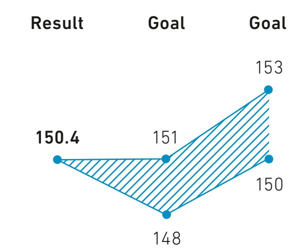
18

DEUTSCHE EUROSHOP OVERVIEW

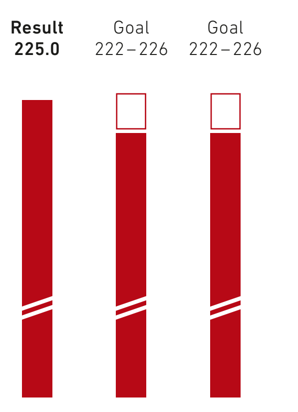
in € millions	2018	2017	Difference
Revenue	225.0	218.5	3%
EBIT	199.1	192.4	4%
Net finance costs	-41.3	-35.1	-18%
Measurement gains / losses	-55.7	8.6	
EBT	102.1	165.8	-38%
Consolidated profit	79.4	134.3	-41%
FFO per share in €	2.43	2.54	-4%
Earnings per share in €*	1.29	2.31	-44%
EPRA Earnings per share in €*	2.39	2.42	-1%
Equity**	2.573.4	2.574.9	0%
Liabilities	2.036.8	2.052.1	-1%
Total assets	4.610.2	4.627.0	0%
Equity ratio in %**	55.8	55.6	
LTV-ratio in %	31.8	32.4	
Cash and cash equivalents	116.3	106.6	9%
Net asset value (EPRA)	2.667.5	2.668.4	0%
Net asset value per share in € (EPRA)	43.17	43.19	0%
Dividend per share in €	1.50***	1.45	3%

* undiluted ** incl. non controlling interests *** proposal

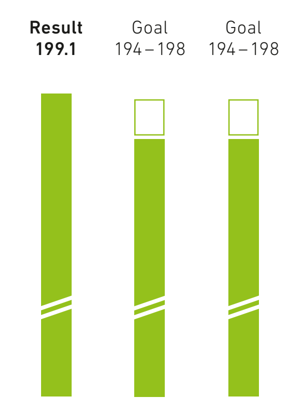
FFO
in € million



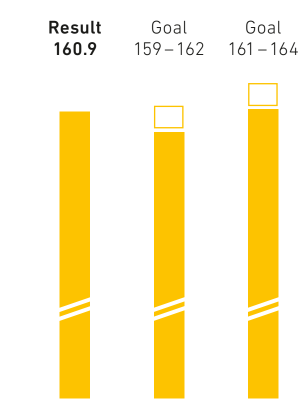
REVENUE
in € million



EBIT
in € million

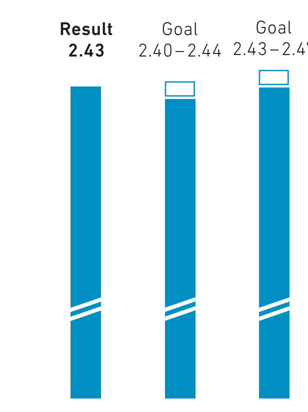


EBT*
in € million



* excluding measurement gains / losses

FFO per share
in €



EDITORIAL

DEAR READERS,

Deutsche EuroShop closed financial year 2018 with sound operating results and even exceeded its own forecasts, despite the ambivalent nature of the market environment for bricks and mortar retail. Although consumption continued to be buoyed by the growing economy, the dynamic growth of online retail continued to pose a challenge for some retailers.

A look at the stock market also reveals a nuanced picture. Last year the price of our share fell – despite our good operating results – to clearly below its intrinsic value. Shopping center shares across the globe are following this trend, which is mainly attributable to the transformation process under way in the retail sector.

In view of these developments, it is particularly worthwhile examining our shopping center portfolio in detail. Our current annual report provides you with many interesting insights into our business and how we operate it. We show you how our centers can continue to position themselves as vibrant marketplaces in the future and how they can be optimally integrated into the omnichannel shopping world.

In keeping with the motto "show & room" we present our centers as shopping destinations that remain just as attractive as ever and adapted continuously to the wishes of customers. We offer a lively platform and lots of space to successful shop concepts and events where they can showcase themselves live and try out new things. This makes our centers interesting places in which customers can discover and marvel, experience and dream, and feel and enjoy their surroundings. To keep it that way, we are making extensive investments over the next few years in our "At your service" and "Mall beautification" programmes. This enables us to not only keep our centers state of the art in technical terms, but also to offer visitors a contemporary, interesting and pleasant shopping environment. Initial customer surveys reveal that in this respect we are successfully meeting the tastes and needs of our center guests.

We are also pressing ahead with digitalisation – we recently provided our Main-Taunus-Zentrum and Altmarkt-Galerie Dresden with a digital twin, a "digital mall". This means that our customers already have online access to around half a million products, which are searchable, comparable across shops and reservable without obligation with just a few clicks. This provides a true omnichannel experience for a steadily growing number of products and brands. Much is still in the development stage. One particularly interesting idea is to deliver the products that are available in the shops of our centers in the best locations directly from there. As many of our customers live in the immediate vicinity of our centers, this gives us the opportunity of offering them an optimal service at any time – whether offline, online or mixture of both.

I hope you enjoy reading our report and thank you for the trust you place in us.

Best regards

Wilhelm Wellner
CEO

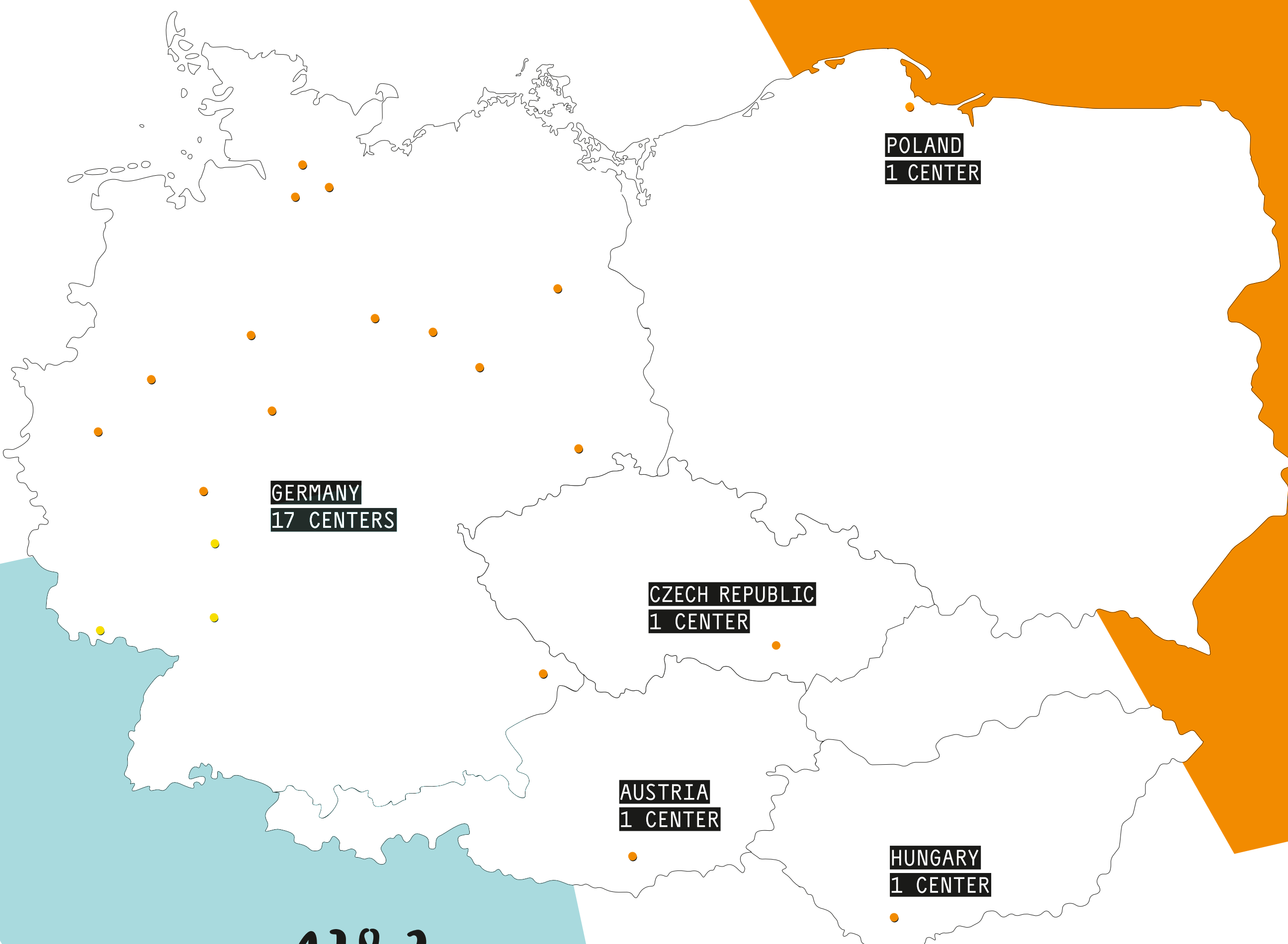
OUR VALUES

We are the only public company in Germany that invests solely in shopping centers in prime locations. We invest only in carefully chosen properties. High quality standards and a high degree of flexibility are just as important to us as sustained earnings growth from index- and turnover-linked rental contracts. In addition, we boast a higher than average occupancy rate of around 99% and professional center management – these are the pillars of our success.

OUR GOALS

Deutsche EuroShop does not seek short-term success, but rather the stable increase in the value of our portfolio. Our objective is to generate a sustainably high surplus liquidity from the longterm leasing of our shopping centers to distribute an attractive dividend to our shareholders every year. In order to achieve this, we shall acquire further prime properties and hence establish ourselves as one of the largest companies in Europe focusing on retail properties.

21 SHOPPING CENTERS IN 5 COUNTRIES

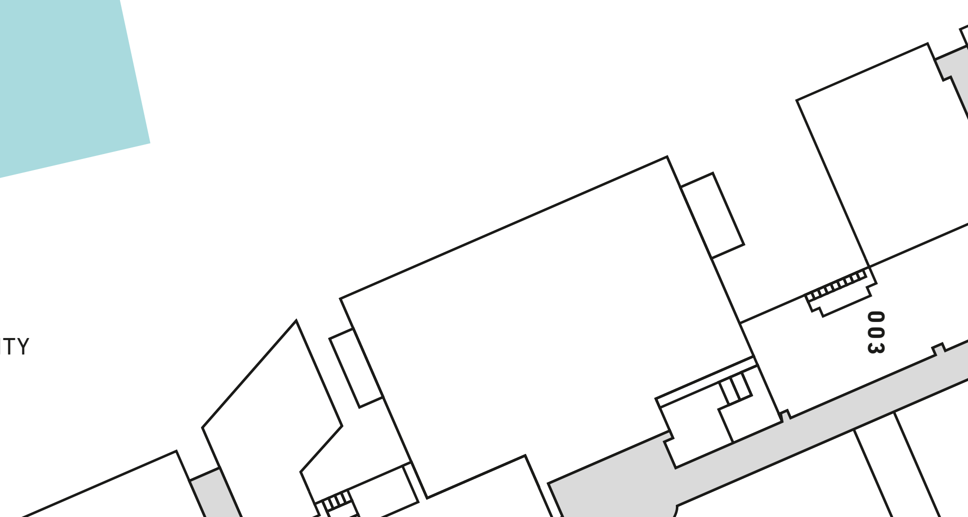


178.3
VISITORS IN 2018
IN MILLION

2,703
RETAIL SHOPS

99%
OCCUPANCY RATE

5.1
YEARS Ø WEIGHTED MATURITY
OF RENTAL CONTRACTS



INTERVIEW

"OUR SHOPPING CENTERS OFFER A SPECIAL SHOPPING EXPERIENCE."

Retail finds itself in a phase of structural upheaval – once again. In addition, 2018 was dominated by subjects such as trade wars, customs disputes and Brexit which were not conducive to global economic growth. In an interview with the Executive Board, we talk to Wilhelm Wellner and Olaf Borkers about how Deutsche EuroShop is operating in this environment.

"OUR SALES REVENUES ROSE BY THREE PERCENT."

OLAF BORKERS

Mr. Borkers, Mr. Wellner, can you please outline the most significant results of the past financial year?

Olaf Borkers: Operationally, we again enjoyed success in 2018 and we are happy with the results. Our sales revenues rose by three percent to 225.0 million euros, and earnings before interest and tax stood at 199.1 million euros which represents a year-on-year increase of 3.5 percent. In terms of pre-tax earnings and excluding measurement gains or losses, we saw a significant increase of 5 percent to 160.9 million euros. Our FFO figure also increased by 1.5 percent to 150.4 million euros which represents a good performance.

Wilhelm Wellner: The positive factors driving this growth included expansion of the portfolio carried out in the last few years, the continued stability of occupancy rates and operating expense ratios as well as low interest expenses.

When we evaluate the portfolio, we see the first small dip since 2009 after many years of appreciable rises in shopping center prices. The highly competitive environment in bricks and mortar retail, the growth of e-commerce and with it the modified expectations for rent rises were reflected in investors' reluctance to purchase and the resulting rise in returns on purchase for shopping centers in Germany. Together with higher investments in the modernisation and positioning of the existing portfolio, this led to a slight average fall in property values and a measurement loss of -58.3 million euros.

The overall picture, however, is gratifying. Our operating earnings, EPRA earnings, posted positive growth, climbing by 4.3 percent to 147.4 million euros, and the EPRA Net Asset Value remained almost unchanged from last year's level at 43.17 euros per share.

Congratulations, you have thus surpassed your own 2018 forecasts – were you too pessimistic?

Wilhelm Wellner: I don't think we were pessimistic. However, we have become somewhat more cautious in our budgeting of rent and cost increases in the prevailing market environment facing bricks and mortar retail. But, of course, we are delighted by the continued positive growth in turnover and we will be happy if we are positively surprised by lower than budgeted interest expenses and very low bad debt allowances on rent receivables.

What are the success factors underlying Deutsche EuroShop's future business model? What makes your shopping centers so attractive to retailers and their customers?

Wilhelm Wellner: The most important success factors for a shopping center are and remain its location, first-class shopping and a high quality mall experience. Our centers are all to be found in the heart of town or in established locations. More than 175 million people visit our centers every year. We offer these customers a special shopping experience.

Which centers have given you more pleasure: those in Germany or the ones abroad?

Wilhelm Wellner: You should look at the portfolio as a whole because every center is subject to its own local market influences and cycles. But if you force me to name some highlights, they would be as follows: The City-Arkaden in Wuppertal and the Olympia Center in Brno posted the highest growth in footfall, while the Main-Taunus Center and the Árkád Pécs were among the front runners in terms of retail sales. The highest growth in rental income was posted by the Phoenix-Center in Harburg and the City-Arkaden in Klagenfurt. And when it comes to measurement gains or losses, our centers in Passau and Pécs gave us the greatest pleasure last year.

“THE MOST IMPORTANT SUCCESS FACTORS FOR A SHOPPING CENTER ARE AND REMAIN ITS LOCATION, FIRST-CLASS SHOPPING AND A HIGH QUALITY MALL EXPERIENCE.”

WILHELM WELLNER

You said yourself bricks and mortar retail is having a tough time at present. How are you responding to the new challenges facing retail?

Wilhelm Wellner: Deutsche EuroShop is continuously investing in the attractiveness of its shopping centers, as it has in previous years. In 2018, we launched separate programmes which in future will ensure further improvements in comfort and a great mall experience under the banners of “At your Service” and “Mall Beautification”. Both together will secure good footfall which represents an important platform for the success of our business.

Olaf Borkers: By the way, we are funding the investments mentioned largely from self-generated resources, our Funds from Operations. Once again, this clearly shows the high earning power of our existing properties.

You are budgeting a further increases in the dividend in 2019 and 2020, from 1.50 euros to 1.55 euros and 1.60 euros.

Olaf Borkers: Deutsche EuroShop has a stake in 21 nearly fully let shopping centers which generate predictable cash flows. This enables us to raise the prospect of further increases in the dividend for this and next year.

Online retail is growing in importance. Do you see this as a threat to your shopping centers?

Wilhelm Wellner: Online retail is a challenge and an opportunity at one and the same time. Customers are frequently in search not just of a product but also all the trappings that go with it – the shopping experience. This is what they find in our shopping centers and much more besides, for example special services and the immediate availability and comparability of numerous products. Even if the market environment is not easy, we remain an interesting partner for physical retail shops with our well established locations and high footfall. Online and offline worlds are not separate any longer – they continue to grow together. We are currently focusing on rolling out our Digital Mall concept, the digital twin of a shopping center, where in future it will be possible to search, select and reserve the products available in a center with a few clicks on your smartphone. Even if much of this is still under construction, I see it as a very exciting development. Deutsche EuroShop is at the forefront of this process, and our Altmarkt-Galerie in Dresden and the Main-Taunus Center near Frankfurt will be among the first Digital Malls.

In spite of these good figures, the Deutsche EuroShop stock is trading well below the value of its assets. What are the reasons for this?

Wilhelm Wellner: The value of our assets determined by means of an expert report, the so-called Net Asset Value, stands at a good 43 euros per share but at the end of the year, the share price was around 40 percent lower. This discount continues to reflect the marked uncertainty on the part of shareholders – as with most shopping center shares around the world – due to the rapid growth in online retailing and the major challenges facing physical retail outlets. Even if these challenges are real, the discrepancy seems exaggerated.

In this phase of the market, we are therefore focusing on intensive, transparent communication with all stakeholders with respect to the operating growth of our centers. We continue to expect stable rental income for these centers which will form an excellent basis for an interesting dividend return at today’s share price.

We are optimistic that over time, the markets will once again give greater weight to our success and that the Net Asset Value and the share price will converge again. →

“LOW INTEREST EXPENSES HAVE A DIRECT, POSITIVE EFFECT ON OUR EARNINGS.”

OLAF BORKERS

What can you do to increase earnings in the next few years?

Olaf Borkers: More than 450 million euros of property loans will be due for refinancing within the next three years. The loans expiring have an average interest rate of around 4.50 percent. We are currently able to finance our operations at interest rates significantly below 2.0 percent. Low interest expenses have a direct, positive effect on our earnings.

What can we expect from DES in 2019 in operating terms?

Wilhelm Wellner: In an environment of rapidly growing online retailing and further increases in the space available, we cannot expect the business to become significantly easier in 2019. However, we see ourselves as operationally well positioned with our portfolio and the investment and digitisation measures already initiated. As long as retailers' – in some cases very individual – problems are not compounded and the general economic situation continues to improve, as expected, we should comfortably hit our targets this year, too.

What are these targets?

Wilhelm Wellner: In the current year, we are expecting stable turnover more or less at the level of the previous year, in a range between 222 and 226 million euros. This should result in EBIT between 194 and 198 million euros with a slight increase in property operating expenses. On this basis, we then expect pre-tax operating earnings – we call it EBT excl. measurement gains or losses – of between 159 and 162 million euros. For Funds from Operations, we are budgeting 148 to 151 million euros or 2.40 to 2.44 euros per share.

What is the outlook for future dividends?

Olaf Borkers: With the steady operating growth expected and further possible savings in finance costs, Deutsche EuroShop's earnings level can continue to improve in the future, thereby offering a solid basis for attractive dividends.

Do you hold shares in Deutsche EuroShop yourself?

Wilhelm Wellner: Yes. We believe in the sustainable success of the business.
Olaf Borkers: And with a dividend return currently of around 5.7 percent, the stock is an attractive investment for shareholders with a long-term perspective.

Thank you for talking to us and for giving such open and honest responses.

THE INTERVIEW was conducted by Nicolas Lissner.

THE EXECUTIVE BOARD

Wilhelm Wellner is a trained banker who earned a degree in business management from the University of Erlangen-Nuremberg and a Master of Arts (economics) degree from Wayne State University Detroit. He started his professional career at Siemens AG in 1996 as a specialist for international project and export finance.

In 1999 Mr Wellner took a position as a senior officer in the area of corporate finance at Deutsche Lufthansa AG, where he was responsible for a variety of capital market transactions and supervised numerous M&A projects. In 2003 Mr Wellner switched to ECE Projektmanagement G.m.b.H. & Co. KG in Hamburg, Europe's market leader in the area of inner-city shopping centers. As the international holding company's Chief Financial Officer, he helped shape the expansion of this shopping center developer and was appointed Chief Investment Officer of the ECE Group in 2009.

From 2012 to 2014 Mr Wellner served as Chief Financial Officer of the finance, human resources, legal affairs and organisation departments at Railpool GmbH, a Munich-based leasing company for rail vehicles. Mr Wellner joined the Executive Board of Deutsche EuroShop AG at the start of 2015. He is married and has two children.

After serving as a ships officer with the German Federal Navy, **Olaf Borkers** qualified as a bank clerk with Deutsche Bank AG in 1990. He then studied business administration in Frankfurt / Main. From 1995, Olaf Borkers worked as a credit analyst for Deutsche Bank AG in Frankfurt and Hamburg. In 1998, he joined RSE Grundbesitz und Beteiligungs-AG, Hamburg, as assistant to the Executive Board.

In 1999, Mr Borkers was appointed to the Executive Board of TAG Tegernsee Immobilien und Beteiligungs-AG, Tegernsee and Hamburg, where he was responsible for finances and investor relations until September 2005. In addition, Mr Borkers held various Supervisory Board and management positions within the TAG Group. Olaf Borkers joined the Executive Board of Deutsche EuroShop AG in October 2005. He is married and has two children.

REPORT OF THE SUPERVISORY BOARD

REINER STRECKER
CHAIRMAN

DEAR SHAREHOLDERS,

Below I would like to report to you on the work of the Supervisory Board in the past financial year.

COLLABORATION BETWEEN THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

During financial year 2018, the Supervisory Board performed the duties incumbent on it according to the law and the Articles of Association and closely oversaw the performance of Deutsche EuroShop AG. The Executive Board coordinated the strategic orientation of the Company with the Supervisory Board, and discussed the status of implementing the strategy with us 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.

As the Chairman of the Supervisory Board, I was kept up to date in timely fashion by the Executive Board on all important events of significance for assessing the Company's situation, development and its management. I was also given ongoing, detailed briefings between meetings of the Supervisory Board and its committees in regular conference calls with the Executive Board.

FOCUS OF ADVISORY ACTIVITIES

We conducted detailed examinations of our Company's net assets, financial position, results of operations and risk management at our regular meetings. In this context, we also 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.

We considered the development of the portfolio properties, specifically their sales and frequency trends, the accounts receivable and occupancy rates, and the Company's liquidity position. At meetings held over the course of the year, in-depth discussions took place regularly regarding the Company's strategy as well as the question of how the Company should operate in an environment of continuing low interest rates, declining interest on the part of investors in retail property in Germany during the course of the year with tenants reporting falling footfall and lower sales due to the growth of online retailing. The extensive investment programme for 2018 to 2022 aimed at enhancing the competitiveness of our shopping centers continued to be the subject of intensive discussions as were the opportunities open to operators going forward to drive the further integration of online and offline retailing. Regular discussions were conducted with the Executive Board regarding trends on the capital, credit, real estate and retail markets and the effects of these on the Company's strategy. The Executive Board and Supervisory Board examined various investment and refinancing options. We received regular reports detailing the turnover trends and payment patterns of our tenants and banks' lending policies. The Executive Board and Supervisory Board also held regular discussions on how the Company was valued by the stock market and its participants and made peer group comparisons.

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 or a committee were discussed and decided on at the scheduled meetings. Where required, circular resolutions were passed in writing by the Supervisory Board and the responsible committee for transactions of the Executive Board requiring approval. All resolutions in the reporting period were passed unanimously. To avoid conflicts of interest, any parties affected abstained from voting. Some meetings were held without the Executive Board present.

MEETINGS

Four ordinary Supervisory Board meetings were held during financial year 2018. No member of the Supervisory Board attended only half or fewer than half of the meetings of the Supervisory Board and the committees on which they serve during the reporting year. You can find the individual attendance record of members of the Supervisory Board in meetings of the Supervisory Board and its committees in the following overview.

April meeting
At the first ordinary meeting held on **25 April 2018**, the main focus was the Executive Board's presentation of the financial, accounting and tax aspects of the 2017 annual financial statements. The auditor also provided an explanation of the results of his audit of the annual financial statements. During the subsequent discussion of the annual financial statements, we again attached great importance this year to the explanations of the Executive Board and those of the auditor concerning the real estate appraisals. We also discussed the Company's dividend strategy with the Executive Board on the basis of longer-term corporate planning scenarios. The Executive Board presented current acquisition opportunities and reported on the implementation of restructuring and modernisation concepts for individual centers. ECE also presented further details of its concept for enhancing the attractiveness of the centers. Finally, the agenda item for the Annual General Meeting was unanimously adopted.

June meeting
After the Annual General Meeting re-elected Dr. Henning Kreke and Alexander Otto to the Supervisory Board on **28 June 2018**, we tackled the reorganisation of the Supervisory Board in the subsequent meeting on the same day. The distribution of responsibilities remained unchanged after the corresponding elections. The Executive Board then explained the current status of the project for extending Galeria Baltycka in Danzig as well as the noticeable decline in activity on the investment market for shopping centers in Germany. In addition, the Executive Board reported to us on the current follow-on financing for the shopping centers in Wildau and Neunkirchen.

September meeting
At our third meeting on **28 September 2018**, we carried out an in-depth examination of the Company's strategy and the measures and methods to be derived from it in view of the competition facing bricks-and-mortar retailing from online retailing which continues to increase. Possible sales scenarios for individual shopping centers were also discussed. It was agreed that ECE should present the digitisation options for our portfolio to our Company's Supervisory Board. Finally, we discussed basic considerations with the Executive Board with regard to a share buyback. At this meeting, we decided to extend Mr. Borkers' contract of employment until September 2022.

November meeting
The final meeting of the year was held on **29 November 2018** in Brno in the Czech Republic after we had visited our shopping center "Olympia" the day before to find out the current situation and after viewing two further competitive centers. The Executive Board reported to us in the meeting on letting activity and on the implementation of investment measures, in particular the programmes "At your service" and "Mall beautification" in various centers. In addition, the Executive Board presented the latest →

Meetings of the Supervisory Board	**25.04.2018**	**28.06.2018**	**28.09.2018**	**29.11.2018**
Reiner Strecker (Chairman)	+	+	+	+
Karin Dohm (deputy Chairwoman)	+	+	+	+
Thomas Armbrust	+	+	+	+
Beate Bell	+	+	+	+
Manuela Better	+	+	+	-
Dr Henning Kreke	+	+	+	+
Alexander Otto	+	+	+	-
Klaus Striebich	+	+	+	+
Roland Werner	+	+	+	+

Committee meetings	**Executive Committee 11.04.2018**	**Audit Committee 11.04.2018**	**Executive Committee 29.11.2018**	
Reiner Strecker (Chairman)	+	+	+	
Karin Dohm (deputy Chairperson)	+	+	+	
Thomas Armbrust	+	+	+	

Telephone conferences	**Audit Committee 11.05.2018**	**Audit Committee 12.08.2018**	**Audit Committee 12.11.2018**	
Reiner Strecker (Chairman)	+	+	+	
Karin Dohm (deputy Chairperson)	+	+	+	
Thomas Armbrust	+	+	+	

+ = attended
- = excused

developments in the shopping center investment market. We discussed the medium-term corporate planning presented by the Executive Board in some detail as well as current developments in the retail market. Finally, we discussed the results of an analysis of the Executive Board on the possible impact of a share buyback on the Company's key indicators.

COMMITTEES

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

During the reporting period, the Executive Committee and the Audit Committee convened on 11 April 2018 for a regular meeting. The Executive Committee also met on 29 November 2018 for a meeting in connection with the extension of Mr. Borkers' contract as Chairman of the Executive Board.

The Audit Committee also discussed the quarterly financial reports with the Executive Board in conference calls on 11 May, 12 August and 12 November 2018.

CORPORATE GOVERNANCE

In November 2018, 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 (DCGK) is included in this Annual Report. The members of the Supervisory Board and the Executive Board declared in writing at the beginning of 2019 that no conflicts of interest had arisen during financial year 2018.

After the Supervisory Board decided as early as 2017 that the Chairman of the Supervisory Board can conduct talks with investors on topics of relevance to the Supervisory Board in accordance with the recommendations of the DCGK and the "Principles for Dialogue between Investor and Supervisory Board", I conducted such talks for the first time on an occasional basis in 2018. These talks gave us further insights into the investors' perspective of our corporate governance and the remuneration of the Executive Board.

Klaus Striebich has been an independent member of the Supervisory Board since 1 April 2019 after terminating his business relationships with companies affiliated to the major shareholder Alexander Otto.

Six of the total of nine members of the Supervisory Board have therefore been independent since 1 April 2019.

FINANCIAL STATEMENTS OF DEUTSCHE EUROSHOP AG AND THE GROUP FOR THE PERIOD ENDING 31 DECEMBER 2018

At the Audit Committee meeting on 11 April 2019 and the Supervisory Board meeting on 25 April 2019, the Audit Committee and the Supervisory Board respectively 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 2018, as well as the management report and group management report for financial year 2018. The auditor explained to us all matters which he regarded as being of particular significance for his audit of the consolidated financial statements, doing so in a manner that was easy to follow. The Supervisory Board shares the auditor's assessment of the importance of these matters for the consolidated financial statements. You can find details of these matters in the auditor's report.

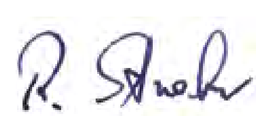
The documents relating to the financial statements, the auditor's reports and the Executive Board's proposal for the utilisation of the unappropriated surplus were presented to us in good time. The auditor appointed by the Annual General Meeting on 28 June 2018 – BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg – had already audited the financial statements 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 11 April 2019 and the Supervisory Board meeting on 25 April 2019 and explained the main findings.

The Supervisory Board has come to the conclusion that there are no objections to be raised against the annual financial statements or the audit conducted by the auditor. The combined management report meets statutory requirements in the opinion of the Supervisory Board. The Supervisory Board agrees with the statements in the management report on the further growth of the Company. The Supervisory Board has issued its agreement with the result of the audit of the annual financial statements and approved the annual financial statements of Deutsche EuroShop AG and the consolidated financial statements of the Deutsche EuroShop Group; the annual financial statements are therefore approved. The Supervisory Board also followed the profit appropriation proposal of the Executive Board to distribute a dividend of € 1.50 per share.

The Supervisory Board thanks the Executive Board and all employees of Deutsche EuroShop AG for their great commitment and for their excellent performance once again in the 2018 financial year.

Hamburg, 25 April 2019



Reiner Strecker, Chairman

THE SUPERVISORY BOARD

Members of the Supervisory Board

Name	Reiner Strecker (Chairman)	Karin Dohm (Deputy Chairwoman)	Thomas Armbrust
Born	1961	1972	1952
Place of residence	Wuppertal	Kronberg im Taunus	Reinbek
Nationality	German	German	German
Appointed since	2012	2012	2001
End of appointment	2022 Annual General Meeting	2022 Annual General Meeting	2019 Annual General Meeting
Committee activities	Chairman of the Executive Committee, Deputy Chairman of the Capital Market Committee, Member of the Audit Committee	Member of the Executive Committee, Chair of the Audit Committee, Financial Expert	Member of the Executive Committee, Deputy Chairman of the Capital Market Committee, Member of the Audit Committee
Membership of other legally required supervisory boards and memberships in comparable domestic and foreign supervisory bodies for business enterprises	• akf Bank GmbH & Co. KG, Wuppertal	• Ceconomy AG, Düsseldorf • Deutsche Bank Europe GmbH, Frankfurt (Chair) • Deutsche Bank Luxembourg S.A., Luxembourg (Luxembourg)	• ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Chair) • TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich (Chair) • Platinum AG, Hamburg (Chair) • Paramount Group Inc., New York (USA) • Verwaltungsgesellschaft Otto mbH, Hamburg
Position	Personally liable partner, Vorwerk & Co. KG, Wuppertal	Global Head of Government & Regulatory Affairs, Deutsche Bank AG, Frankfurt	Member of Management, CURA Vermögensverwaltung G.m.b.H. & Co., Hamburg
Key positions held	• 1981 – 1985: Degree in business administration, Eberhard Karls University, Tübingen • 1986 – 1990: Commerzbank AG, Frankfurt • 1991 – 1997: STG-Coopers & Lybrand Consulting AG, Zurich (Switzerland) • 1998 – 2002: British-American Tobacco Group, Hamburg, London (UK), Auckland (New Zealand) • 2002 – 2009: British-American Tobacco (Industrie) GmbH, Hamburg, Member of the Executive Board for Finance and IT • 2009 to present day: Vorwerk & Co. KG, Wuppertal • since 2010: Personally liable partner	• 1991 – 1997: Studied business and economics in Münster, Zaragoza (Spain) and Berlin • 2002: Steuerberaterexamen (German tax advisor exam) • 2005: Wirtschaftsprüferexamen (German auditor exam) • 1997 – 2010: Deloitte & Touche GmbH, Berlin, London (UK), Paris (France) • 2010 – 2011: Deloitte & Touche GmbH, Berlin, Partner Financial Services • 2011 to present day: Deutsche Bank AG, Frankfurt of which - 2011 – 2014: Head of Group External Reporting - 2015: Chief Financial Officer, Global Transaction Banking - 2016: Global Head of Group Structuring - since 2017: Global Head of Government & Regulatory Affairs	• until 1985: Auditor and Tax Advisor • 1985 – 1992: Gruner + Jahr AG & Co KG, Hamburg, Director of Finance • since 1992: Member of Management, CURA Vermögensverwaltung G.m.b.H., Hamburg (Family Office of the Otto family)
Relationship to majority / major shareholders	none	none	Shareholder representative of the Otto family
Deutsche EuroShop securities portfolio as at 31 December 2018	9,975	0	

Name	Beate Bell	Manuela Better
Born	1967	1960
Place of residence	Cologne	Munich
Nationality	German, Polish	German
Appointed since	2014	2014
End of appointment	2019 Annual General Meeting	2019 Annual General Meeting
Committee activities	—	—
Membership of other legally required supervisory boards and memberships in comparable domestic and foreign supervisory bodies for business enterprises	• Hochtief AG, Essen	• Deka Investment GmbH, Frankfurt (Deputy Chair) • Deka Immobilien GmbH, Frankfurt (Deputy Chair) • Deka Immobilien GmbH, Frankfurt (Deputy Chair) • Deka Vermögensmanagement GmbH, Frankfurt (previously Landesbank Berlin Investment GmbH, Berlin) (Deputy Chair) • S Broker AG & Co. KG, Wiesbaden (Deputy Chair) • S Broker Management AG, Wiesbaden (Deputy Chair) • WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf (Deputy Chair) • DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg (Luxembourg)
Position	Managing Director, immoADVICE GmbH, Cologne	Member of the Board of Management, DekaBank Deutsche Girozentrale, Frankfurt and Berlin
Key positions held	• 1993 – 1997: Studied supply engineering at Cologne University of Applied Sciences, certified engineer • 2000 – 2003: Studied industrial engineering at Cologne University of Applied Sciences, certified industrial engineer • 1997 – 2002: Anton Ludwig GmbH, Cologne, Project Manager • 2002 – 2004: Recticel Automobilsysteme GmbH, Rheinbreitbach, Project Controller • 2004 – 2015: METRO Group, Düsseldorf, various management functions; most recently METRO AG, Düsseldorf, Head of Group Compliance • since 2015: immoADVICE GmbH, Cologne, Managing Director	• Studied business at Ludwig Maximilian University of Munich, certified business economist • 1998 – 2003: HVB Group, Munich, various positions • 2004 – 2007: Hypo Real Estate Bank AG, Munich, Member of the Board of Management, Chief Risk Officer • 2007 – 2008: Hypo Real Estate Bank International AG, Stuttgart / Hong Kong, Member of the Board of Management, Head of Commercial Real Estate, Origination Asia • 2009 – 2010: Deutsche Pfandbriefbank AG, Munich, Member of the Board of Management (previously Hypo Real Estate Bank AG) • 2011 – 2013: DEPFA Bank plc, Dublin (Ireland), Chairwoman of the Board of Directors, Chief Risk Officer • 2010 – 2014: Hypo Real Estate AG Holding AG, Munich, Chair of the Board of Management, and Deutsche Pfandbriefbank AG, Munich, Chair of the Board of Management • since 2009: Dr. Ingrid Better Vermögensverwaltung GmbH & Co KG, Managing Director and Better GmbH, Munich, Managing Director • since June 2015: DekaBank Deutsche Girozentrale, Frankfurt and Berlin, Member of the Board of Management
Relationship to majority / major shareholders	none	none
Deutsche EuroShop securities portfolio as at 31 December 2018	0	0

			
Dr Henning Kreke	**Alexander Otto**	**Klaus Striebich**	**Roland Werner**
1965	1967	1967	1969
Hagen / Westphalia	Hamburg	Besigheim	Hamburg
German	German	German	German
2013	2002	2012	2015
2023 Annual General Meeting	2023 Annual General Meeting	2022 Annual General Meeting	2020 Annual General Meeting
Member of the Capital Market Committee	—	—	—
• Douglas GmbH, Düsseldorf (Chair) • Thalia Bücher GmbH, Hagen / Westphalia • Encavis AG, Hamburg • Axxum Holding GmbH, Wuppertal • Püschmann GmbH & Co. KG, Wuppertal • Con-Pro Industrie-Service GmbH & Co. KG, Peine • Noventic GmbH, Hamburg • Perma-tec GmbH & Co., Euerdorf • Ferdinand Bilstein GmbH & Co. KG, Ennepetal	• Peek & Cloppenburg KG, Düsseldorf • SITE Centers Corp., Beachwood (USA) (previously DDR Corp., Beachwood [USA]) • Sonae Sierra Brasil S.A., São Paulo (Brazil) • Verwaltungsgesellschaft Otto mbH, Hamburg	• MEC Metro-ECE Centermanagement GmbH & Co. KG, Düsseldorf (Chair) (until 31 March 2019) • Klier Hairgroup GmbH, Wolfsburg • The Food Chain Investor Holding SE, Hamburg (previously Novocadis SE, Hamburg) • Sinn GmbH, Hagen • Unternehmensgruppe Dr. Eckert GmbH, Berlin	—
Managing Partner, Jörn Kreke Holding KG and Kreke Immobilien KG, Hagen / Westphalia	CEO, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg	Managing Director, RaRe Advise Klaus Striebich, Besigheim	Chairman of the Board of Management, Bijou Brigitte modische Accessoires AG, Hamburg
• Studied business (BBA and MBA) at the University of Texas at Austin (USA) • Doctorate (Political Science) from the University of Kiel - 1993 – 2017: DOUGLAS Holding AG, Hagen / Westphalia of which - 1993 – 1997: Assistant to the Executive Board - 1997 – 2001: Member of the Board of Management - 2001 – 2016: Chairman of the Board of Management - since 2016: Chairman of the Supervisory Board • since 2016: Jörn Kreke Holding KG and Kreke Immobilien KG, Hagen / Westphalia, Managing Partner	• Studied at Harvard University and Harvard Business School, Cambridge, USA • 1994 to present day: Verwaltung ECE Projektmanagement G.m.b.H., Hamburg - since 2000: Chief Executive Officer	• Studied business in Mosbach • 1990: Kriegbaum Gruppe, Böblingen, Assistant to the Management Board • 1992 – 2017: Verwaltung ECE Projektmanagement G.m.b.H., Hamburg of which - 2003 – 2017: Managing Director Leasing • since 2018: Independent Consultant, RaRE Advise Klaus Striebich, Besigheim	• Studied business at EBC University, Hamburg • 2001 to present day: Bijou Brigitte modische Accessoires AG, Hamburg of which - 2004 – 2009: Member of the Board of Management - since 2009: Chairman of the Board of Management
Partner and Advisory Board Member at Douglas GmbH as well as at Thalia Bücher GmbH (both companies are tenancy agreement partners of Deutsche EuroShop AG)	Major shareholder	Independent consultant to the limited partnership CURA Vermögensverwaltung G.m.b.H. & Co (until 31 March 2019) (CURA Vermögensverwaltung G.m.b.H. is a general partner of this company, which is the sole limited partner of ECE Projektmanagement G.m.b.H.)	none
0	11,631,391	27,000	525

THE BENEFIT OF SHOPPING IN PERSON:
BEING ABLE TO CHOOSE THE RIGHT SIZE

SEE, SMELL AND TASTE –
THE SHOPPING TOUR SHOULD BE
INSPIRED WITH INDULGENCE

A WIDE SELECTION AND
A GREAT DEAL OF VARIETY

CLOSENESS WITH CUSTOMERS
IS THE ULTIMATE BENEFIT IN
THE BEAUTY SECTOR

SHOP TOGETHER.
TASTE CONNECTS

THE ATMOSPHERE IS ALSO
IMPORTANT FOR THE SHOPPING EXPERIENCE

A SELECTION
FOR EVERY EVENT

FASHION AND LIFESTYLE
YOU CAN TOUCH

CUSTOMER, WHAT ARE YOUR WISHES?

Three consumer wishes identify omnichannel trends in German retail.

Free (returns) shipping, standard prices online and offline and goods ordered online exchanged in store – these are the three most valuable services from a consumer perspective in any integrated, cross-channel strategy for targeting customers in German retail. The "Leisure and Technology" sector is the furthest advanced in this regard both quantitatively and qualitatively. These results form part of the findings from the Omnichannel Readiness Study and associated index (ORIX).

With their Omnichannel Readiness Study, WISAG and Statista have analysed for the first time what omnichannel measures the German retail sector is using to address customers and how sensible and successful these measures are perceived to be from a customer perspective. Consumer opinions are canvassed in a representative survey of over 2,000 persons.

Omnichannel is the term used to denote an integrated marketing approach via online and offline channels as well as the linking of analogue and digital service offers. While the "Leisure and Technology" sector achieved the most points in the study for its omnichannel performance, the largest potential for improvement lies in the "Fashion Premium Brands" sector. This is shown by the Omnichannel Readiness Index (ORIX) which results from an objective analysis of the range of services offered by Statista analysts as well as an evaluation of the services by the consumers surveyed.

AN ARTICLE by Gerrit Egg, Managing Director of WISAG

ORIX

OMNICHANNEL READINESS INDEX
IN POINTS

LEISURE AND TECHNOLOGY	62
FASHION MIXED BRAND STORES	52
FOOD, HEALTH AND HOME DÉCOR	47
FASHION BUDGET BRANDS	44
BEAUTY AND LINGERIE	44
ACCESSORIES AND SHOES	43
FASHION PREMIUM BRANDS	42

"LEISURE AND TECHNOLOGY" AHEAD OF OTHER SECTORS

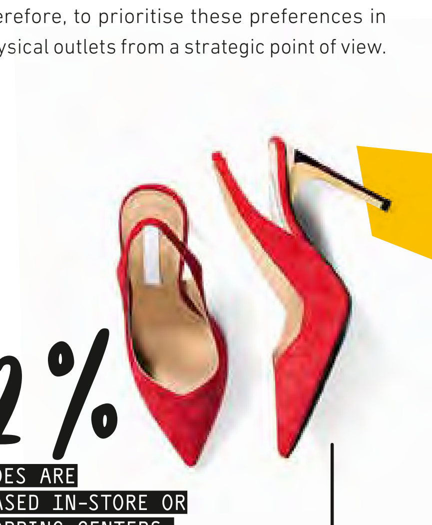
Services which are the most important across all sectors from a customer perspective include the following:

- free shipping for goods ordered online
- identical prices between websites and physical shops
- goods ordered online exchanged in the store

The least important services for customers are beacon technology (customers addressed in the store with digital push notifications), mobile online shopping in branches by scanning QR codes and social media support (availability of retailers for customer queries on Twitter and / or Facebook).

For all the euphoria regarding the opportunities and chances offered by the digitisation of processes, it should never be forgotten that the customer just wants to buy a product in comfort and for a suitable price. This is clearly shown by the three items heading up the consumer wish list. It would make sense, therefore, to prioritise these preferences in physical outlets from a strategic point of view.

OMNICHANNEL IS THE HOLISTIC STRATEGY FOR TARGETING CUSTOMERS ACROSS ALL CHANNELS



62%

OF SHOES ARE PURCHASED IN-STORE OR IN SHOPPING CENTERS.

36%

ONE-THIRD OF CUSTOMERS IN THE “LEISURE AND TECHNOLOGY” SECTOR USE ONLINE AND BRICK AND MORTAR SHOPS IN PARALLEL

SERVICES WITH PARTICULAR POTENTIAL

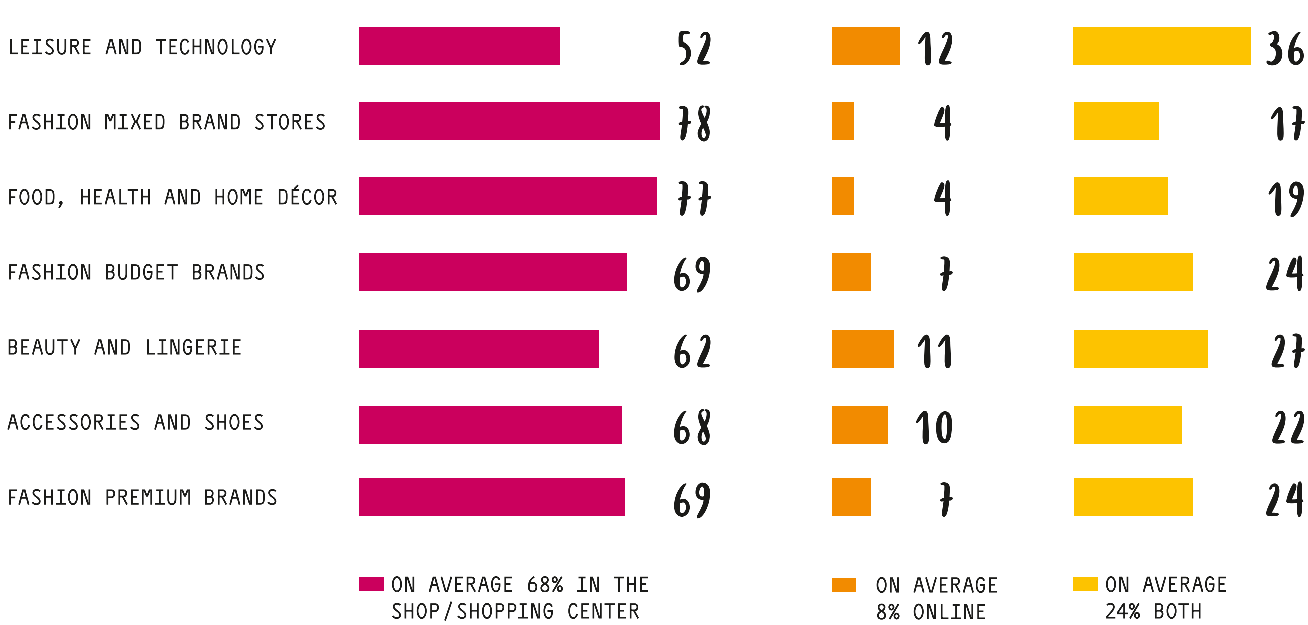
First and foremost, there is great potential in services which customers see as valuable but which retailers are not yet offering to a corresponding degree at present. These include: Picking up goods bought online in physical shops outside of opening hours, digital information on the availability in stores of goods no longer available when ordering online and an online option to fix a service appointment in the store or for cashless payment by app. By contrast, the proportion of retailers offering the services of mobile online shopping in branches, customer loyalty programmes and beacon technology is higher than the percentage of customers who value such services.

Customers expect immediate added value from digital services offered in physical shops. They appreciate pragmatic solutions which save time and make shopping easier. Establishing intelligent links between people and the latest technology may help with this process but it is not an end in itself.

Irrespective of individual sectors or customer preferences, ORIX shows that physical shops still constitute the channel most widely used: Nearly 70 % of those surveyed buy exclusively from physical shops.

ORIX can give the trade important pointers for the way in which it addresses consumers. Shopping centers, specialist retail centers and large commercial buildings especially, find themselves in a particularly favourable vantage point from which to meet customer desires with respect to the availability of goods and a convenient and at the same time pleasant shopping experience.

24 % OF CUSTOMERS USE ONLINE AND PHYSICAL SHOP CHANNELS IN PARALLEL. IN %



THE “FASHION PREMIUM BRANDS” SECTOR HOLDS THE GREATEST DEVELOPMENT POTENTIAL FOR OMNICHANNEL


Wilhelm Wellner

Member of the Executive Board, Deutsche EuroShop

The touring skis "K2 Way Back 88", which I bought in a specialist sports shop after extensive consultation with the sales staff, were my purchase of the year. After using them a few times, I can say I am extremely satisfied.


Olaf Borkers

Member of the Executive Board, Deutsche EuroShop

I have completely renewed my equipment for the fitness club. After all, it doesn't hurt to look good when you're training. A new bag (Napapijri Bering) as well some sports trousers (4KRFT Sport) and shirts (Freelift Sport Prime) together with shoes from Adidas (Ultraboost).


Patrick Kiss

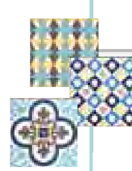
Head of Investor & Public Relations, Deutsche EuroShop

My family are now dog-owners – on the express wishes of our daughter. After an intensive getting-to-know-each-other phase, we adopted Charlie as a puppy from a Golden Retriever breeder in late summer. Since then, she has been brightening up our lives and cheering our hearts.


Nicolas Lissner

Manager Investor & Public Relations, Deutsche EuroShop

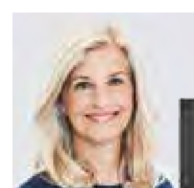
A nihola Family. In Copenhagen (where they are hand-made), you see this transport bicycle on every corner but it's not quite so popular yet here in Hamburg. The cabin can carry loads of up to 100 kg or it has space for two children. And they stay dry in all weathers thanks to the rain hood.

Ralph Borghaus

Head of Accounting, Deutsche EuroShop

My purchase of the year was analog. I bought the board game Azul in a local toy shop. Since then, we have spent a lot of time and had a lot of fun in the family and with friends playing this unusual game in which the aim is to lay your ceramic tiles (azulejos in Portuguese) on your player board and try to win as many points as possible in doing so. This great game was rightly crowned game of the year in 2018.




Birgit Schäfer

Secretary to the Executive Board, Deutsche EuroShop

I bought a Philips TV with a built-in Ambilight function. With this technology, LEDs project the colours beyond the edge of the screen onto the wall. A great visual effect.

Britta Behrmann
Senior Finance Manager,
Deutsche EuroShopp

As a real northerner, I reckon there's no such thing as bad weather, just bad clothing… During one holiday on Helgoland, I bought a fantastic waterproof jacket, ideal for long walks along the beach in any wind and weather.

Dr Ruth Vierbuchen
Editor-in-Chief of the "Handelsimmobilien Report" (Retail Real Estate Report)

A Suntec air conditioner. Despite the hottest summer in a century, they were quickly sold out in Düsseldorf's consumer electronics centers. But the online shop as well as the advances in "Click & Collect" technology meant you could still buy one. Bricks and mortar retail stores also still benefited. Only you do still need to be careful when transporting the devices. They may look small, but the inner parts are extremely heavy. So it's better to have it delivered or have nice neighbours help you out.

Rolf Bürkl
Senior Consultant
Consumer Insights, GfK

A lot of water having flowed under the bridge since my last major trip in the Alps with a friend (Munich - Venice in three stages), we decided this year to do another multi-day mountain tour. Which is why I bought myself a spacious enough new rucksack from deuter. It should spur me on.

WHAT I BOUGHT MYSELF IN 2018

Gerrit Egg
Managing Director,
WISAG Gebäudetechnik Holding

To keep pace with digitalisation in terms of performance, I upgraded our work station at home with a new graphics card (GeForce RTX2080) at the end of the year. I can now run anything again on my large UHD monitor both for work and leisure without the picture freezing.

Richard Haimann
freelance real estate journalist

I splashed out on a Klättermusen Einride for mountaineering and climbing. The jacket has no sweat membrane consisting instead of long, organic cotton fibres that swell if they get wet in the rain, so offering natural protection from water penetration.

PREMATURE REQUIEM

People have been predicting the imminent demise of the retail trade for more than 200 years. So far, however, the forecasters have always got it wrong. Even e-commerce, currently talked of as the death-knell to all physical shops, is far removed from replacing bricks and mortar shops and shopping centers.

AN ARTICLE by Richard Haimann, freelance journalist – with the kind support of the German Council of Shopping Centers (GCSC)

The entertainer is prepared to go to extremes on behalf of his favourite shop. "Wenn Tante Emma nicht mehr ist und ein Discount den Laden frisst, setz' ich mich auf den Bürgersteig und trete in den Hungerstreik" (If the corner shop disappears, devoured by a discounter, I'll sit down on the pavement and go on hunger strike), – so sings Udo Jürgens in 1976 in his ode to the "Tante-Emma-Laden an der Ecke vis-à-vis" (the little shop on the corner opposite). It was intended as a requiem to the constantly shrinking number of small, family-owned shops and at the same time as criticism of the rapidly growing presence of supermarkets.

Today, 43 years later, it is clear that the funeral bells were definitely sounded prematurely. On the one hand, small shops in the shape of bakeries, delicatessens, butchers and kiosks meeting essential needs late into the night with their products ranging from butter, cheese and jam to washing powder, and enjoying personal relationships with their customers, have in any case stood the test of time. And on the other, the corner shop is currently enjoying a revival: in many small country towns where residents' initiatives and municipal authorities are bringing small village shops back, but also in big cities. For example, in Schlüterstraße in Düsseldorf's eastern district of Grafenberg.

> Customers no longer had to worry that they may be paying more for a product than others, just because they couldn't haggle so well.

The retail chain Real which is part of the Metro Group, runs a shop there called "Emmas Enkel" (Emma's grandchildren) close to its headquarters. Nostalgically designed in the style of local shops in the 1970s, it offers customers the chance to get to know the staff: meat, cheese and cold cuts are served at counters where regular customers can also have a chat with the staff. The concept is proving popular. "Emmas Enkel is one of the most profitable shops we have", says Markus Jablonski, Head of Corporate Communication at Real. Besides residents of the Grafental district, employees in the nearby company HQs – from the gas producer Air Liquide to Metro – are also showing their appreciation of the service in this nostalgic shop, he adds.

"Handel ist Wandel" (Trade means Change) – this saying has been used regularly for more than 200 years to forecast the end of the retail trade. The 1970s with the accompanying boom in supermarkets

SMALL VILLAGE SHOPS ARE CURRENTLY ENJOYING A REVIVALIN MANY PLACES

“EMMAS ENKEL IS ONE OF THE MOST PROFITABLE SHOPS THAT WE HAVE,” SAID MARKUS JABLONSKI,HEAD OF CORPORATE COMMUNICATIONS AT REAL

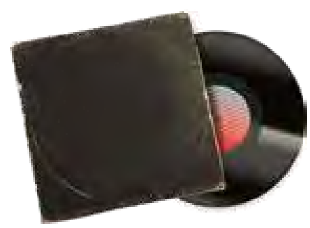
were not the first decade to see small shops consigned to death row. When Europe’s first department store in the shape of Harding Howell’s Grand Fashionable Magazine opened in London’s Pall Mall in 1796, politicians in the British capital were already worrying about the future of existing haberdashers, jewellers and tableware shops. Because the founder Howell used his inherited capital to buy large quantities of goods from manufacturers at a discount, and passed this price advantage on to his customers to tie them to his four-storey department store.

E-COMMERCE TO SUPPLY THE POPULATION WITH BASIC NEEDS

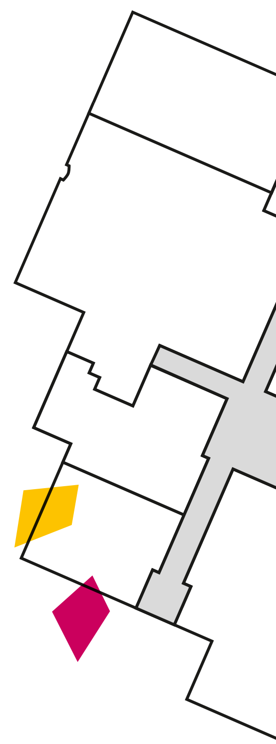
In Germany, the demise of small shops was prophesied for the first time when in quick succession, first Leonhard Tietz in Stralsund in 1879, then Rudolph Karstadt in Wismar in 1881 and one year later Tietz’s brother Oscar in Gera all opened their own department stores. These were the beginnings of the later department store giants, Hertie, Karstadt and Kaufhof. In contrast to the convenience stores of those days, there was no longer any haggling in the department stores. Instead, Karstadt and the Tietz brothers attracted customers with low fixed prices. Customers no longer had to worry that they may be paying more for a product than others, just because they couldn’t haggle so well.

These days, on the other hand, it is the department stores whose end is said to be near as their sales have been in decline for decades. They have long been under pressure from discount stores with even lower prices: Hertie was already taken over by Karstadt in 1993. Online traders such as Amazon and Zalando are now providing stiff competition. The two remaining major chains now want to join forces. Karstadt, taken over in 2014 by Signa Holding belonging to the Innsbruck entrepreneur René Benko, and Kaufhof, owned since 2015 by the Canadian retail company, Hudson’s Bay Company, merged in 2018. Benko has a majority shareholding in the new joint company with the Canadians still on board as minority owners. Together, both companies generated sales of €5.4 bn in 2017, according to HBC. The online market leader in Germany, Amazon, on the other hand, recorded retail sales of €8.8 bn in 2017 according to figures published by the EHI Retail Institute in Cologne.

These are the sort of comparisons that are leading players in the e-commerce business and many management consultants to announce the imminent demise of physical shops. →



The entertainer is prepared to go to extremes on behalf of his favourite shop. “Wenn Tante Emma nicht mehr ist und ein Discount den Laden frisst, setz’ ich mich auf den Bürgersteig und trete in den Hungerstreik”, – so sings Udo Jürgens in 1976 in his ode to the “Tante-Emma-Laden an der Ecke vis-à-vis”.



"Online shopping remains the growth driver in the first half of 2018, posting an increase of 11.1 % by comparison with the same period in the previous year", states an exultant Christoph Wenk-Fischer, Managing Director of the Federal Association of E-commerce and Mail Order Business, adding: "E-commerce is making an increasingly large contribution towards supplying the population with its basic needs."

And Corinna Powalla, founder of the Berlin online fashion mail order house Modomoto and Managing Director of the internet company, Curated Shopping Group, regards last year's hot summer as a further nail in the coffin for physical fashion shops. "The summer of 2018 will go down as a turning point in fashion history" – just one quote she gave to the internet industry watch it4Retailers. She added that customers were hardly visiting any shops due to the heat but ordering online instead. "Colleagues in the business are telling me of empty shops and piles of unsold goods", Powalla says. "Above all, I feel sorry for small boutique owners."

The real proportions are somewhat different as the latest figures from the Federal Statistical Office reveal. "The online share of clothing sales is only 15.5 %", says Federal statistician Otfried Rörig. Even computers and software as well as books, the original business of e-commerce giant Amazon, continue to be bought in physical shops by the overwhelming majority of consumers in Germany. Only in sales of music does the internet achieve 50 percent – which seems comparatively low given the massive online range offered by Apple's iTunes Store, Google Play Music and Spotify.

RETAIL LEADS TO AN INCREASE IN EMPLOYMENT SUBJECT TO SOCIAL INSURANCE CONTRIBUTIONS

2018 TO 2017

Employment subject to social insurance contributions

+32,000
2017 +32,000

Mini-jobs in retail

+900
2017 -12,000

Total increase in retail jobs

+33,000
2017 +20,000

Source: Federal Employment Agency, retail trade excluding vehicles, fuels, pharmacies; as at reporting dates 30.06.2017 / 30.06.2018

HDE Handelsverband Deutschland

> Retail does indeed always mean change, but this consists primarily in consumers being offered additional shopping opportunities. Neither department stores nor supermarkets completely replaced small shops and grocery stores.

The situation in Amazon's home country is scarcely any different. E-commerce is not the final nail in the coffin of bricks and mortar shops, according to Adam Ozimek, economist at Moody's Analytics, a subsidiary of the New York rating agency Moody's focussing on economic research, in a study for the business magazine Forbes. "Contrary to popular opinion, bricks and mortar retailers in the USA are doing fine." Admittedly, large retail chains are continually getting into difficulty such as the toy retailer Toys "R" Us in 2018, he adds. But the bottom line is that physical retail outlets remain strong, he continues. One of the yardsticks leading Ozimek to this conclusion is the number of employees in physical shops and shopping centers. "It is currently close to an all-time high."

Investors' faith in shopping centers is also unbroken, he adds. In Philadelphia alone, the Gallery Mall and the King of Prussia Mall are being extended and modernised in a contract worth USD 825 million, he says. He goes on to explain that local government in Miami has just given the go-ahead for the construction of the "American Dream", a new shopping and entertainment center with 111,500 square metres of selling space which the project developer and mall operator Triple Five wishes to erect for USD 4 billion. "That doesn't sound as if physical retail is exactly dead and buried", Ozimek concludes.

Retail does indeed always mean change, but this consists primarily in consumers being offered additional shopping opportunities. Neither department stores nor supermarkets completely replaced small shops and grocery stores. Neither will e-commerce render physical retail obsolete because customers will always want to feel and try out goods directly and they look for personal service. What Udo Jürgens sang about corner shops still applies to bricks and mortar shops today: "Bei Tante Emma ist's privat, sie ist kein Warenautomat…" (At the corner shop, it's personal, it's not a vending machine).

CUSTOMERS LOOK FOR
PERSONAL ADVICE
IN PHYSICAL SHOPS

No price labels, no special offers, no sales staff – even the level of sales in "B8ta" shops doesn't matter. But business at this US start-up is going decidedly well. How does this add up? The young Americans are not the only ones who are sure: This company that just presents and doesn't sell represents a milestone in the transformation process in physical retail.

GO AND BUY SOME-WHERE ELSE!

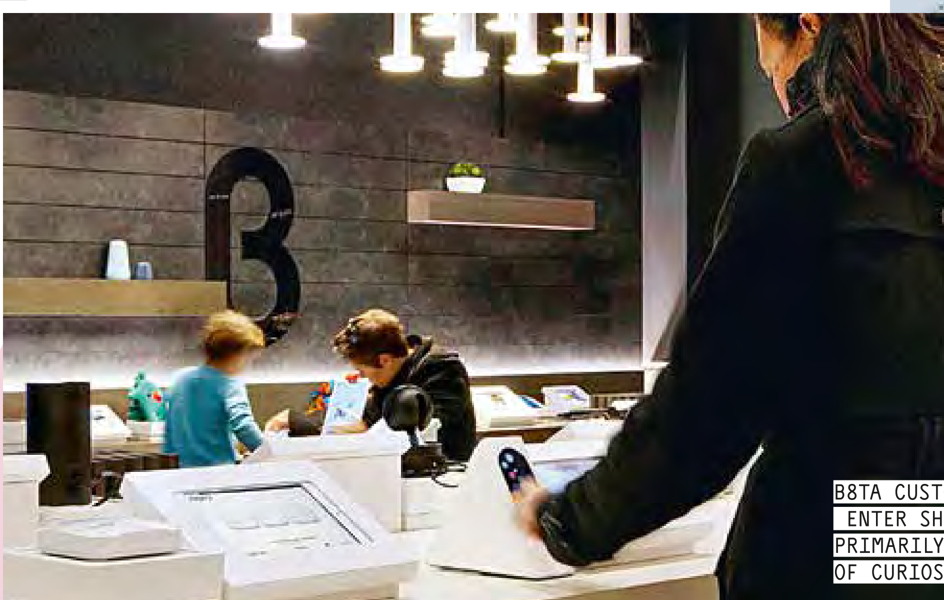
AN ARTICLE by Torben Dietrich, freelance journalist – with the kind support of the German Council of Shopping Centers (GCSC)

The hottest retail concept in the USA resembles a gallery visually. Or maybe a design museum. But one without attendants watching eagle-eyed to make sure you don't touch anything. Because at "B8ta", that is most definitely allowed. New products from the worlds of technology and electronics are presented here on solid wooden tables, in spartan arrangements and with no packaging. A young man is testing a toaster while another is trying on a pair of so-called virtual reality glasses. Between them, a customer rolls past on a battery-powered hoverboard.

Trying things out is expressly desired in this young company from San Francisco. Where customers end up buying – whether in the outlet, on the website or even from a competitor – "we really don't care", says B8ta Manager Kevan Wilson to a German business magazine.

How is this possible? E-commerce, in particular, represents an increasingly existential threat to physical retail outlets. Shrinking profit margins, modernisation of the supply chain and the IT as well as changing customer expectations are putting pressure on the retail trade which has to perform if possible on all channels simultaneously. Including the local shop.

Because although online shopping is catching up physical shops in terms of sales and posting ten times higher growth in Germany according to the German Retail Association (HDE), customers continue to source a very large part of their purchases in clothes shops, drugstores or grocery stores. And when it comes to high-quality technology, people still prefer to make their way to a specialist shop – even if they then order from Amazon. Because the one drawback of pure online shopping is the lack of tactile experience. Picking things up, looking at them carefully, perhaps testing some of the functions – these are the unbeatable advantages of a physical shop.



B8TA CUSTOMERS ENTER SHOPS PRIMARILY OUT OF CURIOSITY

SALES VIA PLACEMENT FEES

B8ta puts this characteristic at the heart of its business model – and expands on it. Co-founder Phillip Raub does not have to sell anything, but just present. "Our shoppers can and should simply pick up the goods – mostly cool electrical gadgets such as photo robots for smartphones or an e-paper notepad – or try them out thoroughly", he says. Nobody is to be pressured into buying.

The concept works because B8ta is not funded through the sale of goods but via monthly placement fees – billed by the table or metre – which are collected directly from manufacturers. What B8ta offers in return is exclusive presentation and staff that have been superbly trained in the products, not called sales staff here but consultants. B8ta offers a platform to bring customers and products together in one place, particularly for manufacturers who predominantly (have to) sell online.

The motto is: "See what the world is creating". The concept behind it is to present ambitious, smart products – mostly from the realm of the Internet of Things – which customers would only rarely discover for themselves in the dense jungle of online shopping. At B8ta, you can find things you may not be looking for but still find stimulating.

The genuine satisfaction of a need is in any case hardly likely to be customers' motivation for entering one of the stylish shops. More likely to be curiosity. The shops present themselves as a blend of museum and playground, a place for inspiration. Kevan Wilson: "Many people drop by in the evening on the way to a restaurant or bar." If a customer decides to buy a product on the spot, the order and payment process is handled online as there is no checkout area. The goods are delivered the next day at the latest. "It seems obvious that B8ta has discovered a crucial aspect of shopping in stores", says Daphne Howland from the US expert blog "retaildive". "If we remove as many of the obstacles as possible from customers and brands that prevent them from finding each other, we make shopping easier."

Matthias Storch is also convinced that physical shops are not on their way out but must simply function differently in this day and age. Together with business partner Marc Langner, he runs the "Butiq" in Mannheim, a concept store with local colour. Vintage motorbikes or Piaggio mini-transporters and a built-in bar with an electronic wine rack represent visual elements designed to create a relaxed atmosphere for rummaging and discovering among an assorted collection of culinary items, home accessories and spirits. "The mere satisfaction of a need can be accomplished with Zalando and others", Storch states with conviction. In a similar way to B8ta, designers and products in Mannheim are also being offered a physical platform they would not otherwise enjoy.

„SEE WHAT THE WORLD IS CREATING“ IS THE MOTTO OF B8TA SHOPS

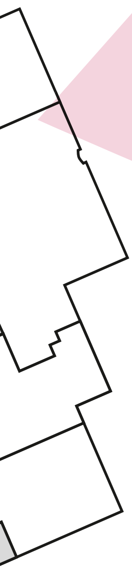
A NEW, IRRESISTIBLE AND STIMULATING IN-STORE EXPERIENCE

Google, too, seems to be discovering just how important analogue shopping experiences are for customers. According to reports in the media, managers of this US online giant which for many users is almost synonymous with the internet, are opening their first "Google Shop" in Chicago. Google has also seen which way the wind is blowing and is following a trend that might prove to point the way forward for the retail sector worldwide.

Galeria Kaufhof is also closing in on a similar concept: The Galeria Kaufhof press office was reluctant to express any opinion about B8ta or on the question of whether this is a suitable way to entice customers away from their laptops and back into the shops. However, the recently launched shop-in-shop collaboration with electronics specialists Cyberport seems to be a step towards the future. "We see great potential in the areas of IT and consumer electronics", confirms Edo Beukema, Purchasing Director of Galeria Kaufhof GmbH.

The largest of the traditional retail players and department store operators has drawn direct inspiration from the success of B8ta: Macy's has announced that it will be relying on the technical expertise, experience and pioneering spirit of B8ta for its new pop-up shop concept "The Market @ Macy's".

To secure the collaboration for the long term, the company from Ohio which operates 728 department stores in the USA, has immediately taken a minority stake in the start-up. "We want to do everything we can to create a new, irresistible and stimulating in-store experience for our customers", says Vice President Marc Mastronardi, who is responsible for the development of new business areas at Macy's. The pop-up concept will put a different complexion on the entire shopping experience, he states.



SHOPPING CENTERS STILL ATTRACTING

Accessibility and the variety of businesses are the most important criteria for the success of a shopping center, say 80% of consumers. Customers don't feel tied down to one place, but on average visit four different centers over the course of a year. Because for most people, it's the overall concept that counts – only 12% go to a shopping center because of one shop in particular. These were the findings of a representative survey of more than 1,000 regular visitors to shopping centers carried out by Forsa and commissioned by JLL.

How close a shopping center is plays a key role: 56% prefer shopping centers which they can get to within 20 minutes. 80% of those surveyed say that 30 minutes is a reasonable amount of time to travel to get there. It has to be worth sticking around in the shopping center once you've got there: only a fraction of people stay for less than 30 minutes. However, more than a third linger for up to an hour. The availability of multiple businesses in one place also counts. Therefore, visitors from smaller towns with a population of less than 20,000 people stay for longer on average than people from big cities.
The range of fast food restaurants and cafés is also considered important. More substantial or formal cuisine is less in demand. In general, visitors are happy with the culinary offerings available in shopping centers. If anything is missing, then it's mostly places to enjoy a drink and snacks together with friends.

Around half of all those asked say there is room for improvement in terms of the availability of regional products, while visitors aged between 30 and 44 years mentioned the lack of childcare facilities. However, younger age groups between 18 and 29 focussed on leisure options such as bowling alleys.

Meanwhile, significant gaps were identified in the digital sector: two thirds of visitors had no idea, for example, if their local shopping center provided an app. And even when it does, people hardly use it: only 12% of those who knew that such an app exists also actually made use of it. However, far more people would use it if it offered not just store opening hours and a map, but also showed what was on offer in individual stores and if it was possible to reserve products to collect in person.

56% OF CUSTOMERS PREFER CENTERS THEY CAN REACH WITHIN 20 MINUTES.

ESPECIALLY POPULAR WITH VISITORS: CAFÉS AND FAST FOOD

CUSTOMERS

AN ARTICLE by Rolf Bürkl, GfK

CONSUMPTION FORECAST FOR 2019

Further increase in private consumption expected in Germany.

CONSUMER SENTIMENT IN GERMANY REMAINS DECIDEDLY HEALTHY

At the beginning of the year, the GfK forecast real growth in consumer spending in Germany of 1.5% for 2019. The positive developments expected in the labour market in conjunction with favourable prospects for incomes were seen as the crucial pillars of consumer demand. However, this forecast was based on the presupposition that the uncertainty of German consumers with regard to the economy would not increase appreciably.

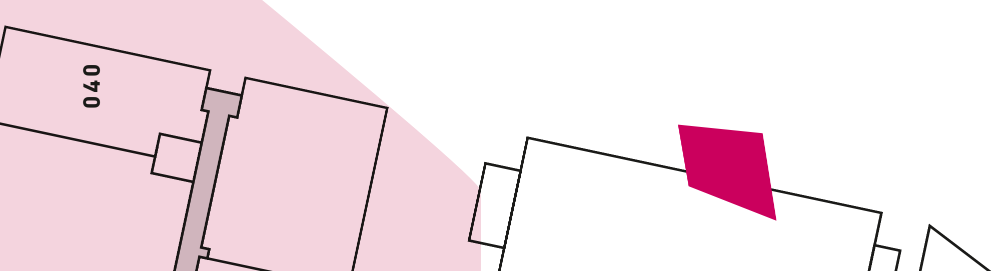
At the end of the 1st quarter of 2019, the overall sentiment of German consumers was still quite balanced. Hopes for the economy were boosted while earnings expectations and propensity to buy fell slightly. As a consequence, consumer confidence received a slight setback after a satisfactory start to 2019.

So far, consumers are not expecting Germany to slip into recession this year but they are also experiencing a marked slowdown in the economy. Their impressions are confirmed by a forecast recently published by the German Council of Economic Experts (SVR). The so-called "five wise men" have revised their forecast for growth this year from their original estimate of 1.7% down to a mere 0.8%. However, they are assuming that this will only be a temporary lull, as for 2020 they are predicting that the economy will grow by 1.7%.

This downturn is less home-grown than founded in external factors. Both the stalemate with regard to the date and nature of the UK's departure from the EU and the simmering trade war between the EU and the USA are clearly causing growing uncertainty among consumers. Barriers to trade such as a rise in customs tariffs, for example, will have a negative impact, especially on Germany as an export nation.

INCOME EXPECTATIONS SUFFER A DROP

In contrast to economic prospects, income expectations suffered a drop in March 2019 although they remain very positive. First and foremost, the consistently favourable state of the German employment market is driving confidence in income levels. Employment continues to rise which is a contributory factor in the noticeable increase in wages and salaries. Those in retirement benefit in turn as their pensions are linked to wage growth in Germany.



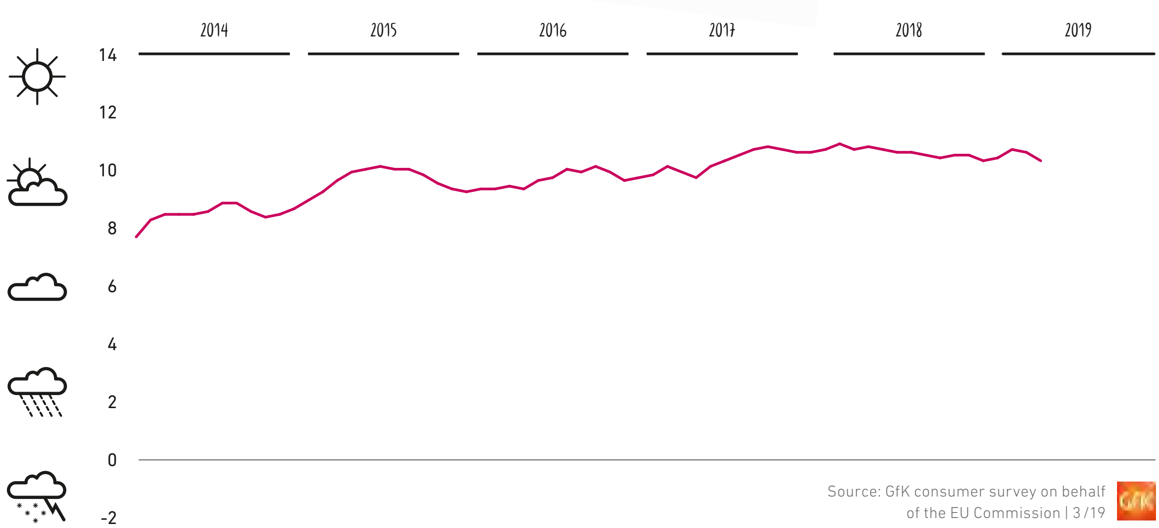
PROPENSITY TO BUY DRIVEN BY INCOME PROSPECTS

Propensity to buy also suffered a drop at the end of the 1st quarter of 2019 in the wake of falling income expectations, and it fell to its lowest level for more than two years.

In spite of the losses, however, consumer sentiment in Germany is decidedly healthy. The stability of the labour market with a further rise in employment is ensuring that consumers will in future be prepared to spend their money – especially as saving does not represent an attractive alternative given the low level of interest rates.

CONSUMER SENTIMENT IN GERMANY

IN POINTS

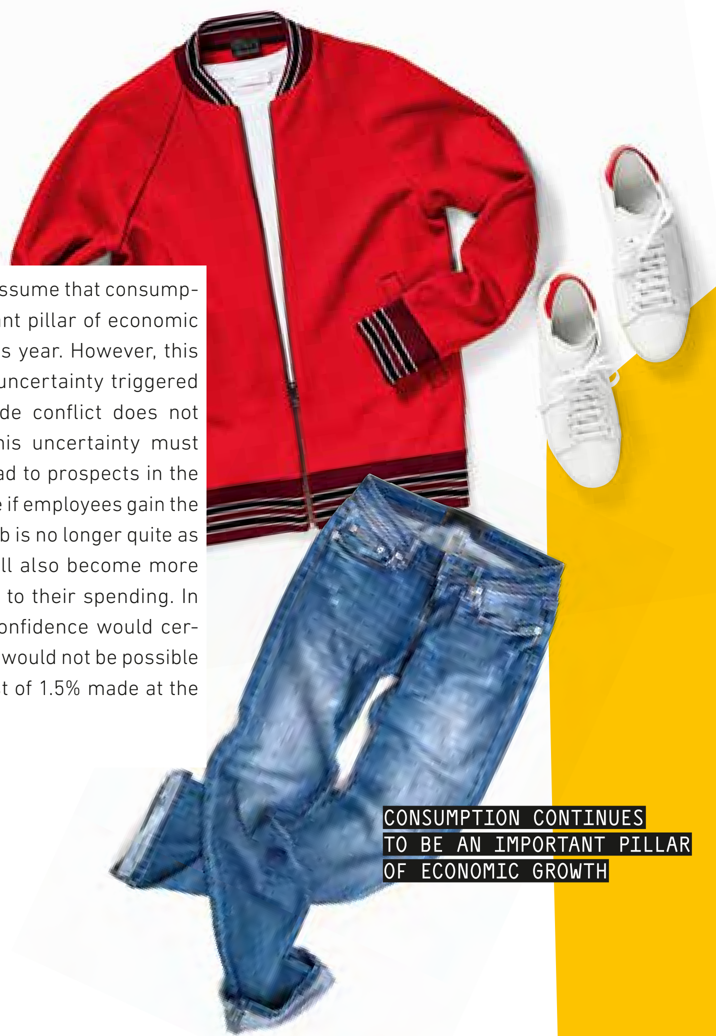


Source: GfK consumer survey on behalf of the EU Commission | 3/19

CONSUMER CONFIDENCE WITH FIRST SETBACK FOLLOWING STEADY START

As the key indicators for consumer confidence – income expectations and propensity to buy – suffered drops recently, consumer confidence was also dented for the first time after a pleasing start to 2019.

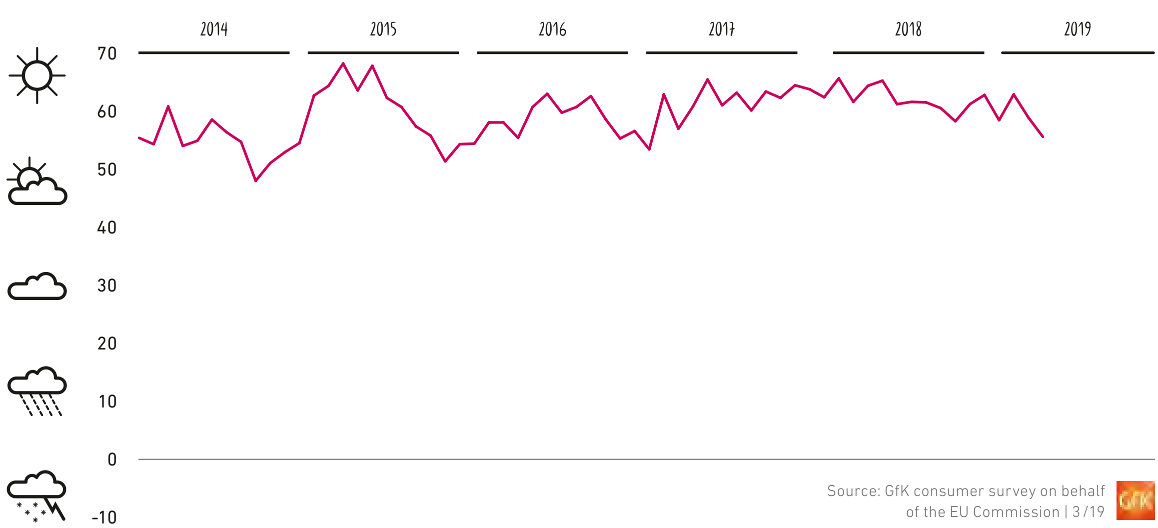
Nevertheless, we can assume that consumption will be an important pillar of economic growth in Germany this year. However, this presupposes that the uncertainty triggered by Brexit and the trade conflict does not escalate. Above all, this uncertainty must not be allowed to spread to prospects in the labour market. Because if employees gain the impression that their job is no longer quite as safe as it was, they will also become more careful when it comes to their spending. In this case, consumer confidence would certainly be affected and it would not be possible to maintain the forecast of 1.5% made at the beginning of the year.



CONSUMPTION CONTINUES TO BE AN IMPORTANT PILLAR OF ECONOMIC GROWTH

PROPENSITY TO BUY IN GERMANY

IN POINTS



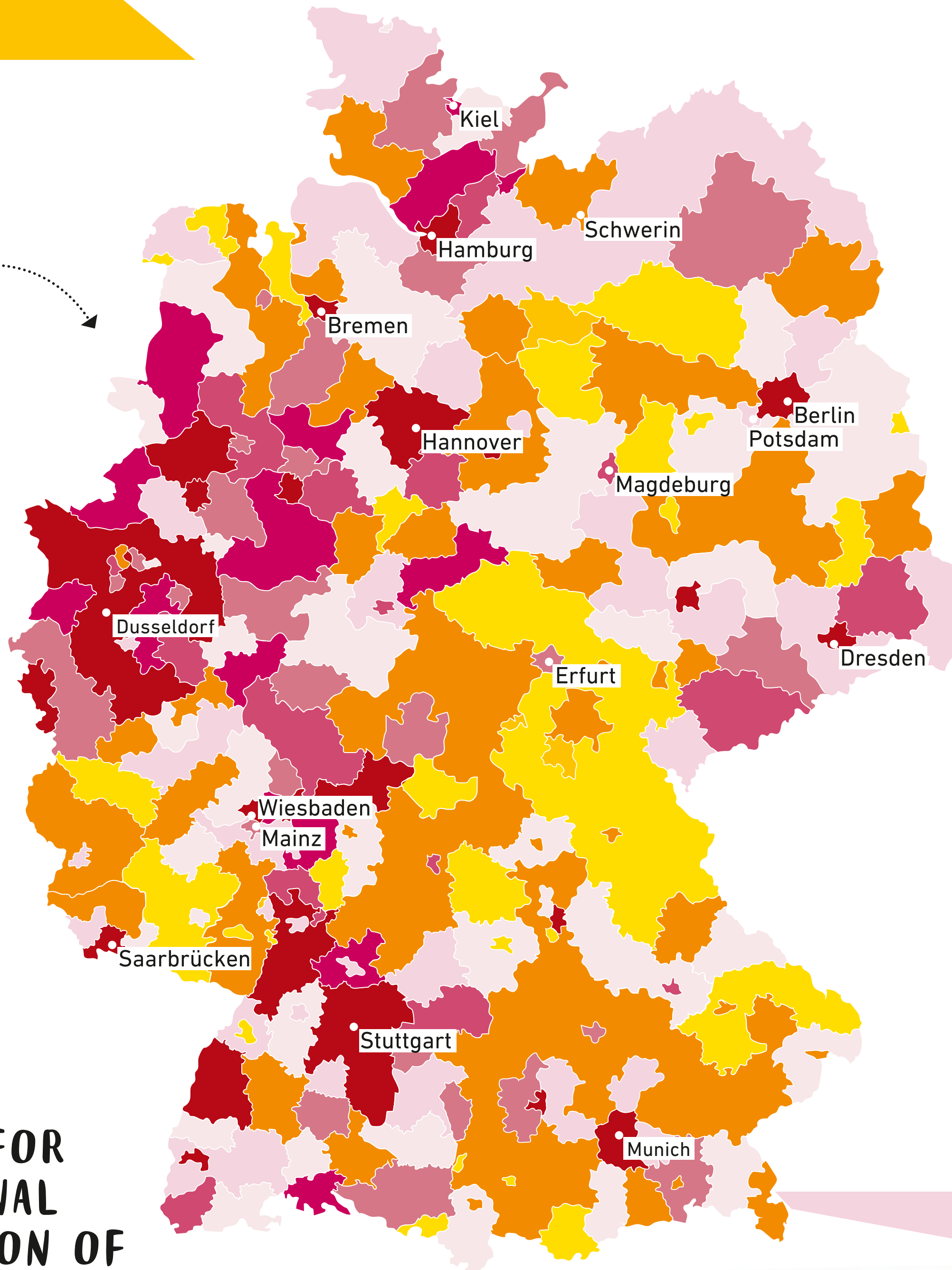
Source: GfK consumer survey on behalf of the EU Commission | 3/19

GfK RETAIL SALES

GERMANY 2019

Share of retail trades
In town- and country-districts in %
(1,000 = Germany's total revenue)

- under 0,5
- 0,5 to under 1,0
- 1,0 to under 1,5
- 1,5 to under 2,0
- 2,0 to under 2,5
- 2,5 to under 3,0
- 3,0 to under 3,5
- 3,5 to under 4,0
- 4,0 and more



Source: GfK; www.gfk.com/geomarketing-de

FORECAST FOR THE REGIONAL DISTRIBUTION OF RETAIL SALES IN GERMANY IN 2019

The GfK is forecasting an overall sales volume of € 423.1 bn for physical retail outlets in Germany in 2019. By comparison with the previous year, retail sales are expected to grow by € 3.4 bn which corresponds to a nominal increase of 0.8%.

As expected, the most highly populated areas of the country will see the highest retail sales. Berlin is easily top of the rankings – the capital should achieve a sales volume of more than € 18.9 bn which would correspond to 4.48% of total sales in Germany. For Hamburg, the GfK is expecting retail sales of € 11.5 bn (2.71%) followed by Munich with € 11.1 bn (2.62%).

IN COMPARISON WITH THE PREVIOUS YEAR; RETAIL SALES ARE EXPECTED TO INCREASE BY 0.8%

CENTER OVERVIEW

CENTER OVERVIEW

Germany / **CENTER OVERVIEW**

We are the only public company in Germany that invests solely in shopping centers in prime locations. We invest only in carefully chosen properties. High quality standards and a high degree of flexibility are just as important to us as sustained earnings growth from index- and turnover-linked rental contracts. In addition, we boast a higher than average occupancy rate of around 99% and professional center management – these are the pillars of our success.

DGNB DGNB

THE DEUTSCHE GESELLSCHAFT FÜR NACHHALTIGES BAUEN (GERMAN – SUSTAINABLE BUILDING – COUNCIL, DGNB) AWARDED SUSTAINABILITY CERTIFICATES IN PLATINUM AND GOLD TO ALL 21 SHOPPING CENTERS IN OUR PORTFOLIO.

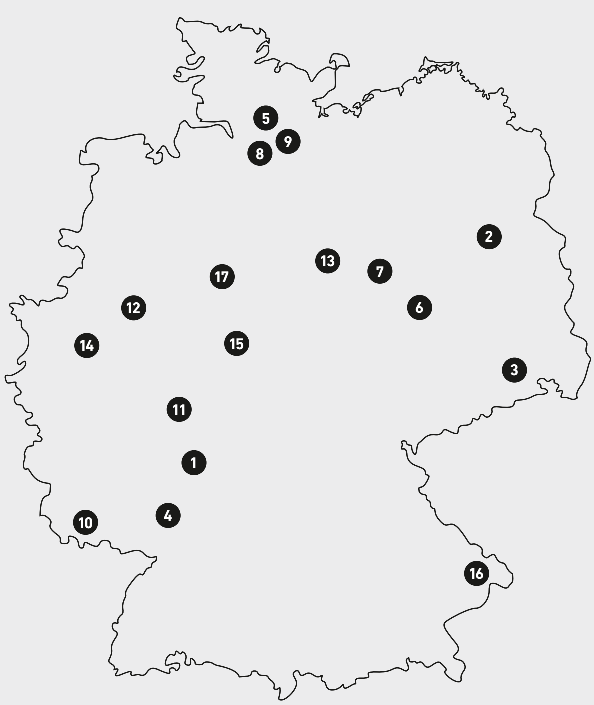
CENTERS IN GERMANY

143.0
Number of visitors in Germany in 2018 in million

880,600
Floor space of all centers in Germany in m^2

2,060
Number of stores in shopping centers in Germany

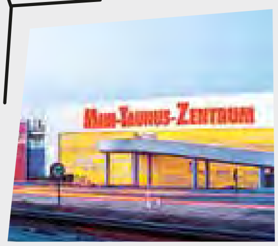
8.4
Average number of visitors per center in Germany in 2018 in million



GERMANY

1. Main-Taunus-Zentrum, Sulzbach / Frankfurt
2. A10 Center, Wildau / Berlin
3. Altmarkt-Galerie, Dresden
4. Rhein-Neckar-Zentrum, Viernheim / Mannheim
5. Herold-Center, Norderstedt
6. Rathaus-Center, Dessau
7. Allee-Center, Magdeburg
8. Phoenix-Center, Hamburg
9. Billstedt-Center, Hamburg
10. Saarpark-Center, Neunkirchen
11. Forum, Wetzlar
12. Allee-Center, Hamm
13. City-Galerie, Wolfsburg
14. City-Arkaden, Wuppertal
15. City-Point, Kassel
16. Stadt-Galerie, Passau
17. Stadt-Galerie, Hameln

Germany / CENTER OVERVIEW



7.6

MILLION VISITORS 2018

Sulzbach / Frankfurt

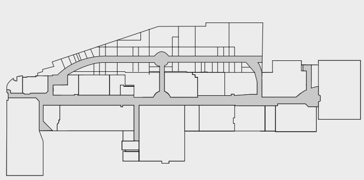
MAIN-TAUNUS-ZENTRUM

Investments: 52%
Leasable space: 124,000 m^2
of which retail space: 91,000 m^2 (plus C & A)
Parking: 4,500
No. of shops: 170
Occupancy rate: 100%
Catchment area: 2.1 million residents
Purchased by DES: September 2000
Grand opening: 1964
Restructuring / Modernisation: 2004
Expansion: 2011
Anchor tenants: Anson's, Appelrath Cüpper, Apple, Breuninger, Galeria Kaufhof, H & M, Hollister, Intersport, Karstadt, Media Markt, REWE, Zara

DGNB

GOOGLE
★ **4.4 / 5 stars**
FACEBOOK
★ **4.4 / 5 stars**
30,353 fans
MainTaunusZentrum
INSTAGRAM
maintaunuszentrum

Address: Am Main-Taunus-Zentrum
65843 Sulzbach (Taunus)



MAIN-TAUNUS-ZENTRUM.DE

6.6

MILLION VISITORS 2018

Wildau / Berlin

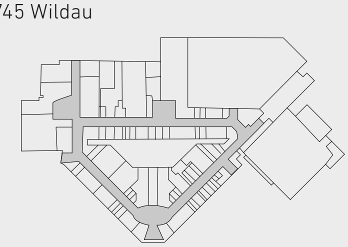
A10 CENTER

DGNB

GOOGLE
★ **4.4 / 5 stars**
FACEBOOK
★ **4.4 / 5 stars**
26,614 fans
A10Center

Investments: 100%
Leasable space: 121,000 m^2
of which retail space: 66,000 m^2
Parking: 4,000
No. of shops: 200
Occupancy rate: 100%
Catchment area: 1.1 million residents
Purchased by DES: January 2010
Grand opening: 1996
Restructuring / Modernisation: 2010 – 2011
Anchor tenants: Bambooland, Bauhaus, C & A, Hammer, H & M, Karstadt Sports, MediMax, Peek & Cloppenburg, real

Address: Chausseestraße 1
15745 Wildau



A10CENTER.DE

14.4

MILLION VISITORS 2018

Dresden

ALTMARKT-GALERIE

Investments: 100%
Leasable space: 77,000 m²
of which retail space: 44,000 m²
Parking: 500
No. of shops: 200
Occupancy rate: 100%
Catchment area: 1.4 million residents
Purchased by DES: September 2000
Grand opening: 2002
Expansion: 2011
Anchor tenants: Apple, Hollister, H&M, New Yorker, REWE, Saturn, Sinn, SportScheck

DGNB

GOOGLE
★ **4.4 / 5 stars**
FACEBOOK
★ **4.4 / 5 stars**
80,619 fans
altmarkt.galerie
INSTAGRAM
altmarktgaleriedresden

Address: Webergasse 1
01069 Dresden

ALTMARKT-GALERIE-DRESDEN.DE

9.6

MILLION VISITORS 2018

Viernheim / Mannheim

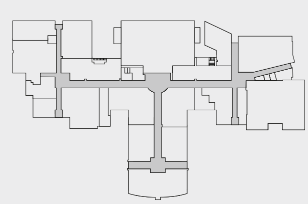
RHEIN-NECKAR-ZENTRUM

Investments: 100%
Leasable space: 69,500 m²
of which retail space: 60,000 m² (plus Karstadt and C&A)
Parking: 3,800
No. of shops: 110
Occupancy rate: 99%
Catchment area: 1.5 million residents
Purchased by DES: September 2000
Grand opening: 1972
Restructuring / Expansion: 2002
Anchor tenants: Aldi, Bauhaus, Engelhorn Active Town, H&M, Hugendubel, Müller Drogerie, Peek & Cloppenburg, TK Maxx, Zara

DGNB

GOOGLE
★ **4.4 / 5 stars**
FACEBOOK
★ **4.3 / 5 stars**
54,248 fans
RheinNeckar ZentrumViernheim
INSTAGRAM
rheinneckarzentrum_viernheim

Address: Robert-Schumann-Straße 8a
68519 Viernheim



RNZONLINE.DE

DEUTSCHE EUROSHOP / Annual Report / 2018

Germany / CENTER OVERVIEW

10.4

MILLION VISITORS 2018

Norderstedt

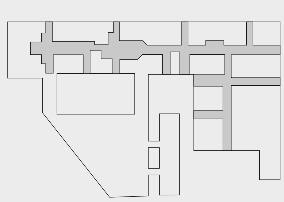
HEROLD-CENTER

Investments: 100%
Leasable space: 54,300 m^2
of which retail space: 26,000 m^2 (plus Karstadt and Saturn)
Parking: 850
No. of shops: 140
Occupancy rate: 99%
Catchment area: 0.5 million residents
Purchased by DES: January 2013
Grand opening: 1971
Restructuring / Expansion: 1995 and 2003
Anchor tenants: C&A, H&M, Peek&Cloppenburg, REWE

DGNB

GOOGLE
4.2 / 5 stars
FACEBOOK
4.1 / 5 stars
29,939 fans
Herold.Center.Norderstedt
INSTAGRAM
heroldcenter

Address: Berliner Allee 38-44
22850 Norderstedt



HEROLD-CENTER.DE

5.6

MILLION VISITORS 2018

Dessau

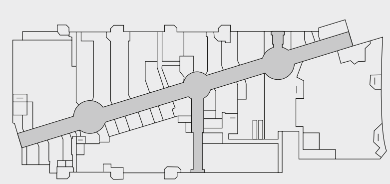
RATHAUS-CENTER

Investments: 100%
Leasable space: 52,500 m^2
of which retail space: 32,900 m^2 (plus Karstadt)
Parking: 850
No. of shops: 90
Occupancy rate: 96%
Catchment area: 0.3 million residents
Purchased by DES: November 2005
Grand opening: 1995
Anchor tenants: H&M, Modehaus Fischer, Thalia, TK Maxx

DGNB

GOOGLE
4.2 / 5 stars
FACEBOOK
4.3 / 5 stars
19,056 fans
rathauscenterdessau
INSTAGRAM
rathauscenterdessau

Address: Kavalierstraße 49
06844 Dessau-Roßlau



RATHAUSCENTER-DESSAU.DE

DEUTSCHE EUROSHOP / Annual Report / 2018

9.1

MILLION VISITORS 2018

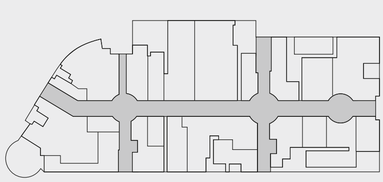
Magdeburg

ALLEE-CENTER

GOOGLE
★ **4.3 / 5 stars**
FACEBOOK
★ **4.3 / 5 stars**
54,207 fans
AlleeCenterMD
INSTAGRAM
alleecentermagdeburg

Investments: 50%
Leasable space: 51,300 m²
of which retail space: 35,000 m²
Parking: 1,300
No. of shops: 150
Occupancy rate: 98%
Catchment area: 0.8 million residents
Purchased by DES: October 2011
Grand opening: 1998
Expansion: 2006
Anchor tenants: H & M, REWE, Saturn, Sinn, SportScheck

Address: Ernst-Reuter-Allee 11
39104 Magdeburg



ALLEE-CENTER-MAGDEBURG.DE

8.9

MILLION VISITORS 2018

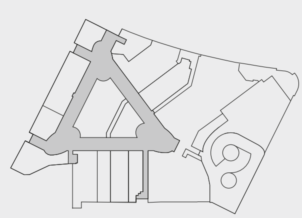
Hamburg

PHOENIX-CENTER

GOOGLE
★ **4.3 / 5 stars**
FACEBOOK
★ **4.2 / 5 stars**
26,805 fans
PhoenixCenterHarburg
INSTAGRAM
phoenixcenterharburg

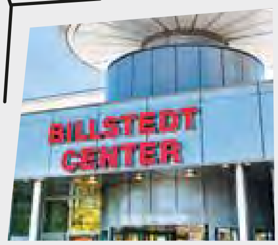
Investments: 50%
Leasable space: 43,400 m²
of which retail space: 29,000 m²
Parking: 1,400
No. of shops: 130
Occupancy rate: 99%
Catchment area: 0.5 million residents
Purchased by DES: August 2003
Grand opening: 2004
Restructuring / Expansion: 2016
Anchor tenants: C & A, H & M, Karstadt Sports, Stadium, Media Markt, New Yorker, REWE, Sinn

Address: Hannoversche Straße 86
21079 Hamburg



PHOENIX-CENTER-HARBURG.DE

Germany / CENTER OVERVIEW



10.8

MILLION VISITORS 2018

Hamburg

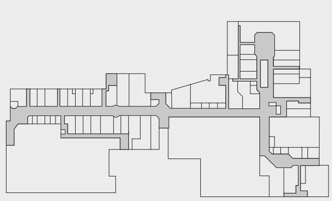
BILLSTEDT-CENTER

DGNB

Investments: 100%
Leasable space: 42,500 m²
of which retail space: 29,500 m² (plus Primark)
Parking: 1,500
No. of shops: 110
Occupancy rate: 98%
Catchment area: 0.8 million residents
Purchased by DES: January 2011
Grand opening: 1969 / 1977
Restructuring: 1996
Anchor tenants: C & A, H & M, Media Markt, REWE, TK Maxx

GOOGLE
4.2 / 5 stars
FACEBOOK
3.9 / 5 stars
20,272 fans
Billstedtcenter
INSTAGRAM
billstedtcenter_hamburg

Address: Möllner Landstraße 3
22111 Hamburg



BILLSTEDT-CENTER.DE

7.2

MILLION VISITORS 2018

Neunkirchen

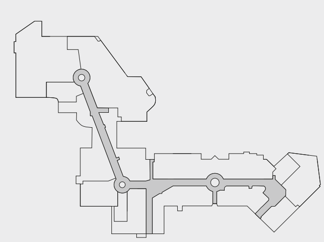
SAARPARK-CENTER

DGNB

Investments: 50%
Leasable space: 35,600 m²
of which retail space: 33,500 m²
Parking: 1,600
No. of shops: 130
Occupancy rate: 99%
Catchment area: 0.7 million residents
Purchased by DES: October 2016
Grand opening: 1989
Restructuring: 1999 / 2009
Anchor tenants: C & A, Müller Drogerie, H & M, Peek & Cloppenburg, REWE, TK Maxx

GOOGLE
4.3 / 5 stars
FACEBOOK
4.3 / 5 stars
42,260 fans
SaarparkCenterNeunkirchen
INSTAGRAM
saarparkcenter

Address: Stummplatz 1
66538 Neunkirchen



SAARPARK-CENTER-NEUNKIRCHEN.DE

7.9

MILLION VISITORS 2018

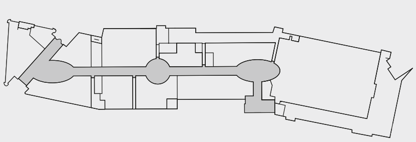
Wetzlar

FORUM

GOOGLE
4.3 / 5 stars
FACEBOOK
4.2 / 5 stars
19,021 fans
ForumWetzlar
INSTAGRAM
forumwetzlar

Investments: 65%
Leasable space: 34,500 m²
of which retail space: 23,500 m²
Parking: 1,700
No. of shops: 110
Occupancy rate: 100%
Catchment area: 0.5 million residents
Purchased by DES: October 2003
Grand opening: 2005
Anchor tenants: Kaufland, Media Markt, Sporthaus Kaps, Thalia

Address: Am Forum 1
35576 Wetzlar



FORUM-WETZLAR.DE

6.1

MILLION VISITORS 2018

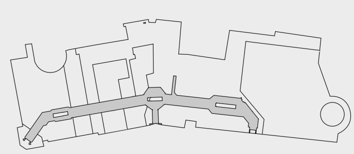
Hamm

ALLEE-CENTER

FACEBOOK
4.2 / 5 stars
27,561 fans
AlleeCenterHamm
INSTAGRAM
alleecenterhamm

Investments: 100%
Leasable space: 34,000 m²
of which retail space: 21,000 m²
Parking: 1,300
No. of shops: 90
Occupancy rate: 100%
Catchment area: 0.4 million residents
Purchased by DES: April 2002
Grand opening: 1992
Restructuring / Modernisation: 2003 / 2009
Anchor tenants: C & A, H & M, Peek & Cloppenburg, REWE, Saturn

Address: Richard-Matthaei-Platz 1
59065 Hamm



ALLEE-CENTER-HAMM.DE

DEUTSCHE EUROSHOP / Annual Report / 2018

Germany / CENTER OVERVIEW

7.2

MILLION VISITORS 2018

Wolfsburg

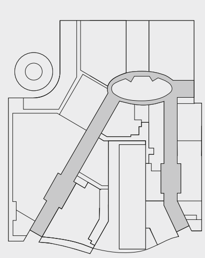
CITY-GALERIE

DGNB

GOOGLE
★ **4.2 / 5 stars**
FACEBOOK
★ **4.2 / 5 stars**
10,889 fans
city.galerie.wolfsburg
INSTAGRAM
citygaleriewolfsburg

Investments: 100%
Leasable space: 30,800 m²
of which retail space: 20,000 m²
Parking: 800
No. of shops: 100
Occupancy rate: 98%
Catchment area: 0.5 million residents
Purchased by DES: September 2000
Grand opening: 2001
Restructuring: 2011
Anchor tenants: Hempel, New Yorker, REWE, Saturn

Address: Porschestraße 45
38440 Wolfsburg



CITY-GALERIE-WOLFSBURG.DE

8.9

MILLION VISITORS 2018

Wuppertal

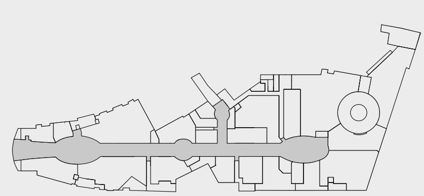
CITY-ARKADEN

DGNB

GOOGLE
★ **4.2 / 5 stars**
FACEBOOK
★ **4.2 / 5 stars**
10,382 fans
CityArkadenWuppertal
INSTAGRAM
cityarkadenwuppertal

Investments: 100%
Leasable space: 28,700 m²
of which retail space: 20,000 m²
Parking: 650
No. of shops: 80
Occupancy rate: 97%
Catchment area: 0.7 million residents
Purchased by DES: September 2000
Grand opening: 2001
Restructuring: 2011
Anchor tenants: Akzenta, H & M, Thalia, Reserved

Address: Alte Freiheit 9
42103 Wuppertal



CITY-ARKADEN-WUPPERTAL.DE

8.6

MILLION VISITORS 2018

Kassel

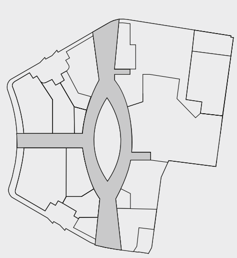
CITY-POINT

DGNB

FACEBOOK
4.2 / 5 stars
52,807 fans
CityPointKassel
INSTAGRAM
citypointkassel

Investments: 100%
Leasable space: 27,800 m²
of which retail space: 20,000 m²
Parking: 220
No. of shops: 60
Occupancy rate: 100%
Catchment area: 0.6 million residents
Purchased by DES: September 2000
Grand opening: 2002
Restructuring: 2009 / 2015
Anchor tenants: H & M, New Yorker, Saturn, tegut

Address: Königsplatz 61
34117 Kassel



CITY-POINT-KASSEL.DE

7.2

MILLION VISITORS 2018

Passau

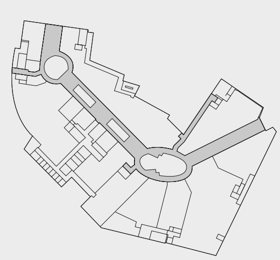
STADT-GALERIE

DGNB

GOOGLE
4.4 / 5 stars
FACEBOOK
4.4 / 5 stars
33,131 fans
StadtgaleriePassau
INSTAGRAM
stadtgalerie_passau

Investments: 75%
Leasable space: 27,700 m²
of which retail space: 21,000 m²
Parking: 500
No. of shops: 90
Occupancy rate: 99%
Catchment area: 0.8 million residents
Purchased by DES: December 2006
Grand opening: 2008
Anchor tenants: C & A, Esprit, Saturn, Thalia

Address: Bahnhofstraße 1
94032 Passau



STADT-GALERIE-PASSAU.DE

DEUTSCHE EUROSHOP / Annual Report / 2018

Germany / Abroad / CENTER OVERVIEW

6.4

MILLION VISITORS 2018

Hameln

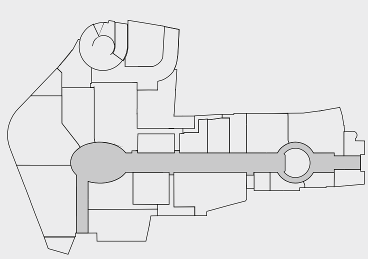
STADT-GALERIE

DGNB

Investments: 100%
Leasable space: 26,000 m²
of which retail space: 19,000 m²
Parking: 500
No. of shops: 100
Occupancy rate: 97%
Catchment area: 0.3 million residents
Purchased by DES: November 2005
Grand opening: 2008
Anchor tenants: Müller Drogerie, New Yorker, real, Thalia

GOOGLE
4.1 / 5 stars
FACEBOOK
4.2 / 5 stars
11,854 fans
StadtGalerieHameln
INSTAGRAM
stadtgaleriehameln

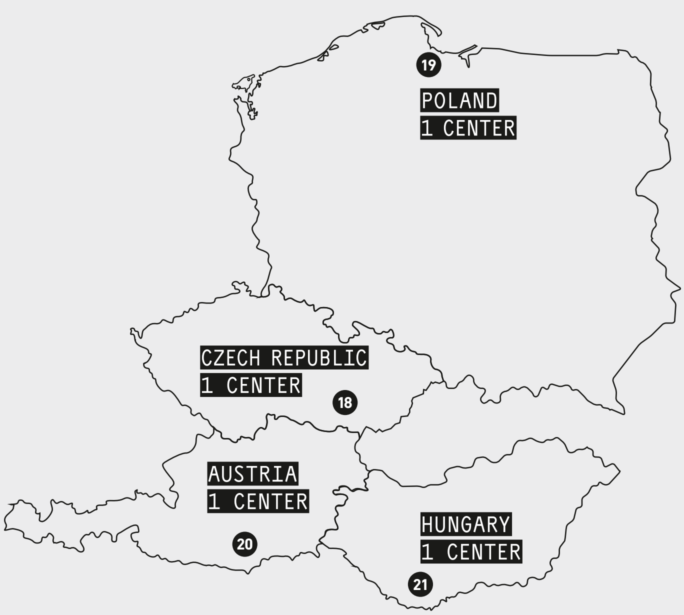
Address: Pferdemarkt 1
31785 Hameln



STADTGALERIEHAMELN.DE

CENTERS ABROAD

35.3	206,000	643	8.8
Number of visitors in Germany in 2018 in million	Floor space of all centers in Germany in m²	Number of stores in shopping centers in Germany	Average number of visitors per center in Germany in 2018 in million



EUROPE

18 Olympia Center, Brno, Czech Republic
19 Galeria Bałtycka, Gdansk, Poland
20 City Arkaden Klagenfurt, Austria
21 Árkád, Pécs, Hungary

DEUTSCHE EUROSHOP / Annual Report / 2018

Abroad / CENTER OVERVIEW

8.6

MILLION VISITORS 2018

Brno, Czech Republic

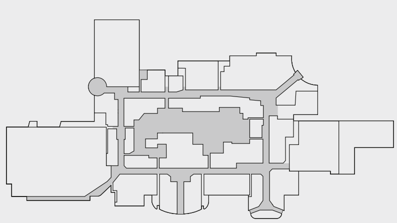
OLYMPIA CENTER

DGNB

GOOGLE
★ **4.5 / 5 stars**
FACEBOOK
★ **4.4 / 5 stars**
38,465 fans
olympiabrno
INSTAGRAM
olympiacentrumbrno

Investments: 100%
Leasable space: 85,000 m²
of which retail space: 71,000 m²
Parking: 4,000
No. of shops: 200
Occupancy rate: 99%
Catchment area: 1.2 million residents
Purchased by DES: March 2017
Grand opening: 1999
Restructuring: 2014 – 2016
Anchor tenants: Albert, H & M, Intersport, Peek & Cloppenburg

Address: U Dálnice 777, 664 42 Modřice
Brno, Tschechische Republik



OLYMPIA-CENTRUM.CZ

9.0

MILLION VISITORS 2018

Gdansk, Poland

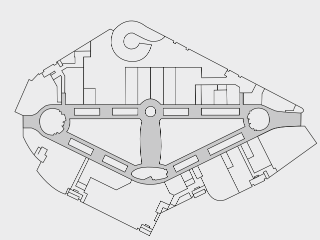
GALERIA BAŁTYCKA

DGNB

GOOGLE
★ **4.3 / 5 stars**
FACEBOOK
★ **4.4 / 5 stars**
66,576 fans
galeriabaltycka
INSTAGRAM
galeriabaltycka

Investments: 74%
Leasable space: 48,700 m²
of which retail space: 43,000 m²
Parking: 1,050
No. of shops: 193
Occupancy rate: 99%
Catchment area: 1.1 million residents
Purchased by DES: August 2006
Grand opening: 2007
Anchor tenants: Carrefour, H & M, Peek & Cloppenburg, Reserved, Saturn, Zara

Address: al. Grunwaldzka 141
80-264 Gdańsk, Polen



GALERIA-BALTYCKA.PL

5.2

MILLION VISITORS 2018

Klagenfurt, Austria

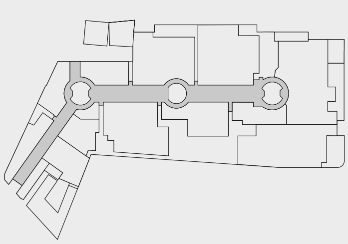
CITY ARKADEN

DGNB

GOOGLE
★ **4.2 / 5 stars**
FACEBOOK
★ **4.4 / 5 stars**
17,280 fans
cityarkadenklagenfurt
INSTAGRAM
cityarkadenklagenfurt

Investments: 50%
Leasable space: 36,900 m²
of which retail space: 30,000 m²
Parking: 880
No. of shops: 120
Occupancy rate: 98%
Catchment area: 0.4 million residents
Purchased by DES: August 2004
Grand opening: 2006
Anchor tenants: C & A, Peek & Cloppenburg, Saturn, Zara, H & M, Billa, Müller Drogeriemarkt

Address: Heuplatz 5
9020 Klagenfurt, Österreich



CITY-ARKADEN-KLAGENFURT.AT

12.5

MILLION VISITORS 2018

Pécs, Hungary

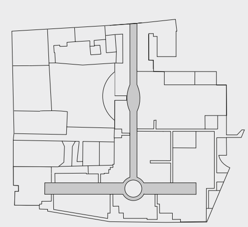
ÁRKÁD PÉCS

DGNB

GOOGLE
★ **4.3 / 5 stars**
FACEBOOK
★ **4.3 / 5 stars**
41,744 fans
arkadpecs

Investments: 50%
Leasable space: 35,400 m²
of which retail space: 33,500 m²
Parking: 850
No. of shops: 130
Occupancy rate: 97%
Catchment area: 0.7 million residents
Purchased by DES: November 2002
Grand opening: 2004
Anchor tenants: C & A, H & M, Media Markt, Interspar

Address: Bajcsy Zs. U. 11 / 1
7622 Pecs, Ungarn



ARKADPECS.HU

DEUTSCHE EUROSHOP / Annual Report / 2018

WOULD YOU LIKE MORE INFORMATION?

Please visit our website or call us:
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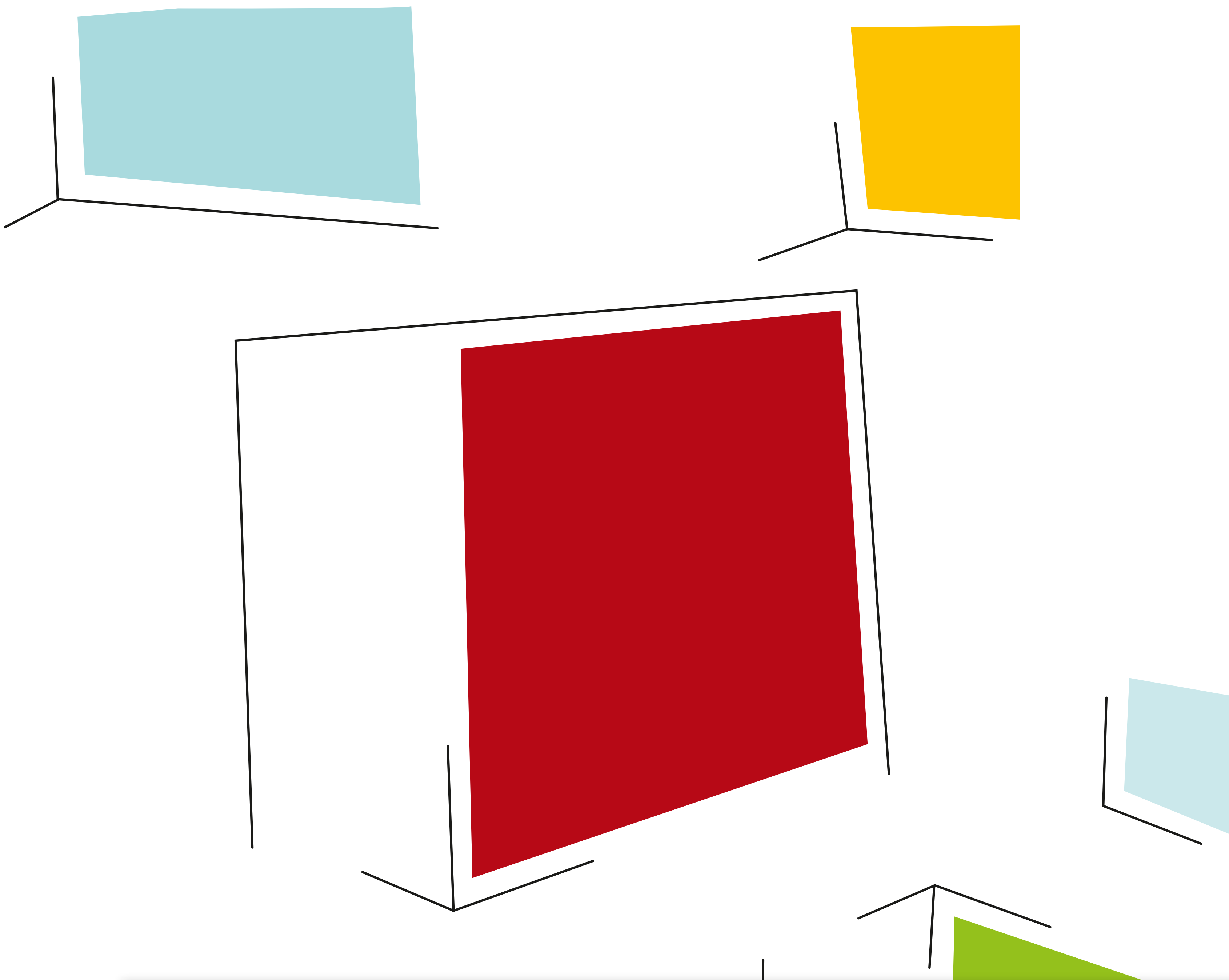
Tel.: +49 (0)40 - 41 35 79 20 / -22
Fax: +49 (0)40 - 41 35 79 29
E-mail: ir@deutsche-euroshop.de
Internet: www.deutsche-euroshop.de/ir



A10 CENTER,
WILDAU/BERLIN

OUR PORTFOLIO

The success of our company lies in our portfolio. We have 21 centers, each of which is unique. Of these, 17 are located in Germany, with one each in Austria, Poland, the Czech Republic and Hungary. Together, they contain 2,703 shops on an area covering 1,086,600 m^2.

We wish to highlight our occupancy rate of 99% on average. This figure provides a simple and concise insight into the quality of our portfolio. We are particularly proud of having been able to maintain this figure at this outstandingly high level ever since our company came into being. Our investments are squarely focused on Germany, where 82% of our centers are located.

LOCATION IS A KEY FACTOR IN OUR SUCCESS

The concepts of property and location have always been inextricably entwined. And when you add retail into the equation, location is more than an attribute; it is quite simply the basis for success. Our tenants naturally want to be where their customers expect them to be. Our tenants and shoppers can be sure that each of our 21 shopping centers is a prime location for them.

Most of our properties are situated in city centers: places where people have been coming together for hundreds of years to meet and sell their wares. In many cases, our centers are immediately adjacent to local pedestrian zones.

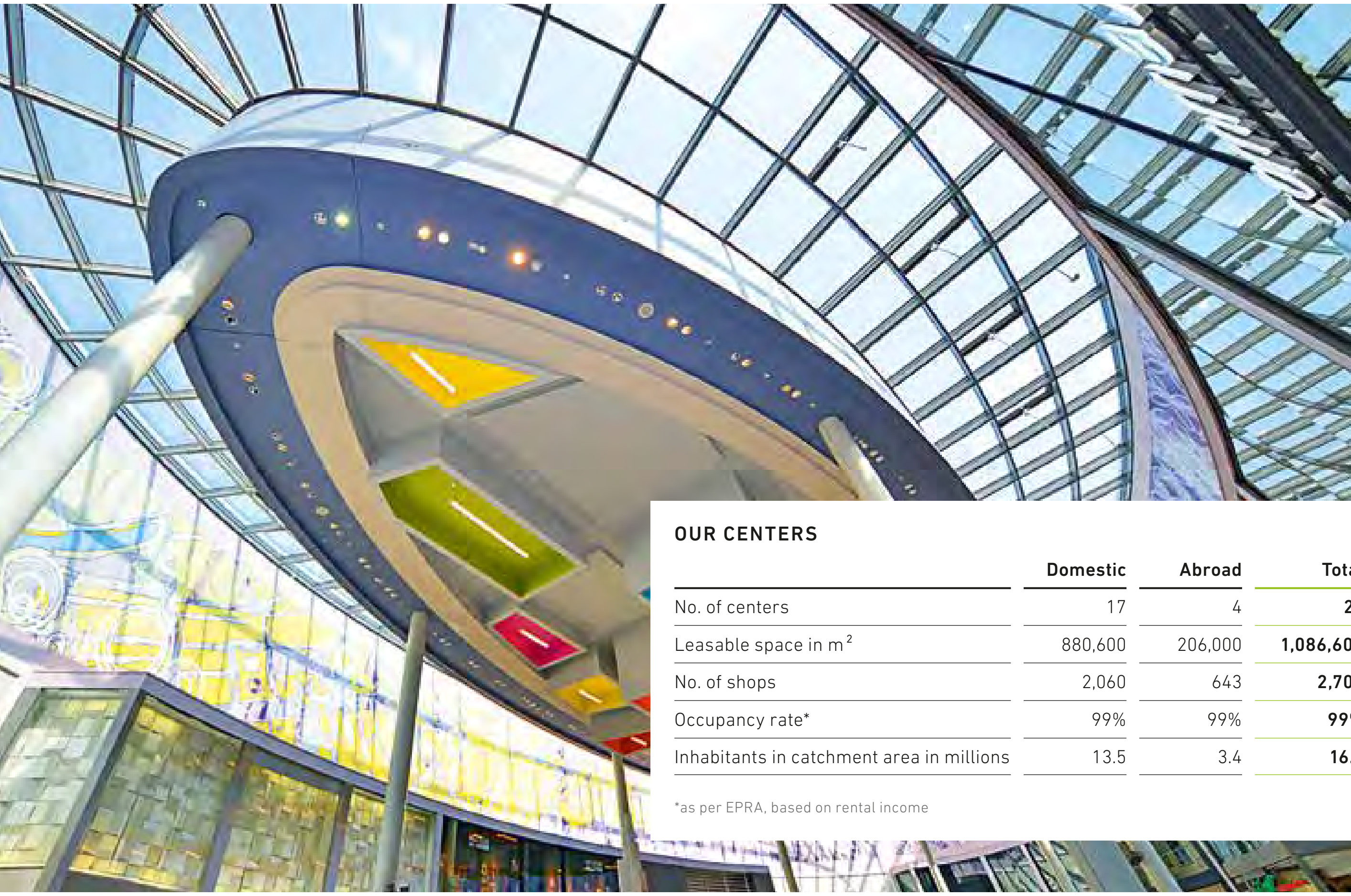
Our portfolio also includes shopping centers in established out-of-town locations. These centers, with their excellent transport links, have offered visitors and customers a welcome change for many years, in some cases they even replace city shopping expeditions altogether and frequently have a strong pull beyond the immediate region.

OPTIMUM ACCESSIBILITY

Whether in the city center or outside the city gates, we give particular attention to transport links for our properties. In cities, we like to be close to public transport hubs. In Hameln and Passau, for example, our centers are right next to the main bus stations, while our properties in Norderstedt and Hamburg-Billstedt are directly above or adjacent to metro stations.

All our centers also have their own parking facilities that offer visitors and customers convenient and affordable parking, even in city centers, thereby ensuring optimum accessibility by car. Many of our properties outside inner cities offer free parking. These particular locations are alongside motorways, making them very easy to reach; examples include the A10 Center in Wildau on the A10 (Berlin ring road) and the Main-Taunus-Zentrum in Sulzbach on the A66.

Parking spaces reserved for women and people with disabilities are offered as part of our service at all our shopping centers. Charging stations for electric vehicles and joint ventures with car-sharing services are just a few examples that show that here too, we are always thinking of tomorrow. In addition, we are gradually fitting more and more of our parking facilities at the centers with LED parking space indicators, which enable visitors to find a convenient vacant space



OUR CENTERS

	Domestic	Abroad	Total
No. of centers	17	4	**21**
Leasable space in m²	880,600	206,000	**1,086,600**
No. of shops	2,060	643	**2,703**
Occupancy rate*	99%	99%	**99%**
Inhabitants in catchment area in millions	13.5	3.4	**16.9**

*as per EPRA, based on rental income

far more quickly. QR code-based guidance systems also lead our visitors quickly back to their parking space after a lengthy wander around the shops.

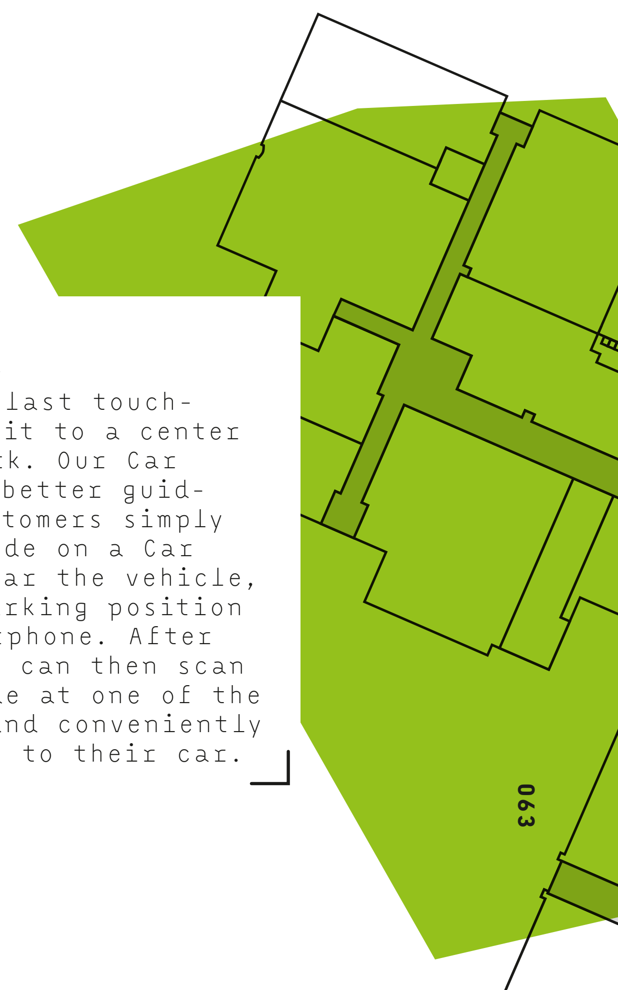
SUCCESSFUL MIX

Each of our 21 shopping centers has a unique tenant structure resulting from a long, intensive and ongoing process. Especially given the current increase in the amount of shopping being done online, this process focuses on meeting the needs of customers and supplementing the range of shops in each city center. Our goal is always to work with retailers in the neighbourhood to make the entire location more attractive so that everyone can benefit from the increased appeal of the city center as a whole.

Our centers often play an active role in the marketing and management of each city, both financially and in terms of personnel and creative input. We attach great value to fair collaboration and partnerships.

ARCHITECTURE WITH SOMETHING SPECIAL

When designing our locations, special attention is always given to the architecture, Specific plot requirements are seen as no less important than the functional needs of our →



CAR FINDER

The first and last touchpoint on a visit to a center is the car park. Our Car Finder offers better guidance here: Customers simply scan the QR code on a Car Finder sign near the vehicle, storing the parking position in their smartphone. After shopping, they can then scan another QR code at one of the pay machines and conveniently be guided back to their car.

tenants. We also always have a responsibility towards the city and its residents, and it is important to us that we fulfil this. This includes the best-possible integration into the urban landscape, combined with an exterior that meets modern architectural standards. In seeking to achieve this, we work very closely with the local authorities.

The results are clear: the outcome is often an architectural gem, where even unique historical buildings can be lovingly integrated into the center when possible, as is the case, for example, with the listed former Intecta department store, which is now structurally part of the Altmarkt-Galerie Dresden.

What is inside counts too: the interiors of our shopping centers also need to be impressive, as the most important thing is that visitors and customers enjoy shopping there and experience the space in a special way. To achieve this, we opt for simple and timeless architecture, making use of premium materials that often have their origins in the region. Quiet rest areas, lovingly placed plants and fountains invite people to take a moment out to relax, innovative lighting concepts create the right atmosphere to suit the time of day, and state-of-the-art climate control technology provides a pleasant "shopping climate" all year round.

Everything is designed to make each visitor enjoy being in the center and want to keep coming back. Ongoing modernisation and optimisation ensure that our centers retain their value and remain competitive. We and our center management partner ECE have launched "At Your Service", a large-scale initiative to examine all the aspects of our centers' service, to highlight the existing services even more clearly and to optimise and supplement them where this is sensible and necessary. This includes major improvements to the signage inside the center, lighting and new colour schemes in the malls. Seating and lounge areas with smartphone charging facilities provide a relaxing break from shopping. Children's play areas are provided for our smallest visitors.

Visitors should feel happy and comfortable with us – whatever their age. It goes without saying that our centers are designed for multi-generational use. Wide malls, escalators and lifts make it possible to easily explore every corner of the center, even with pushchairs or wheelchairs.

EVEN ON THEIR WAY TO THE SHOPS, OUR CUSTOMERS CAN DO SOMETHING FOR THE ENVIRONMENT: ALL OUR CENTERS ARE LOCATED NEAR BUS AND RAILWAY STATIONS

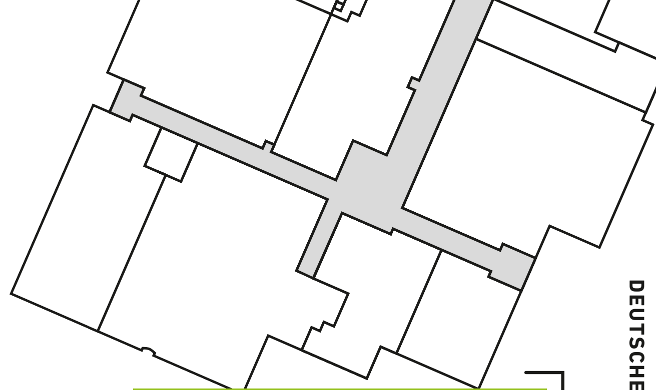
SUSTAINABILITY GOES WITHOUT SAYING

All our German centers have been operating on certified green electricity since 2011. Our foreign properties are in the process of being switched to energy from renewable sources. We also want to continuously reduce the overall energy consumption of our properties and in so doing cut CO_2 emissions. To achieve this aim, we use ultramodern technologies, such as heat exchangers and LED lighting systems. We also constantly seek dialogue with our rental partners with the aim of working together to reduce energy consumption in the individual shops. The refuse in our centers is separated not just into paper / cardboard, lightweight packaging and glass, but also into leftover food and residual waste.

Back in 2017, at Expo Real (a major trade fair for the real estate business) in Munich, the Deutsche Gesellschaft für Nachhaltiges Bauen (German Sustainable Building Council, DGNB) awarded prestigious sustainability certificates to 20 shopping centers in our portfolio. In the meantime, all of our properties have been awarded certificates in gold or platinum.

SHOPPING WITHOUT BORDERS – FOR ALL!

Step-free access, wide doorways and plenty of space in which to manoeuvre enable people with disabilities to enjoy maximum mobility in our centers as well.



A SECURE FUTURE THROUGH COMPLETE FLEXIBILITY

Retail is driven by constant change. One particular challenge we face as the lessor is to be able to meet the frequently changing requirements and needs of our tenants.

Some tenants significantly expand their retail spaces so they can convert the shop from purely a retail area into a true experience arena. The idea is to give customers more opportunities to take the time to try out and experience the product on site. Ever more intensive consultation is also part of this. All these factors play an increasingly important role, particularly at a time when more and more people are shopping online.

We provide customised solutions to meet the demand for ever more varied spaces. We can almost always offer all tenants the exact floor plan they need to make their concepts a reality in our centers and are also able to respond if a tenant wants to make changes to an existing retail space later on. Moving the internal walls makes it possible to adapt virtually any retail space – to make it bigger or smaller – without major effort or expense. If a tenant wants to make a space smaller, this can, for example, create an opportunity to bring a new concept to the center at this site.

It is precisely this factor that distinguishes our shopping centers from the traditional shopping street which, even today, generally offers only rigid floor plans that have to be accepted the way they are. In some cases, certain retailers wait to enter the market in a city until they are offered the right space in a shopping center because their search in the traditional pedestrian zone has proven unsuccessful. The whole of the retail sector in the city center ultimately benefits from the resulting increase in diversity..

MORE THAN 175 MILLION VISITORS

Almost 17 million people live in the catchment areas of our shopping centers, just under 14 million of them in Germany. This equates to more than 16% of the German population. A location's catchment area is a major factor for us when it comes to selecting an investment: this is ascertained at regular intervals according to standardised rules for all shopping centers and represents the total number of potential customers for the location in question. In 2018 we were able to welcome a total of over 175 million visitors to our 21 properties. →

SMART CONTROL SYSTEMS

As night falls, the roofs of our centers start to move. Smart control systems open flaps that allow hot air to escape and cold air to flow in. This removes the need for mechanical cooling and saves a lot of electricity.

SHOP FOR SUSTAINABLE PRODUCTS IN A SUSTAINABLE ENVIRONMENT

VARIETY IN THE A10 CENTER, WILDAU-BERLIN

OUR TOP 10 TENANTS

H&M, one of the world's major textile retailers is our top tenant, accounting for 3.5% of our rental income. Ceconomy, at 2.7% with its two retail brands Media Markt and Saturn, comes second.

Our rental contract portfolio is highly diversified: our top 10 retail tenants account for no more than around 22% of our rental income, so there is no major dependency on individual tenants.

LONG-TERM RENTAL CONTRACTS

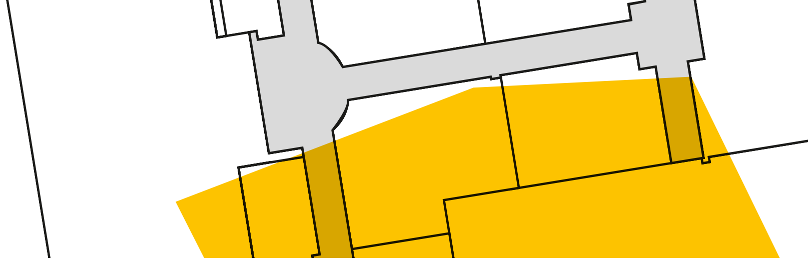
Most of the rental contracts that we sign with our tenants are long-term. As at 31 December 2018 the weighted residual term of the rental agreements in our portfolio was 5.1 years, with 48% of our rental agreements being secured until at least 2024.

OUR TOP 10 TENANTS

share of rental income
As at 31 December 2018

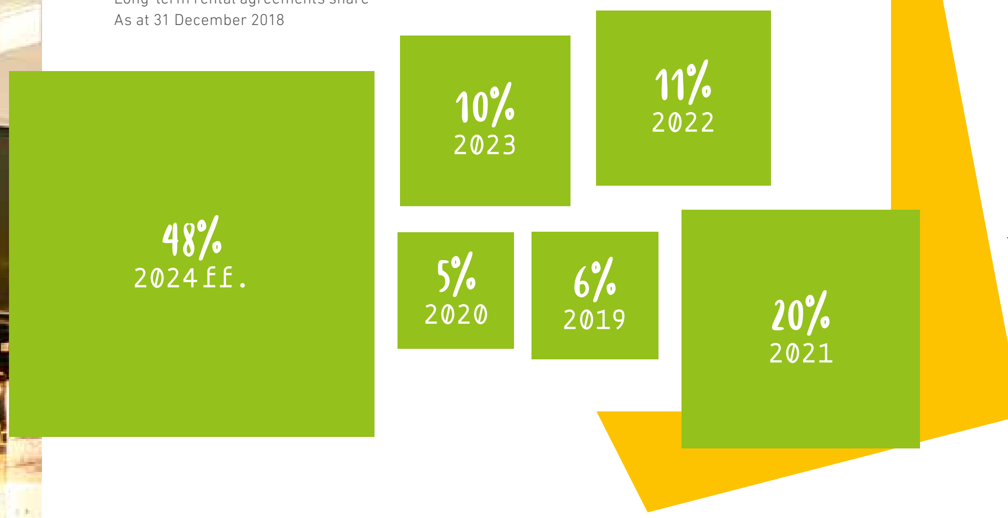
3.5%	2.7%	2.5%	2.4%	2.3%
H&M	CECONOMY	DEICHMANN	NEW YORKER	PEEK & CLOPPENBURG
2.0%	1.8%	1.8%	1.8%	1.4%
C&A	REWE	DOUGLAS	METRO	DM

TOTAL OF THE TOP 10 TENANTS: 22.2%
OTHER TENANTS: 77.8%



RESIDUAL TERM OF RENTAL AGREEMENTS IN PLACE

Long-term rental agreements share
As at 31 December 2018



Deutsche EuroShop benefits from its more than 50 years of experience both within Germany and abroad. Thanks to our streamlined structure, we are therefore able to focus on our core business and competence, portfolio management.

RENT OPTIMISATION RATHER THAN MAXIMISATION

One of the core tasks of center management is putting together the right combination of shops to suit the property and the local area. This mix of tenants and sectors is tailored exactly to each location and is constantly refined. It is the result of a careful analysis of each local retail market.

Center management is also about identifying the wishes and needs of customers. We are also happy to create space in our centers for retailers from sectors that, due to current rental costs in prime locations, are rarely to be found in city centers any more, such as toy and porcelain shops.

We set ourselves apart from the majority of building owners in the pedestrian zone in a key respect here: as long-term investors, it is our goal to achieve permanent optimisation rather than short-term maximisation of rents. We want to offer our customers and visitors an attractive mix. Rather than focus on each shop space in isolation, we look at the property as a whole. The rent in each case is calculated primarily on the basis of the sales potential of the sector to which the tenant belongs as well as of its location within the shopping center. This also enables us to give new businesses and niche concepts an opportunity.

All sides benefit from this system: as the landlord, we are able to build a relationship of trust with our tenants for the long term; our tenants benefit from high visitor numbers achieved due to the varied mix of offerings; and our customers appreciate the very wide choice of shops. These range from various fashion concepts to accessories, drugstores and supermarkets, right through to professional services such as dry cleaners as well as bank and post office branches. →

OUR PARTNER FOR CENTER MANAGEMENT

Management of our 21 shopping centers has been outsourced to our partner ECE Projektmanagement.

ECE has been designing, planning, building, letting and managing shopping centers since 1965. With around 195 centers in eleven countries currently under its management and more than 3,400 employees, the company is Europe's market leader in the area of inner-city shopping centers.

CULINARY DELIGHTS

Surveys show that the food and drink offering is an increasingly important consideration for customers when choosing whether to visit a center. And it's not just for this reason that we want to offer our visitors something special on the gastronomic front: cafés, fast-food restaurants, ice-cream parlours, etc. offer a chance for refreshment and revitalisation while shopping. The Phoenix-Center in Hamburg-Harburg, the City-Point in Kassel and the Galeria Bałtycka in Gdansk have their own food courts, with space for lots of diners to enjoy a wide variety of cuisines in a single seating area, so that friends or families can choose to eat from different outlets while still sitting together.

NEW RENTAL CONTRACTS

In 2018, we signed 287 new rental contracts for our centers, 211 of them in Germany and 76 abroad. The newly let space amounted to approx. 74,000 m². These included new stores for the formerly online-only optician Mister Spex, the French cosmetics chain Sephora (both in the Main-Taunus-Zentrum, Sulzbach), the lifestyle fashion label Blue Tomato (Altmarkt-Galerie Dresden) and the burger grill Hans im Glück (Stadtgalerie Passau).

FOCUS ON FASHION

The fashion industry dominates our retail mix at around 50%. The strength in fashion of our centers is confirmed time and again in customer surveys. It is one reason why customers are willing to travel sometimes long distances from the surrounding area to enjoy the wide selection and quality of the service.

The individual tenant mix provides each of our centers with a character all of its own. In our shopping centers, we always make sure that there is a healthy blend of regional and local retailers as well as national and international chain stores. The colourful structure of our centers offers visitors something different each time and the opportunity to satisfy a vast range of consumer needs.

RETAIL MIX

(of rental space)
As at 31 December 2018

ALLEE-CENTER
MAGDEBURG

DIGITAL SUSTAINABILITY

The impact of the internet on the pace of change in the retail sector continues unabated. We want to bring together the best of both worlds in our centers, offline and online, and showcase the strengths of our tenants: atmosphere, services, fitting rooms, immediate availability of merchandise. It is not for nothing that more and more online-only retailers are learning that pure branding mostly takes place offline and that direct and personal contact with customers is often the optimum prerequisite even for subsequent online purchases. This is addressed in detail by the article entitled “The factor behind success: the shop” on page 94.

Multichannel marketing also has a part to play here, enabling our tenants to combine various means of communication and distribution. For example, products that are out of stock in a store in the required size or colour can be delivered directly to customers at home. Alternatively, customers can order their goods online from home and collect them from our tenant’s store in the center.

We are responding to the challenges of online retail by integrating various digital services into our centers. These include apps and social media offerings for each individual center.

Since the end of 2018, the Main-Taunus-Zentrum and the Altmarkt-Galerie Dresden have been connected up to the Digital Mall developed by our partner ECE. This enables our customers to search for products available anywhere in the center at any time, plus their sizes and prices, then simply reserve and collect them.
The concept of the Digital Mall is based on the idea that customers can find out what is available at their local center from home and not automatically be directed to the main e-commerce providers when searching for products on the internet. An online product search now offers over 400,000 available articles from over 60 stores, and negotiations with many other tenants are already ongoing. There are also plans in place to offer the Digital Mall to other centers in our portfolio as well at a later date. And there is the prospect that products could be delivered from the centers to customers in the surrounding area.

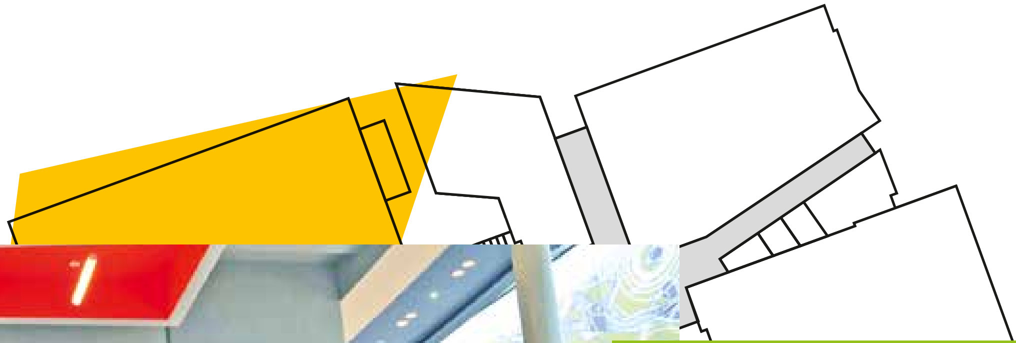
SUCCESSFUL TENANT PARTNERS

Our tenants are among the key drivers of our success. They include Aldi, Apple, Bijou Brigitte, Birkenstock, Breuninger, C&A, Christ, Deutsche Post, Deutsche Telekom, dm-drogerie markt, Douglas, Fielmann, H&M, Jack & Jones, Kiehl’s, Media Markt, Mister Spex, Nespresso, New Yorker, Nordsee, Peek & Cloppenburg, Reserved, REWE, Rituals, Saturn, Sephora, Søstrene Grene, Stadium, s.Oliver, Subway, Superdry, Tesla, Thalia, TK Maxx, Tommy Hilfiger, Vero Moda, Villeroy & Boch, Vodafone and Zara.

A10 CENTER, WILDAU/BERLIN

OMNICHANNEL EXPERIENCE

Find online, buy offline: The Digital Mall offers our customers a seamless omnichannel experience. On the websites of the Main-Taunus-Zentrum and the Altmarkt-Galerie Dresden, customers can experience the variety of products offered by several shops, find out online about the offering available, reserve articles and then buy them from the relevant retailer in the actual shopping center. The range currently includes more than 400,000 products. By rolling out this pilot project, our partner ECE has become the first operator of shopping centers in Germany to fulfil many customers’ wish for an integrated, cross-channel shopping experience. The involvement of other centers in our portfolio is planned.



3D WAYFINDER

It is important to offer customers a variety of navigational offers, especially in large shopping centers. Our modern, digital 3D Wayfinder systems help them to find exactly what they are looking for: whether that's a shop, product, ATM or toilet. The route is displayed in an authentic, three-dimensional manner from the customer's perspective. It can also be downloaded from the Wayfinder system onto personal smartphones using a QR code.

UNIFORM BUSINESS HOURS

At our centers, visitors can always rely on standard opening hours, unlike in the traditional city center where each individual retailer decides for itself how long to be open. Whether it is a hair salon, an optician or a travel agency, every tenant is open to visitors for the center's full opening hours. This too is a strategic advantage, and one that is appreciated in particular by customers who have to come a long way.

TOGETHERNESS IS OUR STRENGTH

In the center itself, the focus is always on service. There are Service Points manned by friendly staff who can answer any questions about the center. Gift vouchers and other items can also be bought at them. Many of them hire out children's buggies. Digital touchpoints that enable communication with service staff by live video chat are the perfect complement to traditional customer information.

We also lead the way with our new 3D Wayfinders, which show users how to get to the shop they want with authentic 3D visualisation or which can be downloaded onto personal smartphones. Customers can feel safe at all times thanks to the deployment of discreet security personnel. Baby changing rooms, customer toilets and cash machines complete the services. It goes without saying that the centers are always clean.

Every one of our tenants is automatically also a member of the marketing association of the center in question. This means that each tenant pays a share of the center's marketing costs and can play an active role in the marketing strategy committee. The marketing association plans events together with the center management, thus transforming the shopping center into a lively marketplace: fashion shows, art exhibitions, country-themed weeks and information events dealing with a whole range of topics offer visitors new and fresh experiences time and again.

Local associations and municipal authorities are also involved in the plans and are given the opportunity to represent themselves in the center. The lavish center decorations for the Easter and Christmas periods are among the projects handled by the marketing associations.

Another important area of the work is coordinating coherent social media and advertising activities for the center as a whole as well as editing a center newspaper, which is distributed as an insert in regional daily newspapers in the catchment area and provides readers with regular and professional updates on all events and news relating to the center. Radio ads, adverts on and inside local public transport, and illuminated advertising posters also ensure that the advertising measures reach a large audience.

ACTIVITIES IN THE CENTERS

CITY-ARKADEN KLAGENFURT

NORDERSTEDT

SPRING HAS SPRUNG!

Between 22 February and 10 March 2018, spring took hold of the Herold-Center in Norderstedt with a magnificently colourful display of plants. Customers and visitors were given a taster of the garden season with this big spring campaign. Flowerbeds and varied garden landscapes completely transformed all the promotional areas in the center. As well as hundreds of flowers and bushes in bloom, there were light installations to provide inspiring design ideas for the gardens and terraces at home. As well as a series of talks by celebrity gardener John Langley, who of course had lots of handy gardening tips, there were models in colourful floral outfits.

www.herold-center.de

HEROLD-CENTER NORDERSTEDT

SHOP WITHOUT LIMIT!

Also on trend this year: destroyed jeans

WETZLAR

WATCH OUT, SCHLAGERS ARE ABOUT!


FORUM WETZLAR

Old-fashioned pop music, known as Schlagers, is making an amazing comeback. Helene Fischer and Andrea Berg have reached high chart positions again and again, and even Heino now has a cult following among young people. Music unites generations. From 17 May to 2 June 2018, the Forum Wetzlar was also struck by Schlager fever, taking its visitors on an interactive journey through 100 years of big tunes. Blond singer Annemarie Ellfeld sang to a packed audience in front of the "Schlagerwelten" stage. Nino de Angelo also knew how to get the crowds into an unforgettable mood. Following their performances, both artists took time out to sign autographs and give fans the opportunities to get close up to their music idols.

www.forum-wetzlar.de

KLAGENFURT

LONG LIVE THE MIRACLE OF CORDOBA!

At the end of June 2018, it was all about international competitions in Klagenfurt: To mark the 40th anniversary of Austria's legendary 3:2 win over Germany at the football World Cup in Argentina, better known as the 'Miracle of Cordoba' in Austria and the 'Disgrace of Cordoba' in Germany, the classic Derby match came to life again. Following in the footsteps of Hans Krankl, Karl-Heinz Rummenigge and others, teams of Austrian and German center visitors competed across a series of exciting football stations, including a goal wall, giant table football, a dribbling course, Subbuteo, a football quiz and much more. Guaranteed fun for all the family! As well as the honour of defeating their favourite neighbours, there were plenty of attractive prizes to be won.

www.city-arkaden-klagenfurt.at


ALLEE-CENTER MAGDEBURG

MAGDEBURG

20 YEARS AND LOTS OF CAKE

The Allee-Center in Magdeburg celebrated with a massive party in September 2018: At the event to mark its 20th anniversary, Thomas Wünsch, the State Secretary for the Economy in Saxony-Anhalt, described the center as "the most beautiful living room in the city" in praise of the newly completed renovation work. The center has reinvented itself: There is now a children's play area in the basement, cosy lounge areas to relax in and trees growing up towards the sky. There was also a bake-off in which seven bakers and confectioners from Magdeburg and the surrounding area competed to bake a winning birthday cake. They were judged by a jury on appearance, flavour and difficulty. The best three cakes won prize money and were then shared out among the visitors.

www.allee-center-magdeburg.de

ENVIRONMENT

Climate protection is a top priority for Deutsche EuroShop.

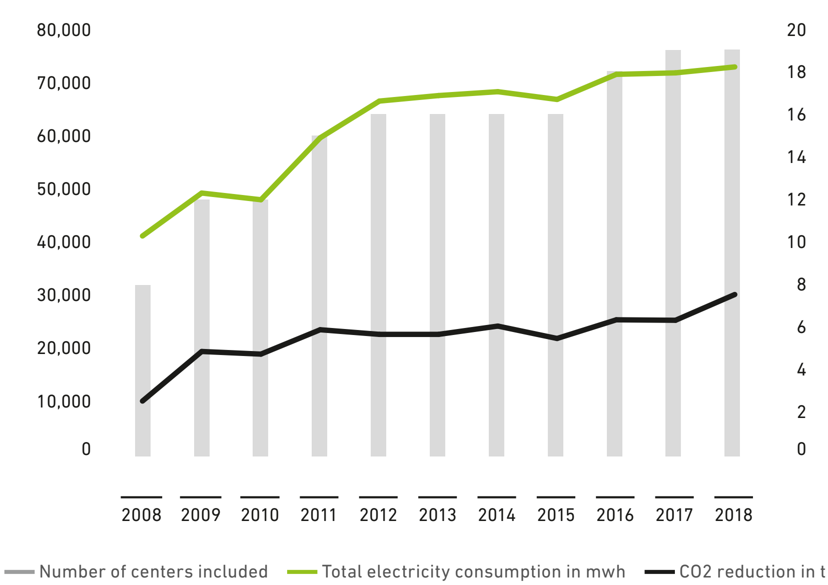
We firmly believe that sustainability and profitability are not mutually exclusive. Neither are shopping experience and environmental awareness. Long-term thinking is part of our strategy, and that includes a commitment to environmental protection.

In 2018, 19 of our 21 shopping centers had contracts with suppliers that use renewable energy sources, such as hydroelectric power, for their electricity needs. The TÜV Süd certified the green electricity for our centers in Germany with the renowned “Eco Power Product” label in 2018. We also plan to switch the remaining two centers over to green electricity wherever possible within the next few years.

The 19 centers used a total of around 72.8 million kWh of green electricity in 2018. This represented 100% of the electricity requirements in these shopping centers, Based on conservative calculations, this meant a reduction of around 30,011 tonnes in carbon dioxide emissions, which equates to the annual CO_2 emissions of more than 1,350 two-person households. The use of heat exchangers and energy-saving light bulbs allows us to further reduce energy consumption in our shopping centers.

Deutsche EuroShop also supports a diverse range of local and regional activities that take place in our shopping centers in the areas of the environment, society and the economy.

REDUCTION OF CO_2 EMISSIONS AND ELECTRICITY CONSUMPTION



RENTAL CONTRACTS

Since 2015, 28% of rental contracts in DES shopping centers have been renegotiated, 60% of which in accordance with the green lease standard. Green lease contracts are aimed at raising tenants' awareness to the importance of sustainably fitting out and operating their rental space. In the contracts, both parties take on specific obligations with regards to the tenancy. The contracts, which are based on the industry standard of the General Property Federation (Zentraler Immobilien Ausschuss, ZIA), include specifications on the use of materials in the fit-out and conversion of rental space as well as regulations on sustainable management.

BEEKEEPERS

A joint bee project with a local grammar school was launched in City-Arkaden Wuppertal in 2018 that involves setting up two-to three storey beehives on the roof of the center. The lower box or "super" houses the brood and has an entrance through which the bees enter the hive. This is where they live and tend to their offspring. In spring, another box, the honey super, is placed over the brood super, and, depending on the quantity of honey produced, another honey super can be added as a third storey. Honey is harvested in May and July, which involves the beekeeper's removal of wax cappings from the honey frames and then the removal of the honey using an extractor.

ENERGY-SAVING MEASURES

Stadtgalerie Passau serves as an example of how shopping centers can be operated according to an all-round sustainable concept: Water is saved by operating fountains during shop opening hours only. Washbasins in toilets are equipped with water-saving mechanisms, and urinals operate without water. Energy-saving measures take the form of optimised operating times of the various areas of the mall, exterior and parking areas. Lighting has been subject to increased control: timers are used to adapt various lighting scenarios with daylight-dependent and needs-based control to the center's opening hours. This not only creates a pleasant atmosphere for shopping, but also saves energy. The lighting concepts have been converted to LED and are supported by presence detectors in the escape routes and ancillary areas. Lifts and escalators are also operated in energy-saving mode using an advanced building control system: A sleep function switches lift lighting off when they are not in use for a long period and stops escalators when not in use. Lifts are equipped with motors that feed energy back into the grid. In order to minimise the need for cooling and ventilation caused by heat radiation, the glass mall roofs have been equipped with a special foil coating and the shading system optimised with a light- and sun-position-dependent control system.

ELECTROMOBILITY

Charging infrastructure for electromobility has already been set up in five DES centers – 24 charging stations are already available in the A10 Center, Billstedt-Center Hamburg, Forum Wetzlar, Main-Taunus-Zentrum and Rathaus-Center Dessau. A further 42 charging points are currently being planned for installation in nine other centers, with the ultimate goal of providing all of them with charging infrastructure in 2019.

DISINFECTION WITH LIGHT

Since the end of November 2018, innovative disinfectant modules from Cologne-based start-up UVIS have contributed to a successful, worry-free shopping experience at the Phoenix-Center in Harburg: the installation is the first germ-free escalator in a shopping center in Germany, eliminating a potential contamination risk, especially in the winter flu season.

The modules use UVC light in order to destroy the bacteria, viruses and fungi on the handrail and render them harmless. Visitors to the Phoenix-Center can safely hold the escalator handrails, safe in the knowledge they are not harbouring pathogens. This is proven to lead to increased safety on the escalators and reduces the risk of accidents. The large sticker on the bannisters indicates that the handrails are germ-free.

A representative survey after the installation of the UVC disinfectant module at the Phoenix-Center shows that the germ-free handrails were very popular among visitors. Around 91% of those surveyed felt their visit to the center was more pleasant because of the disinfected handrails. There was also a markedly positive effect on the feeling of safety and cleanliness, the center's image and atmosphere.

GERMANY'S FIRST GERM-FREE ESCALATORS IN A SHOPPING CENTER

ENVIRONMENTAL PERFORMANCE

INTRODUCTION

We report on our energy, GHG emissions, water and waste impacts, and social and governance measures in accordance with the 3rd edition of the EPRA Sustainability Best Practice Recommendations (sBPR). Our reporting response has been split into 2 sections:

- 1. Overarching recommendations
- 2. Sustainability performance measures

OVERARCHING RECOMMEND-ATIONS

ORGANISATIONAL BOUNDARIES

We use the operational control approach for our data boundary, which includes 14 assets. There were no changes to our portfolio between 2017 and 2018, meaning the scope of assets included in our Absolute and Like-for-Like performance measures is the same.

COVERAGE

We report on all properties within the organisational boundary defined above, and for which we are responsible for utilities consumption (see Boundaries – reporting on landlord and tenant consumption).

ESTIMATION OF LANDLORD-OBTAINED UTILITY CONSUMPTION

None of our data is estimated.+

BOUNDARIES – REPORTING ON LANDLORD AND TENANT CONSUMPTION

The electricity consumption reported includes electricity which we purchase as landlords and refers to common areas only. Consumption data for fuels, district heating and cooling and water include tenant data as it is not possible to separate common area and tenant area consumption. Waste data also includes tenant waste.

ANALYSIS – NORMALISATION

Intensity indicators are calculated using floor area (m^2) for whole buildings. We are aware of the mismatch between nominator and denominator, as our consumption for electricity relates to common areas only, whereas fuels, district heating and cooling and water data covers the entire building as we cannot separate common area from tenant area consumption. For our own offices we report intensity performance measures using the floor area we occupy within the building.

ANALYSIS – SEGMENTAL ANALYSIS (BY PROPERTY TYPE, GEOGRAPHY)

We have not carried out segmental analysis as we do not find this very informative for our portfolio, given that our assets are all shopping centers, located mainly in Germany, similar in age, and the majority have similar EPC ratings.

THIRD PARTY ASSURANCE

We do not have third party assurance.

DISCLOSURE ON OWN OFFICES

Our own occupied offices are reported separately to our portfolio. Please see Table Office Performance on page 80.

NARRATIVE ON PERFORMANCE

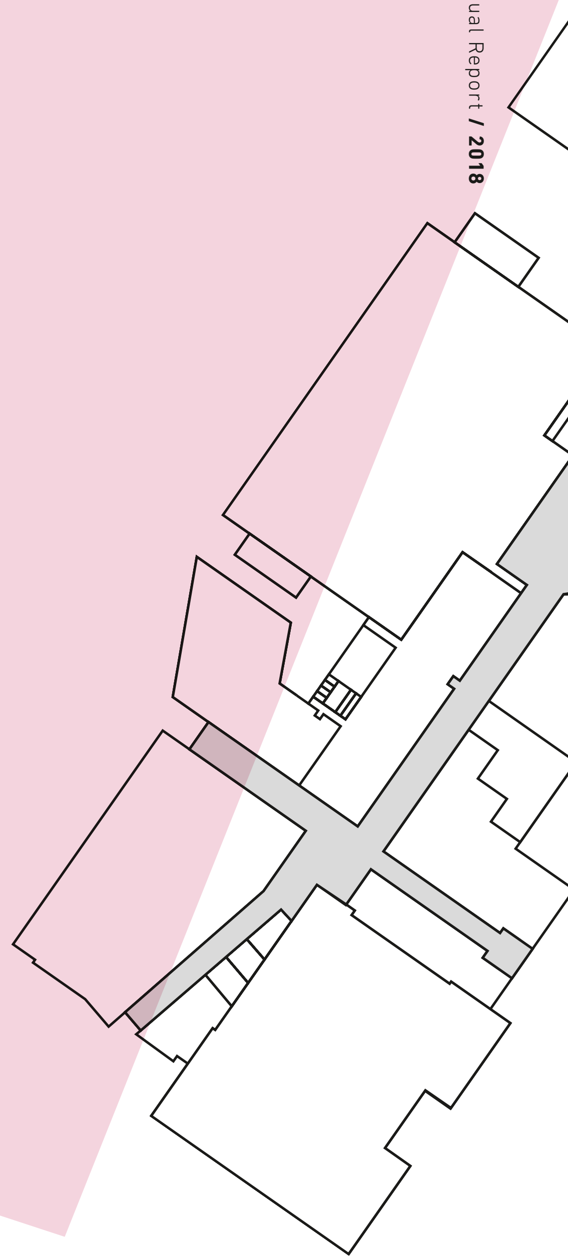
PORTFOLIO PERFORMANCE

In 2018 we reduced the environmental impact of our portfolio with respect to the consumption of district heating and cooling (-3%) and fuels (-3%). These reductions were partly offset by a small increase (1%) in electricity consumption meaning the building energy intensity of our portfolio was unchanged at 97 kWh / m^2.

We saw a matching 3% reduction in direct Scope 1 GHG emissions, and a 2% reduction in indirect Scope 2 emissions due to changes to grid emissions factors. The GHG emissions intensity of our portfolio likewise reduced by 2% to 0.014 tCO_2 / m^2 in 2018.

Water consumption reduced by 1% in absolute terms although the water intensity of our portfolio was unchanged at 0.003 m^3 / visitor. All water is from the municipal supply.

Waste produced across our portfolio rose by 7% to 5,679 tonnes in 2018. Of this, 45% was recycled, 4% was composted (a 25% increase compared with 2017) and 51% sent for incineration (a 2% reduction compared with 2017) meaning zero waste was sent to landfill. These changes can be attributed to the fact we have collected more accurate separation data over the past couple of years. →



In 2018, we continue to report that all our assets are certified to the DGNB standard at the following levels:

- DGNB Platinum: A10 Center (Wildau), Billstedt-Center Hamburg, City-Galerie Wolfsburg, Phoenix-Center Hamburg, Stadtgalerie Passau, Árkád Pécs and City Arkaden Klagenfurt. Together, these represent 31% of our portfolio by leasable floor area.
- DGNB Gold: City-Point Kassel, Altmarkt-Galerie Dresden, Stadtgalerie Hameln, Allee-Center Hamm, City-Arkaden Wuppertal, Herold-Center Norderstedt, Rathaus-Center Dessau, Rhein-Neckar-Zentrum Viernheim, Main-Taunus-Zentrum Sulzbach, Forum Wetzlar, Allee-Center Magdeburg, Saarpark-Center Neunkirchen and Galeria Bałtycka Gdansk. Together, these represent 69% of our portfolio by leasable floor area.

OWN OFFICE PERFORMANCE

During 2018, consumption within our own office has either reduced or remained unchanged since the last reporting year. Notable reductions include district cooling and heating consumption (-13%), building energy intensity (-11%) and water consumption (-7%). There was also a notable reduction in indirect Scope 2 GHG emissions (market based) in 2018 of 15%.

SOCIAL AND GOVERNANCE PERFORMANCE MEASURES

This is the first year we have reported on the EPRA sBPR Social and Governance Performance Measures for which we collect information.

Our reporting on gender diversity is in line with the German Corporate Governance Code and our approach and performance is detailed in the Corporate Governance chapter of this report (see page 112). Information on the composition of our highest governance body, our processes for nominating and selecting members of the highest governance body, and the avoidance of conflicts of interest is also provided in this section.

During 2018, 80% of our employees attended training which amounts to 25 hours (3 ½ days) per year. EmpDev is marked as not applicable: although every employee meets with the CFO and CEO annually providing the opportunity for open conversations to be had, these meetings do not constitute a formal review process.

No employees joined or left the company meaning our new hire and turnover rate was zero.

LOCATION OF EPRA SUSTAINABILITY PERFORMANCE MEASURES

EPRA sustainability performance measures for our portfolio and own offices can be found in Tables portfolio performance and office performance on page 79 and 80 of this report.

PORTFOLIO PERFORMANCE

Indicator	EPRA code	Unit of measure	2017	Coverage	2018	Coverage	Change
Total electricity consumption	Elec-Abs	kWh	57.656.459		58.515.958		1%
		% from renewable sources	85	100%	85	100%	0%
Like-for-like electricity consumption	Elec-LFL	kWh	57.656.459	100%	58.515.958	100%	1%
Total energy consumption from district heating and cooling	DH&C-Abs	kWh	23.946.403		23.322.030		-3%
		% from renewable sources	na	100%	na	100%	na
Like-for-like consumption from district heating and cooling	DH&C-LFL	kWh	23.946.403	100%	23.322.030	100%	-3%
Total energy consumption from fuel	Fuels-Abs	kWh	22.000.425		21.389.046		-3%
		% from renewable sources	0	100%	0	100%	0%
Like-for-like consumption from fuel	Fuels-LFL	kWh	22.000.425	100%	21.389.046	100%	-3%
Building energy intensity	Energy-Int	kWh/m^2	97	100%	97	100%	0%
Direct GHG emissions (total) Scope 1	GHG-Dir-Abs	tCO_2	4.443	100%	4.320	100%	-3%
Indirect GHG emissions (total) Scope 2	GHG-Indir-Abs	tCO_2 (market based)	n/a		n/a		n/a
		tCO_2 (location based)	11.084	100%	10.870	100%	-2%
Building GHG emissions intensity	GHG-Int	tCO_2/m^2	0,015	100%	0,014	100%	-2%
Total water consumption	Water-Abs	Total m^3	374.535	100%	372.131	100%	-1%
Like-for-like water consumption	Water-LFL	m^3	374.535	100%	372.131	100%	-1%
Building water consumption intensity	Water-Int	m^3/visitor	0,003	100%	0,003	100%	0%
Weight of waste by disposal route (total)	Waste-Abs	tonnes	5.567		5.976		7%
		% recycled	45		45		0%
		% composted	3		4		25%
		% sent to incineration	52	100%	51	100%	-2%
Weight of waste by disposal route (Like-for-like)	Waste-LFL	tonnes	5.567		5.976		7%
		% recycled	45		45		0%
		% composted	3		4		25%
		% sent to incineration	52	100%	51	100%	-2%
Type and number of assets certified	Cert-Tot	% of portfolio certified OR number of certified assets	100%	100%	100%	100%	0%
		% of portfolio by leasable space	69% awarded DGNB Gold				
			31% awarded DGNB Platinum				

na = not applicable

n/a = not available

GHG emissions: We calculate our emissions based on the GHG Protocol methodology using location-based emissions factors. Market-based emissions factors for indirect Scope 2 GHG emissions are not available at the time of publication. Renewable electricity comes from specific contracts certified by the TÜV Süd.

OFFICE PERFORMANCE

Indicator	EPRA	Unit of measure	2017	Coverage	2018	Coverage	Change
Total electricity consumption	Elec-Abs	kWh	8.988		9.028		0%
		% from renewable sources	100	100%	100	100%	0%
Like-for-like electricity consumption	Elec-LFL	kWh	8.988	100%	9.028	100%	0%
Total energy consumption from district heating and cooling	DH&C-Abs	kWh	54.565		48.337		-13%
		% from renewable sources	na	100%	na	100%	na
Like for like consumption from district heating and cooling	DH&C-LFL	kWh	54.565	100%	48.337	100%	-13%
Total energy consumption from fuel	Fuels-Abs	kWh	na	100%	na	100%	na
		% from renewable sources	na	100%	na	100%	na
Like-for-like consumption from fuel	Fuels-LFL	kWh	na	100%	na	100%	na
Building energy intensity	Energy-Int	kWh/m²	231	100%	209	100%	-11%
Direct GHG emissions (total) Scope 1	GHG-Dir-Abs	tCO_2	0	100%	0	100%	0%
Indirect GHG emissions (total) Scope 2	GHG-Indir-Abs	tCO_2 (location based)	n/a		n/a		n/a
		tCO_2 (market based)	11	100%	9	100%	-15%
Building GHG emissions intensity	GHG-Int	tCO_2/m^2	0,03	100%	0,03	100%	9%
Total water consumption	Water-Abs	m^3	592	100%	552	100%	-7%
Like-for-like water consumption	Water-LFL	m^3	592	100%	552	100%	-7%
Building water consumption intensity	Water-Int	m^3/employee	50	100%	49	100%	-1%
Weight of waste by disposal route (total)	Waste-Abs	tonnes	2		2		0%
		% recycled	12		12		0%
		% sent to incineration	88	100%	88	100%	0%
Weight of waste by disposal route (Like-for-like)	Waste-LFL	tonnes	2		2		0%
		% recycled	12		12		0%
		% sent to incineration	88	100%	88	100%	0%
Type and number of assets certified	Cert-Tot	% of portfolio certified OR number of certified assets	0	100%	0	100%	0%

na = not applicable

n/a = not available

GHG emissions: We calculate our emissions based on the GHG Protocol methodology using location-based emissions factors. Market-based emissions factors for indirect Scope 2 GHG emissions are not available at the time of publication. Renewable electricity comes from specific contracts certified by the TÜV Süd.

No fuels are used at our office building.

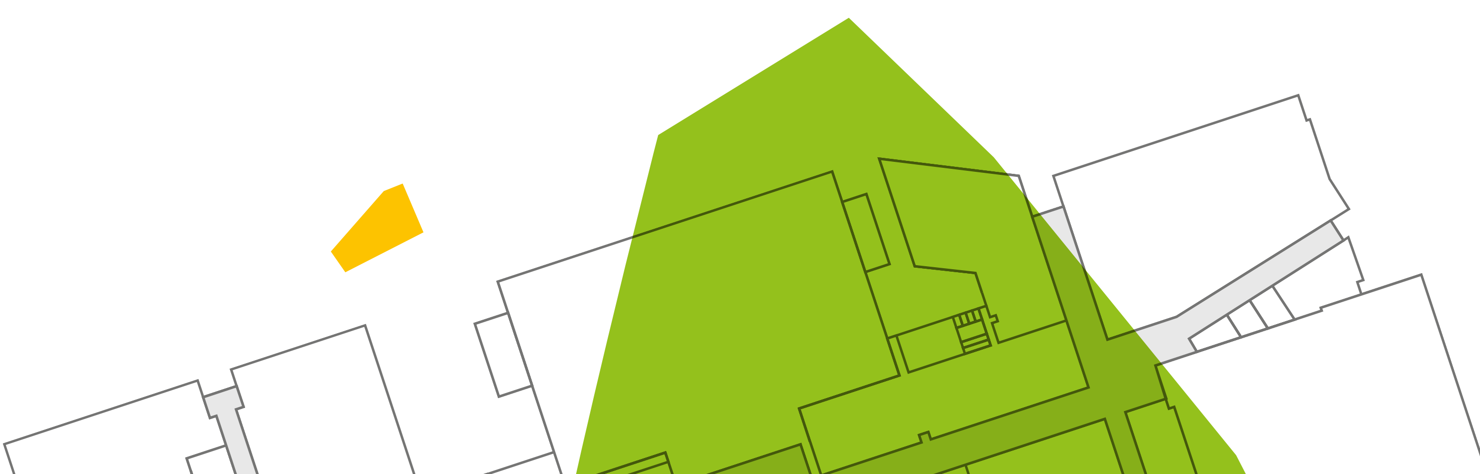
Water, district heating and cooling and waste are calculated using figures for the whole building, and the m^2 percentage the DES office occupies (DES has an office of 275m^2 in a building of 6,088m^2), as these are not metered separately.

GHG emissions: We calculate our emissions based on the GHG Protocol methodology using location-based emissions factors.

SOCIAL AND GOVERNANCE MEASURES

Indicator	EPRA code	Unit of measure	Indicator	2018
Employee gender diversity	Diversity-Emp	% of male & female employees	Supervisory Board	33% female 67% male
			Executive Board	100% male
			Other employees	40% female 60% male
Employee training and development	Emp-Training	Average number of hours	Average hours of training undertaken by employees in the reporting period	25 hours
		% of employees	Number of employees	80%
Employee performance appraisals	Emp-Dev	% of total workforce	% of total employees who received regular performance and career development reviews during the reporting period	na
New hires and turnover	Emp-Turnover	Total number and rate	New employee hires	0%
			Employee turnover	0%
Composition of the highest governance body	Gov-Board	Total numbers	Number of executive board members	9
			Number of independent / non-executive board	56%
			Average tenure on the governance body	7.4
			Number of independent / non-executive board members with competencies relating to environmental and social topics	na
Process for nominating and selecting the highest governance body	Gov-Selec	Narrative description	The nomination and selection processes for the Board of Directors and its committees and the specific criteria used for nominating and selecting highest governance body members	Corporate Governance Section (pg 112)
Process for managing conflicts of interest	Gov-COI.	Narrative description	Processes to ensure that conflicts of interest are avoided and managed in the highest governance body and how they are reported	Corporate Governance Section (pg 112)

na = not applicable. Please see narrative on peformance.



A LITTLE PIECE OF ITALY

L'OSTERIA

A little piece of Italy in the Allee-Center Magdeburg

Magdeburg is about 1000 miles from Italy. But the two places have come a little closer together thanks to the opening of the new L'Osteria restaurant in the Allee-Center Magdeburg. Since September 2018, fans of Italian cuisine can enjoy the finest pizza and pasta in the regional capital of Saxony-Anhalt.

The new restaurant can serve up to around 165 customers with authentic, Italian cuisine. In summer, there are nearly twice as many covers on a generous terrace. You quickly feel like you are in a typically Italian Osteria, as in Federico Fellini's film "Roma". It is a perfect place for a delicious meal for young and old, friends, family and couples. It is lively, with a real buzz, and everywhere there is the seductive aroma of genuine Italian food.

Pizzas extend way beyond the edge of the plate and are often ordered for two people with different toppings on each half. Fresh pasta is made in-house and always served al dente. There are also numerous other Italian classics at fair prices, including antipasti, salads, desserts and a weekly menu full of seasonal delicacies. You can see everything prepared in the open kitchen "à la mamma". For those who prefer to eat back at home after a tiring shopping trip, all dishes are also available to take away on request.

The architecture and interior design of all L'Osteria restaurants are designed to make every visit a real pleasure. The L'Osteria at the Allee-Center Magdeburg is light and airy with large windows. In the evening, designer lighting bathes the restaurant in warm, friendly light. A conscious blend of styles combining furniture specifically designed for the site and a selection of vintage pieces provides a lovely, inviting atmosphere, a hint of retro charm and a real feel-good atmosphere. A lot of hard work and over one million euros have been invested into this unforgettable restaurant experience in Magdeburg.

The first L'Osteria restaurant opened in Nuremberg in 1999. There are now restaurants at 96 locations in Germany, Austria, Switzerland, the United Kingdom, the Czech Republic and the Netherlands. There are plans for over 200 restaurants by 2021.

A COSY AMBIENCE WITH A RETRO CHARM IN L'OSTERIA

THE NEGRONI

COCKTAIL RECIPE

THE POPULAR COCKTAIL FROM ITALY

INGREDIENTS:

- 3CL GIN
- 3CL CAMPARI
- 3CL RED VERMOUTH
- ICE CUBES

INSTRUCTIONS:

1. POUR THE GIN, CAMPARI AND RED VERMOUTH INTO A MIXING GLASS
2. ADD ICE AND SHAKE FOR AROUND 30 SECONDS, UNTIL THE GLASS IS FOGGED UP
3. STRAIN INTO A TUMBLER
4. DECORATE WITH ORANGE PEEL

KOSMETIK4LESS

From clicks to bricks: From the internet to the Phoenix-Center in Harburg

LENILASH–
EYELASH STORAGE–
LASHBOX–ROSE GOLD

COSMETIC BRUSH –
FACE DEFINER –
THE NUDE EDITION

BEAUTY-TIP:

THE OWN BRAND KOSMETIK4LESS PRODUCTS LEAVE NOTHING TO BE DESIRED IN TERMS OF PRICE, APPEARANCE AND QUALITY. LENILASH ONLY AVAILABLE IN GERMANY FROM KOSMETIK4LESS.DE.

MAKE-UP SERVICE (L.) AND PRODUCT VARIETY IN THE KOSMETIK4LESS STORES

The kosmetik4less brand started life as an online-only shop for decorative cosmetics and false eyelashes. From the very outset, the team tracked down the most popular beauty trends from all over the world for its customers. For more than ten years, customers "on the internet" have been supplied with cosmetic products, with customer satisfaction always a very high priority.

A major milestone in the company's history was the opening of the first and as yet only bricks and mortar store in the Phoenix-Center in Harburg in 2016. The store is in the center's extension, which was opened the same year. Customers can find just about everything their hearts desire when it comes to beauty. The selection includes a range of popular brands which have previously been hard to find in stores, plus all the best sellers from the online shop, including their own "lenilash" and "lenibrush" brands for quality false eyelashes and cosmetic brushes.

The cosy feel of the story is an invitation to browse the range at leisure and discover one or more new favourite products. The large mirrors with professional lighting are perfect for testing the products selected in the store. And the friendly team are always happy to give advice or recommendations.

There is also a special make-up service. Customers can be made up for an everyday look or a special event, take away valuable tips and buy the products used from the store. This would be a lot more difficult from a website!

BOOK RECOMMENDATION:

SHOPLIFTER!

New Retail Architecture and Brand Spaces

Why leave the house at all when you can buy everything online? In a world where the objects of our desires are only ever a click away, retail faces the challenge of reinventing itself. Shoplifter! presents the best and most surprising solutions and shows how brands of all sizes are rethinking their relationship with their customers.

With the creative display windows from Hermès which look more like a film set than a traditional product presentation, an underground car park in Tokyo which has been converted into a store or the colourful basketball court in Paris which Nike has designed in conjunction with French streetwear label Pigalle and a design studio, it shows that more and more brands are recognising that relationships with their customers go beyond simple product purchases. Sales rooms are being transformed into places which invite customers to stay a while and interact.

Shoplifter! collects an impressive range of innovative and surprising brand and store concepts from all over the world. The book also sheds light on the major trends from an expert perspective and narrates the dawn of a new era of retail design.

Publisher: Gestalten
Features: full colour,
hard cover, thread bound,
256 pages
Format: 24 x 30 cm
Price: approx. € 49.90
English edition ISBN:
978-3-89955-941-5

COTTON REPUBLIC
FLAGSHIP STORE,
PEKING
PICTURE: RAMOPRIMO,
SHOPLIFTER!,
GESTALTEN 2018

BOOK RECOMMENDATION: Shoplifter! New Retail Architecture and Brand Spaces

NIKE OPENING
FINALS 2017, PORTLAND
PICTURE: DINA AVILA,
SHOPLIFTER!,
GESTALTEN 2018

TOURIST HOTSPOT
ALTMARKT-GALERIE

NEW SERVICES AT ALTMARKT-GALERIE IN DRESDEN

CASH-BACK-SERVICE

FOR TOURISTS

Dresden is booming: In 2019, the city recorded a total of over 4.6 million overnight stays, which was up nearly four percent on the previous year. Around one fifth of visitors came from abroad. This means Dresden has become one of the most popular cities in Germany among international tourists.

And these visitors to Dresden want to see more than the Zwinger palace, the Frauenkirche and the Semperoper. They also spend money on fashion, watches and jewellery. The city is an especially popular destination for tourists from Russia, China and Switzerland.

The Altmarkt-Galerie is now offering a special service for non-EU visitors, who can claim back the value added tax on their purchases, in the form of a tax-free repayment machine from Global Blue. This uses a completely new technology: After filling in a form at the service counter on the ground floor of the shopping center, customers are given a card similar to a credit card. They can then go to one of the adjacent payment machines and withdraw their tax-free repayment directly in cash.

The new service is already very popular among customers, specially among those who are not travelling by aeroplane, as previously the only place to process a refund in Dresden was at the airport.

SIMPLE POST-PURCHASE VAT REFUNDS FOR TOURISTS

STYLE AND IMAGE ADVICE

A full-time personal shopper? Yes, the Altmarkt-Galerie in Dresden has one. Larissa Markus has made her passion into a job and quite literally provides hands-on advice and support for customers. Her exclusive service includes advice and development of personal style, determining figure type, colour advice and tips, make-up recommendations and the creation of individual style books. Other services include shopping assistance, wardrobe checks on the wardrobe at home and glasses and hairstyle advice, which customers in Dresden can book for a small fee.

There are 200 shops in the Altmarkt-Galerie, over 100 of which are fashion-related. With such a wide range, professional help can do no harm, especially as not everyone has the time and patience to find exactly what they want in the huge area of the center. So it is all the better to have someone who knows the center like the back of their hand.

After a short "theoretical" chat in a special, stylish lounge, it's off on a tour of the shopping center, targeting those shops which will suit the customer best.

In order to be perfectly prepared, Larissa Markus sends out a short questionnaire in advance which asks, for example, about preferred clothing styles, favourite brands and designers, etc. This allows the personal shopper to identify suitable shops or even individual garments in advance.

ACCESSORIES COMPLETE AN OUTFIT.

YOUR VERY OWN STYLE CONSULTANT: LARISSA MARCUS

Customers really enjoy the shopping experience, often describing it as like going shopping with their best friend. The service always focuses on the customer's personality and well-being.

The service is also really worthwhile, as customers are rewarded with a 10 % bonus in the form of center vouchers on purchases worth over 100 euros. Of course, the package also includes free parking.

There is also a monthly styling day in the Altmarkt-Galerie shops, where visitors can enjoy a speed consultation and discover the new services. The center also publishes monthly styling tips on Facebook and Instagram.

WIN A STYLE CONSULTANT SESSION

Fancy a change? We are giving away a style and image advice session at the Altmarkt-Galerie in Dresden to the value of 140 euros! Simply send us an e-mail with the subject "Altmarkt-Galerie Dresden" and your contact details to redaktion@des.ag by 30 September 2019!

TERMS OF ENTRY:

Entry in the prize draw is free. Entrants must be natural persons of 18 years or over and cannot be employees of the ECE Group or Deutsche EuroShop or their family members or members of their households. Deutsche EuroShop reserves the right to refuse entry to individuals for important reasons. Deutsche EuroSchop also reserves the right to exclude entrance from further participation in the prize draw or demand the prize is returned in the event of attempted abuse or deception. **The prize draw takes place in the period from 29 April 2019 to 30 September 2019.** The prize includes a style advice session at Altmarkt-Galerie Dresden. An appointment will be arranged in advance between the winner and the center. There is no cash alternative to the prize or parts thereof. By entering, entrants agree to the terms of entry and the data protection policy, which can be viewed at www.deutsche-euroshop.de/datenschutz. **The winner's name will be drawn by Deutsche EuroShop on 30 September 2019. The name will be drawn in private.** The winner will be notified in writing. Personal data is provided on a voluntary basis. Deutsche EuroShop complies with the relevant data protection regulations on the storage and use of data. The data is used by the organiser exclusively for the purpose of this prize draw. The judge's decision is final.

IICSC STUDY: BRICKS DRIVE CLICKS

THE FACTOR BEHIND SUCCESS: THE SHOP

AN ARTICLE BY Dr. Ruth Vierbuchen, Editor-in-Chief of the "Handelsimmobilien Report" (Retail Real Estate Report)

The effects of digitalisation on the bricks and mortar retail trade are now leaving their mark on the investment behaviour of many investors which can be seen, for example, in the decline in retail confidence. A study by the International Council of Shopping Centers (ICSC) Europe has now shown that the majority of consumers (53%), even when ordering online, attach great importance to whether the retailer also runs a physical shop besides their online shop.

For Sarah Cole, Manager of International Research at the International Council of Shopping Centers (ICSC) Europe in London, the study, "Bricks drive Clicks", proves what experts had long suspected: that real shops will continue to play a key role in the customer journey and remain an integral part of the retail concept, regardless of where the purchase is finally made – in a shop or on the internet. Because according to the study which surveyed 7,000 European consumers, the main motivation for buying online from an omni-channel retailer lies in exclusive offers, a wider range in the online shop and the opportunity to pick up the ordered goods in the local shop, return them or exchange them without incurring any despatch costs.

In the view of this expert, viewing bricks and mortar retail shops as competing with the online trade, is to draw a false picture and underestimate the role of the real shop in the relationship with the customer and customer loyalty. According to Cole, this applies, in particular, to retailers who are still unfamiliar to customers. The fact that bricks and mortar retail shops are so important to more than half the consumers surveyed reinforces the impression gained hitherto, according to the ISCS, that today's customers value the combination of all distribution channels when it comes to finding the simplest, shortest and most comfortable way of making purchases.

The presence of retailers with a real shop fosters trust in the brand, states Cole, and gives customers the crucial chance to consult with sales staff before and after the purchase as well as the opportunity to pick up goods ordered online in the shop (click & collect). From the perspective of these customers, therefore, real shops are still crucial for any retail strategy with respect to supply and service. This doubtless also explains why more and more online dealers are opening real shops.

→

REAL SHOPS
ENSURE CONFIDENCE
IN THE BRAND

ACCORDING TO THE ICSC STUDY, PHYSICAL SHOPS ARE IMPORTANT FOR 63% OF MILLENNIALS

28% OF THE PEOPLE SURVEYED BELIEVE THAT HAVING A PHYSICAL SHOP IS IMPORTANT FOR BRAND AWARENESS.

Among the various generations, it is primarily the millenials, i.e. "generation Y born between the early 1980s and late 1990s, who have grown up with the internet, for whom bricks and mortar shops are particularly important when they order online. They attach greater importance to this than older generations such as generation X born between 1965 and 1980 or the baby boomers born between the end of the war and the start of the 1960s. 63% of millenials regard a physical shop as important, according to the ICSC study, while the figure is 51% for generation X and only 45% for baby boomers.

Equally, the high value consumers attach to real shops means that for many of those surveyed by the ICSC, there is a palpable effect when a neighbourhood retailer closes a bricks and mortar shop as part of a rationalisation drive – e.g. to push their online strategy. Around 40% of the European consumers surveyed stated that they would no longer buy from a company that closes a branch. They draw the inference that the company is in financial difficulty and fear that it will soon close down. Around 18% would switch to a physical shop owned by a different retailer and 14% to an online shop run by a competitor. According to the study, the retailer therefore loses visibility in this catchment area, and a substantial proportion of its customers will move to the competition. This should give retailers pause for thought before they close shops in the name of rationalisation – real shops are important for the perception of their brand.

A further result of the ICSC survey is that 28% of those surveyed believe that a real store matters for brand awareness. After all, if a real shop in the neighbourhood closed and the brand was no longer visible, customers would tend not to buy that brand any longer, so the argument runs, especially as they would then no longer be able to return or exchange goods or ask for advice. This shows the extent to which an online and offline presence are now mutually interdependent.

A further significant finding of the study is that the opening of a real shop also boosts that retailer's online business which clearly militates in favour of an omni-channel strategy. This link between both channels is very striking as the figures show: if a retailer opens a new shop, roughly nine out of ten (91%) of those surveyed stated that they would search out the new store and spend more time on that retailer's website as an immediate reaction to the opening of the store regardless of whether they also visit the physical shop. So customers take different routes to finding a new supplier.

It is interesting to note customers' behaviour when the new shop sells a brand which they do not know about yet: the vast majority of respondents (94%) would first visit the shop and 83% said they would look at the website. A very large proportion (79%) would visit the store and the website although the majority of this group would first visit the store and then the website.

In the view of the ICSC, this illustrates the point that "bricks and clicks" is no either-or decision but linked to the way in which customers move between channels. However, they expect the same experience wherever they go.

A VERY LARGE NUMBER OF PEOPLE (79% OF THOSE SURVEYED) WOULD VISIT BOTH THE STORE AND THE WEBSITE.

DRAW UP YOUR SHOPPING LIST AT HOME

ALTMARKT-GALERIE AND MAIN-TAUNUS-ZENTRUM AS

"DIGITAL MALLS"

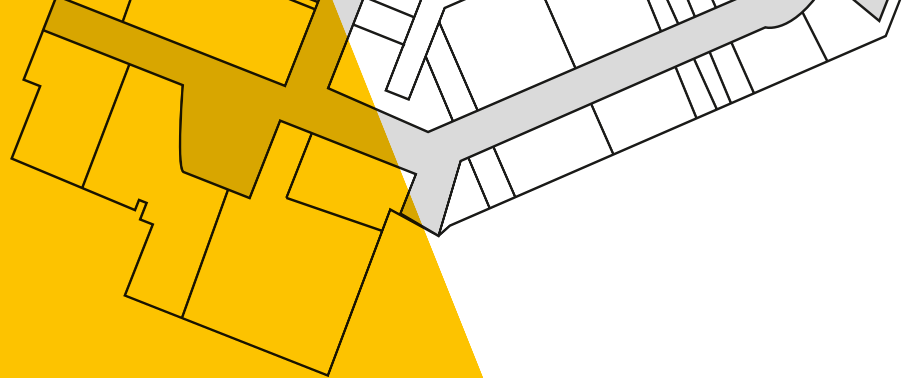
The "Digital Mall" developed by ECE is available in more and more shopping centers. The Altmarkt-Galerie in Dresden and the Main-Taunus-Zentrum in Sulzbach near Frankfurt have been offering this thus far unique product search option on their websites since December 2018. Using the "Digital Mall", customers can search products available in the center, plus sizes and prices, then simply reserve and collect them.

The idea of the "Digital Mall" is based on the idea that customers can find out about what is available at the center near them from home and not automatically land on the main e-commerce providers for product searches. According to a study by management consultancy Deloitte (Deloitte Digital: The New Digital Divide, 2016), 56% of in-store purchases are prepared online.

Participating retailers include Saturn, Thalia, Olymp, Gant, AppelrathCüpper and Lascana. Since the end of 2018, the product ranges from Galeria Kaufhof, Bijou, Brigitte, S. Oliver and Tchibo have also been available via the platform.

The "Digital Mall" is available via the respective center websites:

- **Altmarkt-Galerie:** digitalmall.altmarkt-galerie-dresden.de
- **Main-Taunus-Zentrum:** digitalmall.main-taunus-zentrum.de/home



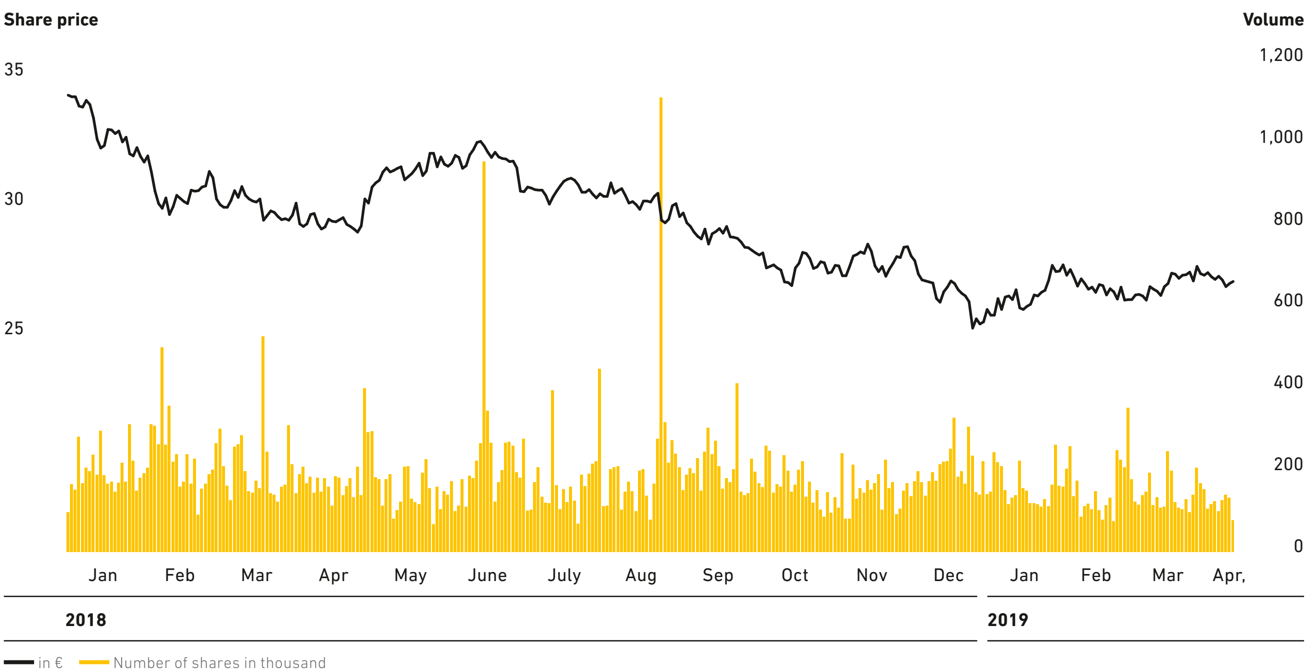
INVESTOR RELATIONS 2018

THE SHOPPING CENTER SHARE

SHARE PRICE UNDER PRESSURE

Following a year-end closing price for 2017 of €33.96, Deutsche EuroShop shares started the new year in a weak market with an ongoing downward trend, particularly for retail real estate stocks. The high for the period of €33.90 had already been posted on the first day of trading (2 January 2018). The 2nd quarter saw a slight recovery that lasted until mid-June. In the second half of the year, the DES price fell almost continuously – following the generally negative price movements for shopping center stocks worldwide – triggered by the overall poor sentiment towards retail real estate. The share price hit its low for the year of €24.98 on 27 December 2018. The year-end closing price was noted at €25.34. Taking into account the dividend of €1.45 per share paid on 3 July 2018, this corresponds to a performance of -21.8% (previous year: -8.6%). Deutsche EuroShop's market capitalisation stood at just under €1.6 billion on 31 December 2018.

TREND OF SHARE



OUTPERFORMING THE PEER GROUP AVERAGE

The price of Deutsche EuroShop shares fell by 25.4%. The share price performance in 2018 was -21.8 % and significantly below that of the European benchmark for listed real estate companies, the EPRA index (-11.7%) but nevertheless in the top third of its European peer group which suffered average falls of 30.5% (median:. -26.8%). The benchmark index for medium-sized companies, the MDAX, fell 17.6% in the year under review.

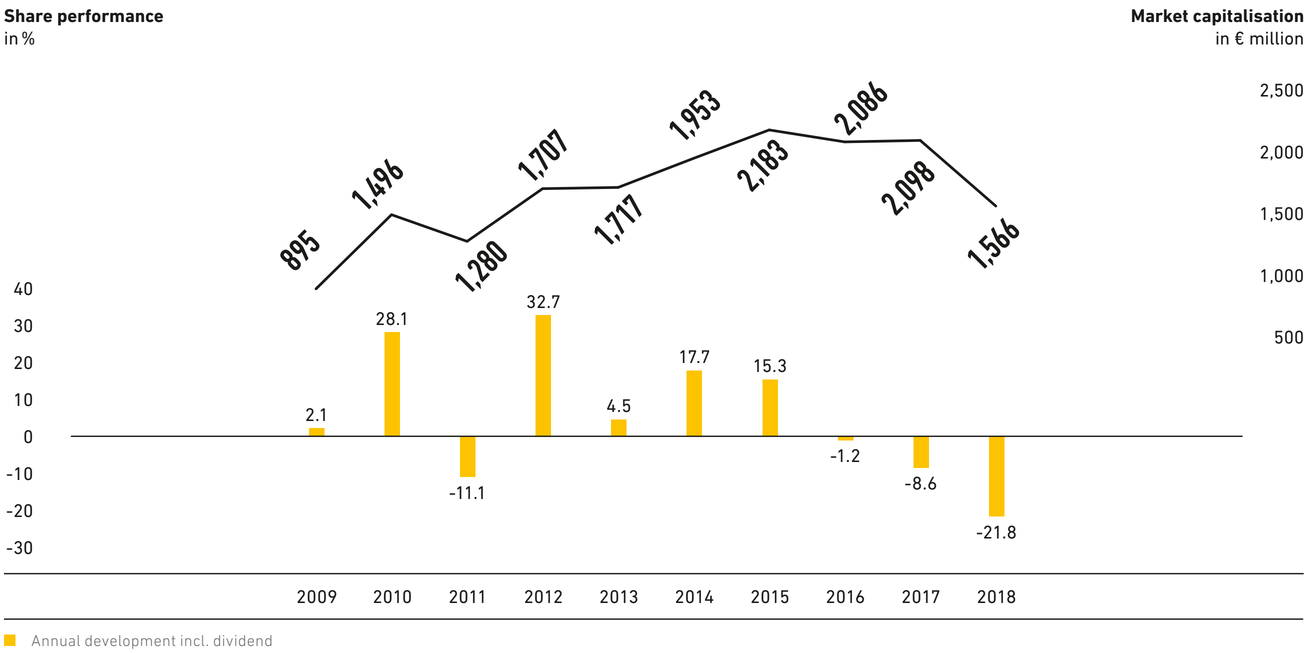
Over the past year, German open-ended property funds achieved an average performance of +3.2% (2017: +5.5%), and attracted cash inflows of €6.4 billion (2017: €5.9 billion).

Stock market performance	2018	2017
DES share	-21.8%	-8.6%
DAX	-18.3%	12.5%
MDAX	-17.6%	18.1%
TecDAX	-3.1%	39.6%
EURO STOXX 50 (Europe)	-14.7%	6.8%
Dow Jones (USA)	-6.4%	25.1%
Nikkei (Japan)	-12.1%	19.1%

Figures for the Deutsche EuroShop share	
German securities no. / ISIN	748 020 / DE 000 748 020 4
Ticker symbol	DEQ
Share capital in €	61,783,594.00
Number of shares (no-par-value registered shares)	61,783,594
Indices	MDAX, EPRA, GPR 250, MSCI Small Cap, EPIX 30, HASPAX, F.A.Z.-Index, DivMSDAX
Official market	Prime Standard Frankfurter Wertpapierbörse and Xetra
OTC markets	Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich and Stuttgart

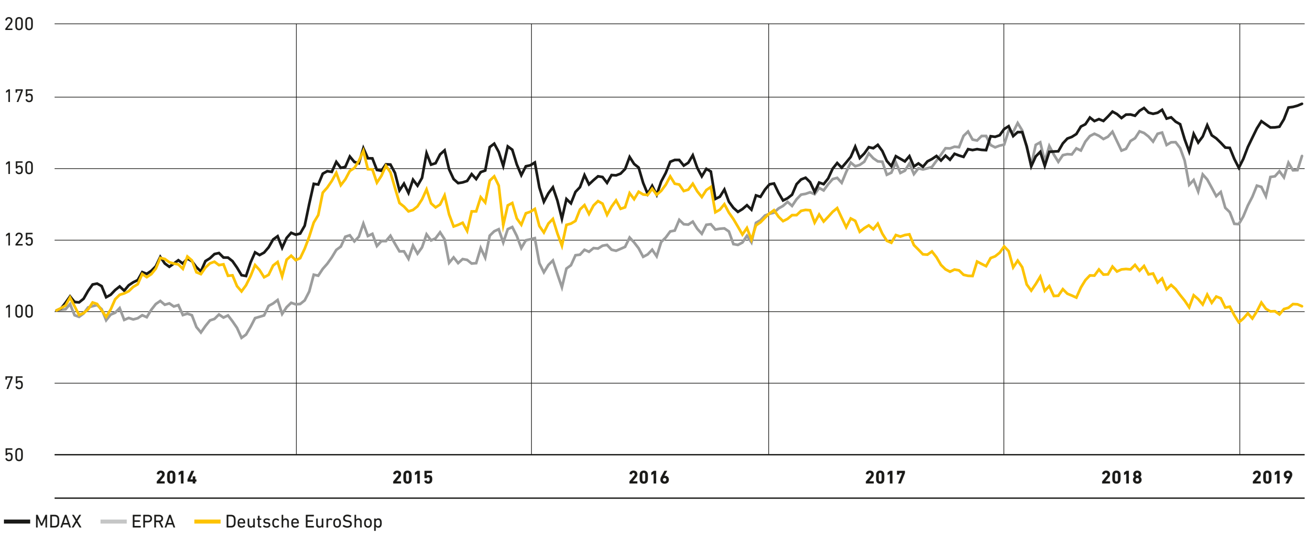
[1] Atrium European Real Estate, Citycon, Eurocommercial Properties, IGD, Intu Properties, Klepierre, Mercialys, Unibail-Rodamco-Westfield, Vastned Retail and Wereldhave.

SHARE PERFORMANCE AND MARKET CAPITALISATION OVER THE LAST 10 YEARS



TREND OF SHARE

indexed – since 2014



CONTINUED BROAD COVERAGE OF THE SHARES

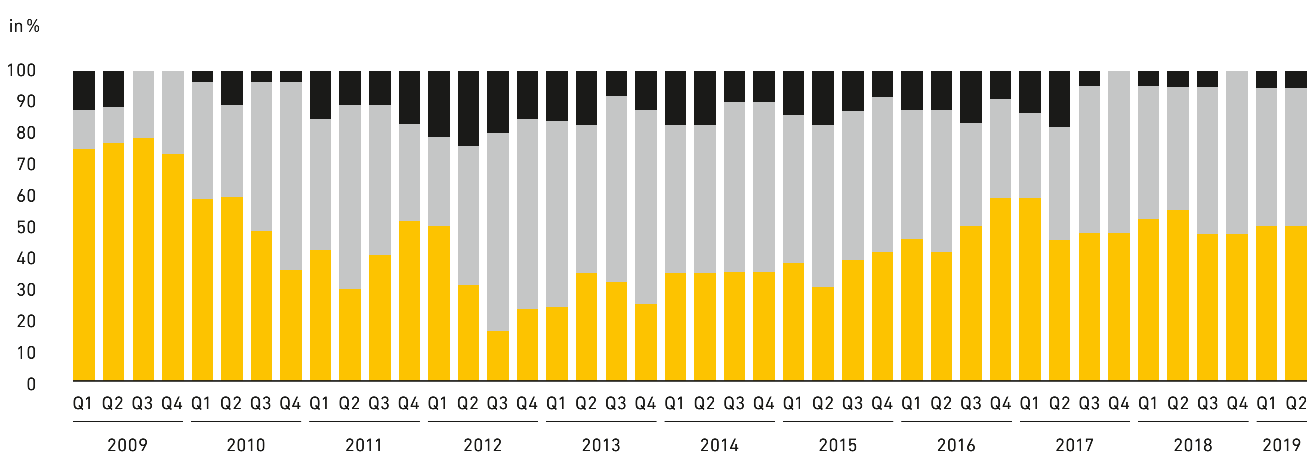
Our shares are now regularly followed by 18 analysts (as at 10 April 2019) from respected German and international institutions , and their recommendations introduce us to new groups of investors. Deutsche EuroShop is one of the best-covered real estate companies in Europe. Information on the recommendations can be found at
www.deutsche-euroshop.de/analysen

[2] Baader Bank, Bankhaus Lampe, Berenberg Bank, Commerzbank, Deutsche Bank, DZ Bank, Green Street Advisors, HSBC, Independent Research, J.P. Morgan Cazenove, Kempen, Kepler Cheuvreux, Metzler, M.M. Warburg, NORD / LB, Oddo BHF, Pareto and Societe Generale

ATTENDANCE AT AGM STABLE

The Annual General Meeting was held in Hamburg on 28 June 2018. Around 200 shareholders were in attendance at the Handwerkskammer, representing 63.2% (previous year: 67.5%) of the capital, and approved all of the items on the agenda.

DIVERSITY OF ANALYST'S OPINION OF THE LAST 10 YEARS



The majority of analysts are bullish on the prospects for the DES stock (as at 10 April 2019)

AWARDS FOR REPORTING QUALITY

The European Public Real Estate Association (EPRA) has again recognised the transparency of our reporting in terms of the sector-specific financial ratios and on the topic of sustainability with a Gold Award.

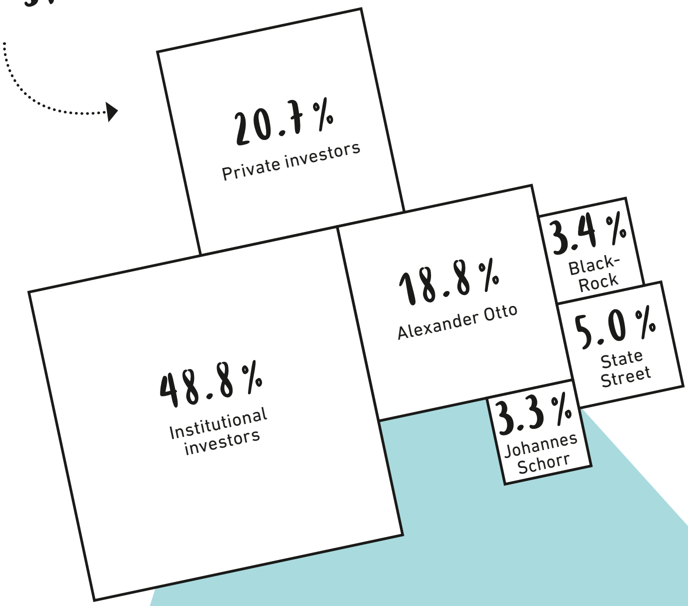
Further awards for our capital market communications can be found on our website at:
www.deutsche-euroshop.de/irkommunikation

14% INCREASE IN SHAREHOLDERS

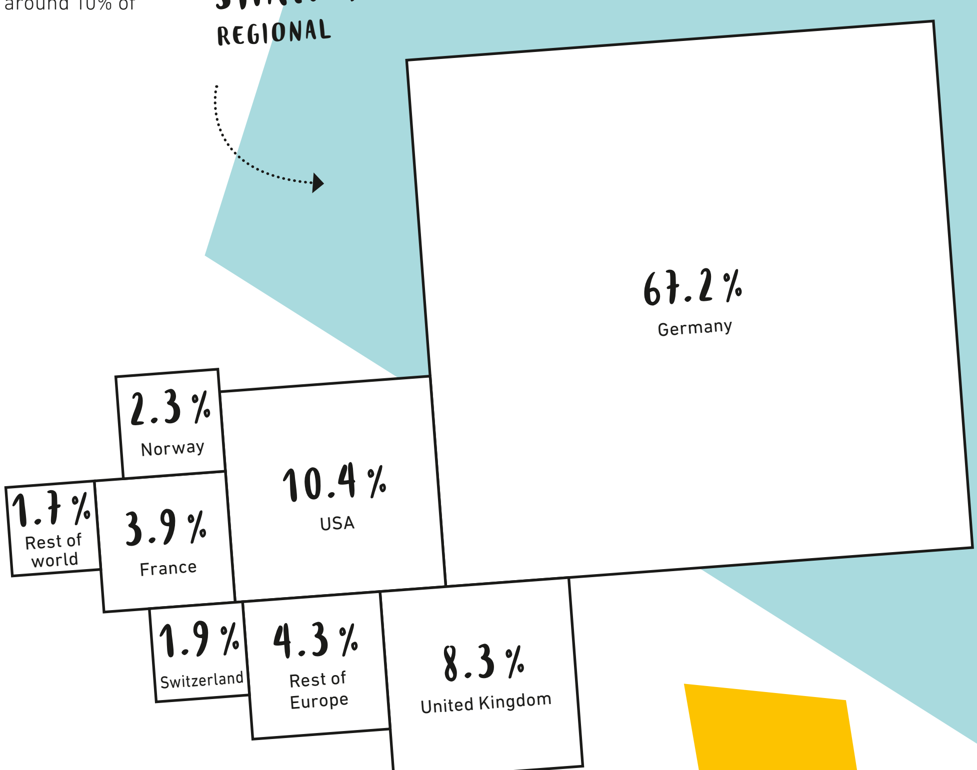
The number of investors once again rose significantly in 2018: Deutsche EuroShop now has around 22,750 shareholders (as at 10 April 2019, previous year: 20,000, +14%). Alexander Otto holds a 18.8% stake in Deutsche EuroShop AG, State Street 5.0%, BlackRock 3.4% and Johannes Schorr 3.3%. In addition, other institutional investors hold approx. 48.8% (previous year: 50.7%) of the shares and private investors hold 20.7% (previous year: 21.9%).

In a shareholder identification process, we regularly analyse the international distribution of our shares. Over the past year, there were only slight changes in the regional breakdown. Almost unchanged at around 67%, German investors continue to hold a clear majority of the Deutsche EuroShop shares. Overall, the shareholder structure is also dominated by European investors (approx. 88%), with British and French investors leading the way. US investors hold around 10% of the shares in DES.

SHAREHOLDERS STRUCTURE



SHAREHOLDERS STRUCTURE
REGIONAL



5.9 %

DIVIDEND YIELD

DIVIDEND INCREASES BY A FURTHER 3.4%

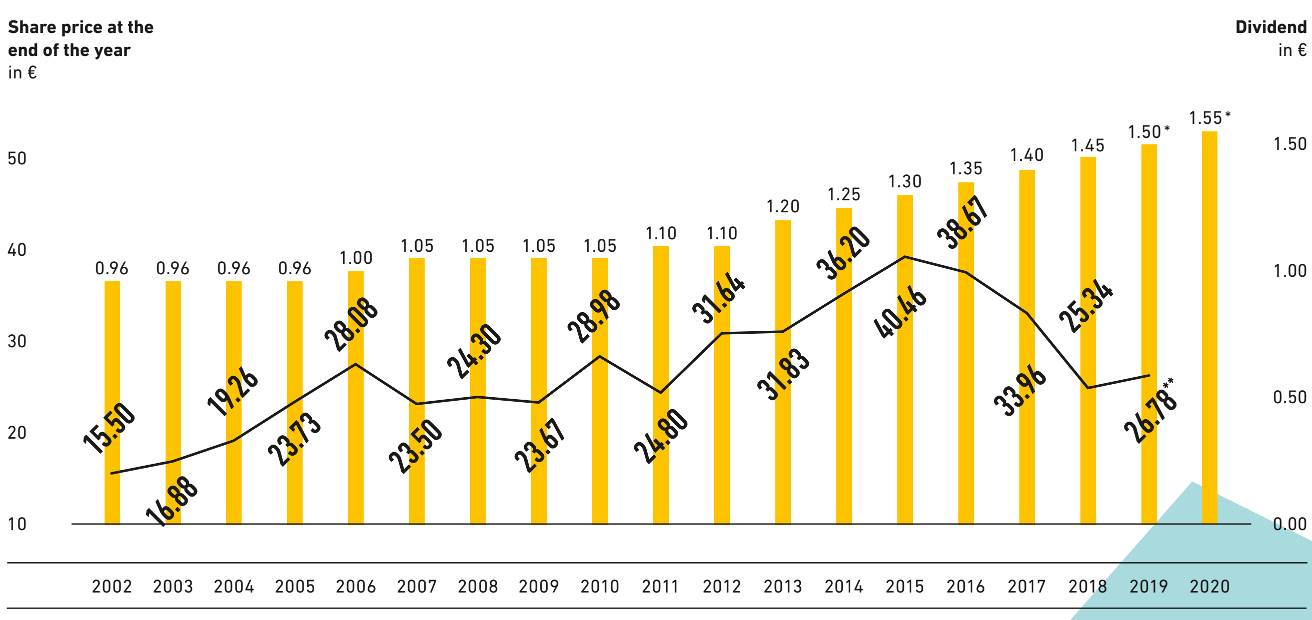
The Executive and Supervisory Boards will once again propose a €0.05 increase in the dividend payment (€1.50 per share) for financial year 2018 to the Annual General Meeting on 12 June 2019 in Hamburg.

With our long-term strategy of a dividend policy based on continuity and a yield of 5.9% (based on the 2018 year-end closing price of €25.34), we hope to further cement the confidence of our existing shareholders and attract new investors. Further increasing the dividend by €0.05 per share each year, as is intended, should also help to achieve this. As a result, €1.55 per share is to be paid out in 2020 for financial year 2019.

RECORD DAY

As part of the harmonisation of the securities settlement process in the European Union, a standard settlement due date – the "record day" – was introduced in Germany on 1 January 2017. This changed the usual timeline for settling dividend payments. This was based on the 2015 amendment to Art. 58 of the German Stock Corporation Act (AktG), which postponed the dividend due date to the third business day after the Annual General Meeting. Falling between the ex-dividend day and day of payment, the record day is the settlement due date on which the relevant assets for the payment of the dividend are determined.

SHARE PRICE AND DIVIDEND SINCE IPO



* proposal ** Price on 10 April 2019

10 REASONS TO INVEST IN DEUTSCHE EUROSHOP SHARES

1. The only public company in Germany to invest solely in shopping centers
2. First-rate locations
3. Proven, conservative strategy
4. Stable cash flow with high levels of certainty for the long term
5. Shareholderfriendly dividend policy
6. Experienced management team
7. Excellent performance record
8. Centers almost fully let
9. Inflation-protected rental agreements
10. Solidity combined with growth potential

TAX SITUATION REGARDING THE DIVIDEND

Dividends that are paid to shareholders domiciled in Germany are subject to German income or corporation tax. Since 2009, the uniform flat-rate tax rate for private investors has been 25% plus a solidarity surcharge. Exceptions can be made under certain conditions for dividend payments that are considered equity repayments for tax purposes (distribution from EK04, or from the tax contribution account since 2001). The Deutsche EuroShop dividend meets some of these conditions. Pursuant to Art. 20, para. 1 (1) (3) of the Income Tax Act, the dividend payment represents partially non-taxable (i.e. not subject to taxation) income for shareholders.

However, following the revised legislation, distributions have been taxable since 2009 as profits from the sale of shares acquired after 31 December 2008 are taxable. In this case, the dividend distributions reduce the acquisition costs of the stake in Deutsche EuroShop and therefore result in higher sales proceeds at the time of the sale.

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Market capitalisation (basis: year-end closing price) (€ million)	1,566	2,098	2,086	2,183	1,953	1,717	1,707	1,280	1,496	895
Number of shares (year-end)	61,783,594	61,783,594	53,945,536	53,945,536	53,945,536	53,945,536	53,945,536	51,631,400	51,631,400	37,812,496
Weighted average number of shares	61,783,594	58,248,007	53,945,536	53,945,536	53,945,536	53,945,536	51,934,893	51,631,400	45,544,976	36,799,402
High €	33.90 (02.01.18)	39.32 (18.04.17)	42.52 (09.06.16)	48.00 (10.04.15)	37.84 (12.06.14)	34.48 (20.05.13)	32.03 (01.11.12)	29.06 (01.06.11)	28.98 (30.12.10)	26.00 (06.01.09)
Low €	24.98 (27.12.18)	30.37 (25.10.17)	35.86 (11.02.16)	36.32 (06.01.15)	30.72 (04.02.14)	29.45 (24.06.13)	23.72 (06.01.12)	22.94 (23.11.11)	21.72 (01.07.10)	18.66 (06.03.09)
Year-end closing price (31.12.) €	25.34	33.96	38.67	40.46	36.20	31.83	31.64	24.80	28.98	23.67
Dividend per share (€)	1.50 [1]	1.45	1.40	1.35	1.30	1.25	1.20	1.10	1.10	1.05
Dividend yield (31.12.) %	5.9	4.3	3.6	3.3	3.6	3.9	3.8	4.4	3.8	4.4
Annual performance excl. / incl. dividend %	-25.4 / -21.8	-12.2 / -8.6	-4.4 / -1.2	11.8 / 15.3	13.7 / 17.7	0.6 / 4.5	27.6 / 32.7	-14.4 / -11.1	22.4 / 28.1	-2,6 / 2,1
Average daily trading volume (shares)	192,835 (incl. Multilateral Trading Facilities >526,239) [2]	212,422 (incl. Multilateral Trading Facilities >533,866)	142,133 (incl. Multilateral Trading Facilities >412,750)	152,355 (incl. Multilateral Trading Facilities >449,500)	113,000 (incl. Multilateral Trading Facilities >250,400)	112,400 (incl. Multilateral Trading Facilities >204,000)	129,400 (incl. Multilateral Trading Facilities >174,000)	125,400 (incl. Multilateral Trading Facilities >210,000)	116,084	113,008
EPS (€) (undiluted)	1.29	2.31	4.11	5.73	3.29	3.17	2.36	1.92	-0.17	0.93

All share price information relates to Xetra

[1] proposal

[2] Source: Bloomberg, adjusted data, as of 11 April 2019

WOULD YOU LIKE MORE INFORMATION?

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ANNUAL GENERAL MEETING

The Annual General Meeting of Deutsche EuroShop was held on 28 June 2018. The venue was once again the historic rooms of the Handwerkskammer Hamburg.

THE HANDWERKSKAMMER HAMBURG ON THE HOLSTENWALL, BUILT FROM 1912 TO 1915

Some 300 shareholders gathered there to hear CEO Wilhelm Wellner talk about the events and results of the previous financial year. In his speech, Mr Wellner also discussed the current economic environment, the current situation on the shopping center transaction market as well as the business outlook for the current year. Shareholders were also given an update on the latest portfolio growth in the Czech Republic and extensive information on current influences in the retail sector, including increasing digitalisation in this segment. The "At your service" and "Mall Beautification" portfolio investment programmes were also presented.

Shortly after the event, the speeches and presentation were made available at the web address given below, where interested parties will also find a large archive of agendas and other information relating to our past Annual General Meetings.

The agenda for this meeting included the election of two Supervisory Board members: Dr Henning Kreke and Alexander Otto were confirmed in office and re-elected for a term of five years. The attendance at the time of the vote was 63.2%.

Shareholders made use of the opportunity to talk with the Supervisory Board, the Executive Board and employees before the Annual General Meeting and at the lunch that followed it.

The Annual General Meeting for financial year 2018 will be held on 12 June 2019 at the Handwerkskammer Hamburg. The invitation and all the documents needed for ordering entry tickets and for online voting will be posted out to our shareholders in good time.

www.deutsche-euroshop.de/agm

CONFERENCES AND ROADSHOWS

In order to discuss Deutsche EuroShop's strategy with its current investors and to present the Company to potential new investors, the Executive Board and the Investor Relations team again participated in various conferences and held numerous roadshows in 2018.

Direct contact with our investors is very important to us: by engaging in frank discussions with analysts as well as fund and portfolio managers, we seek to understand the requirements of the capital market and to learn which issues are seen as most important. Conversely, investment by fund management companies is often dependent on their being able to hold regular meetings with the Executive Board members of the companies concerned.

In 2018, we held 13 roadshows in Abu Dhabi, Brussels, Chicago, Cologne, Copenhagen, Dubai, Dublin, Düsseldorf, London, Munich, New York, Paris and Tel Aviv. We also took part in a total of 17 conferences in Amsterdam, Berlin, Cape Town, Frankfurt, Helsinki, London, Lyons, Munich, New York and Paris.

Across all these events, we had over 250 one-to-one discussions. We also held telephone conferences, for example for the publication of the annual and quarterly figures, which can be streamed live on our website or viewed after the event.

In addition, many investors came to see us at the Deutsche EuroShop head offices in Hamburg-Poppenbüttel, often also visiting our properties in and around Hamburg.

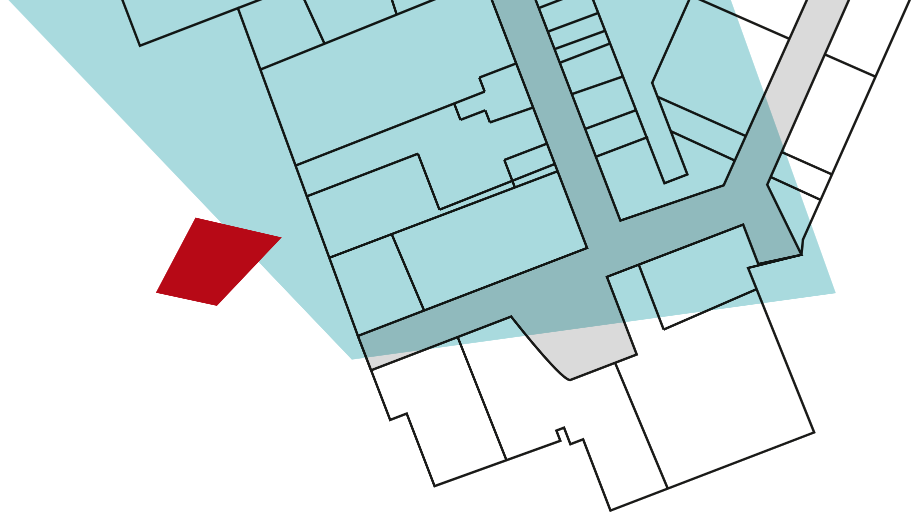
We are once again planning a diverse range of investor relations activities for 2019 in order to cultivate contacts with our existing investors and tap new investor groups. You can find an overview in our financial calendar on page 200. A constantly updated version can also be found on our website at **www.deutsche-euroshop.de/ir/en**

ROADSHOWS

A roadshow involves a team, usually consisting of an Executive Board member and an Investor Relations manager of Deutsche EuroShop, travelling together with representatives of the organising bank (such as analysts and client advisors) to a financial center to visit existing or interested, potential investors in person and inform them about the company's current development and / or strategy. Investors have the opportunity to meet the management personally and put questions to them. This allows up to 10 meetings to be held in one city on a single day.

CAPITAL MARKET CONFERENCES

Generally organised by banks, these are conferences at which both investors and companies are given the opportunity to hold as many meetings as possible in a day. This makes it possible to address questions in detail during one-to-one and group discussions. Company presentations enable the Company to present itself to a wider specialist audience.



MARKETING

In addition to share marketing, we concentrate on refining and maintaining the Deutsche EuroShop brand. Our goal is to boost the awareness and recognition of the brand even further. Deutsche EuroShop intends to establish itself as the brand for investments in shopping centers.

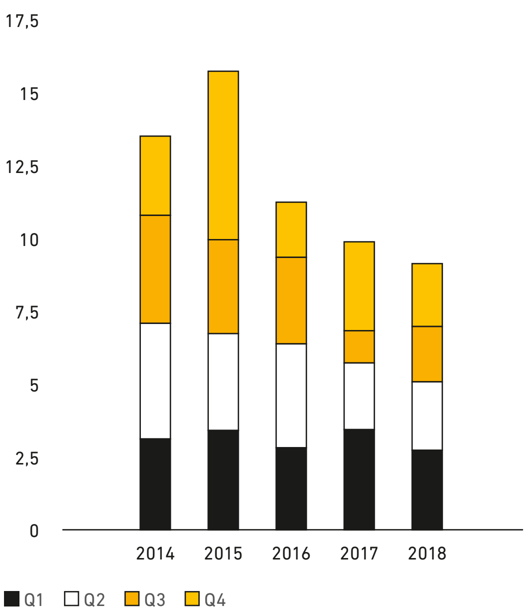
„SHOPPING EVOLUTION“

In 2018, we placed advertisements in the trade press designed for specific target groups that were perfectly timed to coincide with the publication of our latest financial figures. The adverts show a woman and a robot hand in hand on a shopping trip. This is meant to symbolise how online and offline shopping can go together. Change in the retail sector is normal, and is seen as an evolutionary process. Over the past few years the retail sector has seen many new developments and this trend will continue in the future. The momentum emerging from this trend will be in part perceived as disruptive, but also as an opportunity to promote new and existing business models and reposition ourselves in a competitive market environment. Another aspect is the digitalisation of the industry, for example, also with the “digital mall”.

ADVERTISEMENTS FOR DEUTSCHE EUROSHOP SHARES

PUBLISHED CIRCULATION

in millions



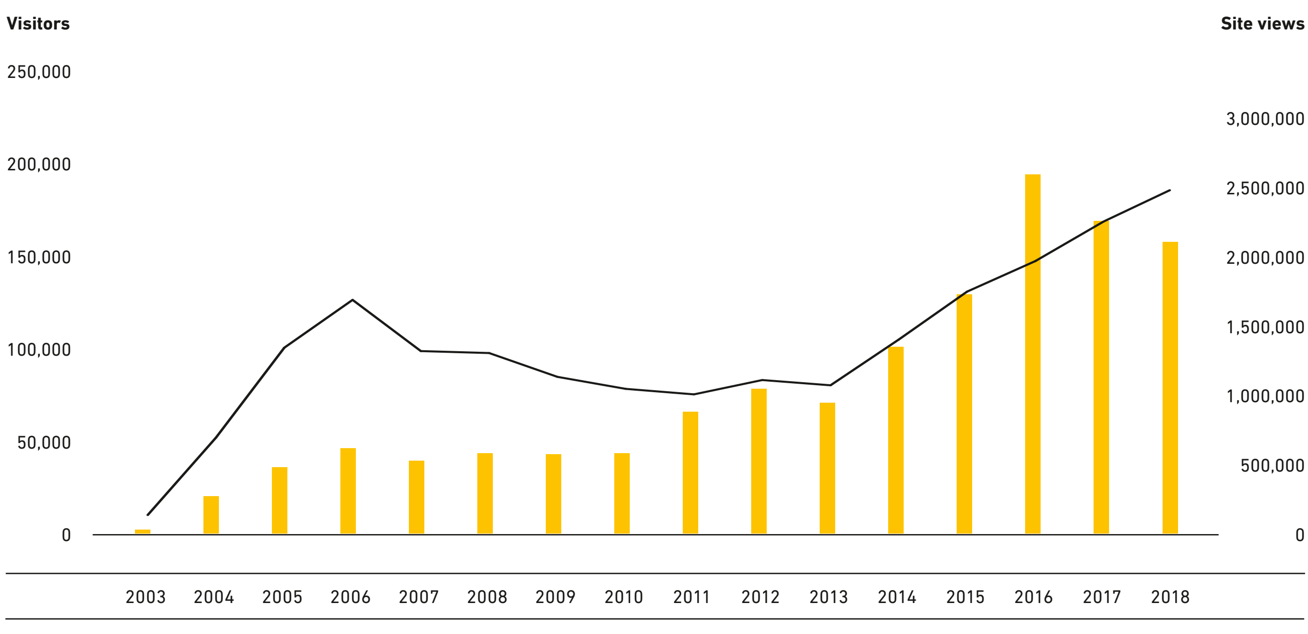
MEDIA ATTENTION DECLINING

Deutsche EuroShop enjoyed a strong media presence, particularly in the first quarter of 2018, and business and financial journalists regularly wrote about our company. In addition, a number of television channels, radio stations and online publications all devoted reports and interviews to Deutsche EuroShop. The print circulation of these media outlets decreased by around 8% from 9.9 million in the previous year to 9.1 million copies, and the equivalent advertising value from reports in newspapers and magazines fell to €2.12 million (previous year: €2.31 million). The electronic versions of these publications do not appear in the statistics. Taken over a period of five years, the decline in reporting about Deutsche EuroShop ran almost in parallel with the decline in the total circulation of printed newspapers and magazines in Germany.

WEBSITE WITH 11% MORE VISITORS

The trend towards providing information in digital form can also be seen with our company website – which is often the first point of contact for investors. Our website has been very popular for a number of years, and is always ranked among the best in the MDAX and European property sector for the information it provides and its user-friendliness. In 2018, the number of visitors grew by 11%, while the number of pages viewed fell by 7%. Our website can be found at **www.deutsche-euroshop.de**

VISITORS AND SITE VIEWS



DEUTSCHE EUROSHOP NOW ALSO ON INSTAGRAM

Social media has become established as a channel of communication – including for capital market participants. For many years, we have shown ourselves to be open to technical innovations and use social media actively to provide our investors and interested parties with news and supplementary information about Deutsche EuroShop. Perhaps we can establish contact with you through one or more of these platforms too – we would be happy to see you there:

SlideShare

You Tube

SOCIAL MEDIA

Follow us on **Twitter**: www.twitter.com/DES_AG
Become a fan on **Facebook**: www.facebook.com/euroshop
Instagram: From 2018, you can also see photos and videos from DES at: www.instagram.com/deutscheeuroshop
IR Mall: Our Investor Relations blog: www.ir-mall.com
View our photos on the online platform **Flickr**: www.flickr.com/desag
See our presentations and reports on **SlideShare**: www.slideshare.net/desag
Watch our videos on **YouTube**: www.youtube.com/DeutscheEuroShop

TOP 10 CENTER

Altmarkt-Galerie Dresden
Fans: 80,619

Galeria Bałtycka Gdansk
Fans: 66,576

Allee-Center Magdeburg
Fans: 54,207

Rhein-Neckar-Zentrum Viernheim
Fans: 54,248

City-Point Kassel
Fans: 52,807

Saarpark-Center Neunkirchen
Fans: 42,260

ÁRKÁD Pécs
Fans: 41,744

Olympia Centrum Brno
Fans: 38,465

STADTGALERIE Passau
Fans: 33,131

Main-Taunus-Zentrum
Fans: 30,353

DEUTSCHE EUROSHOP CENTER-ONLINE KPIS

6.5
7 MILLION VISITS,
OF WHICH 76% ARE MOBILE

87
MILLION PEOPLE REACHED
690 THOUSAND FANS
5.5 THOUSAND POSTINGS

39
THOUSAND
FOLLOWERS

CORPORATE GOVERNANCE 2018

AND DECLARATION ON CORPORATE GOVERNANCE

Deutsche EuroShop is a transparent company that operates in accordance with a strategy geared towards long-term success. This focus on constancy is a key aspect of our corporate culture. Based on the legal and company-specific conditions governing the management of a listed company, we strive to promote the trust of investors, creditors, employees, business partners and the public in the management and supervision of our Company. This goal is consistent with the requirements of a demanding corporate governance system. In conformity with section 3.10 of the Deutscher Corporate Governance Kodex (German Corporate Governance Code) as well as section 289f (1) of the Handelsgesetzbuch (HGB – German Commercial Code), this declaration contains a report by the Executive Board, also on behalf of the Supervisory Board, on corporate governance.

OBJECTIVES AND STRATEGY

The management focuses on investments in high-quality shopping centers in city centers and established locations offering stable long-term value growth. A key investment target is the generation of high surplus liquidity from long-term leases in shopping centers, which is paid out to shareholders in the form of an annual dividend. To this end, the Company invests its capital in shopping centers in different European regions in accordance with the principle of risk diversification. Germany is the main focus for investment. Indexed and turnover-linked commercial rents ensure that high earnings targets are achieved.

The Company may invest up to 10% of equity in joint ventures in shopping center projects in the early stages of development.

New investments must be financed from a balanced mix of sources, and borrowing may not account for more than 55% of financing across the Group over the long term. As a general rule, long-term interest rates are fixed when loans are taken out or renewed, with the goal of keeping the duration (average fixed interest period) at over five years.

PROFITABLE PORTFOLIO WITH STABLE VALUE

Deutsche EuroShop AG holds a balanced, diversified portfolio of shopping centers in Germany and other parts of Europe. We focus our investment activities on prime locations in cities with a catchment area of at least 300,000 residents in order to guarantee a sustained high level of investment security.

SEIZING OPPORTUNITIES AND MAXIMISING VALUE

In line with our buy and hold strategy, we consistently place greater importance on the quality and yield of our shopping centers than on our portfolio's rate of growth. We monitor the market continuously and act as buyers when an opportunity arises. Rapid decision-making chains and considerable flexibility regarding potential investments and financing structures allow Deutsche EuroShop to react to very wide-ranging competitive situations. At the same time, the Group's management focuses on optimising the value of the existing portfolio of properties.

TAILORED RENT STRUCTURE

One key component of the rental model is a tailored rent structure. While individual owners in city centers are often concerned with achieving the highest possible rents for their property (which results in a monostructured retail offering), we ensure an attractive sector mix and long-term optimisation of our rental income through combined costing. Rental partners pay sector-specific and turnover-linked rent. Minimum rents linked to the consumer price index provide a guaranteed minimum level of income for Deutsche EuroShop AG during periods of economic weakness.

THE SHOPPING EXPERIENCE CONCEPT

We have outsourced center management to an experienced external partner, Hamburg-based ECE Projektmanagement GmbH & Co. KG (ECE). ECE has been designing, planning, building, letting and managing shopping centers since 1965. The company is currently the European market leader, with around 200 shopping centers under management. We consider professional center management to be the key to the success of a shopping center. In addition to guaranteeing standard opening hours and a consistently friendly, bright, safe and clean shopping environment, the center management can employ unusual displays, promotions and exhibitions to make shopping an experience. The 500,000 to 600,000 people who visit our 21 centers on average every day are fascinated by not only the variety of sectors represented but also by our wide range of thematic exhibitions, casting shows, fashion shows and attractions for children. As a result, the shopping centers become market places where there is always something new and spectacular on offer. In addition, we are constantly adding new products and services that are being developed as part of the ongoing integration of bricks-and-mortar retailing and online shopping sites, and that further enhance the shopping experience and level of service for our customers. Some of these include center apps as well as Click & Collect and shop delivery services.

WORKING METHODS OF THE EXECUTIVE AND SUPERVISORY BOARDS

The strategic orientation of the Company is coordinated between the Executive Board and the Supervisory Board, and the progress of strategy implementation is discussed at regular intervals. The Executive Board is required to inform the Supervisory Board regularly, promptly and in detail of business developments. The Executive and Supervisory Boards examine the Company's net assets, financial position and results of operations, as well as its risk management, regularly and in detail. In this context, the formal conditions for implementing an efficient system of managing and monitoring the Company are checked, as is whether the means of supervision are effective. The significant factors affecting the business are determined by the Executive Board, which notifies the Supervisory Board. The committees advise on the development of the portfolio properties, their turnover trends, accounts receivable, occupancy rates, construction measures and liquidity, as well as investment cost trends for our new development projects. The sales trends and payment patterns of tenants are observed in detail so that consequences can be drawn from these wherever required.

New investment opportunities are examined by the Executive Board and, if necessary, presented to the Supervisory Board at regular Supervisory Board meetings. Investment decisions are made by the Executive Board and then submitted to the Supervisory Board for approval within the framework of a decision paper.

Moreover, the Executive and Supervisory Boards discuss developments on the capital and credit markets as well as the effects of these not only on the Company's strategy but also in terms of raising equity and obtaining borrowed capital.

The Supervisory Board and its committees also discuss other topical issues with the Executive Board as required. Transactions requiring the approval of the Supervisory Board are discussed and resolved upon at the scheduled meetings. Online retailing, its impact on footfall and sales in centers and the countermeasures taken are becoming increasingly important in reporting to the Executive Board.

For transactions requiring approval, conference calls are also conducted with the Supervisory Board or its committees and circular resolutions are passed in writing.

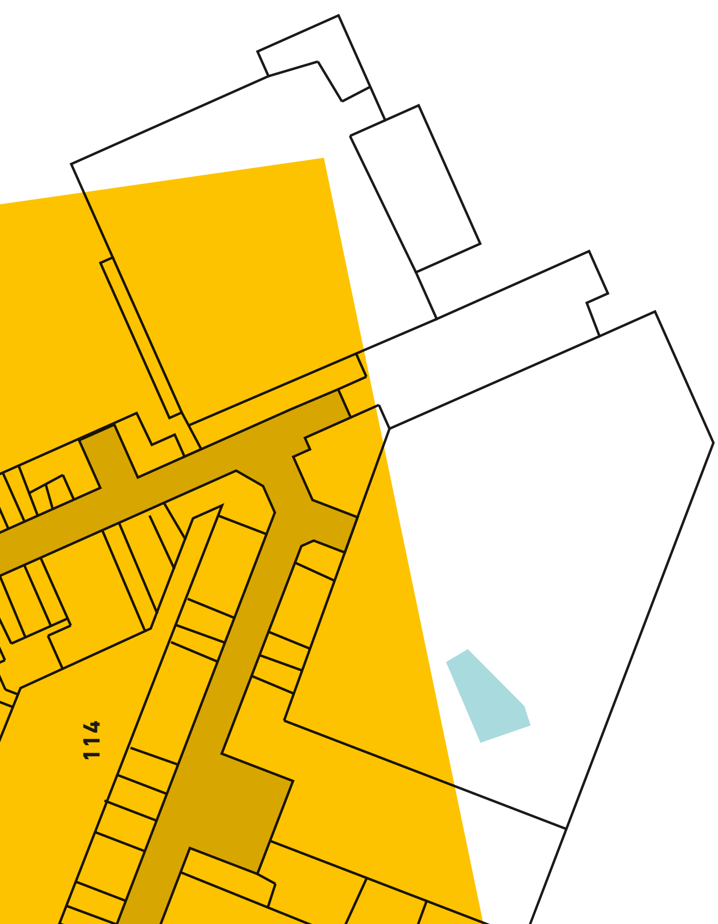
CORPORATE GOVERNANCE 2018

The Government Commission on the German Corporate Governance Code published the German Corporate Governance Code on 26 February 2002 and approved amendments and additions to individual recommendations and suggestions, most recently on 7 February 2017. The Government Commission published the draft of an amended German Corporate Governance Code on 25 October 2018. Final publication is expected in the first half of 2019.

THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

The Supervisory and Executive Boards performed their statutory duties in financial year 2018 in accordance with the applicable laws and the Articles of Association. The strategic orientation of the Company was coordinated between the Executive Board and the Supervisory Board, and the progress of strategy implementation was discussed at regular intervals. The Supervisory Board was informed regularly, promptly and in detail of business developments and the risk situation by the Executive Board. Detailed information on the main areas of focus of its activities in financial year 2018 can be found in its report in Annual Report 2018 of Deutsche EuroShop AG.

In financial year 2018, there were no advisory or other contracts for work or services in existence between members of the Supervisory Board and the Company.



COMPOSITION AND DIVERSITY

Supervisory Board

The Supervisory Board formulated specific goals in 2012 for its composition and geared itself towards the needs of a listed company with a small staff base which makes long-term investments with high capital requirements. The diversity concept was further developed in 2015, and confirmed by the Supervisory Board in April 2017. In view of this, the intention is that the Supervisory Board be primarily composed of independent members of both genders who have special knowledge and experience of the retail trade, the letting of retail space, the management of shopping centers, the equity and debt financing of listed real estate companies, of accounting principles and internal control processes in accordance with German and / or international regulations, and of corporate governance and business management. It is intended that the proportion of women on the Supervisory Board be at least 30%. The upper age limit for members of the Supervisory Board is 70. The Supervisory Board also takes the view that professional qualifications and skills should be the key criteria for its members. For that reason, no rule as to the length of time for which members may serve on it has been adopted.

Since 2015 the company has disclosed the skills provided by the individual members of the Supervisory Board in the nomination process for the elections to the Supervisory Board.

The German Corporate Governance Code states that a member of the Supervisory Board "is not deemed independent if they have a personal or business relationship with the company, its governing bodies, a controlling shareholder or an associate thereof that could give rise to a material conflict of interest which is more than temporary." In 2015, the Supervisory Board of Deutsche Euroshop AG stipulated that the materiality criterion does not apply to tenants accounting for less than 1% of Group rental income. This is the case for Roland Werner, Chair of the Management Board of Bijou Brigitte Modische Accessoires AG, a tenant operating a total of some 1,000 shops. 21 of these are in shopping centers of Deutsche Euroshop AG.

Klaus Striebich stepped down as Chairman of the Advisory Board of MEC Metro-ECE Centermanagement GmbH & Co. KG on 31 March 2019 and also ceased to be an independent advisor to KG CURA Vermögensverwaltung G.m.b.H. & Co. Since then he has been an independent member of the Supervisory Board.

Hence based on its own assessment, the Supervisory Board has an adequate number of independent members. Five (since 1 April 2019: six) of the total of nine members of the Supervisory Board are independent. These are Reiner Strecker, Karin Dohm, Beate Bell, Manuela Better, Roland Werner and Klaus Striebich (since 1 April 2019).

Executive Board

The Executive Board of Deutsche EuroShop AG manages the Company in accordance with the provisions of German company law and with its rules of procedure. The Executive Board's duties, responsibilities and business procedures are laid down in its rules of procedure and in its schedule of responsibilities. The chief management duties of the Executive Board are the management of the Group and the determination of its strategic orientation, planning, and the establishment, implementation and monitoring of risk management.

The diversity concept of the Supervisory Board for the Executive Board which originated in 2015 was given concrete shape and expanded in April 2017. It proposes that the Executive Board should consist of members of both sexes with a proportion of women of at least 30%. The composition of the Executive Board should be geared towards the needs of a listed company with a small staff base. This should take into account the requirements of accounting with high capital investment as well as the largely national activities in long-term investment in retail properties. The members of the Executive Board are expected to have knowledge and experience in the application of accounting principles and internal control procedures according to German and / or international accounting standards, in the retail trade as well as in the management of shopping centers, in equity and debt financing, capital market, corporate governance, corporate and personnel management, corporate acquisitions and mergers, and in the purchase and sale of real estate. The focal points of knowledge and experience must complement each other.

The upper age limit for members of the Executive Board is 60.

As of 31 December 2018, the Executive Board of Deutsche EuroShop AG comprised two members.

Wilhelm Wellner
Born 8 March 1967
First appointment: 2015
Appointed until: 31 December 2021

Wilhelm Wellner joined Deutsche EuroShop in 2015, initially as a member of the Executive Board, and took on his present position as CEO on 1 July 2015. He is also a managing director and director at various companies in the Deutsche EuroShop Group.

Olaf Borkers
Born 10 December 1964
First appointment: 2005
Appointed until: 30 September 2022

Olaf Borkers joined Deutsche EuroShop AG in 2005 as a member of the Executive Board. He is also a Managing Director and Director at various companies in the Deutsche EuroShop Group, and is responsible for ESG issues (environmental social governance) on the Executive Board. On 14 December 2018, Mr Borker's term in office, which ends on 30 September 2019, was extended until 30 September 2022.

Supervisory Board

The Supervisory Board supervises and advises the Executive Board in its management activities in accordance with the provisions of German company law and its rules of procedure. It appoints members of the Executive Board, and significant business transacted by the Executive Board is subject to its approval. The Supervisory Board is composed of nine members, who are elected by the Annual General Meeting.

The Supervisory Board has established the notification and reporting duties to be met by the Executive Board. In addition to a three-member **Supervisory Board Executive Committee** (which also functions as a nomination committee), an **Audit Committee** and a **Capital Market Committee** were established (each also consisting of three members).

The members of the Supervisory Board are:

- **Reiner Strecker**, Chairman
- **Karin Dohm**, Deputy Chairwoman
- **Thomas Armbrust**
- **Beate Bell**
- **Manuela Better**
- **Dr Henning Kreke**
- **Alexander Otto**
- **Klaus Striebich**
- **Roland Werner**

Mr Strecker, Ms Dohm and Mr Armbrust are members of the **Supervisory Board Executive Committee**. The Executive Committee is chaired by the Chairman of the Supervisory Board. The Committee discusses urgent business matters and passes relevant resolutions. Moreover, it is responsible for human resources issues concerning the Executive Board and for reviewing the Company's corporate governance principles. The Executive Committee of the Supervisory Board also fulfils the role of a nomination committee.

The **Audit Committee** consists of Ms Dohm as Financial Expert and Chairwoman as well as Mr Armbrust and Mr Strecker. It is responsible for issues relating to financial reporting, auditing and the preparation of the annual and consolidated financial statements. In addition, this committee supervises the audit as well as the effectiveness of internal control and risk management systems. Former members of the Company's Executive Board and the Chairman of the Supervisory Board generally do not chair the Audit Committee, to avoid conflicts of interest.

Mr Armbrust, Dr Kreke and Mr Strecker were members of the **Capital Market Committee**. During the past year, it was chaired by Mr Armbrust. The position of Deputy Chairman was held by Mr Strecker. The Supervisory Board's powers relating to the utilisation of approved capital and conditional capital were transferred to the Committee for decision-making and processing.

Quota of women

The Supervisory Board and the Executive Board took into consideration the Act on the Equal Participation of Women and Men in Executive Positions in the Private and Public Sector that entered into force in 2015, and defined corresponding quotas. A quota of women of at least 30% was set for the Supervisory Board and the Executive Board. The Executive Board also set the same target for the management levels below the Executive Board. Given that there are five employees in total, there is only one management level.

Since the quota was established in 2015, the target for the nine-member Supervisory Board has been met with three female members.

The quota of women on the two-member Executive Board as of 31 December 2018 was 0%. Mr Wellner's term in office on the Executive Board, which ended on 30 June 2018, was extended until 31 December 2021 in view of his performance. In December 2018, Mr Borker's term in office on the Executive Board, which ended on 30 September 2019, was likewise extended until 30 September 2022 in view of his performance. Moreover, continuity and experience gained with the business model are important to the company's success. The expansion of the Executive Board to three members is neither appropriate nor reasonable due to the low number of employees and to the specifics of a holding company.

The quota of women in the first management level below the Executive Board, which consists of two people, was also at 0% on 31 December 2018. The quota of women specified in 2015 at 50% was met until the leading female member left the Company at her own request on 31 March 2016. Her responsibilities were taken over by a new male employee whose professional training and experience made him the best choice.

SHAREHOLDINGS

Executive Board

As at 31 December 2018, the Executive Board held a total of 6,500 shares, less than 1% of Deutsche EuroShop AG's share capital.

Supervisory Board

As at 31 December 2018, the Supervisory Board held a total of 11,693,891 shares, and hence more than 1% of Deutsche EuroShop's share capital.

In addition to the general statutory provisions requiring public disclosure, the rules of procedure of the Executive Board and of the Supervisory Board govern the reporting duties of Executive and Supervisory Board members in the event of dealings involving shares in the Company or related rights of purchase or sale, as well as rights directly dependent on the Company's share price.

Directors' dealings

The following securities transactions by members of the Executive Board and of the Supervisory Board or by certain persons related to members of the executive bodies were notified to Deutsche EuroShop AG during financial year 2018 in accordance with section 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act):

Name / Company name	Name of financial instrument	Type of transaction	Date	Price (€)	Number	Total volume (€)	Place
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase	06.02.2018	29.70	167,535	4,976,325.61	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase	07.02.2018	29.53	167	4,931.50	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase	08.02.2018	29.41	76,667	2,255,027.72	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase	09.02.2018	29.41	7,081	208,219.16	Xetra
Oliver Bell	Share*	Purchase	15.02.2018	29.60	700	20,720.00	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase	15.02.2018	29.49	6,375	188,013.82	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase	26.03.2018	29.14	70,000	2,039,779.00	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase	27.03.2018	29.18	130,000	3,793,010.00	Xetra
Olaf Borkers	Share*	Purchase	27.04.2018	29.32	1,500	43,979.50	Xetra
Wilhelm Wellner	Share*	Purchase	16.05.2018	30.79	5,000	153,943.08	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase	12.07.2018	29.87	223,934	6,688,057.63	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase	13.07.2018	30.18	3,990	120,431.37	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase	23.08.2018	28.66	141,517	4,055,778.16	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Derivative**	Sale	23.08.2018	1.15	200,000	229,000.00	Eurex
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase	06.09.2018	28.60	57,804	1,653,067.28	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase	06.09.2018	28.67	3,631	104,089.70	UBS Limited EMEA Trading
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase	07.09.2018	28.45	42,628	1,212,839.07	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase	10.09.2018	28.57	23,389	668,111.46	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase	11.09.2018	28.18	58,924	1,660,638.68	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase	12.09.2018	28.39	38,350	1,088,630.46	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase	12.09.2018	28.45	4,225	120,207.09	UBS Limited EMEA Trading
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Share*	Purchase	26.09.2018	28.10	21,049	591,383.68	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co	Derivative**	Sale	28.09.2018	0.55	200,000	110,000.00	Over the counter
Christine Huber	Share*	Purchase	30.11.2018	27.50	1,090	29,975.00	Tradegate
Christine Huber	Share*	Purchase	04.12.2018	27.04	1,000	27,040.00	Tradegate

* ISIN: DE0007480204

** Put option on Deutsche EuroShop AG (ISIN DE0007480204), OTC puts, European, physical settlement, expiry 23.05.2019, strike price €27.40

** Put option on Deutsche EuroShop AG (ISIN DE0007480204), OTC puts, European, physical settlement, expiry 21.06.2019, strike price €25.00

RELATIONSHIPS WITH SHAREHOLDERS

Shareholders exercise their rights in matters concerning the Company at the Annual General Meeting. The Annual General Meeting elects the members of the Supervisory Board and passes resolutions approving the actions of the Executive and Supervisory Boards. It decides on the utilisation of the unappropriated surplus and amendments to the Company's Articles of Association. The Annual General Meeting, at which the Executive and Supervisory Boards give an account of the past financial year, takes place once a year. When resolutions are adopted at the Annual General Meeting, each share confers entitlement to one vote in line with the principle of "one share, one vote". All shareholders are entitled to attend the Annual General Meeting and to speak and submit questions about items on the agenda.

Deutsche EuroShop reports to its shareholders and to the public on the Company's business performance, financial position and results of operations four times a year in line with a financial calendar. Press releases also inform the public and the media of Company activities. Information that may materially influence the Company's share price is published in the form of ad hoc disclosures in accordance with the statutory requirements.

The Executive Board gives regular presentations to analysts and at investor events as part of the Company's investor relations activities. Analyst conferences on the release of the annual and quarterly financial statements are broadcast over the Internet, where they are available to anyone interested in the Company. In addition, Deutsche EuroShop AG provides financial information and other information about the Deutsche EuroShop Group on its website.

ACCOUNTING AND AUDITS

The Deutsche EuroShop Group prepares its financial statements according to International Financial Reporting Standards (IFRSs) on the basis of section 315a of the Handelsgesetzbuch (HGB – German Commercial Code). The annual financial statements of Deutsche EuroShop AG will continue to be prepared in line with the accounting provisions of the HGB. The Executive Board is responsible for the preparation of the financial statements. The Chairman of the Audit Committee commissions the auditor of the annual financial statements, as elected by the Annual General Meeting. The stricter requirements for auditor independence are met in this process.

At the Annual General Meeting on 28 June 2018, BDO AG Wirtschaftsprüfungsgesellschaft was elected as the statutory auditor for the consolidated financial statements for financial year 2018. BDO AG Wirtschaftsprüfungsgesellschaft has audited the annual and consolidated financial statements of Deutsche EuroShop AG from 2005 to 2018 without interruption. The responsible auditors within the audit company have changed several times during the above-mentioned period. The current auditor, Andrea Reese, audited the annual financial statements for the third time in 2018, while the ancillary auditor, Christoph Hyckel, audited the annual financial statements of our company for the fifth time in this function. BDO also provided other consultancy services for our Company in financial year 2018 in the amount of €5 thousand.

OUTLOOK

The composition of the Supervisory Board has changed significantly since 2012 in view of the change of generations and new requirements as to its membership. Its adequate composition is assured and it is also ensured that the specifications of the German Corporate Governance Code will be complied with in a balanced manner.

DECLARATION OF CONFORMITY

In November 2018, the Executive and Supervisory Boards of the Company jointly submitted their updated declaration of conformity with the recommendations of the Government Commission on the German Corporate Governance Code for financial year 2018 in accordance with section 161 of the Aktiengesetz (AktG – German Public Companies Act). The declaration was made permanently available to the public on the Company's website at www.deutsche-euroshop.de.

Joint declaration by the Executive and Supervisory Boards of Deutsche EuroShop AG relating to the recommendations of the Government Commission on the German Corporate Governance Code in accordance with section 161 AktG.

The Executive Board and the Supervisory Board of Deutsche EuroShop AG declare that the Company has complied with, and will continue to comply with, the recommendations of the Government Commission on the German Corporate Governance Code (as published by the German Federal Ministry of Justice in the official section of the electronic German Federal Gazette (Bundesanzeiger) on 4 July 2003, and as amended on 7 February 2017), subject to a limited number of exceptions as indicated below:

- **The existing D&O insurance policy taken out for the Supervisory Board does not provide for any deductible (Section 3.8).**
  In accordance with the statutory provisions of Article 93 (2) sentence 3 AktG, a deductible was agreed upon for the Executive Board. No deductible is foreseen for the Supervisory Board in the future. In the Executive Board and Supervisory Board's view, a deductible has no effect on the sense of responsibility and loyalty with which the members of these bodies perform the duties and functions assigned to them.
- **The Supervisory Board did not select a senior management team for a comparison of compensation (Section 4.2.2).**
  Since the staff of Deutsche EuroShop AG consists of just five people, a differentiation between these and a senior management team would not be meaningful. In this respect, only the relationship between the compensation paid to the Executive Board and that paid to the overall staff can be considered by the Supervisory Board.
- **No limit has been set for the terms of office of members of the Supervisory Board (Section 5.4.1).**
  The Supervisory Board believes that professional qualifications and skills represent the key criteria for members of the Supervisory Board. Limiting the term of office could force the retirement of a qualified and successful Supervisory Board member.
- **The consolidated financial statements are published within 120 days of the end of the financial year (Section 7.1.2).**
  It is important to the Company to publish audited financial statements that have been approved by the Supervisory Board. An earlier publication date is not feasible due to the schedules for the preparation, auditing and adoption of the financial statements. Unaudited data of relevance to the capital market is published in advance.

Hamburg, 24 November 2018

The Executive Board and the Supervisory Board

Deutsche EuroShop AG

EPRA REPORTING

The Brussels-based European Public Real Estate Association (EPRA) has set itself the goal of improving the transparency and comparability of reports published by listed companies in Europe. To this end, EPRA has defined key figures in its Best Practice Recommendations. Deutsche EuroShop supports this goal as a member of EPRA.

The currently valid version[1] of the EPRA Best Practice Recommendations was used to determine the key figures.

OVERVIEW OF EPRA KEY FIGURES

	31.12.2018		31.12.2017		Change	
	in € thousand	per share in €	in € thousand	per share in €	+/- in € thousand	in %
EPRA earnings	147,388	2.39	141,304	2.42	6,084	4.3
EPRA NAV	2,667,499	43.17	2,668,446	43.19	-947	0.0
EPRA NNNAV	2,114,355	34.22	2,119,478	34.30	-5,123	-0.2

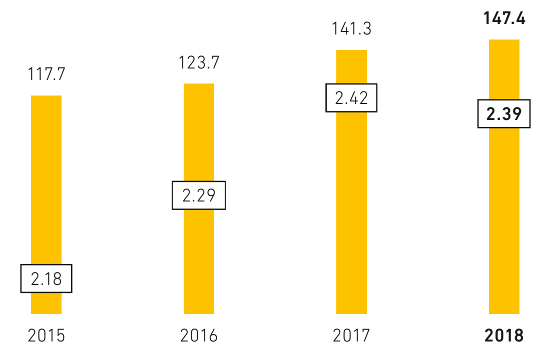
	31.12.2018	31.12.2017	Change
	in %	in %	in % points
EPRA net initial yield (EPRA NIY)	5.0 %	4.9 %	0.1
EPRA "topped-up" net initial yield	5.1 %	5.0 %	0.1
EPRA cost ratio (incl. direct vacancy costs)	12.3 %	12.6 %	-0.3
EPRA cost ratio (excl. direct vacancy costs)	12.1 %	12.5 %	-0.4
EPRA vacancy rate	1.4 %	1.2 %	0.2

[1] The currently valid version of the EPRA Best Practice Recommendations can be found at http://www.epra.com/regulation-and-reporting/bpr/.

EPRA EARNINGS

EPRA earnings represent sustained operating earnings and thus lay the foundation for a real estate company's ability to pay a dividend. To calculate this, the profit / loss for the year is adjusted to reflect any income components that have no sustained, recurring impact on operational performance. EPRA earnings are therefore essentially comparable with the "funds from operations" (FFO) parameter that we employ. In contrast to EPRA earnings, however, all non-cash deferred taxes and, in addition, the prior year's non-cash expense of convertible bond conversion rights are adjusted for FFO.

EPRA EARNINGS
in € million / per share in €



EPRA EARNINGS

			31.12.2018			31.12.2017		Change
	in € thousand	in € thousand	per share in €	in € thousand	in € thousand	per share in €	per share in €	in %
Consolidated profit		79,395	1.29		134,333	2.31	-1.02	-44.2
Measurement gains / losses investment properties	55,706			-8,724				
Measurement gains / losses investment properties (at equity)	2,608			-4,396				
Measurement gains / losses investment properties[1]		58,314	0.94		-13,120	-0.23	1.17	-508.7
Measurement gains / losses derivative financial instruments	-2,256			-2,968				
Measurement gains / losses derivative financial instruments (at equity)	-348			-475				
Measurement gains / losses derivative financial instruments[1]		-2,604	-0.04		-3,443	-0.06	0.02	-33.3
Goodwill write-down		0	0.00		140	0.00	0.00	–
Other measurement gains / losses		9	0.00		34	0.00	0.00	–
Acquisition costs		0	0.00		276	0.00	0.00	–
Deferred taxes on adjustments[1]		12,274	0.20		23,084	0.40	-0.20	-50.0
EPRA earnings		**147,388**	**2.39**		**141,304**	**2.42**	**-0.03**	**-1.2**
Weighted number of no-par-value shares issued			61,783,594			58,248,007		

[1] Including the share attributable to equity-accounted joint ventures and associates

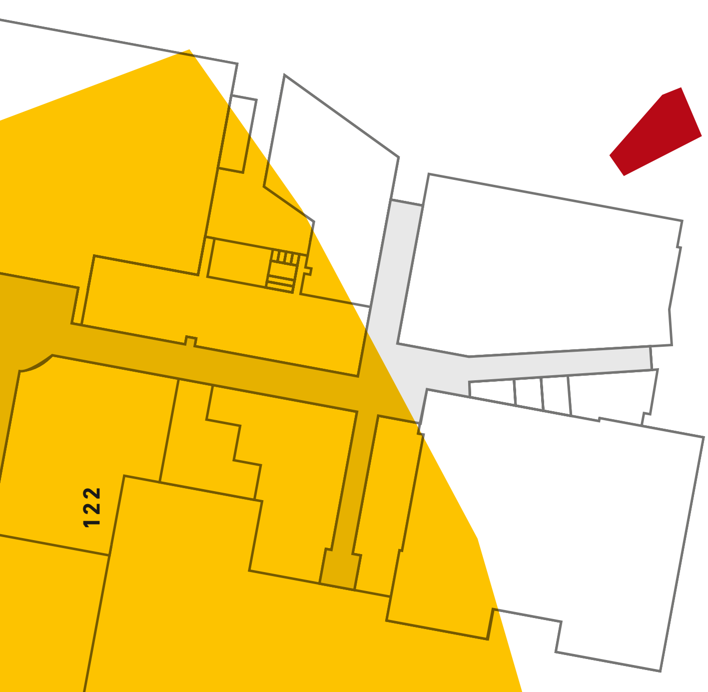
EPRA NET ASSET VALUE

EPRA NAV measures the net asset value of a company based on a business model with a long-term focus. To do so, Group equity is adjusted for assets and liabilities that are unlikely to be realised if held over the long term.

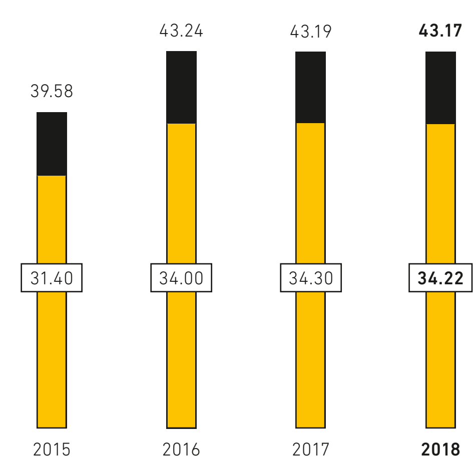
EPRA NAV

	31.12.2018			31.12.2017			Change	
	in € thousand	in € thousand	per share in €	in € thousand	in € thousand	per share in €	per share in €	in %
Equity		2,229,748	36.09		2,237,376	36.21	-0.12	-0.3
Derivative financial instruments measured at fair value	33,546			39,040				
Derivative financial instruments measured at fair value (at equity)	1,017			1,365				
Derivative financial instruments measured at fair value [1]		34,563	0.56		40,405	0.66	-0.10	-15.2
Equity excluding derivative financial instruments		**2,264,311**	**36.65**		**2,277,781**	**36.87**	**-0.22**	**-0.6**
Deferred taxes on investment properties and derivative financial instruments [1]		456,915	7.39		444,392	7.19	0.20	2.8
Goodwill as a result of deferred taxes		-53,727	-0.87		-53,727	-0.87	0.00	-
EPRA NAV		**2,667,499**	**43.17**		**2,668,446**	**43.19**	**-0.02**	**0.0**
Number of no-par-value shares issued as at the reporting date			61,783,594			61,783,594		

[1] Including the share attributable to equity-accounted joint ventures and associates



EPRA NAV / EPRA NNNAV
per share in € / in € million



in € million	2015	2016	2017	2018
EPRA NAV	2,135.2	2,332.6	2,668.4	**2,667.5**
EPRA NNNAV	1,693.7	1,833.9	2,119.5	2,114.4

EPRA TRIPLE NET ASSET VALUE

Whereas EPRA NAV employs a long-term perspective based on the assumption of a going concern, EPRA NNNAV also factors in assets and liabilities measured at fair value as at the reporting date, which are unlikely to be realised using a long-term view. Using EPRA NAV as a basis, the fair values of derivative financial instruments and financial liabilities as well as the associated deferred taxes are included.

EPRA NNNAV

			31.12.2018			31.12.2017		Change
	in € thousand	in € thousand	per share in €	in € thousand	in € thousand	per share in €	per share in €	in %
EPRA NAV		2,667,499	43.17		2,668,446	43.19	-0.02	0.0
Derivative financial instruments measured at fair value [1]		-34,563	-0.56		-40,405	-0.66	0.10	-15.2
Difference between non-accounted financial liabilities measured at fair value and their carrying amount	-78,617			-82,330				
of which attributable to third-party shareholders in commercial partnerships	11,210			10,181				
Difference between non-accounted financial liabilities measured at fair value and their carrying amount (at equity)	-7,677			-5,718				
Difference between non-accounted financial liabilities measured at fair value and their carrying amount [1]		-75,084	-1.22		-77,867	-1.26	0.04	-3.2
Deferred taxes on difference between non-accounted financial liabilities measured at fair value and their carrying amount [1]		13,418	0.22		13,696	0.22	0.00	0.0
Deferred taxes on investment properties and derivative financial instruments [1]		-456,915	-7.39		-444,392	-7.19	-0.20	2.8
EPRA NNNAV		**2,114,355**	**34.22**		**2,119,478**	**34.30**	**-0.08**	**-0.2**
Number of no-par-value shares issued as at the reporting date			61,783,594			61,783,594		

[1] Including the share attributable to equity-accounted joint ventures and associates

EPRA NET INITIAL YIELD AND EPRA "TOPPED-UP" NET INITIAL YIELD

EPRA net initial yield is calculated on the basis of annualised rental income as at the reporting date less the costs that are not allocable to tenants, calculated in proportion to the market value of the property including ancillary acquisition costs. EPRA "topped-up" net initial yield also takes into account granted rental incentives in the determination of annualised rental income.

EPRA NET INITIAL YIELD (EPRA NIY) AND EPRA "TOPPED-UP" NET INITIAL YIELD

		31.12.2018		31.12.2017
	in € thousand	in € thousand	in € thousand	in € thousand
Market value investment properties	3,891,700		3,924,157	
Market value investment properties (at equity)	676,960		675,960	
Market value investment properties		4,568,660		4,600,117
Less expanded space [1]		-7,160		-12,616
Less ancillary acquisition costs [1]		262,271		264,401
Market value investment properties (gross)		**4,823,771**		**4,851,902**
Annualised rental income [1]		264,415		261,275
Non-allocable property expenses [1]		-21,521		-21,239
Annualised net rental income		**242,894**		**240,036**
Rental incentives and other rental adjustments [1]		1,088		882
Annualised "topped-up" net rental income		**243,982**		**240,918**
EPRA net initial yield (EPRA NIY)		**5.0 %**		**4.9 %**
EPRA "topped-up" net initial yield		**5.1 %**		**5.0 %**

[1] Including the share attributable to equity-accounted joint ventures and associates

EPRA VACANCY RATE

The EPRA vacancy rate is the ratio of the market value of vacant space to the market rent of the entire portfolio as at the reporting date.

EPRA VACANCY RATE

	31.12.2018	31.12.2017
	in € thousand	in € thousand
Market rent for vacancy [1]	3,464	3,074
Total market rent [1]	253,060	255,281
EPRA vacancy rate	**1.4 %**	**1.2 %**

[1] Including the share attributable to equity-accounted joint ventures and associates

EPRA COST RATIO

The EPRA cost ratio compares the sum of operating and administrative costs with rental income, allowing for an estimation of cost efficiency across comparable real estate companies. Operating and administrative costs comprise all expenses that cannot be allocated or passed on from the management of the property portfolio (excluding depreciation, interest and taxes) as well as Group management costs.

INVESTMENTS IN REAL ESTATE ASSETS

Investments in the Group's real estate assets amounted to:

EPRA INVESTMENTS IN REAL ESTATE ASSETS

	31.12.2018	31.12.2017
	in € thousand	in € thousand
Acquisitions	0	374,000
Developments, new construction	1,336	1,333
Portfolio properties	19,526	8,291
Other	0	0
EPRA investments in real estate assets	**20,862**	**383,624**

The acquisition in the prior year related to the purchase of the Olympia Center in Brno. Development investments were made as part of the planned expansion of the Galeria Bałtycka. The increase in investments in portfolio properties compared with the previous year was the result of the "At-your-service" and "Mall Beautification" investment programmes in financial year 2018, which will further boost the attractiveness of the shopping centers.

EPRA COST RATIO

	31.12.2018	31.12.2017
	in € thousand	in € thousand
Operating and administrative costs for property [1]	26,702	25,660
Other operating expenses [1] excluding financing costs	5,723	6,740
Other revenue from cost allocations and reimbursement [1]	0	0
EPRA costs (incl. direct vacancy costs)	**32,425**	**32,400**
Direct vacancy costs [1]	-378	-286
EPRA costs (excl. direct vacancy costs)	**32,047**	**32,114**
Rental revenue [1]	264,056	257,105
EPRA cost ratio (incl. direct vacancy costs)	**12.3 %**	**12.6 %**
EPRA cost ratio (excl. direct vacancy costs)	**12.1 %**	**12.5 %**

[1] Including the share attributable to equity-accounted joint ventures and associates

COMBINED MANAGEMENT REPORT 2018

COMBINED MANAGEMENT REPORT

The Group management report was combined with the management report of Deutsche EuroShop AG for financial year 2018 for the very first time. The information provided in the combined management report applies to both the Group and Deutsche EuroShop AG, except where otherwise stated. The separate financial statements of Deutsche EuroShop AG are reported on in a separate section of the combined management report.

BASIC INFORMATION ABOUT THE GROUP

GROUP BUSINESS MODEL, TARGETS AND STRATEGY

Deutsche EuroShop is an Aktiengesellschaft (public company) under German law. The Company's registered office is in Hamburg. Deutsche EuroShop is the only public company in Germany to invest solely in shopping centers in prime locations. A total of 21 shopping centers in Germany, Austria, Poland, Hungary and the Czech Republic are held in the real estate portfolio. The Group generates its reported revenue from rental income on the space it lets in the shopping centers.

The shopping centers are held by independent companies, with Deutsche EuroShop holding stakes of 100% in twelve of them and between 50% and 75% in the other nine. Further information on the incorporation of these companies into the consolidated annual results is provided in the notes to the consolidated financial statement.

The Group managing company is Deutsche EuroShop AG. It is responsible for corporate strategy, portfolio and risk management, financing and communication. The Deutsche EuroShop Group has a central structure and lean personnel organisation.

Objectives and strategy

The management focuses on investments in high-quality shopping centers in city centers and established locations offering stable long-term value growth. A key investment target is the generation of high surplus liquidity from long-term leases in shopping centers, much of which is paid out to shareholders in the form of an annual dividend. To this end, the Company invests its capital in shopping centers in different European regions in accordance with the principle of risk diversification. Germany is the main focus for investment. Indexed and turnover-linked commercial rents ensure that high earnings targets are achieved.

The Company may invest up to 10% of equity in joint ventures in shopping center projects in the early stages of development.

New investments must be financed from a balanced mix of sources, and borrowing may not account for more than 55% of financing across the Group over the long term. As a general rule, long-term interest rates are fixed when loans are taken out or renewed, with the goal of keeping the duration (average fixed interest period) at over five years.

Profitable portfolio with stable value

Deutsche EuroShop has a balanced and diversified portfolio of German and European shopping centers. The management focuses on investments in prime (1a) locations in cities with a catchment area of at least 300,000 residents that bring a high level of investment security.

Seizing opportunities and maximising value

In line with the buy & hold strategy, the management is increasingly concentrating on shopping center quality and returns rather than rapid portfolio growth. The management constantly monitors the market and takes opportunities to buy when they arise.

Rapid decision-making chains and considerable flexibility regarding potential investments and financing structures allow Deutsche EuroShop to react to very wide-ranging competitive situations. At the same time, the Group's management focuses on optimising the value of the existing portfolio of properties.

Tailored rent structure

One key component of the rental model is a tailored rent structure. While city center property owners often focus on obtaining the highest possible rents for their properties – creating a monolithic retail offering – Deutsche EuroShop's management uses a calculation combining a range of factors to create an attractive sector mix and optimise long-term rental income. Rental partners pay sector-specific and turnover-linked rent. Minimum rents linked to the consumer price index provide a guaranteed minimum level of income for Deutsche EuroShop AG during periods of economic weakness.

The shopping experience concept

Deutsche EuroShop has outsourced center management to an experienced external partner: ECE Projektmanagement G.m.b.H. & Co. KG (ECE), based in Hamburg. ECE has been designing, planning, building, letting and managing shopping centers since 1965. The company is currently the European market leader, with around 200 shopping centers under management. Deutsche EuroShop views professional center management as the key to successful shopping centers. In addition to guaranteeing standard opening hours and a consistently friendly, bright, safe and clean shopping environment, the center management can employ unusual displays, promotions and exhibitions to make shopping an experience. Each day, an average of 500,000 to 600,000 shoppers visit the 21 Deutsche EuroShop centers, where they are impressed not only by the range of sectors represented, but also by promotional activities including car, talent and fashion shows as well as a wide variety of attractions for children. As a result, the shopping centers become market places where there is always something new and spectacular on offer.

MANAGEMENT SYSTEM

The Executive Board of Deutsche EuroShop manages the Company in accordance with the provisions of German company law and with its rules of procedure. The Executive Board's duties, responsibilities and business procedures are laid down in its rules of procedure and in its schedule of responsibilities.

The management indicators are based on the targets of having shopping centers with sustainable and stable value growth and a high liquidity surplus generated by long-term leases. These indicators are revenue, EBIT (earnings before interest and taxes), EBT (earnings before taxes) excluding measurement gains/losses and FFO (funds from operations).

Based on three-year medium-term planning for each shopping center, aggregated Group planning is drawn up once a year and the management indicator targets are established. Throughout the year, current performances are periodically (quarterly) compared against these targets and current projections. In addition, the value drivers behind the management indicators, such as rental income, visitor numbers and reletting statistics, are monitored in monthly controlling reports. This allows any urgent measures required to be taken immediately.

The Supervisory Board supervises and advises the Executive Board in its management activities in accordance with the provisions of German company law and its rules of procedure. It appoints the members of the Executive Board, and significant transactions by the Executive Board are subject to its approval. The Supervisory Board comprises nine members, all of whom are elected by the Annual General Meeting.

Members of the Executive Board are appointed and dismissed on the basis of sections 84 and 85 of the Aktiengesetz (AktG – German Public Companies Act). Changes to the Articles of Association are made in accordance with sections 179 and 133 of the AktG, and the Supervisory Board is also authorised, without a resolution of the Annual General Meeting, to adapt the Articles of Association to new legal provisions that become binding on the Company, as well as to resolve changes to the Articles of Association that only relate to the wording.

More information about the Executive Board and the Supervisory Board can be found in the declaration on corporate governance.

ECONOMIC REVIEW

MACROECONOMIC AND SECTOR-SPECIFIC CONDITIONS

In 2018, Germany's gross domestic product (GDP) rose by 1.5%, according to the calculations of the German Federal Statistical Office. By comparison with the two previous years in both of which growth stood at 2.2%, economic growth experienced a slight slowdown. Positive impetus continued to come mainly from the domestic market, particularly from increased consumer spending and greater investment in construction. Spending by private households which profited from the positive trend on the labour market, rose by a price-adjusted 1.0% and government spending by 1.1%. Investment in construction increased in 2018 by a price-adjusted 3.0%, with investment in public civil engineering projects, in particular, higher than in the previous year.

On the labour market, the positive trend of recent years also continued: On average, 2.3 million people were registered as unemployed during the year, putting the unemployment rate at 5.2% (previous year: 5.7%). Consumer prices in Germany rose by 1.9% versus 2017, mainly caused by the increase in energy prices (+4.9%) and food (+2.5%).

In 2018, real employee pay rose by 1.0% according to the German Federal Statistical Office. In an environment with ongoing high employment and incomes rising in real terms, the propensity to consume fell slightly by comparison with the previous year, but was still at a very good level according to market research institution GfK. The savings rate rose slightly in 2018 to 10.3% (previous year: 9.9%) and private consumer spending, making up 52.5% of GDP, rose by 1.0% (price-adjusted).

According to provisional calculations by the German Federal Statistical Office, German retail sales (including online sales) posted nominal growth of 2.8% and real growth of 1.2% over 2017, with rising online sales in particular again contributing to the positive sales growth in retail. According to figures from the German Retail Federation (HDE), online sales increased year on year to around €53.6 billion, an increase of approximately 10.1%. That equates to roughly a 10.2% share of total retail sales in 2018, which according to the HDE statistics came to €523.6 billion. Bricks-and-mortar retail sales in Germany grew 1.2% in nominal terms in 2018, though the key indicator for shopping centers of bricks-and-mortar fashion retail sales registered a 2.0% decline according to figures from the industry magazine TextilWirtschaft.

The centers' competitive position in the Deutsche EuroShop portfolio is determined with reference to both the shops in the relevant city centers and other shopping centers in the catchment area. The centers also have to compete with major regional city centers. For example, the city centers of Dortmund, Mannheim and Braunschweig are serious rivals to the Allee-Center in Hamm, the Rhein-Neckar-Zentrum in Viernheim and the City-Galerie in Wolfsburg respectively.

There can be additional competition for city center retail in the form of growing numbers of factory and designer outlets on greenfield sites outside the city limits and to a certain extent also within them. For example, 2018 saw the expansion of a factory outlet center near our center in Dessau. In addition, a planned, large-scale project development in Remscheid is progressing in the direct vicinity of our shopping center in Wuppertal while a further inner-city project development is currently experiencing further delays. GfK estimates that total retail floor space in Germany increased by 0.6% in 2018 (previous year: +0.4%).

In addition to further growth in available retail space, the competitive situation in bricks-and-mortar retailing and in our shopping centers is being intensified particularly by the strong, steady gains being made by online shopping, a channel which continues to absorb much of the growth in retail sales.

Retail sector

Based on the calculations of real estate consultants JLL, rental turnover on retail spaces leased in Germany rose 7% to 480,000 m² in 2018 in connection with high demand from international concepts for large spaces. The average leased area increased to 445 m² (previous year: 425 m²), though 52% (previous year: with 56% of lease agreements concluded concerning spaces smaller than 250 m².

With around 27% of rented floor space, textile retailers again constituted the largest demand group, although that demand saw further declines. In second place behind textile retailers were restaurants and food retailers, accounting for 20% (previous year: 19%), and health and beauty retail took third place with just under 15% (previous year: 16%). The expansion of chain restaurants, creation of new catering spaces in shopping centers and new leases taken out by discount stores in inner-city locations explain the rise in rented floor space in the restaurants and food retailers segment. These offerings are becoming increasingly important as customer magnets for shopping centers, according to a study by the EHI Retail Institute.

Around 10% of all retail sales in Germany in 2018 was generated online. Online sales of food (+20.3%) enjoyed particularly strong growth although it remains a niche business when viewed by its share of total sales in food retail (< 1%). The second-largest segment, electronics & telecommunications, grew by just under a fifth, while the largest retail segment in terms of sales, namely fashion, increased by 7.9%.

There was also a noticeable trend in 2018 of purely online retailers renting physical shops in central locations or taking over bricks-and-mortar retailers within the framework of company acquisitions, or entering into joint ventures with bricks-and-mortar retailers, in order to achieve multi-channel capability, which is becoming increasingly important to consumers. Online retail and offline retail are increasingly merging.

Real estate market

With a 6% rise in the volume of transactions to €60.3 billion (previous year: €56.8 billion), the German investment market in commercial real estate reached a new record level, according to JLL. Retail real estate accounted for 13% of the volumes (previous year: 20%).

Investments in German shopping centers totalled just slightly below €1.4 billion in full-year 2018 (previous year: €2.0 billion), representing a decline of 30% compared with the previous year. JLL attributes this decline to a more cautious attitude on the part of investors towards this asset class due to the current retail environment and strong growth in online retail. In general, transactions took longer and were of smaller size. The average volume fell from €57.9 million to €56.7 million, indicating that smaller centers in particular changed hands – only four (previous year: five) transactions had a volume in excess of €100 million.

As in the previous year, it was among German investors in particular that 65% of investments in German retail real estate were concentrated in 2018. The yields for these investments in Germany increased slightly due to lower demand for shopping centers. According to JLL, returns on top shopping center investments in Germany averaged around 4.1% at the end of the year (previous year: 3.9%) thus remaining at a very low level.

Share price performance

Following a year-end closing price for 2017 of €33.96, Deutsche EuroShop shares started the new year in a weak market with an ongoing downward trend, particularly for commercial real estate stocks. The high for the period of €33.90 had already been posted on 2 January 2018. The end of April saw a slight recovery that lasted until mid-June. In the second half of the year, the DES price fell almost continuously – following the generally negative price movements for shopping center stocks worldwide – triggered by the overall poor sentiment towards retail real estate. The share price hit its low for the year of €24.98 on 27 December 2018. The year-end closing price was noted at €25.34. Taking into account the dividend of €1.45 per share paid on 3 July 2018, this corresponds to a performance of -21.8% (previous year: -8.6%). Deutsche EuroShop's market capitalisation stood at just under €1.6 billion on 31 December 2018.

BUSINESS DEVELOPMENT AND OVERALL COMMENT ON THE GROUP'S FINANCIAL SITUATION

Key consolidated figures

in € million	Forecast for 2018	01.01.–31.12.2018	01.01.–31.12.2017	+/-
Revenue	220 – 224	225.0	218.5	3.0%
EBIT	193 – 197	199.1	192.4	3.5%
EBT (excluding measurement gains/losses [1])	154 – 157	160.9	153.3	5.0%
EPRA [2] earnings		147.4	141.3	4.3%
FFO	145 – 148	150.4	148.1	1.5%
Equity ratio in % [3]		55.8	55.6	
LTV ratio in % [4]		31.8	32.4	

in €	Forecast for 2018	01.01.–31.12.2018	01.01.–31.12.2017	+/-
EPRA [2] earnings per share		2.39	2.42	-1.2%
FFO per share	2.35 – 2.39	2.43	2.54	-4.3%
EPRA [2] NAV per share		43.17	43.19	0.0%
Weighted number of no-par-value shares issued [5]		61,783,594	58,248,007	6.1%

[1] Including the share attributable to equity-accounted joint ventures and associates

[2] European Public Real Estate Association

[3] Incl. third-party interests in equity

[4] Loan-to-value ratio (LTV ratio): ratio of net financial liabilities (financial liabilities less cash and cash equivalents) to non-current assets (investment properties and investments accounted for using the equity method)

[5] Used to calculate EPRA earnings and FFO per share: to calculate EPRA NAV per share the number of no-par-value shares in issue on the reporting date was used, which amounted to 61,783,594 in 2017 and 2018

Financial year 2018 ended successfully in terms of operations, with results higher than those forecast. Revenue rose by 3% from €218.5 million in the previous year to €225.0 million (forecast: €220 to €224 million).

Earnings before interest and taxes (EBIT) of €199.1 million (forecast: €193 to 197 million) were €6.7 million or 3.5% higher than the previous year (previous year: €192.4 million). Earnings before taxes (EBT) excluding measurement gains/losses increased significantly by 5% from €153.3 million in the previous year to €160.9 million (forecast: €154 to 157 million). FFO also posted a good result at €2.43 per share (forecast: €2.35 to €2.39).

The portfolio expansion completed in recent years, a stable operating expense ratio and lower interest costs were major reasons for this positive trend, which was achieved despite a still very competitive retail environment. In the last financial year, this market environment also affected the appreciation of our shopping center portfolio in particular. In the last financial year, measurement losses of €58.3 million (previous year: measurement gains of €12.9 million) impacted significantly on the consolidated profit of €79.4 million (previous year: €134.3 million).

EARNINGS POSITION OF THE GROUP

EARNINGS POSITION

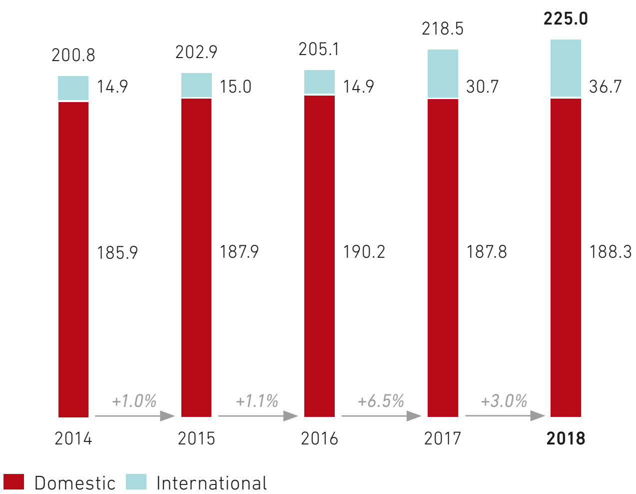
					Change	
in € thousand		**01.01. – 31.12.2018**		**01.01. – 31.12.2017**	**+/-**	**in %**
Revenue		225,047		218,491	6,556	3.0
Operating and administrative costs for property		-22,183		-21,539	-644	-3.0
NOI		**202,864**		**196,952**	**5,912**	**3.0**
Other operating income		1,828		2,035	-207	-10.2
Other operating expenses		-5,557		-6,619	1,062	16.0
EBIT		**199,135**		**192,368**	**6,767**	**3.5**
At-equity profit/loss	*27,602*		*34,451*			
Measurement gains/losses (at equity)	*2,608*		*-4,396*			
Deferred taxes (at equity)	*477*		*425*			
At-equity (operating) profit/loss		30,687		30,480	207	0.7
Interest expense		-52,726		-54,023	1,297	2.4
Profit/loss attributable to limited partners		-18,448		-18,522	74	0.4
Other financial gains or losses		2,286		3,005	-719	-23.9
Financial gains or losses (excl. measurement gains/losses)		**-38,201**		**-39,060**	**859**	**2.2**
EBT (excl. measurement gains/losses)		**160,934**		**153,308**	**7,626**	**5.0**
Measurement gains/losses	*-55,715*		*8,550*			
Measurement gains/losses (at equity)	*-2,608*		*4,396*			
Measurement gains/losses (including at-equity profit/loss)		-58,323		12,946	-71,269	-550.5
Income taxes		-10,573		-5,984	-4,589	-76.7
Deferred taxes	*-12,166*		*-25,512*			
Deferred taxes (at equity)	*-477*		*-425*			
Deferred taxes (including at equity)		-12,643		-25,937	13,294	51.3
Consolidated profit		**79,395**		**134,333**	**-54,938**	**-40.9**

Revenue growth thanks to portfolio expansion

Consolidated revenue rose in the financial year by 3.0%, from €218.5 million to €225.0 million and therefore exceeded expectations. This growth was attributable in the main to the Olympia Center in Brno, which has been included in the consolidated figures since 31 March 2017 and contributed €5.7 million of the rise in revenue.

In the current bricks-and-mortar retail market environment, rents for remaining centers, both in Germany and abroad, performed well and were €0.8 million (+0.4%) higher than the previous year.

REVENUE
in € million



REVENUE

in € thousand	01.01. – 31.12.2018	01.01. – 31.12.2017	Change +/-	Change in %
Main-Taunus-Zentrum, Sulzbach	36,030	35,655	375	1.1
Altmarkt-Galerie, Dresden	25,224	25,093	131	0.5
A10 Center, Wildau	21,112	20,734	378	1.8
Rhein-Neckar-Zentrum, Viernheim	17,977	17,951	26	0.1
Herold-Center, Norderstedt	12,878	12,984	-106	-0.8
Billstedt-Center, Hamburg	10,750	10,753	-3	0.0
Allee-Center, Hamm	10,593	10,542	51	0.5
City-Galerie, Wolfsburg	9,981	9,746	235	2.4
Forum, Wetzlar	9,870	9,793	77	0.8
City-Arkaden, Wuppertal	9,416	9,417	-1	0.0
City-Point, Kassel	8,678	8,615	63	0.7
Rathaus-Center, Dessau	7,896	8,047	-151	-1.9
Stadt-Galerie, Hameln	6,547	7,008	-461	-6.6
DES Verwaltung GmbH	1,406	1,492	-86	-5.8
Domestic	**188,358**	**187,830**	**528**	**0.3**
Galeria Baltycka, Gdansk	15,689	15,332	357	2.3
Olympia Center, Brno	20,967	15,265	5,702	37.4
Caspia, Gdansk	33	64	-31	-48.4
Abroad	**36,689**	**30,661**	**6,028**	**19.7**
Total	**225,047**	**218,491**	**6,556**	**3.0**

Operating and administrative costs for property constant at 9.9% of revenue

Center operational costs in the reporting period, at €22.2 million, which comprised mainly of center management fees, non-allocable ancillary costs, maintenance and write-downs of rent receivables, rose slightly compared with the same period of the previous year (€21.5 million), especially due to higher maintenance expenses and write-downs. At a cost/revenue ratio of 9.9% (previous year: 9.9%), costs were in line with the previous year and the budget.

Other operating income and expenses

Other operating income amounted to €1.8 million (previous year: €2.0 million), down slightly on the previous year. Other operating expenses amounted to €5.6 million, €1.0 million lower than in the previous year (€6.6 million). In the previous year, higher consultancy costs in particular were recorded in connection with the acquisition of the Olympia Center in Brno.

EBIT grows at same rate as revenue

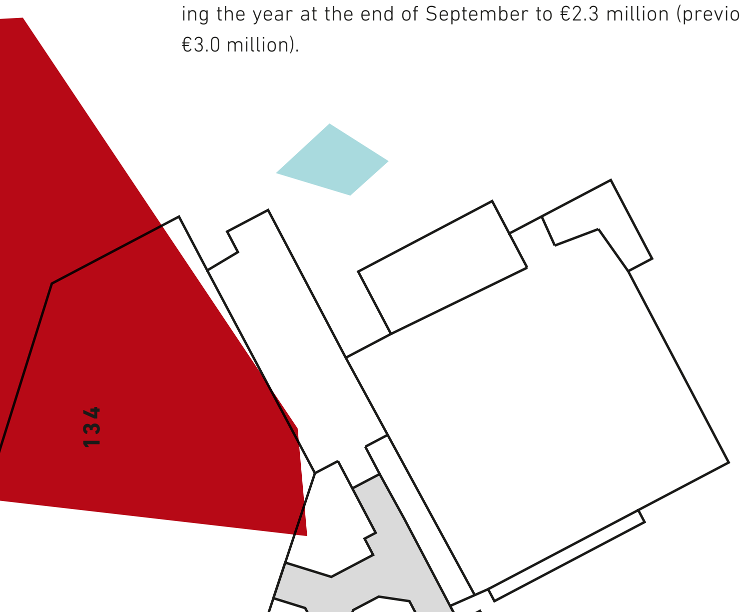
Earnings before interest and taxes (EBIT) at €199.1 million were greater than the figure for the previous year (€192.4 million), to a significant extent due to the acquisition of the Olympia Center in Brno.

Financial gains or losses excluding measurement effects on the up

Financial gains or losses (excluding measurement gains/losses) improved by €0.9 million from €-39.1 million in the previous year to €-38.2 million. The at-equity profit recognised in financial gains or losses, at €30.7 million (previous year: €30.5 million) was slightly above the previous year.

The interest expense of Group companies declined by €1.3 million. Lower interest costs due to loan repayments, the cessation of interest payments on the convertible bond and more favourable refinancing of the Altmarkt-Galerie in Dresden were offset against the additional interest expense for the financing of the Olympia Center.

Other financial gains or losses, which consisted mainly of a measurement gain on an interest rate swap for the financing of the Altmarkt-Galerie in Dresden, fell because the swap matured during the year at the end of September to €2.3 million (previous year: €3.0 million).



INCOME STATEMENT OF THE JOINT VENTURES

in € thousand	01.01. – 31.12.2018	01.01. – 31.12.2017	Change +/-	Change in %
Allee-Center, Magdeburg	7,872	7,950	-78	-1,0
Phoenix-Center, Harburg	7,232	7,029	203	2.9
Stadt-Galerie, Passau	7,094	7,195	-101	-1.4
Saarpark Center, Neunkirchen	6,259	6,209	50	0.8
City-Arkaden, Klagenfurt	6,629	6,417	212	3.3
Árkád, Pécs	3,888	3,779	109	2.9
Other	35	35	0	0.0
Revenue	**39,009**	**38,614**	**395**	**1.0**
Operating and administrative costs for property	-4,519	-4,121	-398	-9.7
NOI	**34,490**	**34,493**	**-3**	**0.0**
Other operating income	266	154	112	72.7
Other operating expenses	-307	-305	-2	-0.7
EBIT	**34,449**	**34,342**	**107**	**0.3**
Interest income	2	3	-1	-33.3
Interest expense	-3,984	-4,191	207	4.9
Other financial gains or losses	348	475	-127	-26.7
Financial gains or losses	**-3,634**	**-3,713**	**79**	**2.1**
Current tax expense	-128	-149	21	14.1
At-equity profit (excluding measurement gains/losses)	**30,687**	**30,480**	**207**	**0.7**
Measurement gains/losses	-2,608	4,396	-7,004	-159.3
Deferred taxes	-477	-425	-52	-12.2
Share of profit/loss	**27,602**	**34,451**	**-6,849**	**-19.9**

EBT (excluding measurement gains/losses) up by 5.0%

EBT (excl. measurement gains/losses) rose from €153.3 million to €160.9 million (+5.0%) due in particular to the Olympia Center in Brno, lower interest expense and an improved operating profit on the portfolio properties.

Measurement gains well down on the previous year

The measurement loss of €-58.3 million (previous year: measurement gain of €13.1 million) resulted from the valuation of the Group's real estate assets according to IAS 40. Measurement losses on real estate assets, after minority interests, broke down into €-55.7 million (previous year: measurement gain of €8.7 million) from the measurement of the real estate assets reported by the Group and €-2.6 million (previous year: measurement gain of €4.4 million) from the measurement of the real estate assets of the joint ventures recorded on the balance sheet according to the at-equity method.

The average value of Group properties, after ongoing investments, fell by -1.4% (previous year: rose by 0.6%); individual measurement gains/losses ranged between -5.3% and +4.7%. With a high unchanged occupancy rate of around 99%, the valuation of the property portfolio was mainly influenced by a slight increase in acquisition yields for shopping centers in Germany, higher investment in modernising and positioning the existing portfolio and changes to expected rental trends.

Income taxes

Taxes on income and earnings, including the share reported under at-equity profit, came to €23.2 million, compared with €31.9 million in the previous year. An addition of €12.6 million (previous year: €25.9 million) was made to deferred tax provisions in the year under review. The lower additions were primarily the result of a slight fall in the market values of our shopping center portfolio. Income tax expenditure amounted to €10.6 million (previous year: €6.0 million). This rise was due not only to the Olympia Center in Brno and the improved operating profit for 2018, but also in particular to the use of tax loss carryforwards and other tax-relevant non-recurring effects in the previous year.

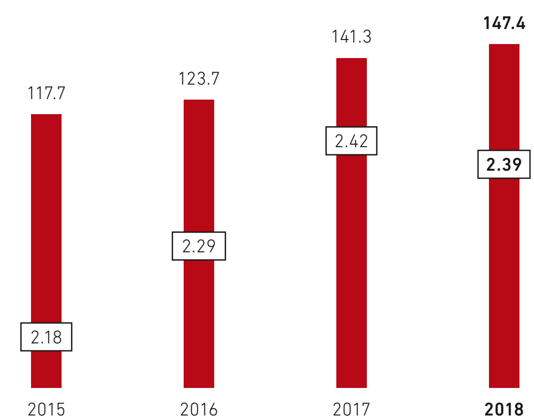
Measurement loss led to a decline in consolidated profit

The measurement loss of €-58.3 million, which was €71.2 million below the measurement gain of €12.9 million in the previous year, caused a decline in consolidated profit by €54.9 million to €79.4 million (previous year: +€134.3 million).

EPRA Earnings and earnings per share

Operating profit excluding measurement effects (EPRA earnings) increased from €141.3 million to €147.4 million. Due to the higher number of no-par-value shares issued, EPRA earnings per share fell slightly to €2.39 (previous year: €2.42). Earnings per share (consolidated net profit per share) came to €1.29 in the year under review due to the measurement loss, compared with €2.31 in the previous year.

EPRA EARNINGS
in € million/per share in €



EPRA EARNINGS

	01.01. – 31.12.2018		01.01. – 31.12.2017	
	in € thousand	per share in €	in € thousand	per share in €
Consolidated profit	79,395	1.29	134,333	2.31
Measurement gains/losses investment properties [1]	58,314	0.94	-13,120	-0.23
Measurement gains/losses derivative financial instruments [1]	-2,604	-0.04	-3,443	-0.06
Goodwill write-down	0	0.00	140	0.00
Other measurement gains/losses	9	0.00	34	0.00
Acquisition costs	0	0.00	276	0.00
Deferred taxes in respect of EPRA adjustments [2]	12,274	0.20	23,084	0.40
EPRA earnings	**147,388**	**2.39**	**141,304**	**2.42**
Weighted number of no-par-value shares issued		61,783,594		58,248,007

[1] Including the share attributable to equity-accounted joint ventures and associates

[2] affects deferred taxes on investment properties and derivative financial instruments

Positive development of funds from operations (FFO)

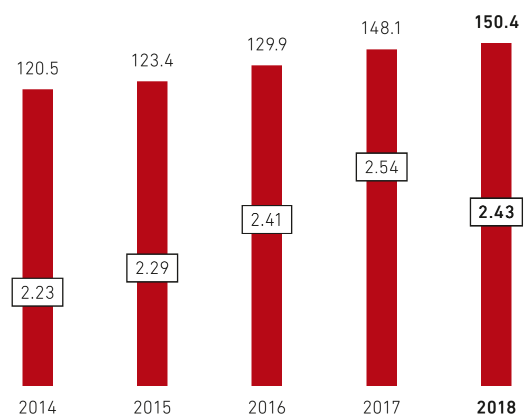
Funds from operations (FFO) are used to finance our ongoing investments in portfolio properties, scheduled repayments on our long-term bank loans and the distribution of dividends. During the year under review, FFO of €150.4 million was generated, a rise of €2.3 million on €148.1 million in the previous year. FFO per share declined from €2.54 to €2.43 because of the higher number of shares.

FUNDS FROM OPERATIONS

	01.01. – 31.12.2018		01.01. – 31.12.2017	
	in € thousand	per share in €	in € thousand	per share in €
Consolidated profit	79,395	1.29	134,333	2.31
Bond conversion expense	0	0.00	781	0.01
Measurement gains/losses investment properties [1]	58,314	0.94	-13,120	-0.23
Goodwill write-down	0	0.00	140	0.00
Other measurement gains/losses	9	0.00	34	0.00
Deferred taxes [1]	12,643	0.20	25,937	0.45
FFO	**150,361**	**2.43**	**148,105**	**2.54**
Weighted number of no-par-value shares issued		61,783,594		58,248,007

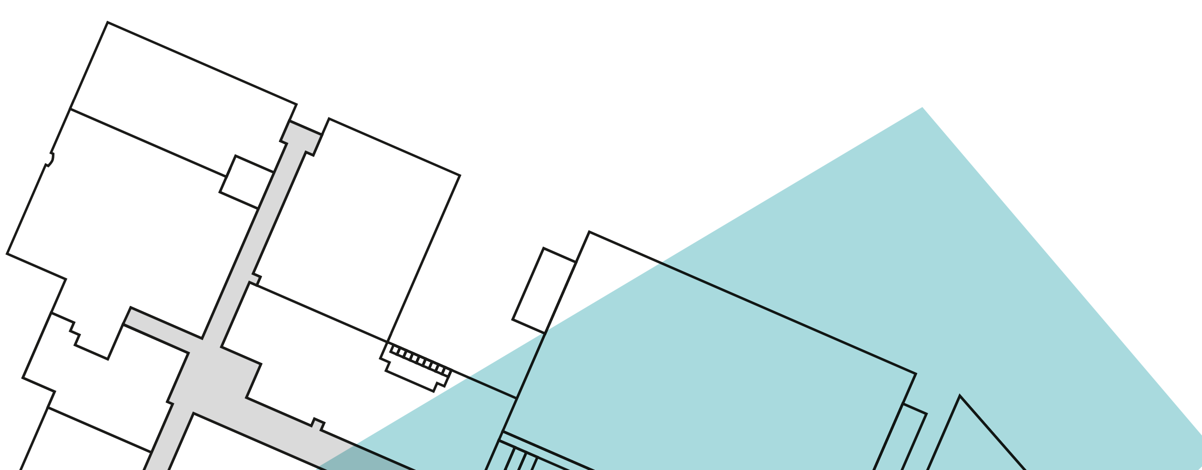
[1] Including the share attributable to equity-accounted joint ventures and associates

FUNDS FROM OPERATIONS (FFO)
in € million/per share in €



Proposed dividend: €1.50 per share

Based on a successful financial year, we are able to maintain our dividend policy, which is geared towards the long term and continuity. The Executive Board and Supervisory Board will therefore propose to the shareholders at the Annual General Meeting in Hamburg on 12 June 2019 that a dividend of €1.50 per share, 3.4% or €0.05 higher than the previous year, be distributed for financial year 2018. An estimated €0.57 per share of the dividend is expected to be deducted as capital gains tax.



Results of operations of the segments

The subsidiaries and equity-accounted joint ventures are included in the Group's segment reporting in proportion to the Group's share therein. A distinction is made between the shopping centers in Germany ("domestic") and elsewhere in Europe ("abroad") (for further details, please see our statements on segment reporting in the notes to the consolidated financial statements):

in € thousand	01.01. – 31.12.2018	01.01. – 31.12.2017	Change +/-	Change in %
Revenue	**239,188**	**232,530**	**6,658**	**2.9**
Domestic	196,070	195,676	394	0.2
Abroad	43,118	36,854	6,264	17.0
EBIT	**214,709**	**207,832**	**6,877**	**3.3**
Domestic	174,360	174,406	-46	0.0
Abroad	40,349	33,426	6,923	20.7
EBT (excl. measurement gains/losses)	**164,699**	**156,972**	**7,727**	**4.9**
Domestic	131,568	129,014	2,554	2.0
Abroad	33,131	27,958	5,173	18.5

The clear increase in the key segment figures for abroad is due to the Olympia Center in Brno, which was incorporated for an entire year in financial year 2018 for the first time (previous year: nine months).

EBT (excl. measurement gains/losses) in the domestic segment increased particularly due to interest savings owing to more favourable refinancing and scheduled repayments.

FINANCIAL POSITION OF THE GROUP

Principles and objectives of financial management

For the purposes of financing its investments, Deutsche EuroShop uses the stock exchange for procuring equity, as well as the credit and capital markets for procuring loans. Within the Group, both the individual property companies and Deutsche EuroShop AG act as borrowers from banks or bond debtors. Loans and bonds are taken out in euros for all Group companies. In general, the use of equity and loans for investments should be equally weighted and the equity ratio in the Group (including third-party interests) should not fall significantly below 45%.

We finance our real estate projects on a long-term basis and also use derivative financial instruments to hedge against rising capital market rates. Hedging transactions are used to hedge individual loans. An available credit line enables Deutsche EuroShop to react quickly to investment opportunities. Until used for investment, any cash not needed is invested short-term as time deposits to finance ongoing costs or pay dividends.

Financing analysis

As at 31 December 2018, the Deutsche EuroShop Group reported the following key financial data:

in € million	31.12.2018	31.12.2017	Change
Total assets	4,610.2	4,627.0	-16.8
Equity (including third-party shareholders)	2,573.4	2,574.9	-1.5
Equity ratio (%)	55.8	55.6	0.2
Net financial liabilities	1,406.1	1,440.1	-34.0
Loan-to-value ratio (LTV ratio) in %	31.8	32.4	-0.6

At €2,573.4 million, the Group's economic equity capital, which comprises the equity of the Group shareholders (€2,229.7 million) and the equity attributable to third-party shareholders (€343.7 million), was virtually unchanged from the previous year (previous year: €2,574.9 million). Accordingly, the equity ratio of 55.8% was almost the same as the previous year (previous year: 55.6%).

FINANCIAL LIABILITIES

in € thousand	31.12.2018	31.12.2017	Change
Non-current bank loans and overdrafts	1,496,313	1,517,773	-21,460
Current bank loans and overdrafts	26,080	28,899	-2,819
Total	**1,522,393**	**1,546,672**	**-24,279**
Cash and cash equivalents	-116,335	-106,579	-9,756
Net financial liabilities	**1,406,058**	**1,440,093**	**-34,035**

Current and non-current financial liabilities fell from €1,546.7 million to €1,522.4 million in the year under review, a decline of €24.3 million, due to scheduled repayments. Together with the rise in cash and cash equivalents by €9.7 million, net financial liabilities, at €1,406.1 million, were on balance €34.0 million lower than at the end of 2017 (€1,440.1 million).

The net financial liabilities existing at the end of the year are used exclusively to finance non-current assets. This brings the percentage of non-current assets financed with debt capital (LTV) in the year under review to 31.8% (previous year: 32.4%).

The financing terms for consolidated borrowing as at 31 December 2018 were fixed at 2.72% p. a. (previous year: 2.89% p. a.) with an average residual maturity of 5.4 years (previous year: 5.6 years). The loans to Deutsche EuroShop are maintained as credit facilities with 24 banks in Germany, Austria and the Czech Republic.

Of the 19 loans across the Group, 13 are subject to credit covenants with the financing banks. There are a total of 21 different conditions on different debt service cover ratios (DSCRs), interest cover ratios (ICRs), changes in rental income, the Group's leverage ratio and its loan-to-value ratio (LTV). All conditions were met. Based on the budgeted figures, compliance with the covenants may also be assumed in the current financial year and for the planning period until 2021.

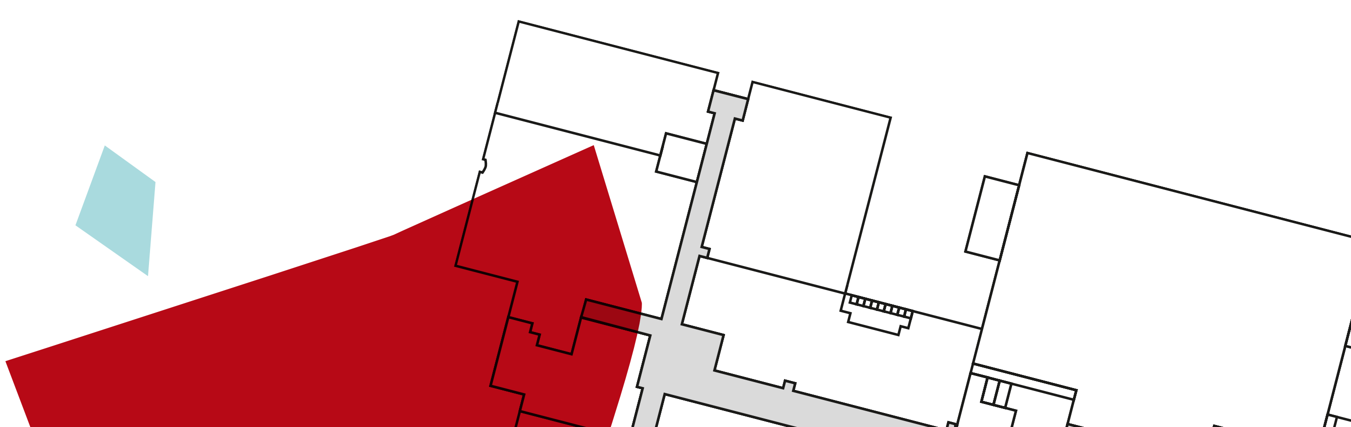
Scheduled repayments totalling €21.7 million will be made from current cash flow during financial year 2019. Over the period from 2019 to 2023, repayments will average €16.1 million per annum.

There is no imminent refinancing to be negotiated in financial year 2019. Loans totalling €129.2 million must then be extended in 2020, €198.3 million in 2021 and €217.8 million in 2022.

Current and non-current financial liabilities totalling €1,522.4 million were recognised in the balance sheet at the reporting date. The €3.0 million difference between that amount and the sum of the amounts cited here relates mainly to deferred interest and repayment obligations that were settled at the beginning of 2019.

LOAN STRUCTURE
as at 31 December 2018

Interest rate lock-in	as % of loan	in € million	Average residual maturity (years)	Average interest rate
Up to 1 year	1.4	21.7	1.0	3.66
1 to 5 years	53.6	813.6	3.5	3.44
5 to 10 years	37.9	575.6	8.6	2.41
Over 10 years	7.1	108.5	11.0	2.24
Total	**100**	**1,519.4**	**5.4**	**2.72**



Investment analysis

In financial year 2018, the investment in modernising and positioning the existing portfolio was increased significantly and amounted to €20.9 million after €9.6 million in the previous year.

Liquidity analysis

in € thousand	01.01. – 31.12.2018	01.01. – 31.12.2017
Net cash flow from operating activities	159,202	156,024
Cash flow from investing activities	-20,915	-211,014
Cash flow from financing activities	-128,531	97,523
Net change in cash and cash equivalents	**9,756**	**42,533**
Cash and cash equivalents at beginning of period	106,579	64,046
Cash and cash equivalents at end of period	**116,335**	**106,579**

The Group's operating net cash flow of €159.2 million (previous year: €156.0 million) constitutes the amount generated by the Company through the leasing of shopping center space after deduction of all costs. It is primarily used to finance the dividends of Deutsche EuroShop AG and payments to third-party shareholders as well as ongoing loan repayments and investments.

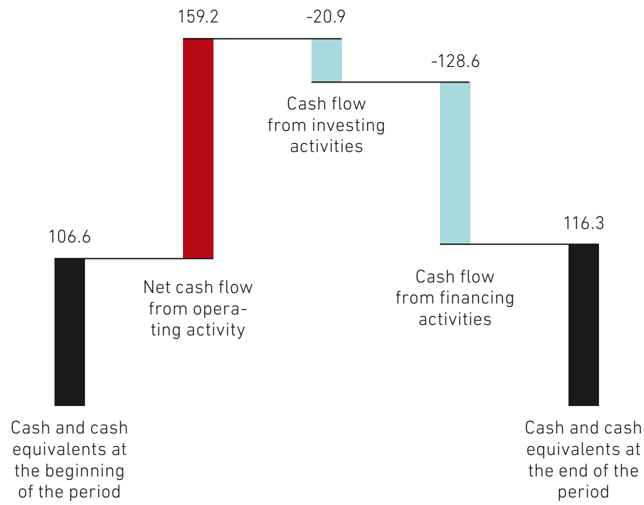
Cash flow from investing activities primarily consisted of investment in portfolio properties (€20.9 million; previous year: €9.6 million). In the previous year, this also included the acquisition of Olympia Brno on 31 March 2017 for €201.6 million and inflows of €0.2 million from the disposal of two associate companies.

Cash flow of €128.5 million from financing activities comprises a cash outflow from current repayments of financial liabilities of €24.2 million (previous year: €97.7 million) as well as a dividend distribution to shareholders of €89.6 million (previous year: €81.2 million) and a pay-out to third-party shareholders of €14.7 million (previous year: €16.6 million). In the previous year, cash flow from financing activities still included the cash inflow of €163.6 million from the cash capital increase in March 2017 (after the deduction of transaction costs).

Cash and cash equivalents rose by €9.7 million in the year under review to €116.3 million (previous year: €106.6 million).

DEVELOPMENT OF FINANCIAL RESOURCES

in € million



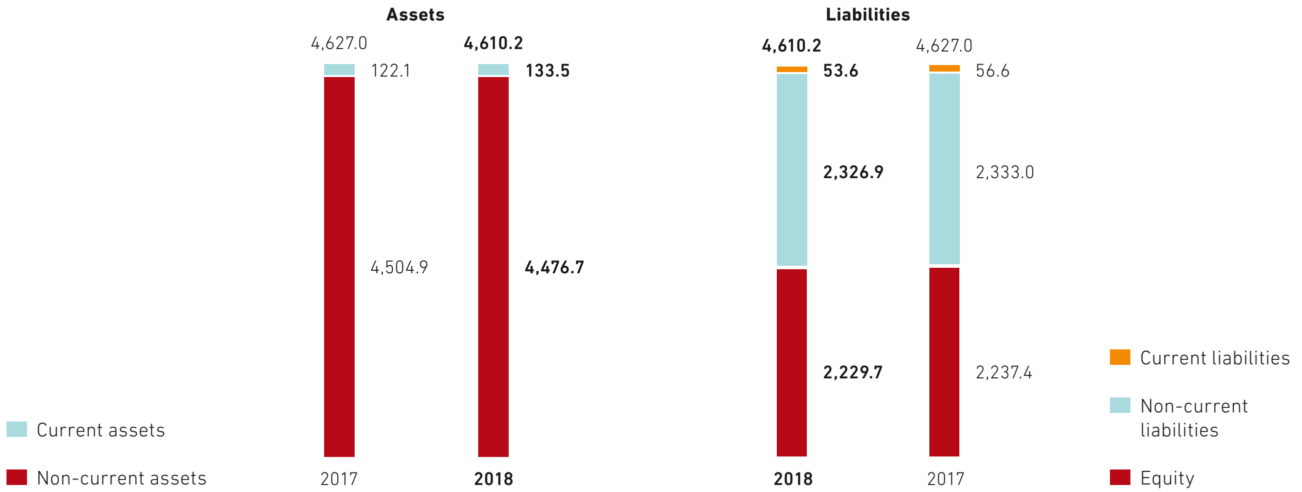
NET ASSETS OF THE GROUP

Total assets down slightly due to real estate valuation

The Group's total assets fell slightly by €16.8 million from €4,627.0 million to €4,610.0 million.

in € thousand	31.12.2018	31.12.2017	Change
Current assets	133,504	122,121	11,383
Non-current assets	4,476,724	4,504,878	-28,154
Current liabilities	53,580	56,652	-3,072
Non-current liabilities	2,326,900	2,332,971	-6,071
Equity	2,229,748	2,237,376	-7,628
Total assets	**4,610,228**	**4,626,999**	**-16,771**

BALANCE SHEET STRUCTURE
in € million



Current assets rise due to increase in cash and cash equivalents

At the end of the year, current assets amounted to €133.5 million, representing an €11.4 million rise versus the previous year (€122.1 million) which was mainly the result of a €9.7 million increase in cash and cash equivalents as at the reporting date (€116.3 million; previous year: €106.6 million). Trade receivables advanced €1.4 million to €6.7 million with respect to the previous year (€5.3 million). Other assets rose by €0.3 million, from €10.2 million to €10.5 million.

Non-current assets down slightly due to valuation losses on real estate assets

Non-current assets fell from €4,504.9 million to €4,476.7 million in the year under review, representing a €28.2 million reduction.

Investment properties reduced by €32.4 million to €3,891.7 million. While additions and the costs of investments in portfolio properties came to €20.9 million, revaluation of the property portfolio resulted in valuation losses of €53.3 million.

At-equity investments increased by €4.3 million, from €526.7 million to €531.0 million. This increase is attributed to the difference between the share in the earnings (€27.6 million) and losses for the financial year (€23.3 million).

Current and non-current liabilities declining

Current liabilities declined €3.1 million, from €56.7 million to €53.6 million due to lower repayment obligations by comparison with the previous year.

Non-current liabilities down

Non-current liabilities fell by €6.1 million from €2,333.0 million to €2,326.9 million, primarily due to the scheduled repayment of long-term loans (€-21.5 million) and the reduction in other non-current liabilities (€-3.6 million). Deferred tax liabilities, on the other hand, rose by €12.8 million, while redemption entitlements for third-party shareholders increased by €6.2 million.

Equity

At €2,229.7 million as at the end of the year under review, Group equity was down €7.6 million against the previous year (€2,237.4 million). The reduction in the year under review was mainly due to the difference between the consolidated profit of €79.4 million and the dividend paid in July 2018 of €89.6 million as well as the change in the fair value of swaps, which at €2.6 million impacted equity positively.

EPRA net asset value virtually unchanged

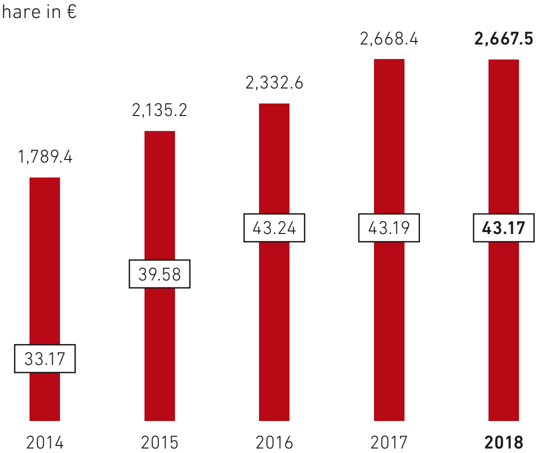
Net asset value (NAV) stood at €2,667.5 million or €43.17 per share as at 31 December 2018, compared with €2,668.4 million or €43.19 per share in the previous year. Net asset value per share was therefore down slightly by 0.02% year on year.

EPRA NAV

	31.12.2018		31.12.2017	
	in € thousand	per share in €	in € thousand	per share in €
Equity	2,229,748	36.09	2,237,376	36.21
Derivative financial instruments measured at fair value [1]	34,563	0.56	40,405	0.66
Equity excluding derivative financial instruments	**2,264,311**	**36.65**	**2,277,781**	**36.87**
Deferred taxes on investment properties and derivative financial instruments [1]	456,915	7.39	444,392	7.19
Goodwill as a result of deferred taxes	-53,727	-0.87	-53,727	-0.87
EPRA NAV	**2,667,499**	**43.17**	**2,668,446**	**43.19**
Number of no-par-value shares issued as at the reporting date		61,783,594		61,783,594

[1] Including the share attributable to equity-accounted joint ventures and associates

EPRA NET ASSET VALUE
per share in €



REPORT ON EVENTS AFTER THE REPORTING DATE

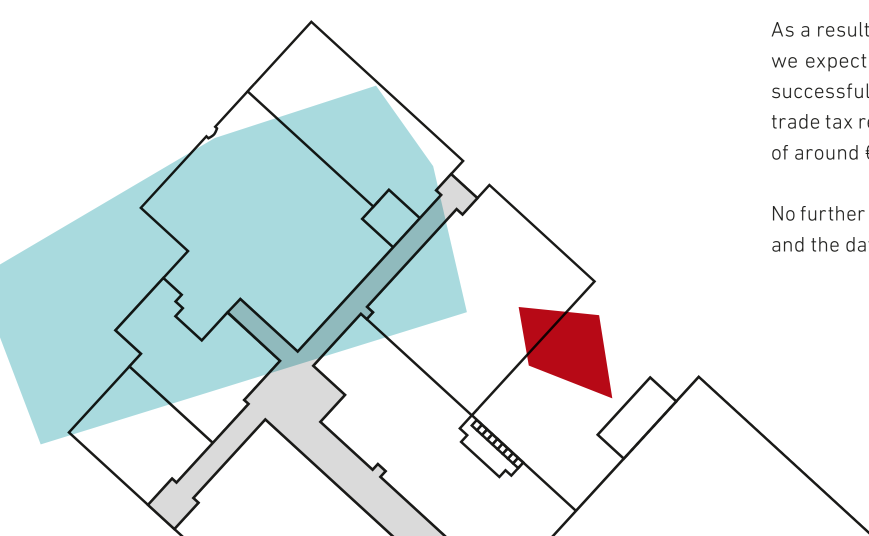
Until 2012, Deutsche EuroShop AG as a holding company had participations in tax-exempt partnerships purely engaged in asset management, and in this context, took advantage of the so-called "extended trade tax deduction". In a ruling dated 19 October 2010, the German Federal Fiscal Court (BFH) rejected any option to claim the extended trade tax deduction for cases in which the property is not held by the company itself but through non-commercial, asset management partnerships as is the case with Deutsche EuroShop AG.

Applying this ruling, the extended trade tax deduction was denied for the years 2007 to 2011 and Deutsche EuroShop AG was assessed for the corresponding trade tax. Deutsche EuroShop AG appealed against this tax assessment.

In a resolution adopted on 25 September 2018 (published on the BFH website on 27 March 2019), the Grand Senate of the Federal Fiscal Court ruled contrary to the decision handed down on 19 October 2010 as part of pending appeal proceedings that it is permissible to claim the extended trade tax deduction even if the property is held through a partnership purely engaged in asset management.

As a result of the resolution adopted by the Grand Senate of the BFH, we expect our appeals against the relevant tax assessments to be successful. Based on a provisional calculation, this would result in a trade tax refund (including interest on the refund until 31 March 2019) of around €9.6 million.

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



OUTLOOK

The ongoing soundness of a healthy domestic economy will continue to underpin growth in employment in 2019. In its annual economic report for 2019, the German federal government expected a further fall in the unemployment rate to 4.9% with attendant real increases in workers' income. Uncertainties exist in the foreign economic environment, where the risks have increased and the German export-oriented industry in particular could be affected by negative trends. The federal government is therefore predicting growth in gross domestic product of just 1.0%. In the case of retail sales, the German Retail Federation (HDE) predicts growth of 2.0%, with bricks-and-mortar retail set to grow by 1.2% and online sales as the biggest growth driver again by around 9%.

Despite the positive and robust state of the economy in our core market of Germany, there are risks in the foreign economic environment. The uncertainties caused by Brexit and the ongoing protracted Brexit negotiations, the escalating trade disputes, the economic slowdown in China and the intensification of international tax competition, as well as ongoing geopolitical crises, lead us to believe that the risk to the economy as a whole remains high.

In light of these financial and economic challenges and notwithstanding the current slight dip in the economy, there is an intensifying global need for capital investments that retain their value, particularly in financially solid countries such as Germany. The long-lasting low interest rate phase also means that the likes of life insurance companies and similar pension institutions in Germany and beyond are still seeking real estate investment opportunities that will meet the long-term return expectations of policyholders. This is keeping the general demand for real estate at very high levels, with supply limited in terms of adequate quality. Retail real estate also appeals to institutional investors, in principle. However, due to increasing online trade and greater challenges for bricks-and-mortar retail, the previously overheated shopping center transactions market has normalised. In Germany, there is even an evident reluctance to invest at present.

We are monitoring developments on the real estate market closely. We will only make new investments if the return that is achievable over the long term is reasonably correlated to the investment risks.

Stable outlook for our shopping centers in an increasingly competitive environment

With strong growth in online sales and an increasing supply of floor space in retail, we remain well placed operationally. All our properties are largely full and let on a long-term basis, and the outstanding rents and necessary writedowns remain at a low level. We currently see no indications of a significant change in this stable situation.

Agreed transactions are the foundation for revenue and earnings planning

The Deutsche EuroShop Group's revenue and earnings planning for 2019 and 2020 does not include the future purchase or sale of any properties. The results of the annual valuation of our shopping centers and exchange rate factors are also not included in our planning since they are not foreseeable.

Forecasts about the future revenue and earnings situation of our Group are based on the following factors:

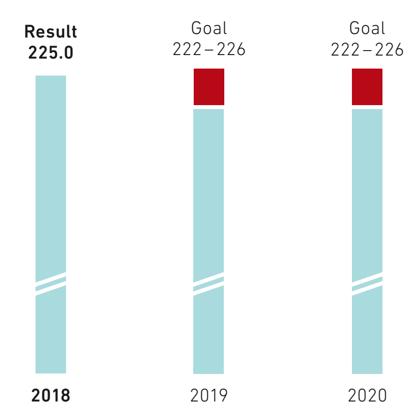
a) the development of revenue and earnings in the existing shopping centers

b) the assumption that there will be no substantial reduction in revenue in the retail sector that would cause a large number of retailers to no longer be able to meet their obligations under existing leases.

Revenue in 2019 and 2020

Revenue of €225.0 million in financial year 2018 slightly exceeded forecasts of €220–224 million. Assuming that rental income remains stable overall, revenue should then lie within a range of €222–226 million in 2019 and 2020.

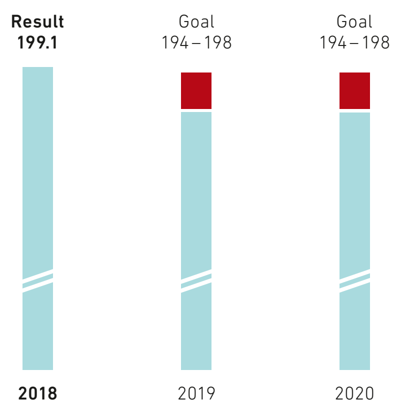
REVENUE
in € million



Stable operating earnings for 2019 and 2020

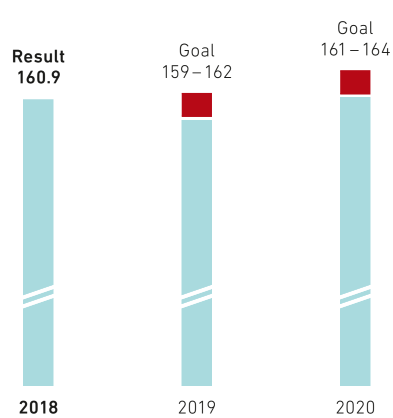
Earnings before interest and taxes (EBIT) were €199.1 million in 2018, especially due to higher revenue generated and lower property operating costs, and therefore exceeded the expected range of €193–197 million. For 2019 and 2020, EBIT is expected to be between €194–198 million, with revenue at the same level as the previous year and with property operating costs rising slightly.

EBIT
in € million



In the year under review, operating earnings before tax (EBT excluding measurement gains/losses) amounted to €160.9 million, significantly above our forecast of €154–€157 million. Alongside the effects on EBIT, as already described, the results of the equity-accounted companies, which exceeded forecasts, also had a positive effect on the operating earnings. Taking into account further interest savings from follow-on financing arrangements as well as one-off interest income in connection with an expected tax refund for previous years (see "Report on events after the reporting date"), we are assuming operating earnings for 2019 to lie in the range of €159 to 162 million. For 2020, we calculate €161–164 million.

EBT *
in € million



* excluding measurement gains/losses

FFO performance up to 2020

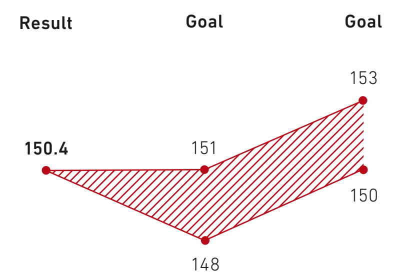
In the year under review, funds from operations (FFO), at €150.4 million or €2.43 per share, exceeded expectations (€145–148 million or €2.35–2.39 per share) due to the positive variances described and actual taxes that were higher than projected.

For 2019, we expect FFO of €148–151 million or €2.40 – 2.44 per share.

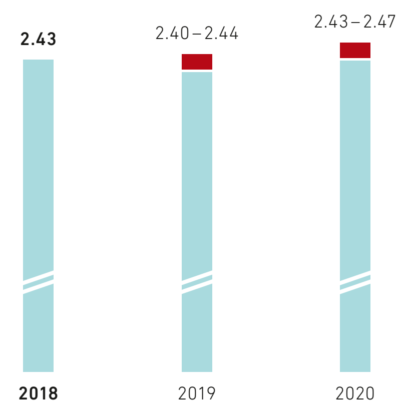
According to our projections, FFO will increase to between €2.43 and €2.47 per share for financial year 2020. In absolute terms, FFO should rise to €150–153 million.

FFO

FFO
in € million



FFO per share
in €



Dividend policy

We intend to maintain our long-term, reliable dividend policy and anticipate that we will be able to pay a dividend of €1.55 per share to our shareholders for financial year 2019.

RISK REPORT

PRINCIPLES GOVERNING THE RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM

Deutsche EuroShop's strategy is geared towards maintaining and sustainably increasing shareholders' assets and generating sustainably high surplus liquidity from leasing real estate, thereby enabling the distribution of an appropriate and sustainable dividend. The focus of the risk management system is therefore on monitoring compliance with this strategy and, building on this, on the identification and assessment of risks and opportunities as well as the fundamental decision on how to manage these risks. Risk management ensures that risks are identified at an early stage and can then be evaluated, communicated promptly and mitigated. Monitoring and management of the risks identified form the focal point of the internal control system, which at Group level is essentially the responsibility of the Executive Board. The internal control system is an integral part of the risk management system.

Within the framework of its legal mandate for auditing the annual financial statements, the auditor checks whether the early warning system for risks is suitable for detecting at an early stage any risks or developments that might endanger the Company.

The risk analysis, as a continuous process, promptly identifies, evaluates and communicates the factors that may jeopardise the achievement of business targets. The process also includes management and control of the risks identified.

Risk analysis

Under existing service contracts, the Executive Board of Deutsche EuroShop AG is continuously briefed about the business performance of the shopping centers and the corresponding property companies. Financial statements and financial control reports are submitted on a quarterly basis for each shopping center, with medium-term corporate plans submitted annually. The Executive Board regularly reviews and analyses these reports, using the following information in particular to assess the level of risk:

1. Portfolio properties

- Trend in amounts outstanding
- Trend in occupancy rates
- Retail sales trend in the shopping centers
- Variance against projected income from the properties
- Observance of financial covenants in loan agreements

2. Centers under construction

- Pre-leasing levels
- Construction status
- Budget status
- Development of financial covenants in loan agreements and observance of disbursement conditions

Risks are identified by observing issues and changes that deviate from the original plans and budgets. The systematic analysis of economic data such as consumer confidence and retail sales trends is also incorporated into risk management. The activities of competitors are also monitored continually.

Risk inventory

The risks identified in the course of the risk analysis are summarised in a risk inventory and evaluated in terms of their potential loss amounts and likelihood of their occurrence in consideration of compensatory measures (from a net standpoint).

The risk inventory is regularly examined and updated when necessary. In addition, in the Supervisory Board meetings, the Executive Board reports on significant new risks and in the event of risks that jeopardise our portfolio issues a report immediately.

ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM

Preparation of the financial statements is a further important part of the internal control system and is monitored and controlled at the level of the Group holding company. Internal regulations and guidelines ensure the conformity of the annual financial statements and the consolidated financial statements.

The decentralised preparation of Group-relevant reports by the service provider is followed by the aggregation and consolidation of the individual annual financial statements and the preparation of the information for reporting in the notes and combined management report in the accounting department of the holding company with the aid of the consolidation software Conmezzo. This is accompanied by manual process controls such as the principle of dual control by the employees charged with ensuring the regularity of financial reporting and by the Executive Board. In addition, within the scope of its auditing activities, the auditor of the consolidated financial statements performs process-independent auditing work, including with respect to financial reporting.

Advice on Limitations

By virtue of the organisational, control and monitoring measures laid down in the Group, the internal control and risk management system enables the full recording, processing and evaluation of Company-related facts as well as their proper presentation in Group financial reporting.

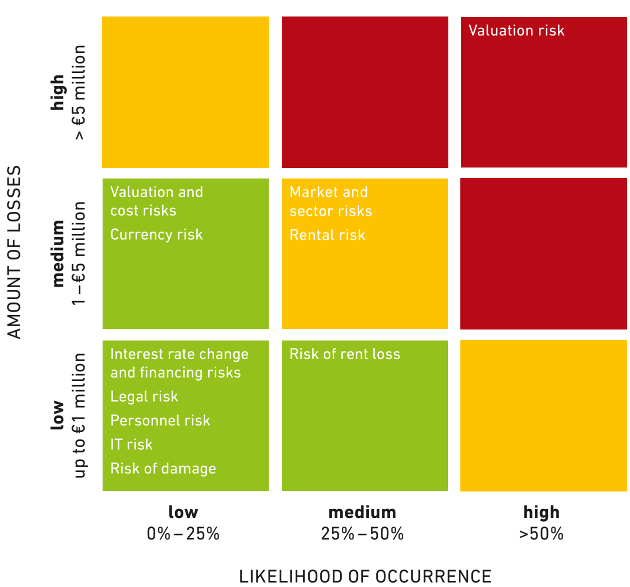
Decisions based on personal judgement, flawed controls, criminal acts or other circumstances cannot be entirely ruled out, however, and may limit the effectiveness and reliability of the internal control and risk management system that is in use. Consequently, the application of the systems used cannot guarantee absolute security as to the correct, complete and timely recording of facts in Group financial reporting.

The statements made relate solely to those subsidiaries included in the consolidated financial statements of Deutsche EuroShop for which Deutsche EuroShop is in a position, directly or indirectly, to dictate their financial and operating policies.

EVALUATION OF THE OVERALL RISK POSITION

The overall risk situation is presented in the following matrix. Against a background of current challenges in bricks-and-mortar retailing amid intensifying e-commerce and the attendant limitation on rental growth, higher investment requirements and a reduced demand for shopping centers on the investment market, the valuation risk is rated as higher than in the previous year. In this market environment, we are also rating the rental risk as slightly higher than the previous year. The potential extent of losses is calculated on the basis of the impact for the financial year following the year under review.

RISK MATRIX



On the basis of the monitoring system described, Deutsche EuroShop AG has taken appropriate steps to identify developments that could jeopardise its continued existence at an early stage and to counteract them. The Executive Board is not aware of any risks that could jeopardise the continued existence of the Company.

PRESENTATION OF MATERIAL INDIVIDUAL RISKS

Valuation risk

The value of a property is essentially determined by its capitalised earnings value, which in turn depends on factors such as the level of annual rental income and management costs, the underlying location risk, the general condition of the property, the evolution of capital market interest rates and, in particular, the demand for shopping center properties. The appreciation of property values is also impacted by various macro-economic and regional factors as well as by factors specific to those properties, which are for the most part unforeseeable and beyond the control of the Company. The factors described are taken into account in the annual market valuations of our portfolio properties by independent appraisers. Changes in value are recognised in the income statement of the consolidated financial statements in accordance with the requirements of IAS 40 and may thus increase the volatility of consolidated profit. Thus, the measurement gains and losses for Group companies and equity-accounted companies on the balance sheet amounted to -57% of EBT (previous year: 8%) in the year under review. In addition, the market valuations of our portfolio properties may also affect compliance with loan conditions on existing financing arrangements (e.g. compliance with debt ratios) as well as the terms of new financing and refinancing agreements.

The assignment of external, independent appraisers with a great deal of experience in the industry, along with our own critical assessment of their appraisal, minimises the risk of measurement error. As part of efforts aimed at controlling value-driving factors, the Company has adopted further measures towards minimising valuation risk. The main focus here is on professional management of the centers, costs and rentals at the shopping centers, which is ensured through the selection of suitable asset managers. All of our shopping centers are currently managed by ECE, the European market leader in the area of shopping center management, with active maintenance management ensuring that the properties are continuously kept in a sound general condition.

Market and sector risks

Retail trade will continue to undergo structural changes in the coming years due to changing demand behaviour on the part of consumers, the demographic shift and constant new forms of offerings. Online retail will continue to grow dynamically and faster than the overall retail market. In addition, attractive and spacious retail facilities that are leaders in their respective catchment areas, which can offer customers a broad range of products, an enjoyable time and a special shopping experience, will continue to enjoy stable growth.

Additional retail commercial space offered on the rental market, created for example through the building, expansion or modernisation of shopping or factory outlet centers both in city centers and on the outskirts, as well as through the revitalisation of retail locations in city centers, may cause realisable revenues in bricks-and-mortar retail trade to be distributed over more rental space overall and lead to lower space utilisation.

Even though the rate of growth in online trade was lower in 2018 than in previous years, e-commerce continued to grow significantly in absolute terms, and its share of total retail revenues increased. The segments of fashion, shoes and consumer electronics, in particular, continue to dominate online commerce, together making up around 50% of total online sales, and are also especially heavily represented in shopping centers.

In addition to the rising share of online revenues along with potential pressure on space utilisation, bricks-and-mortar retail is tackling floor-space restructuring and focusing on good retail locations with increasing interconnection between the offline and online worlds, product range optimisations and improvements in the quality of service and an emphasis on personal contact when shopping. Retailers find themselves at varying stages of progress in the implementation of such measures, the success of which is also significantly affected by size and industry. According to figures from the German Retail Federation (HDE), we are seeing the first signs of success here, with bricks-and-mortar retail growing faster online in 2018 than purely online retailers. However, many retailers and also some medium-sized chain stores continue to face sizeable market-related challenges that, in some cases, jeopardise their existence. Larger or improved rental space offerings in the competitive environment of our shopping centers and a potentially permanent redistribution of retail revenues to online channels and the accompanying permanent drop in space utilisation for bricks-and-mortar retailers harbour the risk that subsequent leases and/or renewals could be concluded at lower rent prices and/or under less favourable contractual terms.

Deutsche EuroShop AG is actively confronting this trend with a variety of measures. The tenant and sector mix at our centers is continuously and individually optimised on the basis of intensive market scrutiny in order to increase our centers' attractiveness for customers. In addition, the integration of the offline and online shopping worlds will be optimised further, partly through the Digital Mall concept, which is currently at the pilot stage and aims to enable customers to see, reserve and order products that are available immediately in a shopping center conveniently in just a few clicks via their smartphone or over the internet. The leisure, customer experience and meeting point aspects of our centers are also being enhanced. This includes the creation of attractive new restaurant spaces as well as our "At Your Service" and "Mall Beautification" investment programmes launched in 2018. The aim is to make the centers a more pleasurable place to be and to raise the quality of service through targeted investments in, among other things, improved service and lounge areas, modern entertainment zones for kids, simplified in-house navigation when searching for shops or parking using touch screens or smartphone solutions, and intelligent parking guidance systems. The conclusion of long-term leasing contracts with tenants with high credit ratings across every retail segment furthermore reduces market and sector risks.

Rental risk

In particular, the long-term success of the Deutsche EuroShop AG business model depends on lease renewals for retail space and the generation of stable and/or growing rental income in addition to low vacancy rates. Due to the medium-term and long-term renting of retail space, Deutsche EuroShop AG is not as reliant on short-term economic developments as companies in other sectors are. However, given retail commerce's greater dependency on the state of the economy, we cannot rule out the possibility of a change in economic conditions impacting Deutsche EuroShop AG's business.

The global economy continued to grow in 2018, though there was a noticeable slowdown in the pace of growth. The uncertainty among market participants and the resulting curbing of the upturn may be attributed to the protectionist measures of the USA and the response of its trading partners to those measures, the ongoing risk of a disorderly Brexit and Italy's high level of national debt. Against this backdrop, negative consequences for economic growth and consumers' purchasing behaviour cannot be ruled out.

Economic fluctuations in addition to structural changes in the retail market affect demand for floor space, rent prices and contractual conditions. Thus, there is the risk that floor space is not rented or is rented at inadequate prices or is rented under excessively unfavourable conditions, for example with respect to lease terms or service charge apportionments. Low contributions to revenues from leasing and/or rising vacancy rates are also possible.

As a result, income would turn out to be less than budgeted, and distributions to shareholders might have to be reduced. If the rental income for a property company is no longer sufficient to meet its interest and repayment obligations, this could lead to the loss of the entire property.

Our reaction to this risk is to transfer leasing management to professional market leaders in asset management as well as to closely monitor the market with continuous and timely reporting on regular or foreseeable unscheduled leasing. In addition, we enforce a preference for medium-term and long-term leasing contracts involving high minimum rent price agreements.

Risk of rent loss

Deteriorating credit ratings among tenants may lead to defaults on leases and other financial burdens, with the risk of default on leases comprising the rent payments in their entirety, allocable ancillary costs and potential legal and reinstatement costs. Insolvency on the part of tenants, especially anchor tenants or shop chains, can moreover lead to temporary increases in vacancy rates.

Risk is minimised by carefully selecting tenants, regularly analysing their sales growth and amounts outstanding as well as adopting reletting measures early in the event of negative developments. As a rule, tenants also put up commensurate security deposits, which are able to offset some of the financial burden in the event of default.

The requisite writedowns are recognised on the balance sheet in individual cases. These amounted to €1.0 million in financial year 2018 (previous year: €0.9 million). Depending on how the economy fares and in view of the clear structural change in bricks-and-mortar retailing, an increase in write-downs in the current financial year cannot be ruled out.

Cost risk

The complexity of the applicable court decisions and changes thereto could lead to corrections and objections in relation to ancillary costs, which in turn could lead to limits being enforced on passing the burden on to tenants and/or to subsequent reimbursements to same. Besides financial losses, this could also affect tenant satisfaction. Continuous examination of ancillary cost invoicing based on current legislation minimises this risk. New changes in the law may also mean that additional costs cannot legally and/or economically be passed on entirely to tenants as ancillary costs in future. The focus at present is on the real property tax reform of 31 December 2019. Here it is impossible to make any assessment at present based on the current state of the legislative proceedings.

Expenditure on maintenance and investment projects can turn out higher than budgeted on the basis of our past experience. Differences may also materialise owing to external damage or loss, inaccurate assessment of maintenance requirements or deficiencies that are not identified or are identified too late.

We minimise risks from cost overruns in current investment projects and maintenance measures by taking cost models for all identifiable risks into account in our calculations as a precautionary measure at the planning stage. In addition, more large-scale construction contracts are normally only awarded on a fixed-price basis to general contractors with strong credit ratings. During the building phase, professional project management is assured by the companies we commission. However, it is impossible to completely avoid cost overruns in individual cases.

Financing and interest rate risks

Interest rate levels are materially determined by underlying macroeconomic and political conditions and therefore cannot be predicted by the Company. There is a risk that refinancing may only be available at higher interest rates than before. This would negatively impact EBT and FFO.

As at the reporting date, the Group's financing arrangements for the most part involved long-term interest rate hedging. There is currently no discernible risk to the Group in connection with changes in interest rates based on upcoming new financing and refinancing agreements. On the basis of current interest rate levels and the available loan offerings, it is expected that refinancing can be concluded at lower interest rates than the original rates contracted and that the planned interest rates are attainable with sufficient certainty. We are constantly monitoring the interest rate environment so as to be able to react appropriately to interest rate changes. We minimise the interest rate risk for new property financing as far as possible by entering into long-term loans with fixed-interest periods of up to 15 years.

Deutsche EuroShop AG occasionally uses derivatives that qualify for hedge accounting to hedge interest rate risks. These interest rate swap transactions transform variable interest rates into fixed interest rates. An interest rate swap is an effective hedge if the principal amounts, maturities, repricing or repayment dates, interest payment and principal repayment dates, and the basis of calculation used to determine the interest rates are identical for the hedge and the underlying transaction and the party to the contract fulfils the contract. The Company counters the risk of default by stringently examining its contract partners which are also lenders. Interest rate swaps and the underlying transaction are generally reported as one item in the annual financial statements. Financial instruments are not subject to liquidity or other risks. A test of effectiveness for the hedges described is implemented regularly.

An economic or financial crisis as well as a clear intensification of online competition or a stricter regulation of the financial sector could lead to a significant deterioration of banks' lending policies with respect to credit margins, financing terms and expiries as well as loan conditions, which would negatively affect the earnings and financial position of the Company. Under extreme circumstances, the financing market could dry up altogether. The possibility cannot be completely excluded that, due for example to a deterioration in the results of operations of individual property companies, banks may not be prepared to provide refinancing or to extend credit lines. Deutsche EuroShop AG responded to this financing risk by concluding long-term loan agreements, avoiding the accumulation over time of loan dues and observing conservative debt ratios. Furthermore, the Company maintains long-term business relationships with a large number of investment, commercial and mortgage banks in its target markets in order to secure the best possible access to the capital markets.

Currency risk

Deutsche EuroShop AG's activities are limited exclusively to the European economic area. Manageable currency risks arise in the case of the eastern European investment companies. These risks are not hedged because this is purely an issue of translation at the reporting date and is therefore not associated with any cash flow risks. The currency risk from operations is largely hedged by linking rents and loan liabilities to the euro. There is a risk that if the Hungarian forint, the Polish zloty or the Czech koruna were to plummet against the euro for a long period of time, tenants would no longer be able to pay what would then be considerably higher rents denominated in a foreign currency.

Risk of damage

Real estate properties are subject to the risk of total or partial ruin on account of external factors (e.g. damage from fire or flooding, vandalism, terror attacks), which can lead to maintenance costs and leasing defaults. These damages are hedged to the greatest possible extent by insurance policies with insurers with a high credit rating. It is, however, conceivable that not all theoretically possible damage is adequately covered by insurance policies, or that this insurance coverage cannot be maintained on adequate terms in light of changing conditions in the insurance market, or that sufficient insurance protection will not even be offered. In addition, insurers may deny their services or a deterioration in the credit rating of an insurer may lead to potential defaults on payments in connection with the enforcement of insurance claims.

In order to avoid damage, our properties are also actively secured by fire and burglary protection and anti-vandalism measures.

Legal risk

The concept for our business model is based on the current legal situation, administrative opinion and court decisions, all of which may, however, change at any time. The Company is not currently aware of any legal risks that could have a major impact on its assets or results of operations.

Personnel risk

Given the small number of employees of Deutsche EuroShop AG, the Company is dependent on individual persons in key positions. The departure of these key staff would lead to a loss of expertise, and the recruitment and induction of new replacement personnel could temporarily impair day-to-day business. This kind of impairment is kept to a minimum by means of representation policies and the documentation of material work processes.

IT risk

Deutsche EuroShop AG's information system is based on a centrally managed network solution. Corrective and preventive maintenance of the system is carried out by an external service provider. A detailed access policy ensures that staff and external service providers are granted access exclusively to systems they require for their work. A virus protection concept and permanent monitoring of data traffic with respect to hidden and dangerous content are designed to protect against external attacks. All data relevant to operations is backed up daily by remote backup and also regularly on multiple storage media. In the event of a hardware or software failure in our system, all data can be reproduced at short notice.

OPPORTUNITY REPORT

Deutsche EuroShop AG forms part of a retail market undergoing dynamic structural transformation. While bricks-and-mortar retail is currently facing challenges from strong growth in online retail, and more and more transformation processes are being initiated actively, the strict boundaries between online and offline are increasingly disappearing. There is a clear trend towards purely online retailers opening their own shops and branch networks for the first time or gaining access to bricks-and-mortar retail chains and their branch network through acquisitions or joint ventures. Behind this development is the expectation from customers that they will be able to buy all products online or offline depending on the situation as well as the insight that many online providers have that they can offer an improved customer service and achieve greater sales growth with an omni-channel sales approach. In addition, bricks-and-mortar spaces are seen by online retailers as possible local logistics hubs for a quick and cost-efficient delivery service.

Thanks to the positioning of our shopping centers at first-rate locations, broad sector diversification within the centers and their conceptional adaptation with an emphasis on leisure, customer experience and meeting point aspects, and the increasing importance of shop space to online retail, we see opportunities for success during these structural changes, including in periods of stagnation.

In the area of financing, the continued environment of low interest rates affords good opportunities for concluding refinancing and new financing agreements on more favourable terms, which would positively impact EBT and FFO.

There are also growth opportunities for Deutsche EuroShop AG, in keeping with its clearly defined, selective investment strategy, through the acquisition of further shopping centers or stakes therein, which would positively impact the results of operations. Further external growth can also enhance the diversification effect in the Company's holdings portfolio. Due to the great degree of flexibility in the implementation of our acquisition and holdings structures, our good reputation with banks and as a reliable partner in the real estate market, the Company is well positioned to be able to continue to operate in the transactions market in such a way as to exploit opportunities going forward.

REMUNERATION REPORT

The remuneration model of Deutsche EuroShop AG was changed in line with the German Act on the Appropriateness of Managing Board Remuneration (VorstAG) and the requirements of the Corporate Governance Code and was last put before the General Meeting for approval in June 2018. In the case of new or extended Executive Board memberships, the requirements were examined and amended by the Supervisory Board.

REMUNERATION SYSTEM FOR THE EXECUTIVE BOARD

Remuneration for the Executive Board is set by the Supervisory Board. The remuneration system provides for a non-performance-related basic annual remuneration component based on the individual Executive Board member's duties, a performance-related remuneration component, and non-cash benefits in the form of a company car and contributions to a pension scheme.

As a performance-related remuneration component, the bonus is dependent on the long-term performance of the Company. It is based on the weighted average over the financial year and the two previous financial years. Group EBT (excluding measurement gains/losses) for the financial year is taken into account at a weighting of 60% in the basis of calculation, that of the previous financial year at 30% and that of the financial year before that at 10%. Mr Wellner receives 0.25% of the calculation basis as a bonus and Mr Borkers 0.2%. The bonus is limited to 150% of the basic annual remuneration.

The non-performance-related basic annual remuneration is €267 thousand for Mr Wellner and €186 thousand for Mr Borkers. In addition, Mr Wellner is expected to receive a bonus of €387 thousand and Mr Borkers €279 thousand for 2018. The final amount of the bonuses will only be available after approval of the consolidated financial statements by the Supervisory Board, upon which they will be payable.

Should the results of operations and net assets of the Company deteriorate during the term of the respective employment contracts to such an extent that further payment of this remuneration becomes unreasonable, the rules of section 87 (2) of the AktG will apply. The Supervisory Board will decide at its own discretion on the extent to which such remuneration will be reduced.

In the event that the employment contract is terminated prematurely by the Company without any good cause, the members of the Executive Board will be entitled to a settlement in the amount of the annual remuneration outstanding up to the end of the agreed contractual term, but limited to an amount equivalent to a maximum of two annual remunerations (basic annual remuneration plus bonus). For the measurement of the annual remuneration amount, the average annual remuneration for the previous financial year and the probable annual remuneration for the current financial year will be applicable.

A long-term incentive (LTI 2015) remuneration component was agreed in financial year 2015. The amount of the LTI 2015 is based on the positive change in market capitalisation of Deutsche EuroShop AG according to the data provided by Deutsche Börse over the period from 1 January 2015 (for Mr Wellner) and 1 July 2015 (for Mr Borkers) to 30 June 2018. Over the aforementioned periods, there was no positive change in market capitalisation according to the data provided by Deutsche Börse, so there was no entitlement to remuneration under the LTI 2015.

Following expiry of the LTI 2015, a new long-term incentive (LTI 2018) remuneration component was agreed in financial year 2018. The amount of the LTI 2018 is based on the positive change in market capitalisation of Deutsche EuroShop AG according to the data provided by Deutsche Börse over the period from 1 July 2018 to 31 December 2021. Market capitalisation is calculated by multiplying the volume-weighted average price over the last 20 trading days by the number of Company shares issued. According to the data provided by Deutsche Börse, the Company's volume-weighted market capitalisation stood at €1,862.4 million as at 1 July 2018.

Mr Wellner will receive 0.10% of any positive change in market capitalisation over the above period of up to €500 million, and Mr Borkers 0.05%. For any change over and above this amount, Mr Wellner will receive 0.05% and Mr Borkers 0.025%. Payment under the LTI 2018 will be made in three equal annual instalments, the first being payable on 1 January 2022.

In the event that the employment contract is terminated prematurely by the Company, any entitlements arising from the LTI 2018 until that date will be paid out prematurely.

On 31 December 2018, the market capitalisation of the Company stood at €1,644.5 million, which was €217.9 million lower than the figure as at 1 July 2018. There was therefore no potential liability under the LTI 2018 as at the reporting date.

REMUNERATION OF THE EXECUTIVE BOARD 2018

The remuneration of the Executive Board amounted to €1,232 thousand, which broke down as follows:

	Wilhelm Wellner				Olaf Borkers				Total
in € thousand	CEO Joined: 01.02.2015				Member of the Executive Board Joined: 01.10.2005				
Contributions made	**2018**	**2017**	**2018 (min)**	**2018 (max)**	**2018**	**2017**	**2018 (min)**	**2018 (max)**	**2018**
Fixed remuneration	267	252			186	186			
Ancillary benefits	21	18			21	15			
Total	**288**	**270**			**207**	**201**			**495**
One-year variable remuneration	387	363	0	401	279	279	0	279	
Multi-year variable remuneration									
LTI 2015		0				0			
LTI 2018	0		0	(*)	0		0	(*)	
Total	**387**	**363**			**279**	**279**			**666**
Pension expense	71	0			0	0			71
Total remuneration	**746**	**633**			**486**	**480**			**1,232**

(*) no maximum

In 2018, the Executive Board was in receipt of payments totalling €1,162 thousand:

	Wilhelm Wellner				Olaf Borkers				Total
in € thousand	CEO Joined: 01.02.2015				Member of the Executive Board Joined: 01.10.2005				
Income	**2018**	**2017**	**2018 (min)**	**2018 (max)**	**2018**	**2017**	**2018 (min)**	**2018 (max)**	**2018**
Fixed remuneration	267	252			186	186			
Ancillary benefits	21	18			21	15			
Total	**288**	**270**			**207**	**201**			**495**
One-year variable remuneration (**)	363	363	0	378	279	259	0	279	
Multi-year variable remuneration									
LTI 2015		0				0			
LTI 2018	0		0	(*)	0		0	(*)	
Total	**363**	**328**			**279**	**259**			**642**
Pension expense	25	0			0	0			25
Total remuneration	**676**	**598**			**486**	**460**			**1,162**

(*) no maximum

(**) Due to the preliminary nature of these calculations at the time the annual financial statements were drawn up, the figures published may vary slightly with respect to the approved figures in the remuneration report for the previous year.

Ancillary benefits include the provision of a car for business and private use. Pension expenses for Mr. Wellner comprise a defined contribution pension plan amounting to €50 thousand p.a. which was granted to him until the age of 62. The pension commitment will terminate prematurely if Mr. Wellner does not accept an extension to his work on the Executive Board offered to him by the Company and in the event of incapacity for work or death.

No advances or loans were granted to members of the Executive Board. The Company has not entered into any commitments or contingent liabilities in favour of these persons.

The outgoing CEO, Claus-Matthias Böge, is to receive a total of €1,712 thousand under the Long-Term Incentive 2010, which covered the period to 30 June 2015. Since 2016, this amount has been paid at the start of each year in five equal instalments, finishing in 2020. An old-age pension contribution of €83 thousand for Mr Böge was also recognised under expenditure in the previous year.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the Supervisory Board is based on section 8 (4) of the Articles of Association of Deutsche EuroShop AG. In accordance with the Articles of Association, the remuneration amounts to €50,000 for the chairman, €37,500 for the deputy chairman and €25,000 for each of the other members of the Supervisory Board. Committee membership is not taken into account when determining the remuneration of the Supervisory Board. Moreover, the remuneration does not contain any performance-related elements. The remuneration is determined on the basis of the business model and size of the Company as well as the responsibility associated with the role. The Company's business and financial position is also taken into consideration.

If any member of the Supervisory Board should leave the Supervisory Board during the financial year, they shall receive their remuneration pro rata. In accordance with section 8 (5) of the Articles of Association, expenses are also reimbursed.

The remuneration of the members of the Supervisory Board totalled €312 thousand (including 19% VAT) in the period under review, which breaks down as follows:

in € thousand	2018	2017
Reiner Strecker	59.50	59.50
Thomas Armbrust	29.75	29.75
Beate Bell	29.75	29.75
Manuela Better	29.75	29.75
Karin Dohm	44.62	44.62
Dr Henning Kreke	29.75	29.75
Alexander Otto	29.75	29.75
Klaus Striebich	29.75	29.75
Roland Werner	29.75	29.75
	312.37	**312.37**

No advances or loans were granted to the members of the Supervisory Board.

No pensions are paid to former members of the Executive or Supervisory Boards or to their dependants.

ACQUISITION REPORTING

Deutsche EuroShop shares are traded on the Frankfurt Stock Exchange and other exchanges. As of 31 December 2018, 18.83% of shares were owned by Alexander Otto (previous year: 17.08%).

The share capital is €61,783,594, comprised of 61,783,594 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, with the Supervisory Board's approval, to increase the share capital by up to a total of €11,680,999 through one or multiple issues of new no-par-value registered shares against cash and/or non-cash contributions before 27 June 2022 (Authorised capital 2017). As at 31 December 2018, no use had been made of this authorisation.

In addition, the Executive Board was authorised by a resolution of the Annual General Meeting held on 28 June 2018 to acquire treasury shares in the Company constituting up to 10% of the share capital available on the entry into force of or – if this is lower – on exercise of the authorisation by 27 June 2023. As at 31 December 2018, no use had been made of this authorisation.

A change-of-control arrangement has been agreed with two employees. Under this arrangement, if and insofar as the Company informs them that they will no longer be employed in their current positions, these employees will have a special right of termination with a notice period of one month up to the end of the quarter, which will be valid for twelve months from the date the change-of-control takes effect.

A change-of-control arises if Deutsche EuroShop AG merges with another company, if a public takeover bid has been made under the German Wertpapiererwerbs- und Übernahmegesetz (WpÜG – Securities Acquisition and Takeover Act) and accepted by a majority of shareholders, if the Company is integrated into a new group of companies or if the Company goes private and is delisted.

In the event of such termination of the employment relationship, these employees will receive a one-time payment amounting to three months' gross salary multiplied by the number of years that they have worked for the Company, but limited to a maximum of 24 months' gross salary.

Deutsche EuroShop Group does not currently have any other compensation agreements with members of the Executive Board or other employees for the event of a change-of-control.

The material provisions governing Deutsche EuroShop AG, which include a change-of-control clause, primarily relate to bilateral credit facilities and various loan agreements. In the event of a takeover, the relevant lenders are entitled to terminate the facility and where applicable demand immediate repayment. A takeover is defined as a third party taking control of Deutsche EuroShop AG; the takeover may also be made by a group acting jointly.

DECLARATION ON CORPORATE GOVERNANCE (SECTION 289F HGB)

The declaration on corporate governance, in conformity with section 3.10 of the Deutscher Corporate Governance Kodex (German Corporate Governance Code) and section 289f of the Handelsgesetzbuch (HGB – German Commercial Code) has been published on the Deutsche EuroShop website:

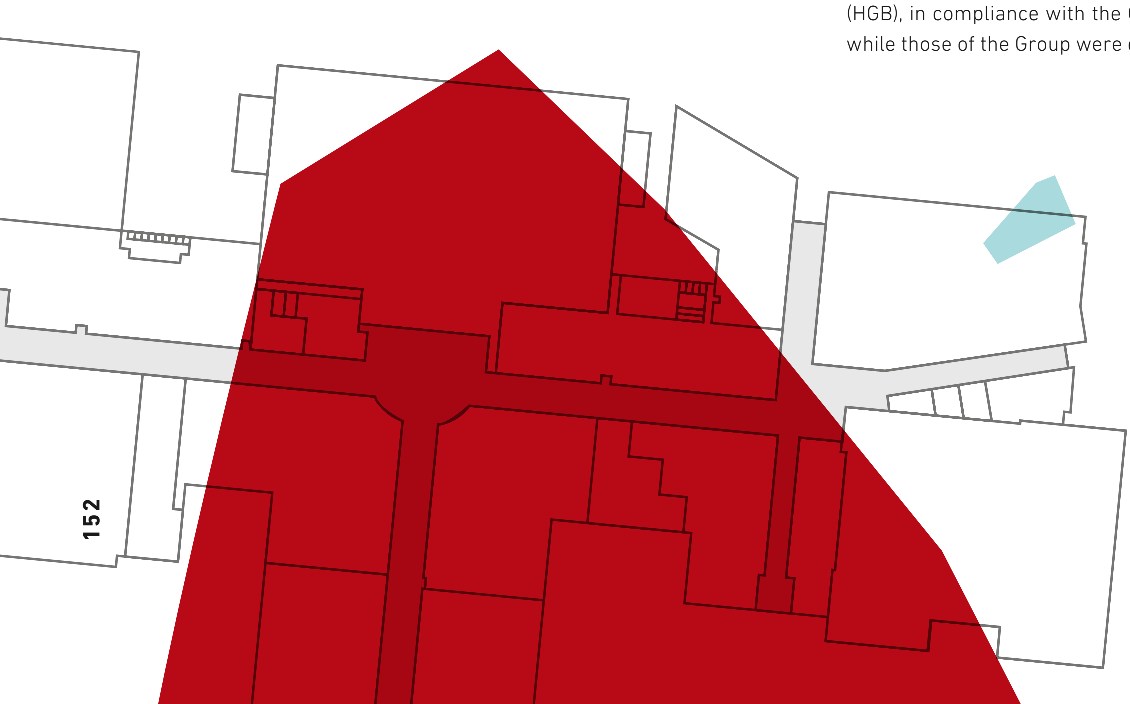
www.deutsche-euroshop.de/ezu

Hamburg, 28 March 2019

REPORTING ON THE SEPARATE FINANCIAL STATEMENTS OF DEUTSCHE EUROSHOP AG

As the Group managing company, Deutsche EuroShop AG is responsible for corporate strategy, portfolio and risk management, financing and communication. As the holding company, the economic development of Deutsche EuroShop AG depends primarily on the business development of the Group's operating companies. Deutsche EuroShop AG also directly participates in and shares the opportunities and risks of the Group companies. Therefore, please also refer to the reporting on the Group in sections "Macroeconomic and Sector-Specific Conditions", "Risk report" and "Opportunity report" in this combined management report.

The annual financial statements of Deutsche EuroShop AG were prepared in accordance with the rules of the German Commercial Code (HGB), in compliance with the German Stock Corporation Act (AktG), while those of the Group were drawn up according to IFRS rules.



RESULTS OF OPERATIONS OF DEUTSCHE EUROSHOP AG (HGB)

in € thousand	01.01. – 31.12.2018	01.01. – 31.12.2017	Change +/-	Change in %
Other operating income	268	139	129	93
Personnel expenses	-1,905	-1,922	17	1
Depreciation/amortisation and other operating expenses	-2,055	-3,370	1,315	39
Investment income	68,681	76,632	-7,951	-10
Financial gains or losses	-4,105	-6,072	1,967	32
Income taxes	-12,326	-12,885	559	4
Net profit	**48,558**	**52,522**	**-3,964**	**-8**
Withdrawal from capital reserves	44,117	37,064	7,053	19
Unappropriated surplus	**92,675**	**89,586**	**3,089**	**3**

Financial year 2018 was a positive one for Deutsche EuroShop. Although earnings before taxes, at €60.9 million, were €4.5 million below the previous year (€65.4 million), they were €16.6 million above expectations (€44.3 million). A principal component of the Company's earnings is investment income, at €68.7 million (previous year: €76.6 million), which exceeded the forecast by €16.4 million. The postponement of planned maintenance and investment until subsequent years, lower write-downs and the improved results of operations in individual investments largely explain these positive differences.

The decrease in depreciation/amortisation and other operating expenses by €1.3 million to €2.1 million is primarily due, at €1.4 million, to the costs incurred in the previous year for the cash capital increase in March 2017.

Financial gains or losses in the previous year still included interest and costs for the convertible bond in the amount of €2.1 million, which were omitted in the year under review due to the almost full conversion and repayment of the non-converted part, contributing substantially to an improvement in the financial result.

Income taxes stood at €12.3 million, compared with €12.9 million in the previous year. Of this, €4.9 million (previous year: €9.2 million) was attributable to additions to deferred taxes and €7.4 million (previous year: €3.7 million) to taxes to be paid. A major reason for the rise in taxes to be paid is the consumption of the corporation tax loss carryforwards in the previous year.

NET ASSETS OF DEUTSCHE EUROSHOP AG (HGB)

in € thousand	31.12.2018	31.12.2017	Change +/-
Non-current financial assets	1,216,741	1,256,051	-39,310
Other non-current assets	222	227	-5
Receivables and other assets	1,643	1,315	328
Cash and bank balances	50,403	47,307	3,096
Assets	**1,269,009**	**1,304,900**	**-35,891**
Equity	1,067,067	1,108,096	-41,029
Provisions	3,634	2,805	829
Liabilities	104,312	104,945	-633
Deferred tax liabilities	93,996	89,054	4,942
Liabilities	**1,269,009**	**1,304,900**	**-35,891**

The decline in non-current financial assets is due partly to distributions that exceed the proportional net profits of the investees, as determined under commercial law, and partly to withdrawals.

The change in equity was the result of the profit for the financial year at €48.5 million and the dividend of €89.6 million paid in July 2018. The equity ratio of Deutsche EuroShop AG declined slightly from 84.9% to 84.1%, but remained at a very high level.

FINANCIAL POSITION OF DEUTSCHE EUROSHOP AG (HGB)

in € thousand	01.01. – 31.12.2018	01.01. – 31.12.2017
Net profit	48,558	52,522
Cash distributions on investees recognised in equity	39,962	37,119
Release of prepaid expense items for convertible bond	0	1,401
Addition/reversal for deferred income taxes	4,942	9,154
1. Free cash flow from operating activities	**93,462**	**100,196**
2. Outflows for new investments	**0**	**-211,862**
Equity injections from share issues	0	165,000
Inflows from sales	0	13
Repayment of granted shareholder loans	0	100,000
3. Inflows from equity	**0**	**265,013**
Repayment of convertible bond	0	-500
Inflows/outflows from bank loans	-1,730	-51,994
4. Inflows/outflows from financing activities	**-1,730**	**-52,494**
5. Other cash changes in the balance sheet	**951**	**816**
6. Dividend for the previous year	**-89,586**	**-81,766**
Liquidity at the start of the year	**47,307**	**27,404**
Cash changes in liquidity (subtotal 1. – 6.)	3,096	19,903
Liquidity at the end of the year	**50,403**	**47,307**

Free cash flow from operating activities fell from €100.2 million in 2017 to €93.5 million in the year under review (-6.7%). The main reason for this were scheduled reductions in distributions at individual investees to finance ongoing and/or future investments. For the past financial year, there was a return on the equity paid in (including equity from the convertible bond) amounting to €1,369.0 million of 6.8% compared with 7.3% in the previous year. Free cash flow per share fell from €1.72 to €1.51.

Outflows from financing activities were the result of scheduled repayments of long-term bank loans.

Taking into account the cash changes in net working capital (€1.0 million) and the dividend paid in July 2018 of €89.6 million, liquidity ended the year at €50.4 million.

Forecast for Deutsche EuroShop AG (HGB)

In financial year 2019, we are expecting income from investments to decline from €68.7 million in 2018 to €54.9 million due to ongoing extensive investment measures at the property companies as part of the "At Your Service" and "Mall Beautification" programmes, among other things. According to our forecasts, this income will climb again in 2020 to around €61.5 million. The forecast for earnings before taxes for 2019 is €49.3 million (2018: €60.9 million). For 2020, we are expecting earnings before taxes to rise to around €53.0 million.

In 2019, we are planning cash distributions from ongoing leasing activity at our investees of €116.9 million (2018: €108.6 million), of which €54.9 million will be recognised in the income statement as income from investments and €62.0 million will be paid out with no impact on income. For 2020, we are planning distributions from investees of €119.3 million. Free cash flow (FCF) from operating activities is expected to amount to €105.2 million in 2019 and €105.7 million in 2020.

Based on the equity paid in to date (including equity from the convertible bond) (€1,369.0 million), the FCF returns would be 8.4% for 2019 and 7.7% for 2020.

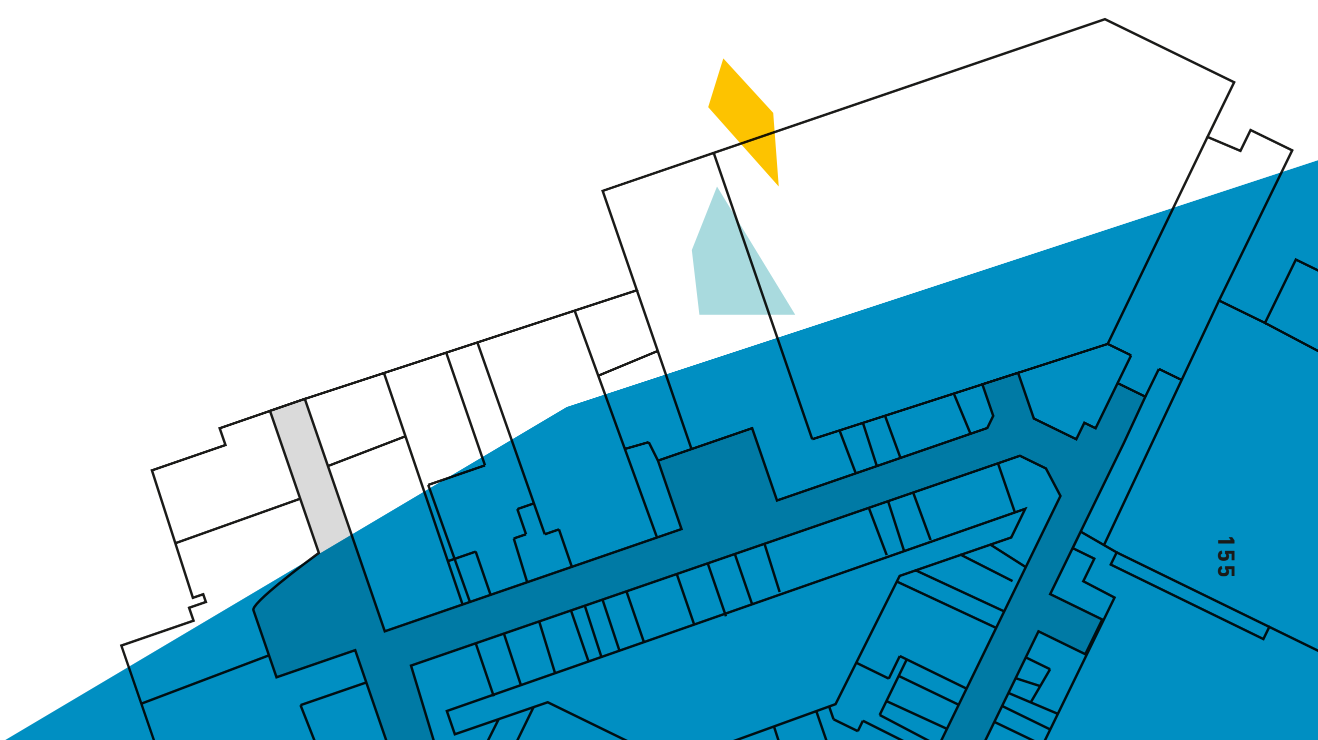
Forward-looking statements

This combined management report contains forward-looking statements based on estimates of future developments by the Executive Board. The statements and forecasts represent estimates based on all of the information available at the current time. If the assumptions on which these statements and forecasts are based do not materialise, the actual results may differ from those currently being forecast.

Rounding and rates of change

Percentages and figures stated in this report may be subject to rounding differences. The rates of change are based on economic considerations: improvements are indicated by a plus (+); deterioration by a minus (-).

CONSOLIDATED FINANCIAL STATEMENTS

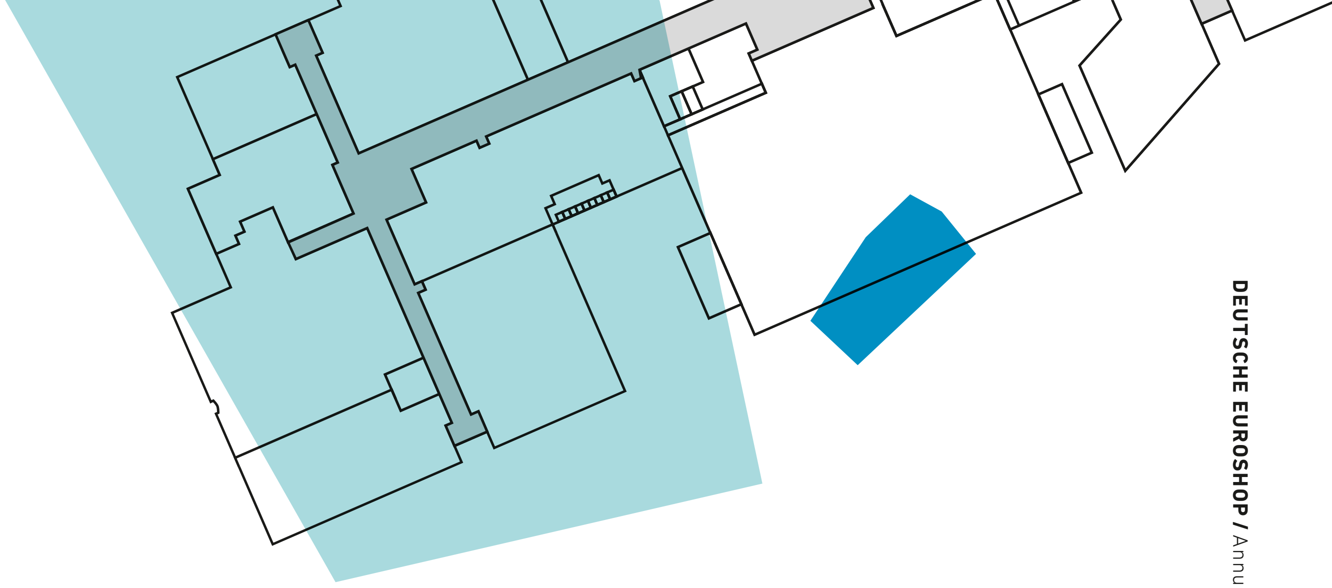


CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

ASSETS

in € thousand	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Intangible assets	8.	53,736	53,746
Property, plant and equipment	8.	213	208
Investment properties	9.	3,891,700	3,924,157
Investments accounted for using the equity method	10.	531,044	526,728
Other financial assets		31	39
Non-current assets		**4,476,724**	**4,504,878**
Current assets			
Trade receivables	11.	6,643	5,268
Other current assets	12.	10,526	10,274
Cash and cash equivalents	13.	116,335	106,579
Current assets		**133,504**	**122,121**
TOTAL ASSETS		**4,610,228**	**4,626,999**



LIABILITIES

in € thousand	Note	31.12.2018	31.12.2017
EQUITY AND LIABILITIES			
Equity and reserves			
Issued capital		61,784	61,784
Capital reserves		1,217,560	1,217,560
Retained earnings		950,404	958,032
Total equity	**14.**	**2,229,748**	**2,237,376**
Non-current liabilities			
Financial liabilities	15.	1,496,313	1,517,773
Deferred tax liabilities	17.	452,642	439,800
Right to redeem of limited partners	18.	343,648	337,479
Other liabilities	16.	34,297	37,919
Non-current liabilities		**2,326,900**	**2,332,971**
Current liabilities			
Financial liabilities	15.	26,080	28,899
Trade payables		3,543	2,242
Tax liabilities		2,384	2,201
Other provisions	19.	7,413	6,354
Other liabilities	16.	14,160	16,956
Current liabilities		**53,580**	**56,652**
TOTAL EQUITY AND LIABILITIES		**4,610,228**	**4,626,999**

CONSOLIDATED INCOME STATEMENT

in € thousand	Note	01.01.–31.12.2018	01.01.–31.12.2017
Revenue	20.	225,047	218,491
Property operating costs	21.	-11,690	-11,168
Property management costs	22.	-10,493	-10,371
Net operating income (NOI)		**202,864**	**196,952**
Other operating income	23.	1,828	2,035
Other operating expenses	24.	-5,557	-6,619
Earnings before interest and taxes (EBIT)		**199,135**	**192,368**
Share in the profit or loss of associated companies and joint ventures accounted for using the equity method	10., 25.	27,602	34,451
Interest expense		-52,726	-54,023
Profit/loss attributable to limited partners	18.	-18,448	-18,522
Other financial income and expenditure		2,256	2,968
Interest income		30	36
Income from investments		0	1
Financial gains or losses		**-41,286**	**-35,089**
Measurement gains/losses	**26.**	**-55,715**	**8,550**
Earnings before tax (EBT)		**102,134**	**165,829**
Income taxes	27.	-22,739	-31,496
CONSOLIDATED PROFIT		**79,395**	**134,333**
Earnings per share (€), undiluted and diluted	28.	1.29	2.31

STATEMENT OF COMPREHENSIVE INCOME

in € thousand	Note	01.01.–31.12.2018	01.01.–31.12.2017
Consolidated profit		**79,395**	**134,333**
Items which under certain conditions in the future will be reclassified to the income statement:			
Actual share of the profits and losses from instruments used to hedge cash flows	14.	3,238	6,651
Measurement of investments (IAS 39 – available for sale)	14.	0	22
Deferred taxes on changes in value offset directly against equity	14.	-675	-1,440
Total earnings recognised directly in equity		**2,563**	**5,233**
TOTAL PROFIT		**81,958**	**139,566**
Share of Group shareholders		81,958	139,566

CONSOLIDATED CASH FLOW STATEMENT

in € thousand	Note	01.01.–31.12.2018	01.01.–31.12.2017
Consolidated profit		**79,395**	**134,333**
Income taxes	27.	22,739	31,496
Financial gains or losses		41,286	35,089
Amortisation/depreciation of intangible assets and property, plant and equipment with a finite life	24.	58	56
Unrealised changes in fair value of investment property and other measurement gains/losses	26.	55,715	-8,550
Distributions and capital repayments received	10.	23,286	22,914
Changes in trade receivables and other assets	11., 12.	-1,627	994
Changes in current provisions	19.	1,059	-290
Changes in liabilities	16.	377	-1,302
Cash flow from operating activities		**222,288**	**214,740**
Interest paid		-52,726	-52,622
Interest received		30	36
Income taxes paid	27.	-10,390	-6,130
Net cash flow from operating activities		**159,202**	**156,024**
Outflows for the acquisition of investment properties	9.	-20,862	-9,624
Inflows from disposal of intangible assets and property, plant and equipment		0	27
Outflows for the acquisition of intangible assets and property, plant and equipment		-53	-14
Inflows from the disposal of financial assets		0	170
Acquisition of a subsidiary less acquired cash and cash equivalents	30.	0	-201,573
Cash flow from investing activities		**-20,915**	**-211,014**
Inflows from financial liabilities	15., 23.	0	130,000
Outflows from the repayment of financial liabilities	15.	-24,279	-97,710
Payments to limited partners	18.	-14,666	-16,587
Inflows from capital increases	14.	0	163,587
Payments to Group shareholders	14.	-89,586	-81,767
Cash flow from financing activities		**-128,531**	**97,523**
Net change in cash and cash equivalents		**9,756**	**42,533**
Cash and cash equivalents at beginning of period	**13.**	**106,579**	**64,046**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**13.**	**116,335**	**106,579**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in € thousand	Note	Number of shares out-standing	Share capital	Capital reserves	Other retained earnings	Statutory reserve	Available for sale reserve	Cash flow hedge reserve	Total
01.01.2017		**53,945,536**	**53,945**	**961,970**	**932,109**	**2,000**	**-22**	**-33,854**	**1,916,148**
Total profit			0	0	134,333	0	22	5,211	139,566
Capital increase	14.	4,459,460	4,460	159,583	0	0	0	0	164,043
Capital increase through con-version of bonds	14.	3,378,598	3,379	96,007	0	0	0	0	99,386
Dividend payments	14.		0	0	-81,767	0	0	0	-81,767
31.12.2017		**61,783,594**	**61,784**	**1,217,560**	**984,675**	**2,000**	**0**	**-28,643**	**2,237,376**
01.01.2018		**61,783,594**	**61,784**	**1,217,560**	**984,675**	**2,000**	**0**	**-28,643**	**2,237,376**
Total profit			0	0	79,395	0	0	2,563	81,958
Dividend payments	14.		0	0	-89,586	0	0	0	-89,586
31.12.2018		**61,783,594**	**61,784**	**1,217,560**	**974,484**	**2,000**	**0**	**-26,080**	**2,229,748**

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2018

PRINCIPLES UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL DISCLOSURES

The Group parent company is Deutsche EuroShop AG, Hamburg, Germany. The Company's registered office is Heegbarg 36, 22391 Hamburg, Germany, and it is entered in the Hamburg commercial register under HRB 91799.

Deutsche EuroShop AG focuses on acquiring, managing, using and selling investments of all kinds, and in particular investments in retail properties.

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). All IFRSs and IFRIC interpretations endorsed by the European Commission and required to be applied as at 31 December 2018 have been applied. The Executive Board prepared the consolidated financial statements as at 31 December 2018 on 28 March 2019 and forwarded them to the Supervisory Board for examination and approval.

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

Amounts are mainly presented in thousands of €.

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 as at the reporting 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 (see the notes to section "9. Investment Properties").

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 on 31 December 2018, the reporting date of the consolidated financial statements.

2. BASIS OF CONSOLIDATION

Fully consolidated subsidiaries	Domestic [1]	Abroad [1]	Total
As at 01.01.2018	**10**	**4**	**14**
Additions	0	0	0
Disposals	0	0	0
As at 31.12.2018	**10**	**4**	**14**

Joint ventures included in consolidated financial statements in accordance with the equity method	Domestic [1]	Abroad [1]	Total
As at 01.01.2018	**4**	**3**	**7**
Additions	0	0	0
Disposals	0	0	0
As at 31.12.2018	**4**	**3**	**7**

Associates included in consolidated financial statements in accordance with the equity method	Domestic [1]	Abroad [1]	Total
As at 01.01.2018	**0**	**1**	**1**
Additions	0	0	0
Disposals	0	0	0
As at 31.12.2018	**0**	**1**	**1**

[1] Companies are allocated in accordance with the segment allocation based on the location of the respective shopping center. This may be different from the company domicile.

Subsidiaries

The consolidated financial statements include the financial statements of the parent company and of the companies controlled by it. Deutsche EuroShop AG gains control when it:

- is in a position to take decisions affecting another company,
- is exposed to fluctuating returns and reflows from this holding, and
- is able, by reason of its decision-making capacity, to influence such returns.

At every reporting date, a new assessment is carried out to establish whether or not an investee is controlled, by reference to whether circumstances indicate that one or more of these criteria have changed.

Financial information of subsidiaries with significant non-controlling interests

Deutsche EuroShop AG holds a stake of 52.01% in Main-Taunus-Zentrum KG, Hamburg and exercises a controlling influence over the company. The other 47.99% of shares are in free float. The Company posted non-current assets of €743,000 thousand (previous year: €731,000 thousand) and current assets of €15,973 thousand (previous year: €14,404 thousand) as at the reporting date. Non-current liability items amounted to €216,064 thousand (previous year: €218,256 thousand) and current liability items totalled €6,108 thousand (previous year: €5,919 thousand). The Company generated revenue of €36,030 thousand (previous year: €35,655 thousand) and net profit (after earnings due to limited partners) of €18,761 thousand (previous year: €21,829 thousand). A dividend of €9,838 thousand (previous year: €11,664 thousand) was paid to limited partners in the year under review.

Joint ventures

Joint ventures in which Deutsche EuroShop AG has a majority of the voting rights together with third parties are classified as joint operations and accounted for using the equity method. Deutsche EuroShop AG has a 75% stake in Stadt-Galerie Passau KG, Hamburg. On the basis of corporate agreements, Deutsche EuroShop AG does not hold the majority of voting rights or exercise sole control of this Company.

Associates

In accordance with IAS 28, where Deutsche EuroShop AG can exercise a significant influence but not control over companies, these investments are measured using the equity method.

Investees

Investments over which Deutsche EuroShop AG has neither significant influence nor control are measured at fair value in principle. In line with IFRS 9, for initial recognition of an investment, the Group has the irrevocable right to choose to record the fair value adjustment in other income as well. As at 31 December 2018, there was only the investment in Ilwro Holding B.V., Amsterdam for which this right had not been exercised.

Shareholdings

The list of shareholdings as required by section 313 (2) HGB forms part of the notes to the consolidated financial statements. The list of shareholdings also includes a conclusive list of all subsidiaries that meet the conditions of section 264b HGB and have exercised the option of exemption from specific provisions regarding the preparation, auditing and disclosure of the annual financial statements or management report.

3. CONSOLIDATION METHODS

Under the purchase method, 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 negative differences are recognised in income following a reassessment.

Joint ventures and associates are measured using the equity method. The cost of acquiring the investment is recognised here in income at an amount increased or reduced by the changes in equity corresponding to the equity interest of Deutsche EuroShop AG.

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

4. ACQUISITIONS DURING THE PREVIOUS YEAR

On 7 March 2017, Deutsche EuroShop AG acquired all shares of Olympia Brno s.r.o., Prague (Czech Republic). Olympia Brno is the owner of the Olympia shopping center located in Brno in the Czech Republic. The transfer of benefits and encumbrances took place on 31 March 2017 upon payment of the provisional purchase price to the seller. The definitive purchase price (including a payment obligation assumed for the seller) of €203 million was determined on the basis of the audited interim financial statements of Olympia Brno as at 31 March 2017.

In addition to the shares in Olympia Brno, the loan already in place between the seller and Olympia Brno was also acquired at the carrying amount. The investment was financed through equity from a cash capital increase (approx. €165 million) and long-term loans.

The fair values of the identifiable assets and liabilities of Olympia Brno were as follows at the time of acquisition:

in € thousand	**Fair value at the time of acquisition**
Non-current assets	
Investment properties	374,000
Current assets	
Trade receivables	332
Cash and cash equivalents	7,421
Other current assets	2,324
Non-current liabilities	
Financial liabilities	-164,283
Deferred taxes	-53,941
Current liabilities	
Financial liabilities	-2,502
Shareholder loans	-5,941
Other current liabilities	-8,224
Total identifiable net assets at fair value	149,186
Consideration	
Purchase price	201,633
Assumed payment obligations of seller	1,420
Goodwill	**53,867**

The goodwill arose exclusively from deferred tax liabilities which had to be generated within the scope of the acquisition but which will not be realised due to the intention to hold them over the long term. The goodwill is not tax deductible.

The fair value of the trade receivables corresponded to the previously reported carrying amount, which included write-downs in the amount of €475 thousand.

The transaction costs associated with the acquisition in the previous year, at €276 thousand, were recognised in the income statement under Other operating expenses.

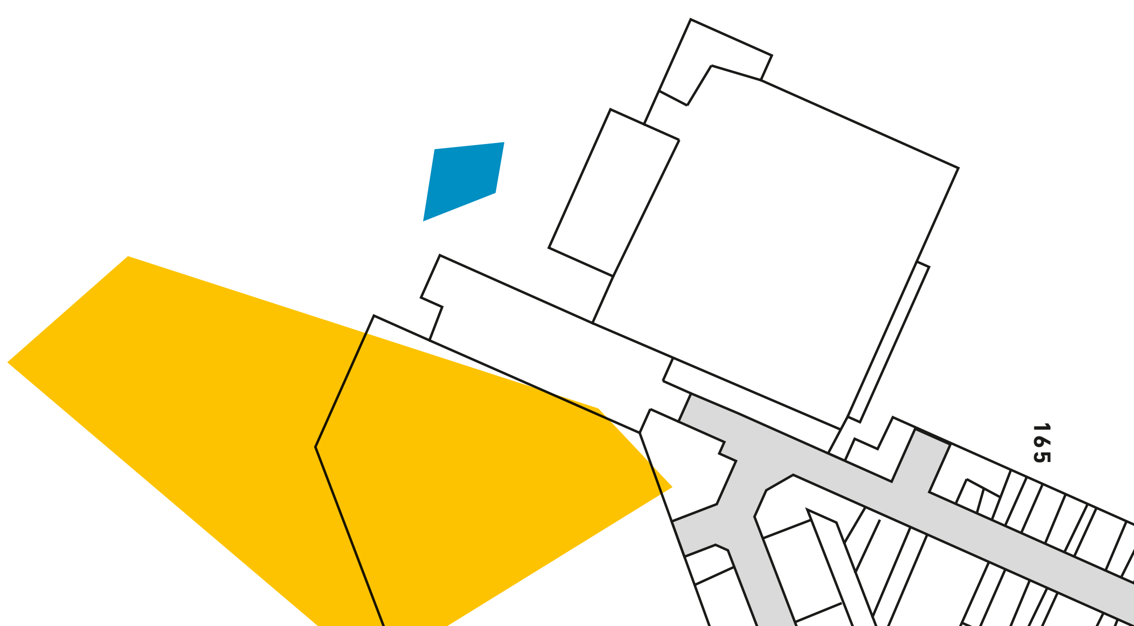
During the period from its initial inclusion in the Group, as at 31 March 2017, until the end of financial year 2017, Olympia Brno contributed €15,265 thousand to the revenue and €9,174 thousand to the consolidated profit. If Olympia Brno had been acquired on 1 January 2017, it would have increased the consolidated revenue by a further €5,033 thousand and the consolidated profit by a further €3,433 thousand in the previous year.

In addition, the Group acquired all the shares of City-Point Beteiligungs GmbH for €15 thousand in the fourth quarter of 2017. Increasing the shareholding from 40% to 100% meant that City-Point Beteiligungs GmbH was included in the Group as a fully consolidated company from the fourth quarter of 2017. The acquisition did not result in any excess, and there was no material impact on the presentation of the net assets, results of operations and financial position of the Group.

5. NEW ACCOUNTING STANDARDS

The following new or amended standards and interpretations relevant for the business activities of the Group are required to be applied for the first time to the financial years ending on 31 December 2018:

Amendments/standard	Date applied (EU)	Amendments	Impact on the net assets, financial position and results of operations or cash flow of Deutsche EuroShop AG
IFRS 9 Financial Instruments	01.01.2018	IFRS 9 standardises the specifications for classifying and measuring financial assets and financial liabilities, provides a new impairment model and also contains new rules for the application of hedge accounting. IFRS 9 will replace the previous provisions of IAS 39.	The impact of IFRS 9 on the Group is explained at the foot of this table.
IFRS 15 Revenue from Contracts with Customers	01.01.2018	IFRS 15 provides a five-step model for determining and recognising revenue that is to be applied to all contracts with customers.	The impact of IFRS 15 on the Group is explained at the foot of this table.



IFRS 9 Financial Instruments

The new IFRS 9 replaces IAS 39 and standardises the specifications for classifying and measuring financial assets and financial liabilities. The standard uses cash flow properties and the business model according to which they are managed as a basis in this regard. The allocation of financial assets and liabilities to the new IFRS 9 measurement categories had no material effect on the net assets, financial position and results of operations of the Group and the following table provides a comparison of these with the previous IAS 39 categories:

	Measurement category				Carrying amounts as at 01.01.2018		
in € thousand		IAS 39		IFRS 9	IAS 39	IFRS 9	Difference
Financial assets							
Non-current financial assets	AfS	Recognised at fair value in other income	FVTPL	Recognised at fair value in profit or loss	39	39	0
Trade receivables	LaR	Amortised costs	AC	Amortised costs	5,268	5,268	0
Other assets	LaR	Amortised costs	AC	Amortised costs	6,047	6,047	0
Cash and cash equivalents	LaR	Amortised costs	AC	Amortised costs	106,579	106,579	0
Financial liabilities							
Financial liabilities	FLAC	Amortised costs	FLAC	Amortised costs	1,546,672	1,546,672	0
Right to redeem of limited partners	FLAC	Amortised costs	FLAC	Amortised costs	337,479	337,479	0
Trade payables	FLAC	Amortised costs	FLAC	Amortised costs	2,242	2,242	0
Other liabilities	FLAC	Amortised costs	FLAC	Amortised costs	9,169	9,169	0
Interest rate hedges that do not meet the criteria of hedge accounting	HfT	Recognised at fair value in profit or loss	FVTPL	Recognised at fair value in profit or loss	2,256	2,256	0
Interest rate hedges that meet the criteria of hedge accounting	n. a.				36,784	36,784	0

Measurement categories in accordance with IFRS 9: Financial assets measured at amortised cost (AC), at fair value through other comprehensive income (FVOCI), Financial liabilities measured at amortised cost (FLAC), at fair value through profit and loss (FVTPL)

Measurement categories in accordance with IAS 39: Loans and Receivables (LaR), Available-for-Sale (AfS), Financial Liabilities measured at amortised cost (FLAC), Financial liabilities measured at fair value (FVTPL), Held for Trading (HfT)

IFRS 9 also replaces the previous IAS 39 impairment model for incurred losses with the model for expected losses. In order to determine the expected credit losses for trade receivables and other liabilities to tenants, the Group will use the simplified IFRS 9 impairment model. The change in the method of determination did not result in a departure from the previous method.

IFRS 9 also includes new provisions regarding the application of hedge accounting in order to better represent a company's risk management activities. All of the Group's existing hedging relationships fulfil the requirements of IFRS 9 as regards hedge accounting and can be continued in their current form.

The Group applied IFRS 9 on the first application date of 1 January 2018 prospectively and forewent the restatement of comparative information.

IFRS 15 – revenue

The standard provides a five-step model for recognising revenue that is to be applied to all contracts with customers. This specifies when (or over what time period) and what amount of revenue is to be recognised. The standard replaces the previous provisions set out under IAS 18 "Revenue", IAS 11 "Construction Contracts" and a series of revenue-related interpretations.

The Group mainly generates rental income through the leasing of shopping center space. This income is considered as a leasing component under the provisions of IAS 17 (from 2019 onwards, under the provisions of IFRS 16). Furthermore, the portion of the operating costs transferred to the tenants for which the tenants do not receive a separate service is to be regarded as a leasing component (e.g. real property tax and building insurance). All other operating costs transferred to tenants must be recognised in accordance with IFRS 15. Here, it must be distinguished whether the Group acts as the primary responsible service provider ("Principal") or as an agent for a service ("agent") vis-à-vis the tenants. The analysis of the Group has shown that the Group primarily acts as an "agent" and that the proceeds from such transfers and the associated expenses must therefore continue to be shown netted in the income statement.

The following new or amended standards and interpretations relevant for the business activities of the Group are not yet compulsory and have not been applied prematurely:

Amendments/ standard	**Expected date of application (EU)**	**Expected amendments**	**Impact on the net assets, financial position and results of operations or cash flow of Deutsche EuroShop AG**
IFRS 16 Leases	01.01.2019	The core requirement of IFRS 16 is that all leases and their associated contractual rights and obligations are to be recognised in the lessee's balance sheet as a general principle. The lessee is required to account for lease liabilities for all future lease payments. At the same time, the lessee is conferred the right to use the underlying asset, which generally corresponds to the cash value of the future lease payments plus any direct costs incurred by the lessee. During the term of the lease, the lease liability is upheld financially on a similar basis to the provisions of IAS 17 for finance leases, while the right of use is amortised according to schedule, which generally leads to higher expenses at the beginning of a lease. In the case of lessors, meanwhile, the provisions of the new standard are similar to the previous provisions of IAS 17.	The Group only has a limited number of lease obligations as a lessee. Accounting according to the provisions of IFRS 16 as at 31 December 2018 would have led to the recognition of rights of use with corresponding liabilities of approximately €0.3 million.
Annual Improvements to IFRS-2015–2017 Cycle	01.01.2019	Clarifications of numerous published standards	No material impact

In addition, further standards and interpretations were adopted which are not expected to have any impact on the Group.

6. 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 currency of these companies is therefore different from the functional currency (€). 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 arising if the translation rates of the balance sheet and consolidated income statement differ are recognised in profit or loss.

Translation was based on the following exchange rates:

	31.12.2018		31.12.2017	
1 € =	**Closing rate**	**Average rate**	**Closing rate**	**Average rate**
Hungarian forint (HUF)	321.51	318.87	310.14	309.21
Polish zloty (PLN)	4.30	4.26	4.17	4.26
Czech koruna (CZK)	25.73	25.54	25.54	27.02

7. SIGNIFICANT ACCOUNTING POLICIES AND VALUATION METHODS

Revenue and Expense Recognition

Revenue from leasing the investment properties is recognised on a straight-line basis over the term of the lease. Other 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.

Determination of fair values

The Group regularly reviews the determination of fair values for financial and non-financial assets and liabilities. It also conducts a regular assessment of significant, non-observable input factors and carries out valuation adjustments. When determining the fair value of an asset or liability, the Group uses observable market data wherever possible.

Based on the input factors used in the valuation techniques, the fair values are categorised into different levels of the fair value hierarchy in accordance with IFRS 13:

Level 1: Fair values determined using quoted prices in active markets.

Level 2: Fair values determined using valuation methods for which the input factors that are relevant for the fair value are based on directly or indirectly observable market data.

Level 3: Fair values determined using valuation methods for which the input factors that are relevant for the fair value are based on unobservable market data.

In the case of assets or liabilities that are recognised at fair value on a regular basis, it is determined based on a reassessment at the end of the financial year whether reclassifications between the hierarchical levels occurred. In 2018, as in the previous financial year, no reclassifications between the hierarchical levels occurred.

Intangible assets

Intangible assets include acquired software and software licenses of Deutsche EuroShop AG as well as goodwill.

Software additions are measured at cost. These are amortised at 33% using the straight-line method over the expected useful life of three years. The method of depreciation and the depreciation period are reviewed annually at the end of each financial year.

Goodwill within the context of a company takeover arose as a positive difference between the fair value of the assets, liabilities and contingent liabilities at the time of acquisition as well as the deferred taxes of the acquired company and the consideration paid for it by the Group.

Goodwill is not subject to amortisation.

Property, plant and equipment

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

Operating and office equipment comprises office equipment, tenant fixtures, 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.

Impairment losses on intangible assets and property, plant and equipment

The value of the goodwill is reviewed at least once a year (as at 31 December) at the level of the cash-generating units of the Group to which goodwill was allocated at the time of acquisition. The impairment loss test as at 31 December 2018 did not result in a need for write-downs.

For intangible assets with finite useful lives as well as for property, plant and equipment, the value is only reviewed if there are actual indications of impairment. An impairment loss is recognised in income in the measurement gains/losses provided that the recoverable amount of the assets is lower than the carrying amount. The recoverable amount is the higher value from the fair value less costs of disposal and value in use. In the financial year, there were no indications of impairment for the intangible assets with finite useful lives or for property, plant and equipment.

Investment properties

Under IAS 40, investment property must initially be measured at cost at the date of acquisition. Property that is under construction and intended to be used as investment property following its completion also falls under the scope of IAS 40. Property held as a financial investment can be recognised either 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 (recurring fair value measurement). 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.

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. General administrative costs are not added to the 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.

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 allocated to an IFRS 9 measurement category when they are recognised for the first time. With financial assets, the measurement category is dependent on the cash flow property of the financial instrument and the business model of the Group which holds the financial asset.

Non-current financial assets

Non-current financial assets include an investment in a Dutch 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 IFRS 9.

Receivables and other current assets

Receivables and other current assets are recognised at amortised cost less write-downs. The Group applies the simplified approach permitted under IFRS 9 and measures the write-down on the basis of the credit losses expected over the life of the asset. Receivables are written off if they become uncollectable.

Right to redeem of limited partners

The distinction between equity and liabilities under international accounting standards is set out in IAS 32 Financial Instruments: 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 from a long-term perspective, but cannot 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.

Financial liabilities

Liabilities to banks/bank loans and overdrafts are reported at amortised cost. Discounts are deducted, which under IFRS 9 must be amortised over the term of the loan agreement and recognised annually as an expense.

The debt component of convertible bonds is measured using the market interest rate for a similar, non-convertible bond. This debt component is measured as a liability at amortised cost using the effective interest method until converted or repayment becomes due. The remaining proceeds from the issue represent the value of the conversion rights. This is recognised in equity within the capital reserves. The financial liability increases over time, with an effect on net income, by the difference between the actual interest expense and the nominal interest rate.

Trade payables

Trade payables are recognised at their repayment amount.

Other liabilities

Other liabilities are recognised at amortised cost.

Cash and cash equivalents

Cash and cash equivalents include cash and bank balances (terms of up to three months) at their principal amounts.

Derivative financial instruments

Derivatives that qualify for hedge accounting in accordance with IFRS 9 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 2027. The interest rate hedges are recognised at fair value (recurring fair value measurement) under "Other assets" or "Other liabilities". Changes are recognised directly in equity, provided that the conditions of the underlying and hedge transaction are identical. The effectiveness of the hedging measures is verified regularly using the degree of harmony between the contract terms for the hedged item and the hedge ("Critical Term Match"). If the effectiveness between the hedged item and the hedge does not exist, the hedge is measured as a derivative at fair value in profit or loss. 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.

Investments Accounted for using the Equity Method

Investments in associates and joint ventures are initially recognised at cost in the balance sheet and adjusted by changes in the Group's share of the equity of the associate/joint ventures after the date of acquisition. At every reporting date, the Group reviews whether there are indications that the shares need to be impaired in relation to the amortised carrying 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. At present, 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 corporate tax rate of 15% plus the solidarity surcharge of 5.5% was used for German companies, and in some cases a rate of 16.45% for trade tax. For Hungarian taxes, a tax rate of 9% was taken, while for Polish taxes the rate was 19%, for Czech taxes it was 19% and for Austrian taxes it was 25%. 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

8. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

	Goodwill		Software and software licenses		Operating and office equipment	
in € thousand	2018	2017	2018	2017	2018	2017
Costs as at 1 January	**53,867**	**0**	**82**	**77**	**414**	**455**
Additions	0	0	4	5	49	9
Acquisition of a subsidiary	0	53,867	0	0	0	0
Disposals	0	0	-14	0	-23	-50
as at 31 December	**53,867**	**53,867**	**72**	**82**	**440**	**414**
Depreciation as at 1 January	**-140**	**0**	**-63**	**-48**	**-206**	**-188**
Additions	0	-140	-14	-15	-44	-41
Disposals	0	0	14	0	23	23
as at 31 December	**-140**	**-140**	**-63**	**-63**	**-227**	**-206**
Carrying amount at 1 January	53,727	0	19	29	208	267
Carrying amount at 31 December	**53,727**	**53,727**	**9**	**19**	**213**	**208**

The goodwill arose from deferred tax liabilities for the real estate assets that had to recognised at the time of the initial consolidation (31 March 2017) of Olympia Brno.

9. INVESTMENT PROPERTIES

in € thousand	2018	2017
Carrying amount at 1 January	**3,924,157**	**3,520,824**
Additions	1,336	1,333
Recognised construction measures	19,526	8,291
Additions to basis of consolidation	0	374,000
Unrealised changes in fair value	-53,319	19,709
Carrying amount at 31 December	**3,891,700**	**3,924,157**

Among the additions to the basis of consolidation in the previous year is the Olympia Center in Brno, which was acquired on 31 March 2017.

Unrealised changes in market value related to appreciation and depreciation in accordance with IAS 40.

The fair values of the properties in the period under review as at 31 December 2018 were determined by appraisers from Jones Lang LaSalle GmbH (JLL) in accordance with the guidelines of the Royal Institution of Chartered Surveyors (RICS). As in previous years, the discounted cashflow method (DCF) was used. The remuneration fixed contractually for the appraisal reports prior to preparation of the appraisals is independent of the measurement gain/loss.

This method entails the calculation of the present value of future cash flows from the property in question as at the valuation date. In addition, the net income from the property in question is determined over a detailed planning period of (usually) ten years and a discount rate applied. A residual value is forecast for the end of the ten-year detailed planning phase by capitalising the stabilised cash flows of the last budgeted year using an interest rate (the capitalisation interest rate). In a second step, the residual value is discounted back to the measurement date.

JLL applied the equated yield model in order to arrive at the discount and capitalisation interest rates. The capitalisation interest rate was derived for each property individually from initial rates of return from comparable transactions. At the same time, such determinants of value as inflation and changes in rent and costs were implicitly taken into account in the capitalisation interest rate. The risk profile specific to each property was also adjusted by reference to the relevant individual indicators. Examples of such indicators include the quality of the property's location and position, market trends and developments in the competitive environment. JLL likewise derived the discount interest rates from comparable transactions, albeit making adjustments for projected increases in rent and costs, since these had been explicitly shown in the relevant cash flow. JLL applied the same methods in valuing domestic and foreign real properties.

The following overview shows the key assumptions used by JLL to determine the market values:

Valuation parameters in %	**31.12.2018**	**31.12.2017**
Rate of rent increases	1.33	1.47
Cost ratio	10.20	10.14
Discount rate	5.90	5.90
Capitalisation interest rate	5.07	5.11

A 25 bp change in a material parameter (sensitivity analysis) of real estate appraisals would have the following pre-tax impact on measurement gains/losses (including the share attributable to at-equity consolidated companies):

Sensitivity analysis – Valuation parameters	**Basis**	**Change in parameter**	**in € million**	**in %**
		+ 0.25 percentage points	159.9	3.9
Rate of rent increases	1.33	- 0.25 percentage points	-131.5	-3.2
		+ 0.25 percentage points	-10.8	-0.3
Cost ratio	10.20	- 0.25 percentage points	9.8	0.2
		+ 0.25 percentage points	-75.2	-1.8
Discount rate	5.90	- 0.25 percentage points	79.0	1.9
		+ 0.25 percentage points	-122.1	-3.0
Capitalisation interest rate	5.07	- 0.25 percentage points	136.1	3.3

Over the forecast period, rents were assumed to increase on average over the long term at 1.33% (previous year: 1.47%). On average, management and administrative costs at 10.2% (previous year: 10.1%) were deducted from the forecast rents. This resulted in an average net income of 89.8% (previous year: 89.9%). Actual management and administrative costs amounted to 9.9% of rental income in the year under review (previous year: 9.9%). The appraisal showed that, for financial year 2018, the real property portfolio had an initial yield before deduction of transaction costs of 5.32% compared with the previous year's 5.23%, and an initial rate of return net of transaction costs (net initial yield) of 5.01%, the figure for the previous year having been 4.93%.

The following shows details and disclosures in accordance with IFRS 13 for the hierarchical levels of the fair values of the Group's investment properties as at 31 December 2018:

IFRS 13 hierarchy levels in € thousand	**Level 1**	**Level 2**	**Level 3**
Investment properties	0	0	3,891,700

The properties are secured by mortgages. There are land charges in the amount of €1,522,393 thousand (previous year: €1,546,672 thousand). The rental income of the properties valued in accordance with IAS 40 was €225,047 thousand (previous year: €218,491 thousand). Directly associated operating expenses were €22,183 thousand (previous year: €21,539 thousand).

10. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

in € thousand	2018	2017
Carrying amount at 1 January	**526,728**	**515,361**
Distributions and capital repayments received	-23,286	-22,914
Share of profit/loss	27,602	34,451
Disposals	0	-170
Carrying amount at 31 December	**531,044**	**526,728**

Joint ventures in which Deutsche EuroShop AG has a majority of the voting rights together with third parties are included in the consolidated financial statements in accordance with the equity method. They are important for the Group as a whole and operate shopping centers.

The joint ventures material to the overall Group posted the following asset and liability items and income items for the reporting year. The values do not correspond to the share attributable to the Group, but the total amounts:

	Allee-Center Magdeburg KG, Hamburg		Immobilienkommandit-gesellschaft FEZ Harburg, Hamburg		Stadt-Galerie Passau KG, Hamburg	
in € thousand	**31.12.2018**	**31.12.2017**	**31.12.2018**	**31.12.2017**	**31.12.2018**	**31.12.2017**
Non-current assets	253,000	254,000	274,000	277,000	182,000	178,000
Current assets	2,913	4,821	5,106	5,792	3,345	2,545
thereof cash and cash equivalents	2,148	3,621	4,391	5,031	2,794	1,991
Non-current liabilities	0	0	119,146	120,875	0	0
thereof financial liabilities	0	0	119,146	120,875	0	0
Current liabilities	625	1,045	3,786	3,881	471	458
thereof financial liabilities	0	0	2,519	2,463	0	0
Revenue	15,745	15,901	14,465	14,059	9,459	9,594
Net interest income	2	1	-3,719	-3,986	0	0
EBT (excl. measurement gains/losses)	13,663	13,913	8,897	8,387	8,589	8,794
Measurement gains/losses	-5,647	-1,765	-3,322	2,759	3,018	-390
Income taxes	0	0	0	0	0	0
Net profit	8,016	12,148	5,575	11,146	11,607	8,404
Other income	0	0	0	0	0	0
Total profit	**8,016**	**12,148**	**5,575**	**11,146**	**11,607**	**8,404**

	Saarpark Center Neunkirchen KG, Hamburg		EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co. OG, Vienna [1]		Einkaufs-Center Arkaden Pécs KG, Hamburg	
in € thousand	**31.12.2018**	**31.12.2017**	**31.12.2018**	**31.12.2017**	**31.12.2018**	**31.12.2017**
Non-current assets	219,000	225,000	229,934	228,967	105,000	100,000
Current assets	2,260	2,462	3,848	2,526	4,688	4,440
thereof cash and cash equivalents	1,345	1,845	2,875	1,569	3,586	3,624
Non-current liabilities	54,123	58,642	92,596	93,617	35,078	34,724
thereof financial liabilities	52,089	55,912	48,227	48,759	28,050	28,650
Current liabilities	4,839	5,136	2,793	1,966	1,988	1,798
thereof financial liabilities	4,037	4,299	493	481	600	605
Revenue	12,517	12,417	13,258	12,834	7,777	7,558
Net interest income	-593	-439	-2,040	-2,039	-905	-927
EBT (excl. measurement gains/losses)	10,788	10,612	9,735	9,415	5,662	5,735
Measurement gains/losses	-6,253	-850	798	4,233	4,681	4,999
Income taxes	0	0	0	0	-1,207	-1,145
Net profit	4,535	9,762	10,533	13,648	9,136	9,589
Other income	0	0	0	0	0	0
Total profit	**4,535**	**9,762**	**10,533**	**13,648**	**9,136**	**9,589**

[1] Includes the figures for the immaterial joint venture CAK City Arkaden Klagenfurt KG, Hamburg. The equity method valuation amounted to €934 thousand (previous year: €967 thousand) and the net loss for the year €14 thousand (previous year: €37 thousand).

Under the equity method, the joint ventures changed as follows in the period under review:

in € thousand	Allee-Center Magdeburg KG, Hamburg	Immobilien-kommandit-gesellschaft FEZ Harburg, Hamburg	Stadt-Galerie Passau KG, Hamburg	Saarpark Center Neunkirchen KG, Hamburg	EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co. OG, Vienna	Einkaufs-Center Arkaden Pécs KG, Hamburg
Equity method valuation as at 01.01.2018	**128,888**	**79,018**	**135,066**	**81,842**	**67,955**	**33,959**
Share of profit/loss	4,008	2,787	8,705	2,268	5,266	4,568
- of which EBT (excl. measurement gains/losses)	6,832	4,449	6,442	5,394	4,868	2,831
- of which measurement gains/losses	-2,824	-1,661	2,264	-3,127	399	2,341
Deposits/withdrawals	-5,252	-3,718	-5,115	-2,961	-4,024	-2,216
Equity method valuation as at 31.12.2018	**127,644**	**78,087**	**138,656**	**81,149**	**69,197**	**36,311**

11. TRADE RECEIVABLES

in € thousand	2018	2017
Trade receivables as at 31.12.	**8,364**	**6,917**
Write-downs as at 01.01.	**-1,649**	**-1,908**
Utilisation	323	616
Change in write-downs for expected losses	-395	-357
Write-downs as at 31.12.	**-1,721**	**-1,649**
	6,643	**5,268**

Receivables arose primarily from rental invoices and services for which charges are passed on. These were predominantly paid at the time the consolidated financial statements were prepared. The trade receivables recognised at the reporting date are largely protected by means of guarantees, cash security deposits and letters of comfort.

12. OTHER CURRENT ASSETS

in € thousand	31.12.2018	31.12.2017
Other receivables from tenants	3,029	3,605
Other current assets	7,497	6,669
	10,526	**10,274**

Other receivables from tenants mainly comprise receivables for heating and ancillary costs. Other current assets primarily consist of cash security deposits received as collateral, prepaid marketing costs for centers and tax receivables.

Receivables in € thousand	**Total**	**Up to 1 year**	**Over 1 year**
Trade receivables	6,643 (5,268)	6,643 (5,268)	0 (0)
Other assets	10,526 (10,274)	10,526 (10,274)	0 (0)
(previous year's figures)	**17,169** **(15,542)**	**17,169** **(15,542)**	**0** **(0)**

Trade receivables (after value adjustments) and other assets were, as in the previous year, not overdue as at the reporting date.

13. CASH AND CASH EQUIVALENTS

in € thousand	31.12.2018	31.12.2017
Short-term deposits/time deposits	5,565	5,879
Current accounts	110,769	100,692
Cash	1	8
	116,335	**106,579**

14. EQUITY AND RESERVES

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

The share capital is €61,783,594, comprised of 61,783,594 no-par-value registered shares. All shares have been issued in full and have been fully paid up.

The notional value of each share is €1.00.

According to Article 5 of the Articles of Association, the Executive Board is authorised, with the Supervisory Board's approval, to increase the share capital by up to a total of €11,680,999 through one or multiple issues of new no-par-value registered shares against cash and/or non-cash contributions before 27 June 2022 (**Authorised capital 2017**). As at 31 December 2018, no use had been made of this authorisation.

In addition, the Executive Board was authorised by a resolution of the Annual General Meeting held on 28 June 2018 to acquire treasury shares in the Company constituting up to 10% of the share capital available on the entry into force of or – if this is lower – on exercise of the authorisation by 27 June 2023. As at 31 December 2018, no use had been made of this authorisation.

At the Annual General Meeting on 12 June 2019, the Executive Board and Supervisory Board will propose that Deutsche EuroShop AG's entire unappropriated surplus for 2018 of €92,675 thousand be used to fund a dividend distribution of €1.50 per eligible share. The previous year's unappropriated surplus of €89,586 thousand was distributed in full to the shareholders. The dividend paid was €1.45 per share.

The capital reserves contain amounts in accordance with section 272 (2) nos. 1, 2 and 4 of the Handelsgesetzbuch (HGB – German Commercial Code). In addition, the capital reserves include costs of capital increases and their corresponding deferred tax assets.

Retained earnings consist of the remeasurement reserves, currency items and accumulated profits carried forward at the time of transition to IFRS.

On 7 March 2017, in order to finance the equity required for the previous year's acquisition of Olympia Brno (see section "4. Acquisitions during the previous year"), the Executive Board decided, with the Supervisory Board's approval, to increase the share capital by utilising some of the authorised capital 2013 against cash contributions. A total of 4,459,460 new shares were issued at a subscription price of €37.00 per share. The Group obtained from this around €165 million in the previous year (before deduction of transaction costs amounting to €1.4 million). The transaction costs were recognised against the capital reserves, taking into account deferred tax assets. The capital increase was entered in the commercial register on 8 March 2017. By a resolution of the Annual General Meeting dated 28 June 2017, the remaining authorisation based on the authorised capital 2013 was cancelled.

According to Article 6 of the Articles of Association, the Executive Board was 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 to grant the holders conversion rights to new no-par-value shares up to a total of 10,000,000 shares (€10.0 million) (**conditional capital 2011**). As part of this authorisation, Deutsche EuroShop AG issued a convertible bond in the amount of €100 million on 20 November 2012. By the time the conversion deadline of 6 November 2017 was reached, nearly all holders of the convertible bonds had exercised their option to convert these bonds into shares of Deutsche EuroShop AG. A total nominal value of €99,500 thousand of the convertible bond was converted into 3,378,598 shares in the previous year and €500 thousand was repaid. Article 6 of the Articles of Association was repealed without replacement.

Other total profit is divided into the following components:

2018 in € thousand	**Before taxes**	**Taxes**	**Net**
Cash flow hedges	**3,238**	**-675**	**2,563**

2017 in € thousand	**Before taxes**	**Taxes**	**Net**
Measurement of investments (AfS) IAS 39	22	0	22
Cash flow hedges	6,651	-1,440	5,211
	6,673	**-1,440**	**5,233**

15. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

	31.12.2018		**31.12.2017**	
in € thousand	**Non-current**	**Current**	**Non-current**	**Current**
Bank loans and overdrafts	**1,496,313**	**26,080**	**1,517,773**	**28,899**

Bank loans and overdrafts relate to loans raised to finance property acquisitions and investment projects. Land charges on Company properties totalling €1,522,393 thousand (previous year: €1,546,672 thousand) serve as collateral.

Discounts are amortised over the term of the loan. In the year under review, €29 thousand (previous year: €6 thousand) was recognised in income. A total of €52,726 thousand (previous year: €51,939 thousand) was recognised in financial gains or losses as interest expense for bank loans and overdrafts. In the previous year, financial gains or losses also included interest expense of €2,084 thousand for a convertible bond.

13 of the 19 loan agreements currently contain arrangements regarding covenants. There are a total of 21 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 loan conditions have not been breached thus far and will not, according to current plans, be breached in future either.

On 20 November 2012, Deutsche EuroShop AG issued convertible bonds with a five-year maturity and total value of €100 million. The coupon was 1.75% per year and was payable semi-annually in arrears. The convertible bond was converted almost entirely into shares of Deutsche EuroShop AG prior to its expiry in November 2017.

The amount of the convertible bond was divided into equity and debt components. The equity component accounted for a total amount of €7,140 thousand which was placed in capital reserves.

Non-current and current financial liabilities arose from the following changes affecting liquidity and not affecting liquidity:

	2018		2017	
in € thousand		Bank loans and overdrafts	Bank loans and overdrafts	Convertible bond
Carrying amount at 1 January		**1,546,672**	**1,346,901**	**98,680**
Changes affecting liquidity		-24,279	32,986	-696
Changes not affecting liquidity				
Acquisition of Olympia Brno		0	166,785	0
Conversion		0	0	-99,386
Other		0	0	1,402
Carrying amount at 31 December		**1,522,393**	**1,546,672**	**0**

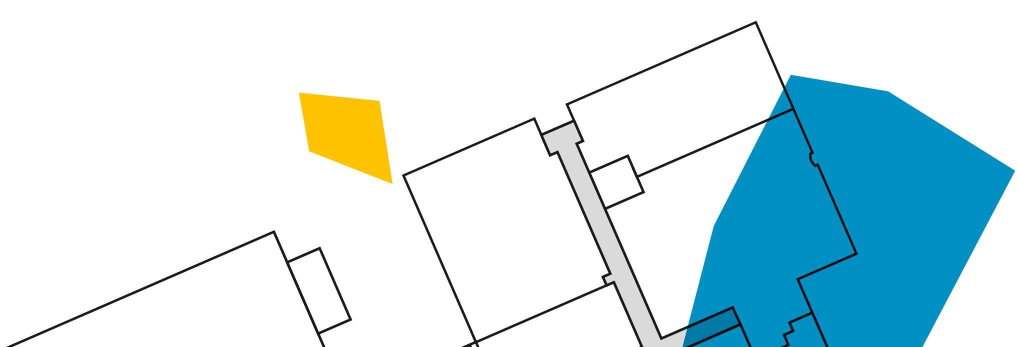
16. OTHER NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

	31.12.2018		31.12.2017	
in € thousand	Non-current	Current	Non-current	Current
Interest rate swaps	33,546	0	36,784	2,256
Rental deposits	0	3,309	0	3,567
Other liabilities to tenants	0	6,210	0	6,412
Value added tax	0	2,379	0	3,124
Debtors with credit balances	0	792	0	422
Other	751	1,470	1,135	1,175
	34,297	**14,160**	**37,919**	**16,956**

In connection with borrowing, interest rate hedges (interest rate swaps) were concluded to hedge against higher capital market interest rates. Their present value totalled €33,546 thousand as at the reporting date (previous year: €39,040 thousand).

Other liabilities to tenants mainly comprise liabilities for heating and ancillary costs as well as prepaid rent.

Liabilities in € thousand	Total	Current	Non-current
Financial liabilities	1,522,393 (1,546,672)	26,080 (28,899)	1,496,313 (1,517,773)
Trade payables	3,543 (2,242)	3,543 (2,242)	0 (0)
Tax liabilities	2,384 (2,201)	2,384 (2,201)	0 (0)
Other liabilities	48,457 (54,875)	14,160 (16,956)	34,297 (37,919)
(previous year's figures)	**1,576,777 (1,605,990)**	**46,167 (50,298)**	**1,530,610 (1,555,692)**



17. DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are the result of tax effects of temporary differences and tax loss carryforwards:

	31.12.2018		31.12.2017	
in € thousand	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Investment properties	0	374,343	0	367,365
Investments accounted for using the equity method	0	86,950	0	82,488
Other liabilities				
Interest swaps (not recognised in profit or loss)	7,466	0	8,141	0
Interest swaps (recognised in profit or loss)	0	0	357	0
Other	1,132	0	1,132	0
Corporation tax loss carryforwards	53	0	423	0
Deferred taxes before netting	**8,651**	**461,293**	**10,053**	**449,853**
Balance	-8,651	-8,651	-10,053	-10,053
Deferred taxes after netting	**0**	**452,642**	**0**	**439,800**

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 the year under review, a corporate tax rate of 15% was used for the companies in Germany. In addition, a solidarity surcharge of 5.5% on the calculated corporate tax and, in part, 16.45% in trade tax were recognised.

The respective local tax rates were applied for foreign companies. The deferred taxes on interest rate swaps recognised in profit or loss related to an interest rate swap for the Altmarkt-Galerie in Dresden which had to be recognised in profit or loss following the acquisition of the remainder of the Altmarkt-Galerie in Dresden.

The initial consolidation of Olympia Brno on 31 March 2017 resulted in the previous year in an addition to deferred tax liabilities of €53,941 thousand.

As at the reporting date, there were taxable temporary differences of €7,155 thousand (previous year: €6,005 thousand) between the net assets of Group companies recognised in the consolidated financial statements and the tax basis of the shares in these Group companies (outside basis differences) for which no deferred taxes were recognised since the differences are not expected to be reversed in the foreseeable future.

18. RIGHT TO REDEEM OF LIMITED PARTNERS

in € thousand	2018	2017
Settlement claim as per 01.01.	**337,479**	**324,559**
Earnings contributions	18,448	18,522
Share of measurement gains/losses	2,387	10,985
Outflows	-14,666	-16,587
Settlement claim as per 31.12.	**343,648**	**337,479**

The right to redeem of limited partners includes the equity interests of third-party providers in the companies: Main-Taunus-Zentrum KG, Forum Wetzlar KG and Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, which are to be reported in accordance with IAS 32 as debt capital.

19. OTHER PROVISIONS

in € thousand	As at 01.01.2018	Utilisation	Reversal	Addition	As at 31.12.2018
Maintenance and construction work already performed but not yet invoiced	2,584	2,073	332	3,189	3,368
Fees	73	64	3	117	123
Other	3,697	2,876	260	3,361	3,922
	6,354	**5,013**	**595**	**6,667**	**7,413**

As in the previous year, all provisions have a term of up to one year.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

20. REVENUE

in € thousand	2018	2017
Minimum rental income	222,024	215,320
Turnover rent	2,227	2,447
Other	796	724
	225,047	**218,491**
of which directly attributable rental income in accordance with IAS 40 Investment Properties	**225,047**	**218,491**

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

The rental income reported here derives from operating leases and relates to rental income from investment properties with long-term leases. The future minimum leasing payments from non-terminable rental agreements classified as investment properties have the following maturities:

in € thousand	2018	2017
Maturity within 1 year	214,457	214,727
Maturity from 1 year to 5 years	571,499	644,521
Maturity after 5 years	165,825	214,329
	951,781	**1,073,577**

21. PROPERTY OPERATING COSTS

in € thousand	2018	2017
Operating costs that cannot be passed on	-4,099	-5,057
Center marketing	-3,511	-2,869
Maintenance and repairs	-1,746	-1,130
Write-downs of rent receivables	-1,034	-876
Real property tax	-587	-597
Other	-713	-639
	-11,690	**-11,168**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	**-11,690**	**-11,168**

Ancillary costs which cannot be fully allocated are essentially operating costs which cannot be completely passed on to tenants as well as heating and ancillary costs in arrears for preceding years.

22. PROPERTY MANAGEMENT COSTS

in € thousand	2018	2017
Center management/agency agreement costs	**-10,493**	**-10,371**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	**-10,493**	**-10,371**

23. OTHER OPERATING INCOME

in € thousand	2018	2017
Income from the reversal of provisions	595	423
Exchange rate gains	50	12
Other	1,183	1,600
	1,828	**2,035**

Other operating income primarily consists of receivables already value-adjusted in previous years.

24. OTHER OPERATING EXPENSES

in € thousand	2018	2017
Personnel expenses	-1,905	-1,921
Legal, consulting and audit expenses	-1,084	-1,543
Marketing costs	-494	-494
Supervisory Board compensation	-312	-312
Appraisal costs	-274	-293
Exchange rate losses	-187	-238
Fees and contributions	-165	-149
Write-downs	-58	-56
Other	-1,078	-1,613
	-5,557	**-6,619**

Legal, consulting and audit expenses include €303 thousand (previous year: €302 thousand) for the audit of Group companies.

25. SHARE OF THE PROFIT OR LOSS OF ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

in € thousand	2018	2017
Profit/loss from joint ventures	27,602	34,450
Profit/loss from associates	0	1
Profit/loss from equity-accounted companies	**27,602**	**34,451**

The profit/loss of equity-accounted companies includes a measurement loss before deferred taxes of €-2,608 thousand (previous year: €4,396 thousand). EBT (excl. measurement gains/losses) for equity-accounted companies amounts to €30,815 thousand (previous year €30,629 thousand).

26. MEASUREMENT GAINS/LOSSES

in € thousand	2018	2017
Unrealised changes in fair value	-53,319	19,709
Profit/loss attributable to limited partners	-2,387	-10,985
Goodwill write-down	0	-140
Write-down of other financial assets	-9	-34
	-55,715	**8,550**

The goodwill write-down in the previous year was based on the adjustment of deferred taxes for the real estate assets of Olympia Brno.

The write-down of other financial assets was undertaken on the investment in ILWRO Holding B.V.

27. TAXES ON INCOME AND EARNINGS

in € thousand	2018	2017
Current tax expense	-10,573	-5,984
Domestic deferred tax expense	-8,741	-22,030
Foreign deferred tax expense	-3,425	-3,482
	-22,739	**-31,496**

Tax reconciliation

Income taxes in the amount of €-22,739 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 tax rate of 32.28%.

in € thousand	2018	2017
Consolidated profit before income tax	**102,134**	**165,829**
Theoretical income tax 32.28%	**-32,969**	**-53,530**
Tax rate differences for foreign Group companies	3,576	7,282
Tax rate differences for domestic Group companies	5,633	13,216
Tax-free income/non-deductible expenses	-457	37
Tax effect from investments accounted for under the equity-accounted method	1,474	1,547
Aperiodic tax expense/income	0	-26
Other	4	-22
Current income tax	**-22,739**	**-31,496**

In financial year 2018, the effective income tax rate was 22.3%.

28. EARNINGS PER SHARE

in € thousand	2018	2017
Group shareholders' portion of profits/losses (€ thousand)	79,395	134,333
Weighted number of no-par-value shares issued	61,783,594	58,248,007
Undiluted and diluted earnings per share (€)	**1.29**	**2.31**

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. There is no potential dilution as of the reporting date, e.g. through convertible bonds or share options, with the result that diluted earnings correspond to undiluted earnings.

SEGMENT REPORTING

Segment reporting by Deutsche EuroShop AG is carried out on the basis of internal reports that are used by the Executive Board to manage the Group. Internal reports distinguish between shopping centers in Germany ("domestic") and other European countries ("abroad").

As the Group's main decision-making body, the Deutsche EuroShop AG Executive Board first and foremost assesses the performance of the segments based on revenue, EBIT and EBT excluding measurement gains/losses. The measurement principles for segment reporting correspond to those of the Group.

In order to assess the contribution of the segments to the individual performance indicators as well as to the Group's success, the income, expenditure, assets and liabilities of the joint ventures are included in internal reporting in proportion to the Group's share therein. Similarly, for subsidiaries in which the Group is not the sole shareholder, income, expenditure, assets and liabilities are likewise only consolidated proportionately according to the corresponding Group share. This results in the segments being divided as followed:

Breakdown by geographical segment

in € thousand	Domestic	Abroad	Total	Reconciliation	01.01.–31.12.2018
Revenue	**196,070**	**43,118**	**239,188**	**-14,141**	**225,047**
EBIT	**174,360**	**40,349**	**214,709**	**-15,574**	**199,135**
Profit/losses of joint ventures and associates	0	0	0	27,602	27,602
Interest income	19	9	28	2	30
Interest expense	-45,414	-7,226	-52,640	-86	-52,726
EBT (excl. measurement gains/losses)	**131,568**	**33,131**	**164,699**	**-3,765**	**160,934**
					31.12.2018
Investment properties	3,346,684	741,558	4,088,242	-196,542	3,891,700
Additions and recognised construction measures for investment properties	20,046	2,751	22,797	-1,935	20,862
Goodwill	0	0	0	53,727	53,727
Investments accounted for using the equity method	0	0	0	531,044	531,044
Other segment assets	51,285	30,071	81,356	52,401	133,757
Segment assets	**3,397,969**	**771,629**	**4,169,598**	**440,630**	**4,610,228**
Segment liabilities	**1,244,755**	**339,385**	**1,584,140**	**796,340**	**2,380,480**

in € thousand	Domestic	Abroad	Total	Reconciliation	01.01.–31.12.2017
Revenue	**195,676**	**36,854**	**232,530**	**-14,039**	**218,491**
EBIT	**174,406**	**33,426**	**207,832**	**-15,464**	**192,368**
Profit/losses of joint ventures and associates	0	0	0	34,451	34,451
Interest income	27	7	34	2	36
Interest expense	-48,860	-5,475	-54,335	312	-54,023
EBT (excl. measurement gains/losses)	**129,014**	**27,958**	**156,972**	**-3,664**	**153,308**
					31.12.2017
Investment properties	3,388,343	735,415	4,123,758	-199,601	3,924,157
Additions and recognised construction measures for investment properties	8,202	375,954	384,156	-532	383,624
Goodwill	0	0	0	53,727	53,727
Investments accounted for using the equity method	0	0	0	526,728	526,728
Other segment assets	42,082	31,733	73,815	48,572	122,387
Segment assets	**3,430,425**	**767,148**	**4,197,573**	**429,426**	**4,626,999**
Segment liabilities	**1,272,618**	**343,052**	**1,615,670**	**773,953**	**2,389,623**

The adjustment of the proportionate consolidation of the joint ventures and subsidiaries in which the Group does not own a 100% stake is carried out in the reconciliation column. Deferred tax liabilities are considered by the Executive Board of Deutsche EuroShop AG in a cross-segment manner and are therefore included in the reconciliation column of the segment liabilities. Accordingly, the goodwill from the acquisition of Olympia Brno was allocated to the reconciliation column of the segment assets. The reconciliation column also contains the companies which are not allocated to either of the two segments (Deutsche EuroShop AG, DES Management GmbH). These do not generate any revenue and are included in the reconciliation column after intra-Group eliminations with their EBIT and EBT (excl. measurement gains/losses) of €-3,654 thousand (previous year: €-3,536 thousand) as well as in the segment assets with €52,341 thousand (previous year: €48,927 thousand) and in the segment liabilities with €4,366 thousand (previous year: €3,865 thousand).

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

OTHER DISCLOSURES

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

in € thousand	Measurement category in accordance with IFRS 9	Carrying amounts 31.12.2018	Amortised cost	Fair value recognised in income	Fair value recognised in equity	Fair value 31.12.2018
		Amount stated in line with IFRS 9				
Financial assets						
Non-current financial assets [3]	FVTPL	31		31		31
Trade receivables	AC	6,643	6,643			6,643
Other assets	AC	6,351	6,351			6,351
Cash and cash equivalents	AC	116,335	116,335			116,335
Financial liabilities						
Financial liabilities [2]	FLAC	1,522,393	1,522,393			1,601,010
Right to redeem of limited partners	FLAC	343,648	343,648			343,648
Trade payables	FLAC	3,543	3,543			3,543
Other liabilities	FLAC	9,547	9,547			9,547
Interest rate hedges recognised in profit or loss [2]	FVTPL	0		0		0
Interest rate hedges not recognised in profit or loss [2]	n. a.	33,546			33,546	33,546

[1] Corresponds to level 1 of the IFRS 7 fair value hierarchy

[2] Corresponds to level 2 of the IFRS 7 fair value hierarchy

[3] Corresponds to level 3 of the IFRS 7 fair value hierarchy

Measurement categories in accordance with IFRS 9: Financial assets measured at amortised cost (AC), at fair value through other comprehensive income (FVOCI),

Financial liabilities measured at amortised cost (FLAC), at fair value through profit and loss (FVTPL)

					Amount stated in line with IAS 39	
in € thousand	Measurement category in accordance with IAS 39	Carrying amounts 31.12.2017	Amortised cost	Fair value recognised in income	Fair value recognised in equity	Fair value 31.12.2017
Financial assets						
Non-current financial assets [3]	AfS	39			39	39
Trade receivables	LaR	5,268	5,268			5,268
Other assets	LaR	6,047	6,047			6,047
Cash and cash equivalents	LaR	106,579	106,579			106,579
Financial liabilities						
Financial liabilities [2]	FLAC	1,546,672	1,546,672			1,629,002
Right to redeem of limited partners	FLAC	337,479	337,479			337,479
Trade payables	FLAC	2,242	2,242			2,242
Other liabilities	FLAC	9,169	9,169			9,169
Interest rate hedges recognised in profit or loss [2]	HfT	2,256		2,256		2,256
Interest rate hedges not recognised in profit or loss [2]	n. a.	36,784			36,784	36,784

[1] Corresponds to level 1 of the IFRS 7 fair value hierarchy

[2] Corresponds to level 2 of the IFRS 7 fair value hierarchy

[3] Corresponds to level 3 of the IFRS 7 fair value hierarchy

Measurement categories in accordance with IAS 39: Loans and Receivables (LaR), Available-for-Sale (AfS), Financial Liabilities measured at Amortised Cost (FLAC),

Financial liabilities measured at fair value (FVTPL), Held for Trading (HfT)

Carrying amounts, valuations and fair values according to measurement category

With the exception of derivative financial instruments and other financial investments measured at fair value, financial assets and liabilities are measured at amortised cost. Due to the predominantly short-term nature of trade receivables, other assets and liabilities and cash and cash equivalents, the carrying amounts as at the reporting date do not deviate significantly from the fair values.

The fair values of financial liabilities measured at amortised cost correspond to the cash values of debt-related payments based on current interest rate yield curves (Level 2 in accordance with IFRS 13).

The derivative financial instruments measured at fair value are interest rate hedges. Here the fair value is equivalent to the cash value of future net payments expected to be received from hedging transactions (Level 2 in accordance with IFRS 13) based on current interest rate yield curves. Changes in the value of interest rate hedges measured at fair value in profit or loss in the amount of €2,256 thousand (previous year: €2,968 thousand) are reported under other financial income.

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

A short-term credit line of €150,000 thousand may be used if required. As at 31 December 2018, this credit line had not been used. The credit line is partially secured.

The contractually agreed future interest and principle repayments of the original financial liabilities and derivative financial instruments are as follows at 31 December 2018:

in € thousand	Carrying amounts 31.12.2018	Cash flows 2019	Cash flows 2020 to 2023	Cash flows from 2024
Bank loans and overdrafts	1,522,393	76,944	930,360	740,985

The amounts relate to all contractual commitments existing as at the reporting date. The variable interest payments from interest rate hedges were determined on the basis of the most recently defined interest rates prior to 31 December 2018. The majority of the trade payables and other financial liabilities reported at the end of the financial year will fall due in 2019.

Credit and default risk

There are no significant credit risks in the Group. The trade receivables recognised as at the reporting date were predominantly paid up to the date of preparation of the financial statements.

Write-downs on trade receivables are determined on the basis of the credit losses expected over the term. Unless the reasons for doing so can be refuted in individual cases, receivables that are more than 90 days overdue, taking into account the collateral provided by the tenant and valuable collateral, are written down fully. In addition, if information exists that points to an increased risk of default for a tenant, checks are made to decide whether receivables that are less than 90 days overdue should also be written down. During the reporting year, write-downs of rent receivables of €1,034 thousand (previous year: €876 thousand) were recognised under property operating costs.

The maximum default risk in relation to trade receivables and other assets totalled €17,169 thousand as at the reporting date (previous year: €15,542 thousand).

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.

With respect to the measurement risk of investment properties, please refer to the sensitivity analysis in section "9. Investment Properties".

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 as at the reporting date, this shows the effect of a change on the Group's equity. As at the reporting date, interest rate risks existed only for credit borrowed and the associated interest rate hedges. An increase in the market interest rate of 100 basis points would lead to an increase in equity (before taxes) of €8,846 thousand (previous year: €10,498 thousand). The vast majority of loan liabilities have fixed interest terms. As at the reporting date, loans totalling €119,900 thousand (previous year: €195,951 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	31.12.2018	31.12.2017
Equity	2,573,396	2,574,855
Equity ratio (%)	55.8%	55.6%
Net financial debt	1,406,058	1,440,093

Equity is reported here including the compensation claims by limited partners.

Net financial debt is determined from the financial liabilities as at the reporting date less cash and cash equivalents.

30. 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, cash flow from operating activities, cash flow from investing activities, and cash flow from financing activities.

Cash flow from operating activities is derived from consolidated profit using the indirect method. Net cash flow from operating activities, cash flow from investment activities and cash flow from financing activities are calculated using the direct method.

The acquisition of Olympia Brno in the previous year is reported under the item "Acquisition of a subsidiary less acquired cash and cash equivalents" under Cash flow from investment activity. The item comprises the acquisition costs paid for the stake and the loan less the acquired cash and cash equivalents of €7,421 thousand of Olympia Brno. The transaction costs paid are included in cash flow.

Cash and cash equivalents comprise cash and cash equivalents that may be converted into cash at any time. As in the previous year, the financial resources fund as at the reporting date corresponds to the cash and cash equivalents (see section "13. Cash and cash equivalents").

31. OTHER FINANCIAL OBLIGATIONS

There are other financial obligations of €85.4 million arising from service contracts.

There are financial obligations of €4.1 million which will arise in 2019 in connection with investment measures in our shopping centers.

In addition, as at the reporting date, other financial obligations in the amount of €0.3 million consisted of the rental of office space and car leases.

32. NUMBER OF EMPLOYEES

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

33. AUDITOR'S FEES

The total fees invoiced by the auditor for the consolidated financial statements for financial year 2018 amounted to €308 thousand (previous year: €306 thousand), of which €303 thousand (previous year: €302 thousand) related to auditing services. Other audit-related services were also provided by the auditor in the amount of €5 thousand (previous year: €4 thousand).

34. DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

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 2018.

35. RELATED PARTIES FOR THE PURPOSES OF IAS 24

Deutsche EuroShop's subsidiaries, joint ventures and associates as well as the members of its Executive Board and Supervisory Board and their close family members are regarded as related parties for the purposes of IAS 24. The remuneration of the Supervisory Board and the Executive Board is described in section "37. Supervisory Board and Executive Board" and also in the remuneration report portion of the combined management report.

Fees for service contracts with the ECE Group totalled €20,476 thousand (previous year: €16,934 thousand) in the year under review. This amount was partially offset by income from lease agreements with the ECE Group in the amount of €7,280 thousand (previous year: €6,899 thousand). Receivables from ECE were €2,948 thousand, while liabilities were €1,351 thousand.

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

36. VOTING RIGHTS NOTICES

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). The disclosures were taken from the latest notice by those subject to reporting requirements. It should be noted that the number of voting rights might have since changed within the respective thresholds, with no reporting obligation arising:

Shareholder	Shareholding report as at	Event ... (in %)	New voting share (in %)	of which held as treasury shares (in %)	of which indirectly attributable (in %)
Alexander Otto	28.05.2015	... exceeds threshold (15)	17.33	0.65	16.68
Johannes Schorr	08.02.2016	... exceeds threshold (3)	3.37	1.12	2.25
State Street Corporation, Boston, MA, United States of America	08.02.2017	... exceeds threshold (3)	3.03	0.00	3.03
AROSA Vermögensverwaltungs-gesellschaft m.b.H., Hamburg	15.12.2017	... exceeds threshold (15)	15.05	0.00	15.05
BlackRock, Inc., Wilmington, DE, United States of America	19.12.2018	... exceeds threshold (3)	3.18	0.00	3.18[1]

[1] We were also notified by BlackRock, Inc. of a securities lending transaction (1.88%) and contracts for differences (0.55%).

All voting rights notices received by Deutsche EuroShop AG can be found on the website of Deutsche EuroShop AG under Investor Relations > Share > Significant voting interests.

37. THE SUPERVISORY BOARD AND EXECUTIVE BOARD

Supervisory Board

The Supervisory Board of Deutsche EuroShop AG is composed of nine members. As at 31 December 2018, the following members with membership of other statutory supervisory boards and membership of comparable supervisory bodies of business enterprises in Germany or other countries made up the Supervisory Board:

Reiner Strecker, Wuppertal, Chairman
Personally liable partner, Vorwerk & Co. KG, Wuppertal

- akf Bank GmbH & Co. KG, Wuppertal

Karin Dohm, Kronberg im Taunus, Deputy Chairwoman
Global Head of Government & Regulatory Affairs, Deutsche Bank AG, Frankfurt

- Deutsche Bank Europe GmbH, Frankfurt (Chair)
- Deutsche Bank Luxembourg S.A., Luxembourg
- Ceconomy AG, Düsseldorf

Thomas Armbrust, Reinbek
Member of Management, CURA Vermögensverwaltung G.m.b.H., Hamburg

- ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Chair)
- TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich (Chair)
- Platinum AG, Hamburg (Chair)
- Paramount Group Inc., New York, USA
- Verwaltungsgesellschaft Otto mbH, Hamburg

Beate Bell, Cologne
Managing partner, immoAdvice GmbH, Cologne

- Hochtief AG, Essen

Manuela Better, Munich
Member of the Board of Management, Deka Bank Deutsche Girozentrale, Frankfurt and Berlin

- Deka Investment GmbH, Frankfurt (Deputy Chair)
- Deka Immobilien GmbH, Frankfurt (Dep. Chair)
- Deka Immobilien Investment GmbH, Frankfurt (Dep. Chair)
- Deka Vermögensmanagement GmbH, Frankfurt (formerly: Landesbank Berlin Investment GmbH, Berlin) (Dep. Chair)
- S Broker AG & Co. KG, Wiesbaden (Deputy Chair)
- S Broker Management AG, Wiesbaden (Deputy Chair)
- WestInvest Gesellschaft für Investmentfonds mbH, Düsseldorf (Dep. Chair)
- DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg

Dr. Henning Kreke, Hagen/Westphalia
Managing partner, Jörn Kreke Holding KG, Hagen/Westphalia and Kreke Immobilien KG, Hagen/Westphalia

- Douglas GmbH, Düsseldorf (Chair)
- Thalia Bücher GmbH, Hagen/Westphalia
- ENCAVIS AG, Hamburg
- Axxum Holding GmbH, Wuppertal
- Püschmann GmbH & Co. KG, Wuppertal
- Con-Pro Industrie-Service GmbH & Co. KG, Peine
- NoventicGmbH, Hamburg
- Perma-tec GmbH & Co. KG, Euerdorf
- Ferdinand Bilstein GmbH & Co. KG, Ennepetal

Alexander Otto, Hamburg
CEO, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg

- DDR Corp. Inc., Beechwood, USA
- Peek & Cloppenburg KG, Düsseldorf
- Sonae Sierra Brasil S.A., São Paulo, Brazil
- Verwaltungsgesellschaft Otto mbH, Hamburg

Klaus Striebich, Besigheim
Managing Director, RaRe Advise Klaus Striebich

- MEC Metro-ECE Centermanagement GmbH & Co. KG, Düsseldorf (Chair) (until 31.03.2019)
- Unternehmensgruppe Dr. Eckert GmbH, Berlin
- Klier Hairgroup GmbH, Wolfsburg (since 01.08.2018)
- Sinn GmbH, Hagen (since 01.08.2018)
- The Food Chain Investor Holding SE, Hamburg (since 01.08.2018)

Roland Werner, Hamburg
Chairman of the Board of Management, Bijou Brigitte modische Accessoires AG, Hamburg

The remuneration of the members of the Supervisory Board totalled €312 thousand in the period under review (previous year: €312 thousand).

Executive Board

Wilhelm Wellner, Hamburg, CEO

Olaf Borkers, Hamburg, Member of the Executive Board

The remuneration of the Executive Board totalled €1,232 thousand (previous year: €1,113 thousand), which includes performance-related compensation in the amount of €666 thousand (previous year: €642 thousand).

The outgoing CEO, Claus-Matthias Böge, is to receive a total of €1,712 thousand under the Long-Term Incentive 2010, which covered the period to 30 June 2015. Since 2017, this amount has been paid at the start of each year in five equal instalments, finishing in 2020. An old-age pension contribution of €83 thousand for Mr Böge was also recognised under expenditure in the previous year.

On 1 July 2018, the term of a new Long-Term Incentive (LTI 2018) commenced which did not result in a liability as at the reporting date.

For further details, please see the supplementary disclosures on remuneration in the combined management report.

38. EVENTS AFTER THE REPORTING DATE

Until 2012, Deutsche EuroShop AG as a holding company had participations in tax-exempt partnerships purely engaged in asset management, and in this context, took advantage of the so-called "extended trade tax deduction". In a ruling dated 19 October 2010, the German Federal Fiscal Court (BFH) rejected any option to claim the extended trade tax deduction for cases in which the property is not held by the company itself but through non-commercial, asset management partnerships as is the case with Deutsche EuroShop AG.

Applying this ruling, the extended trade tax deduction was denied for the years 2007 to 2011 and Deutsche EuroShop AG was assessed for the corresponding trade tax. Deutsche EuroShop AG appealed against this tax assessment.

In a resolution adopted on 25 September 2018 (published on the BFH website on 27 March 2019), the Grand Senate of the Federal Fiscal Court ruled contrary to the decision handed down on 19 October 2010 as part of pending appeal proceedings that it is permissible to claim the extended trade tax deduction even if the property is held through a partnership purely engaged in asset management.

As a result of the resolution adopted by the Grand Senate of the BFH, we expect our appeals against the relevant tax assessments to be successful. Based on a provisional calculation, this would result in a trade tax refund (including interest on the refund until 31 March 2019) of around €9.6 million.

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

Hamburg, 28 March 2019

Deutsche EuroShop AG

The Executive Board

Wilhelm Wellner   Olaf Borkers

SHAREHOLDINGS

List of shareholdings in accordance with section 313 (2) of the Handelsgesetzbuch (HGB – German Commercial Code) as at 31 December 2018:

Company name and domicile	Interest in equity
Fully consolidated companies:	
DES Verwaltung GmbH, Hamburg	100%
DES Management GmbH, Hamburg	100%
DES Shoppingcenter GmbH & Co. KG, Hamburg [1]	100%
A10 Center Wildau GmbH, Hamburg	100%
Main-Taunus-Zentrum KG, Hamburg	52.01%
Forum Wetzlar KG, Hamburg	65%
Objekt City-Point Kassel GmbH & Co. KG, Hamburg [1]	100%
Stadtgalerie Hameln GmbH & Co. KG, Hamburg [1]	100%
Altmarkt-Galerie Dresden GmbH & Co. KG, Hamburg [1]	100%
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co.KG, Hamburg	74%
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Sp. kom., Warsaw, Poland	99.99%
CASPIA Investments Sp. z o.o., Warsaw, Poland	100%
City-Point Beteiligungs GmbH, Hamburg	100%
Olympia Brno s.r.o., Prague, Czech Republic	100%
Joint ventures:	
Allee-Center Magdeburg KG, Hamburg	50%
Stadt-Galerie Passau KG, Hamburg	75%
CAK City Arkaden Klagenfurt KG, Hamburg	50%
Saarpark Center Neunkirchen KG, Hamburg	50%
EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OG, Vienna, Austria	50%
Immobilienkommanditgesellschaft FEZ Harburg, Hamburg	50%
Einkaufs-Center Arkaden Pécs KG, Hamburg	50%
Associates:	
EKZ Vier Errichtungs- und Betriebs Ges.m.b.H., Vienna, Austria	50%
Investees:	
Ilwro Holding B.V., Amsterdam, Netherlands [2]	33.33%

[1] For these companies, exemption from the disclosure obligation in accordance with section 264b HGB was made use of.

[2] As at 31 December 2018, the Company reported equity of €93 thousand and a loss of €26 thousand.

INDEPENDENT AUDITOR'S REPORT

To Deutsche EuroShop AG, Hamburg

AUDIT REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT

Opinion

We have audited the consolidated financial statements of Deutsche EuroShop AG, Hamburg and its subsidiaries (the Group), comprising the consolidated balance sheet as at 31. Dezember 2018, the consolidated income statement, the statement of comprehensive income, the statement of changes in equity, the consolidated cash flow statement for the financial year from 1. Januar 2018 to 31. Dezember 2018 as well as the notes to the consolidated financial statements, including a summary of relevant accounting methods. We have also audited the combined management report (Company management report and Group management report) of Deutsche EuroShop AG for the financial year from 1. Januar 2018 to 31. Dezember 2018. In accordance with the provisions of German law, we have not audited the content of the statements listed under "OTHER INFORMATION" in the combined management report.

In our opinion, based on the findings of our audit:

- the enclosed consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the supplementary provisions of German law required to be applied under section 315e (1) HGB and give a true and fair view of the net assets and financial position of the Group as at 31. Dezember 2018 as well as its results of operations for the financial year from 1. Januar 2018 to 31. Dezember 2018 in accordance with these requirements; and
- the enclosed combined management report as a whole provides a suitable understanding of the Group's position. This combined management report is consistent with the consolidated financial statements in all material respects, complies with the provisions of German law and suitably presents the opportunities and risks of future development. Our opinion on the combined management report does not extend to the content of the statements listed under "OTHER INFORMATION" in the combined management report.

In accordance with section 322 (3) sentence 1 HGB, we hereby declare that our audit has not led to any reservations with respect to the regularity of the consolidated financial statements or combined management report.

BASIS FOR OPINION

We conducted our audit of the consolidated financial statements and combined management report in accordance with section 317 HGB and the EU Audit Regulation (No 537/2014; hereinafter "EU AR"), taking into account the German generally accepted standards for the auditing of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility pursuant to these provisions and principles is described in more detail in the "RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT" section of our auditor's report. We are independent from the Group companies in line with the provisions of European and German commercial and professional law and have fulfilled our other professional duties under German law in line with these requirements.

Furthermore, in accordance with article 10 (2) point f) EU AR, we hereby declare that we have not provided any prohibited non-audit services pursuant to article 5 (1) EU AR. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements and combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significant impact in our audit of the consolidated financial statements for the financial year from 1. Januar 2018 to 31. Dezember 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

We identified the following as key audit matters

1. Measurement of investment properties
2. Recognition and measurement of deferred taxes

1. MEASUREMENT OF INVESTMENT PROPERTIES

Matter

Deutsche EuroShop AG reports investment properties totalling €3,891.7 million in its consolidated financial statements as at 31. Dezember 2018 and holds a participating interest in further material investment properties through its stakes in joint ventures and associates. The shopping center properties held as investment property are measured at fair value in accordance with IAS 40. In financial year 2018, expenses from this measurement of €53.3 million was recognised in the income statement. In addition, the profit/loss of equity-accounted joint ventures and associates includes a measurement loss of €2.6 million.

The respective fair value measurements in accordance with IFRS 13 are determined on the basis of the discounted cash flow method by one of the external appraisers appointed by Deutsche EuroShop AG. They are level 3 measurements pursuant to IFRS 13 that are based on input factors not materially observable on the market. Forecasts about future cash flows from rental income and management, maintenance and administrative costs as well as the derivation of the capitalisation interest rate involve significant decisions based on personal judgement and estimates that have a material effect on the consolidated financial statements.

The disclosures provided by Deutsche EuroShop AG on the measurement of investment properties are included in the sections "7. Significant accounting policies and valuation methods/Investment properties" and "9. Investment properties" of the notes to the consolidated financial statements.

Auditor's review

As part of our audit, we obtained evidence of the externally appointed appraiser's competence and independence.

We examined the appraisals in respect of their appropriateness, consistency, correct implementation of measurement methods and validity of input factors (leased space and rental income) by means of samples. In addition, we acknowledged the projected values and parameters (rental income, future vacancy rates, management, maintenance and administrative costs and interest rates) used in the valuation and are satisfied with the suitability of the decisions based on personal judgement and estimates.

In performing the audit, we consulted internal specialists in the field of real estate valuation.

2. RECOGNITION AND MEASUREMENT OF DEFERRED TAXES

Matter

Deutsche EuroShop AG reports deferred tax liabilities totalling €452.6 million in its consolidated financial statements as at 31. Dezember 2018. The recognition and measurement of deferred taxes in the consolidated financial statements of Deutsche EuroShop AG take account of complex tax matters in connection with property companies under the legal form of commercial partnerships.

The disclosures provided by Deutsche EuroShop AG on the determination and measurement of deferred taxes are included in sections "7. Significant accounting policies and valuation methods/Investment properties" and "17. Deferred tax liabilities" of the notes to the consolidated financial statements.

Auditor's review

We acknowledged the calculation of deferred taxes with respect to their compliance with IAS 12. We also analysed the confirmation letter of the tax consultant. We are satisfied with the competence and independence of the tax consultant assisting Deutsche EuroShop AG in the determination of deferred taxes. We also examined the determination method used to measure and report deferred taxes, whereby we compared the values used with the tax calculations of the company and the tax consultant by means of samples and verified the validity of the tax bases utilised. In auditing the deferred taxes, we consulted internal specialists in the field of deferred taxes.

OTHER INFORMATION

The legal representatives are responsible for other information. This includes:

- the separately published declaration on corporate governance referred to in the "Declaration on corporate governance" section of the combined management report;
- the Corporate Governance Report referred to in the "Declaration on corporate governance" section of the combined management report pursuant to No. 3.10 of the Deutscher Corporate Governance Kodex (German Corporate Governance Code),
- the other sections of the annual report, with the exception of the audited consolidated financial statements and combined management report as well as our auditor's report;
- the responsibility statement in accordance with section 297 (2) sentence 4 HGB for the consolidated financial statements and responsibility statement in accordance with section 315 (1) sentence 5 HGB for the combined management report.

Our opinion on the consolidated financial statements and combined management report does not extend to the other information and we do not provide an opinion or any other form of audit conclusion in this regard.

In connection with our audit of the consolidated financial statements, we have a responsibility to read the other information and determine whether the other information

- contains material discrepancies with the consolidated financial statements, combined management report or the knowledge acquired through our own audit; or
- appears to be misstated in any other way.

If, on the basis of the work we have carried out, conclude that this other information contains a material misstatement, we are obliged to report this. We have nothing to report in this regard.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT

The legal representatives are responsible for preparing the consolidated financial statements in compliance with IFRS as adopted by the EU and the supplementary provisions of German law required to be applied under section 315e (1) HGB, and for ensuring that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Further, the legal representatives are responsible for any internal control they deem relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. In addition, they are responsible for recognising the ability to continue as a going concern on the going concern basis of accounting, unless there is an intent to liquidate the Group or discontinue business operations or there is no realistic alternative to these options.

Furthermore, the legal representatives are responsible for preparing a combined management report that as a whole provides a suitable understanding of the Group's position, is consistent with the consolidated financial statements in all material respects, complies with the provisions of German law and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for any precautions and measures (systems) they deem necessary to enable the combined management report to be prepared in accordance with the applicable provisions of German law, and to enable sufficient and appropriate evidence to be provided for the statements in the combined management report.

The supervisory board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and combined management report.

RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the combined management report as a whole provides a suitable understanding of the Group's position, is consistent with the consolidated financial statements and the findings of the audit in all material respects, complies with the provisions of German law and suitably presents the opportunities and risks of future development, and to provide an auditor's report containing our opinion on the consolidated financial statements and combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit performed in accordance with section 317 HGB and the EU AR, taking into account the German generally accepted standards for the auditing of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), will always detect a material misstatement. These can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and combined management report.

As part of our audit, we exercise professional judgement and maintain professional scepticism. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and precautions and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems;
- evaluate the appropriateness of accounting policies used and the reasonableness of estimates and related disclosures made by the legal representatives;
- conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and combined management report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the net assets, financial position and results of operations of the Group in compliance with IFRS as adopted by the EU and the supplementary provisions of German law required to be applied under section 315e (1) HGB;
- obtain sufficient and appropriate audit evidence for the accounting information of the companies or business activities within the Group in order to express an opinion on the consolidated financial statements and combined management report. We are responsible for providing guidance on, monitoring and performing the audit of the consolidated financial statements. We bear sole responsibility for our opinion;
- evaluate the consistency of the combined management report with the consolidated financial statements, its legal counterpart and the understanding it provides of the Group's position;
- perform audit procedures for the forward-looking statements made by the legal representatives in the combined management report. On the basis of sufficient and appropriate audit evidence, we acknowledge in particular the significant underlying assumptions of the forward-looking statements made by the legal representatives and evaluate the appropriate derivation of the forward-looking statements based on these assumptions. We do not express a separate opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

We communicate with those responsible for monitoring regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

We provide those responsible for monitoring with a statement that we have fulfilled the relevant independence requirements and communicate with them regarding all relationships and other matters which might reasonably be considered to have an effect on our independence as well as the associated precautions taken.

From the matters communicated with those responsible for monitoring, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER APPLICABLE LEGAL REQUIREMENTS

Other disclosures according to article 10 EU AR

We were elected as auditor by the Annual General Meeting on 28 June 2018. We were appointed by the Chairman of the Audit Committee on 28 August 2018. We have audited the consolidated financial statements of Deutsche EuroShop AG over a continuous period since the 2005 financial year.

We hereby declare that the opinion in this auditor's report is consistent with the supplementary report issued to the Audit Committee in accordance with article 11 EU AR (audit report).

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Christoph Hyckel.

Hamburg, 11 April 2019

BDO AG

Wirtschaftsprüfungsgesellschaft

(signed) Reese (signed) Hyckel

Auditor Auditor

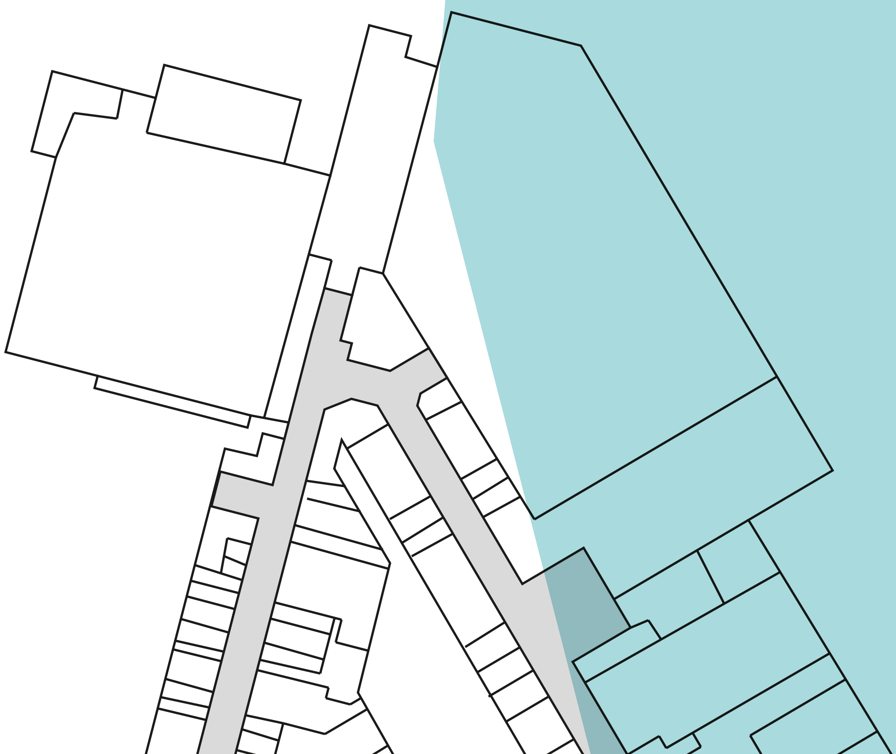
RESPONSIBILITY STATEMENT BY THE EXECUTIVE BOARD

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, 28 March 2019

Wilhelm Wellner Olaf Borkers

SERVICE



GLOSSARY

Adverstising value equivalence
Index number for the assessment of the monetary value of an editorial article. It is based on the advertising rate of the medium.

Annual financial statement
Under German (HGB) accounting principles, the annual financial statements consist of a company's balance sheet, profit and loss account, the notes to the financial statements and the manage ment report. The annual financial statements of a public company are prepared by its executive board, audited by a certified public accountant (in Germany: Wirtschaftsprüfer) and adopted by the super visory board.

Benchmark
A standard of comparison, e.g. an index which serves as a guideline.

Cash flow per share (CFPS)
The cash flow per share is calculated by dividing the cash flow by the number of shares issued by a company. The cash flow per share is taken as the basis for calculating the price/cash flow ratio.

Class of assets
Division of the capital and real estate market into different classes of assets or asset segments.

Consumer price index
Also called the cost-of-living index, this is calculated in Germany by the Federal Statistical Office on a monthly basis. The CPI is the most important statistical indicator of a change in prices; the price of a basket of goods during a given period is compared with the price of the same basket during the base year. This change is also known as the inflation rate.

Core
Designation of a real estate investment and/or individual properties as well as the name of an investment style. The term refers to the relationship between risk and return. Core designates mature, transparent, sufficiently large markets or high-quality, wellsituated properties that are fully let on a long-term basis to tenants with strong credit ratings. Other return/risk categories are valueadded and opportunistic.

Corporate governance
The rules for good, value-driven corporate management. The objective is to control the company's management and to create mechanisms to oblige executives to act in the interests of their shareholders.

Covenants
A clause in a loan agreement which pertains to and contractually defines the binding warranties to be adhered to by the borrower during the term of a loan.

Coverage
Information provided on a listed public company by banks and financial analysts in the form of studies and research reports.

DAX
Germany's premier equity index. The composition of the DAX is established by Deutsche Börse AG on the basis of the share prices of the 30 largest German companies listed in the Prime Standard in terms of market capitalisation and market turnover.

Discounted-cashflow-modelL (DCF)
Method for the assessment of companies which is used to determine the future payments surplusses and discount them to the valuation date.

Dividend
The share of the distributed net profit of a company to which a shareholder is entitled in line with the number of shares he or she holds.

EBIT
Earnings before interest and taxes.
DES calculation: EBT excluding net finance costs and measurement gains/losses (also see the consolidated income statement).

EBT
Earnings before Taxes.

EBT (excluding measurement gains/losses)
DES calculation: EBT less measurement gains/losses (including at-equity profit/loss) and less the deferred taxes included in at-equity profit/loss.

E-commerce
Direct commercial relationship between supplier and buyer via the internet including the provision of services.

EPRA
European Public Real Estate Association: EPRA is an Amsterdam-based organisation that represents the interests of the major European real estate companies in the public sphere and supports the development and market presence of European real estate corporations.

EPRA earnings
EPRA earnings represent sustained operating earnings and thus lay the foundation for a real estate company's ability to pay a dividend. To calculate this, the profit/loss for the year is adjusted to reflect any income components that have no sustained, recurring impact on operational performance. The DES calculation is performed using the currently valid version of the EPRA Best Practice Recommendations, which can be found at http://www.epra.com/regulation-and-reporting/bpr/

EPRA NAV
EPRA NAV measures the net asset value of a company based on a business model with a long-term focus. To do so, Group equity is adjusted for assets and liabilities that are unlikely to be realised if held over the long term. The DES calculation is performed using the currently valid version of the EPRA Best Practice Recommendations, which can be found at http://www.epra.com/regulation-and-reporting/bpr/

Fair value
The Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

Food court
Catering area of a shopping center, in which different vendors sell food at stations about a common seating area.

Free cash flow
The surplus cash generated from operating activities recognised in the profit and loss account. This expresses a company's internal financing power, which can be used for investments, the repayment of debt, dividend payments and to meet funding requirements.

Funds from operations (FFO)
Inflow of funds from operations used to finance our ongoing investments in portfolio properties, scheduled repayments on our bank loans and the annual distribution of dividends.

DES calculation: Consolidated profit after adjustment for measurement gains/losses (including at-equity profit/loss), the non-cash expense of conversion rights and deferred tax expense.

Gearing
Ratio which shows the relationship between liabilities and equity.

Hedge accounting
Financial mapping of two or more financial instruments that hedge one another.

ifo business climate index
The ifo Business Climate Index is an important forward indicator for economic development in Germany. In order to calculate the index, the ifo Institute asks approximately 7.000 companies every month for their assessment of the economic situation and their short-term corporate planning.

Interest rate swap
Exchange of fixed and variable interest pay able on two nominal amounts of capital for a fixed period. By means of an interest rate swap, interest rate risks may be controlled actively.

International financial reporting standards (IFRS)
International Financial Reporting Standards are based on International Accounting Standards (IASs). Since 1 January 2005, listed companies have been required to apply IFRSs. IASs/IFRSs focus on the decision-usefulness of accounts. The key requirement with regard to the annual financial statements is fair presentation that is not qualified by aspects of prudence or risk provision.

Loan-to-value ratio (LTV ratio)
Ratio of net financial liabilities (financial liabilities less cash and cash equivalents) to non-current assets (investment properties and investments accounted for using the equity method).

Mall
Row of shops in a shopping center.

Market capitalisation
The current quoted price for a share multiplied by the number of shares listed on the stock.

MDAX
German mid-cap index comprising the 50 most important securities after the DAX members. exchange. Market capitalisation is calculated for individual companies, sectors, and entire stock markets, thus enabling comparisons bet ween them.

Measurement gains/losses
DES calculation: Measurement gains/losses comprise unrealised changes in the market value of properties held as a financial investment (investment properties) before taxes. In the case of fully consolidated companies, the portion of the company that does not belong to the Group is deducted. Measurement gains/losses of associates and joint ventures accounted for using the equity method are contained in the at-equity profit/loss.

Measurement gains/losses (including at-equity profit/loss)
DES calculation: Measurement gains/losses plus the measurement gains/losses included in at-equity profit/loss.

Multi channeling
Using a combination of online and offline communication tools in marketing.

Net asset value (NAV)
The value of an asset after deduction of liabilities. With regard to shares, the NAV constitutes their intrinsic value. The net net asset value (NNAV) is calculated by deducting deferred taxes from the NAV.

Net finance costs
Net finance costs at DES comprise the following income statement items: Share of the profit or loss of associates and joint ventures accounted for using the equity method, interest expense and income, the share of profit attributable to limited partners, income from investments and all other financial income and expenditure.

Peer-group
A share price performance benchmark consisting of companies from similar sectors, put together on the basis of individual criteria.

Performance
The term performance describes the percentage appreciation of an investment or a securities portfolio during a given period.

Retail space
Space in a building and/or an open area that is used for sales by a retail operation and that is accessible to customers. Service areas required for operational and legal purposes are not taken into account, nor are stairways or shop windows. The retail space is part of the leasable space of a business.

Roadshow
Corporate presentations to institutional in vestors.

Savings ratio
Share of savings of the income available in households.

Subprime
Mortgage loan to borrower with a low degree of creditworthiness.

TecDAX
The successor to the NEMAX 50, comprising the 30 largest German listed technology securities in terms of market capitalisation and market turnover.

Volatility
Statistical measure for price fluctuations. The greater the fluctuations in the price of a security, the higher its volatility.

Xetra
An electronic stock ex-change trading system that, in contrast to floor trading, uses and open order book, thus increasing market transparency. The trading hours are currently 9,00 a.m. to 5,30 p.m.

LEGAL

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DISCLAIMER

Information on wording: Wherever any terms indicating the male gender only (he, him, etc.) have, in the interests of simplicity, been used in this Annual Report, such references should be construed as referring equally to the female gender. **Author contributions**: Sections of text bearing an author's name do not necessarily reflect the views of Deutsche EuroShop AG. The authors in question are responsible for the content of the texts. **Trademarks**: All trademarks and brand or product names mentioned in this Annual Report are the property of their respective owners. This applies in particular to DAX, MDAX, SDAX, TecDAX and Xetra, which are registered trademarks and the property of Deutsche Börse AG. **Rounding and rates of change**: Percentages and figures stated in this report may be subject to rounding differences. The prefixes before rates of change are based on economic considerations: improvements are indicated by a plus (+); deteriorations by a minus (–).

Forward-looking statements: This Annual Report contains forward-looking statements based on estimates of future developments by the Executive Board. The statements and forecasts represent estimates based on all of the information available at the current time. If the assumptions on which these statements and forecasts are based do not materialise, the actual results may differ from those currently being forecast. **Publications for our shareholder**: Annual Report (in English and German), Quarterly Statement 3M 2018, Quarterly Statement 9M 2018 and Interim Report H1 2018 (in English and German). **Online Annual Report**: The Deutsche EuroShop Annual Report can be downloaded in PDF format or accessed as an interactive online report at deutsche-euroshop.com.
This Annual Report is also available in German. In the event of conflicts the German-language version shall prevail.

FINANCIAL CALENDAR 2019

JANUARY

10.01. – 11.01.	Oddo BHF Forum, Lyon
22.01.	Kepler Cheuvreux GCC, Frankfurt

FEBRUARY

27.02.	Preliminary Results 2018

MARCH

25.03.	Roadshow Munich, Berenberg
27.03.	Roadshow Zurich, M. M. Warburg
28.03.	BAML European Real Estate Conference, London
28.03.	Commerzbank German Real Estate Forum, London

APRIL

04.04.	ESN Market Solutions Forum, Paris
29.04.	Publication of the Annual Report 2018

May

15.05.	Quarterly Statement 3M 2019
17.05.	Kepler Cheuvreux German Property Day, Paris
24.05.	HSBC German Real Estate Conference, Frankfurt

JUNE

06.06.	Deutsche Bank dbAccess Conference, Berlin
12.06.	Annual General Meeting, Hamburg
18.06. – 19.06.	Roadshow Copenhagen & Stockholm, Pareto
26.06.	EPRA Corporate Access Day, London

AUGUST

15.08.	Half-year Financial Report 2019
22.08.	Montega Hamburg Investment Day, Hamburg
29.08.	Commerzbank Sector Conference, Frankfurt

SEPTEMBER

05.09. – 06.09.	Deutsche EuroShop Real Estate Summer, Frankfurt
20.09.	Societe Generale Pan European Real Estate Conference, London
23.09.	Goldman Sachs & Berenberg German Conference, Munich
24.09.	Baader Investment Conference, Munich

NOVEMBER

13.11.	Quarterly Statement 9M 2019
18.11.	DZ Bank Equity Conference, Frankfurt
21.11.	Roadshow Paris, M. M. Warburg

Our financial calendar is updated continuously. Please check our website for the latest events:
http://www.deutsche-euroshop.com/ir

MULTI-YEAR OVERVIEW

in € million	2009	2010	2011	2012[5]	2013[5]	2014[5]	2015[5]	2016[5]	2017[5]	2018[5]
Revenue	127.6	144.2	190.0	178.2	188.0	200.8	202.9	205.1	218.5	**225.0**
EBIT	110.7	124.0	165.7	151.6	165.8	177.5	176.3	178.6	192.4	**199.1**
Net finance costs	-55.9	-60.2	-79.1	-62.1	-34.1	-39.8	-2.1	-13.9	-35.1	**-41.3**
Measurement gains/losses	-14.8	33.1	50.1	13.9	56.0	77.0	220.6	116.8	8.6	**-55.7**
EBT	40.1	97.0	136.7	103.4	187.6	214.7	394.7	281.5	165.8	**102.1**
Consolidated profit	34.4	-7.8	99.0	122.5	171.0	177.4	309.3	221.8	134.3	**79.4**
FFO per share (€)	1.40	1.35	1.61	1.68	2.08	2.23	2.29	2.41	2.54	**2.43**
Earnings per share (€)[1]	0.88	-0.17	1.92	2.36	3.17	3.29	5.73	4.11	2.31	**1.29**
Equity[2]	1,044.4	1,441.5	1,473.1	1,606.1	1,642.4	1,751.2	2,061.0	2,240.7	2,574.9	**2,573.4**
Liabilities	1,067.8	1,522.1	1,752.0	1,741.5	1,752.5	1,741.0	1,790.6	1,873.8	2,052.1	**2,036.8**
Total assets	2,112.1	2,963.6	3,225.1	3,347.6	3,394.9	3,492.2	3,851.6	4,114.5	4,627.0	**4,610.2**
Equity ratio (%)[2]	49.5	48.6	45.7	48.0	48.4	50.1	53.5	54.5	55.6	**55.8**
Cash and cash equivalents	81.9	65.8	64.4	161.0	40.8	58.3	70.7	64.0	106.6	**116.3**
Net asset value[3]	1,006.9	1,361.1	1,427.3	1538,9	1,650.4	1,789.4	2,110.6	2,332.6	2,668.4	**2,667.5**
Net asset value per share (€)[3]	26.63	26.36	27.64	28,53	30.59	33.17	39.12	43.24	43.19	**43.17**
Dividend per share (€)	1.05	1.10	1.10	1,20	1.25	1.30	1.35	1.40	1.45	**1.50**[4]

[1] undiluted

[2] incl. non controlling interests

[3] since 2010: EPRA

[4] proposal

[5] at-equity consolidation

QUARTERLY FIGURES 2018

in € million	Q1.18	Q2.18	Q3.18	Q4.18
Revenue	56.0	55.5	55.4	58.1
EBIT	49.0	49.0	48.5	52.6
Net finance costs	-9.6	-10.3	-10.5	-10.9
Measurement gains/losses	-1.2	-7.8	-4.2	-42.5
EBT	38.2	30.9	33.8	-0.8
Consolidated profit	30.4	24.9	26.9	-2.8
EPS (€)[1]	0.49	0.40	0.44	-0.04

[1] undiluted

Deutsche EuroShop