DES Deutsche EuroShop

DES

ANNUAL REPORT

15

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SHOPPING: THE FULL EXPERIENCE.

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SMELL HEAR

Deutsche Euroshop Overview

Market value of the portfolio in € billion (100%-view)

4.3

Retail shops

2,375

in € millions	2015	2014	Difference
Revenue	202.9	200.8	1%
EBIT	176.3	177.5	-1%
Net finance costs	-2.1	-39.8	95%
Measurement gains / losses	220.6	77.0	186%
EBT	394.7	214.7	84%
Consolidated profit	309.3	177.4	74%
FFO per share in €	2.29	2.23	3%
Earnings per share in € [1]	5.73	3.29	74%
Equity [2]	2,061.0	1,751.2	18%
Liabilities	1,790.7	1,741.0	3%
Total assets	3,851.6	3,492.2	10%
Equity ratio in % [2]	53.5	50.1	
LTV-ratio in %	35.5	40.0	
Gearing in % [2]	87	99	
Cash and cash equivalents	70.7	58.3	21%
Net asset value (EPRA)	2,110.6	1,789.4	18%
Net asset value per share in € (EPRA)	39.12	33.17	18%
Dividend per share in €	1.35 [3]	1.30	4%

1 undiluted 2 incl. non controlling interests 3 proposal

Occupancy rate

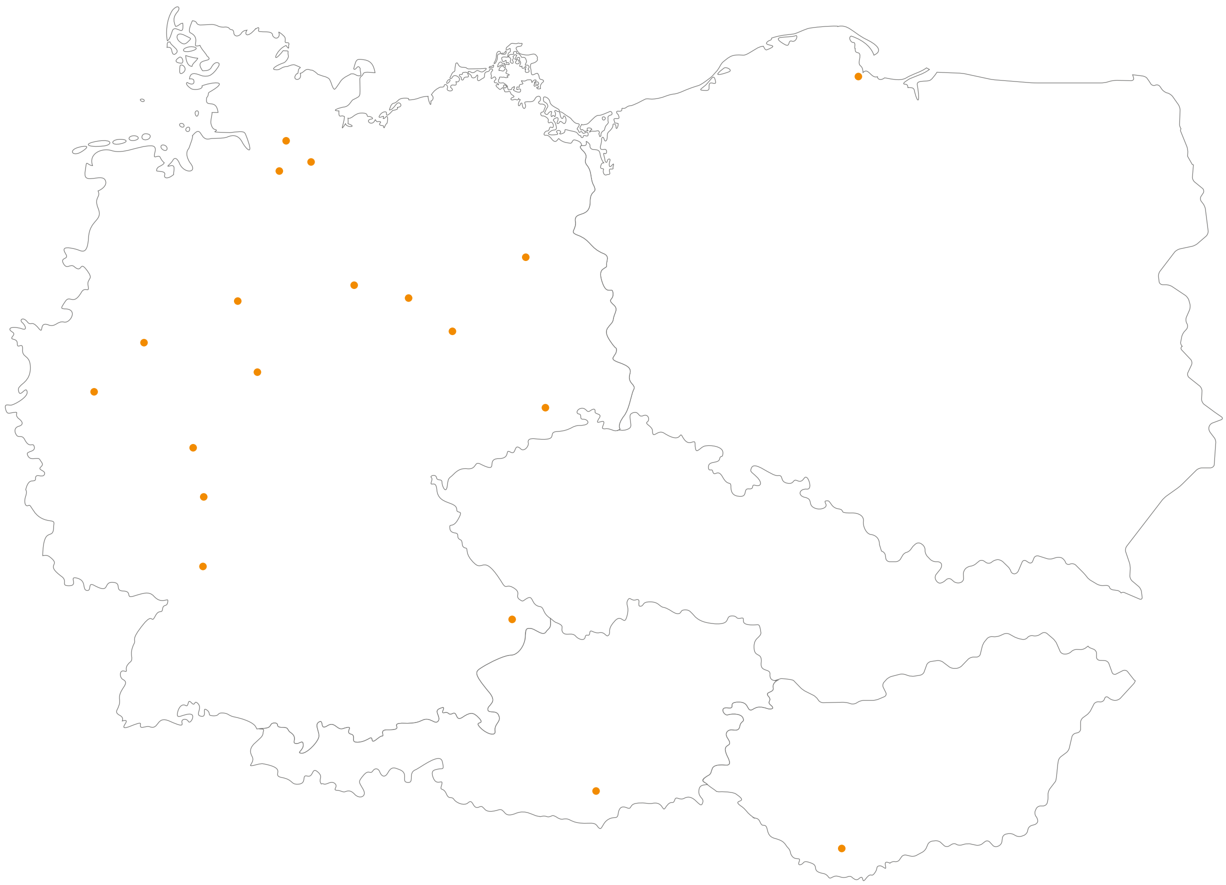
99%

Weighted maturity of rental contracts

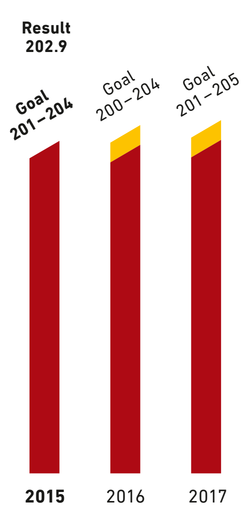
6.2

19 shopping centers in 4 countries

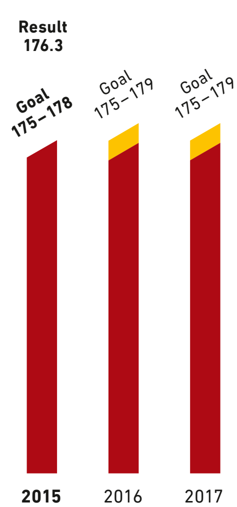
Germany: 16 centers
Austria: 1 center
Poland: 1 center
Hungary: 1 center



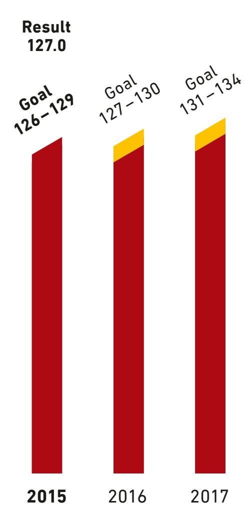
Revenue in € millions



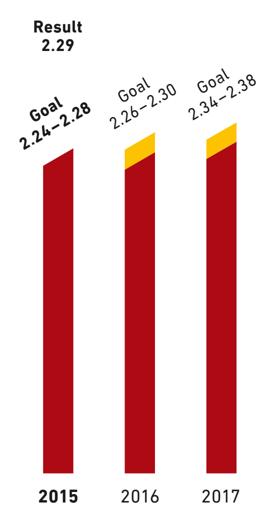
EBIT in € millions



EBT in € millions



FFO per share in €



DEUTSCHE EUROSHOP 2015

A neuron is a cell whose function is to transmit stimuli. The human brain consists of close to 100 billion nerve cells.

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 shallacquire further prime properties and hence establish ourselves as one of the largest companies in Europe focusing on retail properties.

EDITORIAL

DEAR READERS

Wilhelm Wellner,
Spokesman of the
Supervisory Board

Shopping: The full Experience is the theme of is the theme of this 2015 Annual Report. Our five senses open up a world of experiences to us, the full range of which only bricks-and-mortar retailing can deliver, and this can best be enjoyed in its diversity at one of our shopping centers.

There are times when all we want is a quick, good-value shopping trip. In the main, however, we seek enjoyment, quality of life and entertainment. When buying online, there is no chance to examine the changing colours of a beautiful blouse in different lights, to hear the laughter of a friend over a coffee, to feel the fine material of a suit, to tuck into a freshly prepared salad or to try out a new scent. That only happens in the real world. We experience and enjoy the world by seeing, hearing, touching, tasting and smelling.

Throughout this report, we will be sharing some interesting facts and findings about human perception of the senses, reinforced by various real-life effects that will leave readers eager to learn more. We will draw connections between the offline and online worlds, reflecting the current trend towards a greater role for multi-channel distribution. This is increasingly being deployed by our tenants, with significant benefits for customers at our shopping centers.

There are plenty of surprises in store!

Wilhelm Wellner
CEO


DEUTSCHE EUROSHOP 2015
SHOPPING: THE FULL EXPERIENCE.

IT MUST MAKE LONG-TERM SENSE

INTERVIEW WITH THE EXECUTIVE BOARD

Continuity is an important attribute of Deutsche EuroShop. There was, however, a change at group management level in the past financial year: the appointment of Wilhelm Wellner as CEO in mid 2015. We speak to him and his fellow Executive Board member Olaf Borkers about continuity, the results of the financial year, trends and Deutsche EuroShop's future.

Mr Wellner, you took charge at Deutsche EuroShop in July. What changes have there been?

WILHELM WELLNER: There have been no significant changes in operational terms. Our shareholders can continue to count on the continuity of our strategy, which has proven its worth over more than 15 years and which we prudently refine in line with market requirements. We continue to pursue a long-term approach and maintain our focus on high-quality shopping centers in first-class locations.

During my first year at Deutsche EuroShop I've greatly enjoyed being actively involved in the shopping center sector again and addressing the particular dynamics of the retail and transactions markets.

You've almost certainly been asked this question repeatedly: how are the new acquisitions doing?

WILHELM WELLNER: It certainly is a question I've been asked repeatedly – in every investors' meeting, actually – and I've conducted more than 100 of them already. Here too we value continuity and maintain our opportunistic approach. We will continue to make acquisitions only when it makes long-term sense. We see no point in making acquisitions for the sake of volume growth only, but if we are completely convinced by a center, we are willing and able to act, even in the present market environment. For us, it's primarily about sustainable profitability. Among other things, a center must provide flexible floor plans, offer a good mix of tenants, have an attractive catchment area and be located in a very good location. It can only continue to perform well across market cycles and make money, even in weaker economic phases, if it possesses all of these attributes.

But of course other investors are also on the look-out for centers like that. The prices paid for the centers offered for sale continue to rise, which sets us a particular challenge with regard to acquisitions that we are addressing.

We constantly monitor what is available on the transaction market. We are currently examining an opportunity to participate in an interesting center in Germany that would be a good fit for our portfolio.

Would it not be an idea to take advantage of the current price levels to sell some properties?

WILHELM WELLNER: The disadvantage of that perfectly sensible idea is the question of reinvestment. Where would we invest the funds? If we didn't reinvest the money in the acquisition of another center, we could, of course, pay it back to our shareholders. But our shareholders would then also be asking themselves the question of which other investment with a comparable risk would provide at least the same return. Besides, tax issues would make the paying of special dividends a fairly unattractive option.

Mr Borkers, could you summarise the results of the financial year for us?

OLAF BORKERS: The briefest way to summarise them would be to tell you that we concluded the 2015 financial year with a record result.

Revenue rose by one per cent to €202.9 million. EBIT, i. e. earnings before interest and taxes fell slightly by 0.7 per cent to €176.3 million. Valuation effects had a considerable positive impact on both the financial result and the measurement gains/losses, with the result that consolidated profit was significantly better than the very good result from the previous year.

That sounds a bit like an understatement, given that these valuation effects actually amounted to a little under €268 million. What is behind this?

OLAF BORKERS: A particularly significant factor in this appreciation was the further considerable fall in comparative yields observed in the transaction market in Germany and abroad against a background of rising prices. Our new expert valuers Jones Lang LaSalle, who, in the course of a normal rotation, have replaced our previous expert valuer team of FERI Rating and GfK Geomarketing, subjected our centers to an intense initial evaluation. On average, the overall value of our shopping centers rose in line with the market.

These measurement effects from investees recognised at equity amounted to €47.2 million in our income statement. The Group's measurement gains also improved substantially to €220.6 million. The value of Group properties therefore increased by 9.4 per cent on average. Net asset value as at 31 December 2015 was €39.12 per share, an increase of 18 per cent.

We have, however, always emphasised that valuations are not a one-way street. Real estate values are subject to normal cyclical variations and we are currently in a phase where prices are very high. That is why we are now concentrating on operating profit.

Thank you for the explanations about the valuation. What effects did it have on the results?

OLAF BORKERS: What is striking is that it resulted in us generating more profit than revenue. It's something that is not unusual for real estate companies, due to unrealised valuation increases that exist only on paper. The results therefore need to be interpreted correctly. Deutsche EuroShop's consolidated profit grew by 74.3 per cent to €309.3 million, which represents earnings per share of €5.73. Funds from operations, the figure that is key to evaluating operational performance, increased by 2.4 per cent to €123.4 million, which equates to €2.29 per share.

How will shareholders benefit from this positive development?

WILHELM WELLNER: We will subtract our lending from the funds from operations and distribute a dividend, with the remainder being used for investments. We announced three years ago that we would pay a dividend of €1.35 per share in 2015, which is 3.8 per cent above the previous year. We will, of course, be keeping that promise.

"WE CONSTANTLY MONITOR WHAT IS AVAILABLE ON THE TRANSACTION MARKET."

There has not been much activity in the portfolio. Only the acquisition in Dessau?

WILHELM WELLNER: It is indeed the case that we didn't manage to acquire a new shopping center in the last financial year, although we investigated a number of offers on the transactions market and also submitted a purchase offer. But we remain on the ball.

In Dessau we enhanced the attractive location of our Rathaus-Center by acquiring a property integrated in our center, which will continue to be let to Karstadt. This acquisition is an economically viable investment from a long-term perspective, ensuring a complete retail offering under a unified, professional management for our customers and tenants in Dessau.

What else is new in the centers?

OLAF BORKERS: We have two new food courts. Since the end of November City-Point Kassel's "Food Point" has offered nine restaurants over approximately 1,200 m² featuring international cuisine, seating for 200 people and an outside balcony with expansive views The opening of "Foodie" with seating for around 300 patrons in March completes the expansion of the Phoenix-Center in Hamburg-Harburg. Since September 2014 we had been expanding and modernising the appearance of the popular shopping center with our investment partners in three stages, at a cost of around €30 million. Its retail space has been expanded by just under 10 per cent to 29,000 m².

We have also made progress with our expansion plans for the Galeria Baltycka. We are still working on the construction permit, something that is, however, a time-intensive endeavour in central inner city locations. The aim is to expand the center in the Polish city of Gdańsk by around 15,000 m² of additional rental space with some 70 new shops. Our investment would amount to around €50 million.

What is the operational outlook for 2016?

WILHELM WELLNER: Our rent system is based on the turnover of our tenants and is also linked to developments in the consumer price index, i. e. inflation. We expect the latter to rise only slightly in 2016. This was also the reason for our minor amendment to the guidance in autumn 2015.

Based on this low inflation forecast, we expect stable revenue of between €200 million and €204 million this year. We see EBIT in a bandwidth between €175 million and €179 million, and a slight rise in EBT excluding measurement gains / losses to €127 million to €130 million. And finally, we expect funds from operations, the key factor for dividends, to come in at between €2.26 and €2.30 per share.

Apropos low inflation: Interest rates are still plummeting. Can Deutsche EuroShop benefit from this?

OLAF BORKERS: Yes, because while the ongoing low inflation rate slows growth from increasing rental income, we also benefit from the low interest rate level. We were able to conclude refinancing at significantly lower interest rates in 2015 and expect refinancing opportunities to remain favourable in 2016. As a result, our interest expense will be measurably lower this year and next. As the major loans with interest rates of just under five per cent only expire in three to five years, I see enormous potential to optimise our costs.

Thank you for talking to us.

This interview with Wilhelm Wellner and Olaf Borkers was conducted by Patrick Kiss during a tour of the Phoenix-Center Harburg.

THE EXECUTIVE BOARD

OF DEUTSCHE EUROSHOP AG

Wilhelm Wellner

Member of the Executive Board

Mr 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 offi cer 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.

Wilhelm Wellner

Olaf Borkers

Olaf Borkers

Member of the Executive Board

After serving as a ships officer with the German Federal Navy, Mr Borkers qualified as a bank clerk with Deutsche Bank AG in 1990. He then studied business administration in Frankfurt / Main. From 1995, Mr 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

DEAR SHAREHOLDERS,

During financial year 2015, 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 strategic orientation of the Company was coordinated with the Supervisory Board, and the status of the strategy implementation was discussed at regular intervals. The Supervisory Board monitored and advised the Executive Board on its management of the business, and the Executive Board informed us regularly, promptly and in detail of business developments.

Mr Manfred Zaß, who had served on the Board for some 13 years, ended both his membership and chairmanship of the Supervisory Board of our company at the Annual General Meeting on 18 June 2015. Mr Zaß had closely overseen and supported the development of Deutsche EuroShop AG. The Supervisory Board thanked Mr Zaß for his many years of commitment, evidenced by his extended period as Chairman of the Board, and wished him all the best for the future.

Focus of advisory activities

We conducted detailed examinations of the 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. We discussed our succession ideas with respect to the expiration of Mr Zaß's mandate in 2015 and successfully transitioned the chairmanship of the Supervisory Board to the new generation with the shareholders' election of Mr Roland Werner as a new member of the Supervisory Board at the 2015 Annual General Meeting. At meetings held over the course of the year, in-depth discussions took place repeatedly regarding both the Company's strategy as well as the question of how the Company should operate in an environment of continuing low interest rates and ongoing, extremely high demand for retail property. 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 options. We received regular reports detailing the turnover trends and payment patterns of our tenants and banks' lending policies.

The Chairman of the Supervisory Board and the Executive Committee of the Supervisory Board also discussed other topical issues with the Executive Board as required. Transactions requiring the approval of the Supervisory Board were discussed and resolved upon at the scheduled meetings. Where required, circular resolutions were passed in writing by the Supervisory Board for transactions of the Executive Board requiring approval. All resolutions in the reporting period were passed unanimously.

Mr Wilhelm Wellner has been serving as an appointed member of the Executive Board since 1 February 2015 and, as planned, succeeded Mr Böge as CEO on 1 July 2015. Mr Böge's tenure of around 14 years ended on 30 June 2015. Upon his departure, the Supervisory Board thanked Mr Böge for his many successful years of service which contributed toward the Company's positive development.

Reiner Strecker, Chairman

Meetings

Four scheduled Supervisory Board meetings took place during financial year 2015. Where members of the Supervisory Board were unable to attend individual meetings, they provided apologies and good reasons why they could not make it in advance. Dr. Kreke was unable to attend the meeting held on 24 April 2015. Ms Better and Mr Werner were unable to attend the meeting held on 18 June 2015. Ms Bell was unable to attend the meeting held on 24 September 2015. Ms Better, Ms Dohm and Dr Kreke were unable to attend the meeting held on 27 November 2015.

At the first scheduled meeting, on **24 April 2015**, the Supervisory Board's annual review of efficiency was completed and the agenda for the Annual General Meeting was approved. We selected the auditor, who was proposed to the shareholders for election. In relation to the audit of the annual financial statements, we once again attached great importance to the explanations of the Executive Board and those of the auditor on the real estate appraisals. In addition, the Executive Board presented the financial, accounting and tax aspects of the 2014 annual financial statements.

The Executive Board also reported on its plan to commission another appraiser with the necessary annual valuation of the property portfolio. Finally, the Executive Board notified us of current acquisition opportunities and negotiations.

At the constituent meeting on **18 June 2015**, we elected members by open ballot to various functions on the Supervisory Board and its committees. The following were elected and / or returned to office:

Chairman of the Supervisory Board	Reiner Strecker
Deputy Chairwoman of the Supervisory Board	Karin Dohm
Executive Committee	Reiner Strecker (Chairman), Thomas Armbrust, Karin Dohm
Financial Expert	Karin Dohm
Audit Committee	Karin Dohm (Chairwoman), Thomas Armbrust, Reiner Strecker
Capital Market Committee	Thomas Armbrust (Chairman), Reiner Strecker (Deputy Chairman), Dr Henning Kreke

The Executive Board then reported on the status of expansion / renovation measures at the Phoenix-Center Harburg and City-Point Kassel. Additionally, the Executive Board requested our approval to commission Jones Lang LaSalle with the valuation of the property portfolio. We approved the commissioning. In our new composition, we also continued to discuss the Company's strategy in terms of the competitive environment and the capital markets. In this context, the Executive Board presented us with its ideas for reviewing the strategy.

The third meeting was held on **24 September 2015** at the Phoenix-Center Harburg. We gained a first-hand impression of the ongoing expansion activities at the shopping center on a tour of the construction site. During the meeting, the Executive Board presented the planned acquisition of the Karstadt property in Dessau and requested our approval. We approved the Executive Board's proposal. It also reported about ongoing negotiations to refinance the three foreign properties. We approved the Executive Board's planned €96 million refinancing arrangement for the City-Arkaden in Klagenfurt.

At the last meeting on **27 November 2015**, the Executive Board reported on the completed acquisition of the Karstadt property in Dessau and ongoing preparatory work for the expansion of the Galeria Baltycka in Gdańsk as well as the property's overall financing. We approved the Executive Board's refinancing and expansion financing arrangements in the amount of €138 million. The Executive Board also reported on the current status of the €30 million refinancing arrangement for Árkád Pécs in Hungary. Following a circular resolution initiated due to the urgency of the matter, the Supervisory Board had previously granted its approval to the Executive Board's refinancing proposal. The Executive Board also presented the acquisition activities being undertaken at the German listed real estate companies. We also held extensive discussions on the projections for the past financial year and the Company's medium-term performance planning as presented by the Executive Board. At the end of the meeting, the Supervisory Board decided to extend Mr Borkers' membership on the Executive Board until 30 September 2019.

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 Supervisory Board comprised four members on a transitional basis up until 18 June 2015 and the election of the new Chairman. 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 met on 16 April 2015.

The Audit Committee discussed the quarterly financial reports with the Executive Board in conference calls on 11 May, 12 August and 11 November 2015. During a conference call on 8 October 2015, the consequences for the Company of the European Union's reform of statutory auditing were discussed. In its capacity as a nomination committee, the Executive Committee came to several agreements regarding personnel matters related to the Supervisory and Executive Boards. There was no meeting of the Capital Market Committee in 2015.

Corporate governance

In November 2015, together with the Executive Board, we issued an updated declaration of conformity in relation to the recommendations of the Government Commission pursuant to section 161 of the Aktiengesetz (German Public Companies Act – AktG) and made this permanently available on the Deutsche EuroShop AG website. A separate report on the implementation of the German Corporate Governance Code is included in this Annual Report. The members of the Supervisory Board and the Executive Board declared in writing at the beginning of 2015 that no conflicts of interest had arisen.

Financial statements of Deutsche EuroShop AG and the Group for the period ending 31 December 2015

At the Audit Committee meeting on 15 April 2016 and the Supervisory Board meeting on 26 April 2016, 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 2015, as well as the management report and group management report for financial year 2015.

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 18 June 2015 – 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 15 April 2016 and the Supervisory Board meeting on 26 April 2016 and explained the main findings.

Following its own examination of the annual financial statements of Deutsche EuroShop AG, the consolidated financial statements and the corresponding management reports, the Supervisory Board did not raise any objections. It agreed with the findings of the auditor's examination and approved the annual financial statements of Deutsche EuroShop AG and the consolidated financial statements. The annual financial statements have thus been adopted. The Supervisory Board endorses the Executive Board's proposal for the utilisation of the unappropriated surplus and distribution of a dividend of €1.35 per share.

The Company's success in financial year 2015 was the result of its sustainable, long-term strategy and the dedication shown by the Executive Board and our employees, for which the Supervisory Board would like to express its particular gratitude.

Hamburg, 26 April 2016

Reiner Strecker, Chairman

THE SUPERVISORY BOARD

OF DEUTSCHE EUROSHOP AG

Back row (f.l.t.r.):
Roland Werner, Reiner Strecker (Chairman), Alexander Otto, Thomas Armbrust

Front row (f.l.t.r.):
Klaus Striebich, Manuela Better, Karin Dohm (Deputy Chairwoman), Dr Henning Kreke
Not shown on the picture: Beate Bell

MEMBERS OF THE SUPERVISORY BOARD

	Reiner Strecker Chairman (since 18 June 2015)	Karin Dohm Deputy Chairwoman (since 18 June 2015)	Thomas Armbrust
Born	1961	1972	1952
Place of residence	Wuppertal	Kronberg im Taunus	Reinbek
Nationality	German	German	German
End of appointment	2017 Annual General Meeting	2017 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
Memberships of other statutory supervisory boards	–	Deutsche Bank Luxembourg S.A., Luxembourg (until 10 December 2015) METRO AG, Dusseldorf (since 19 February 2016)	Otto Aktiengesellschaft für Beteiligungen, Hamburg (Chairman) Platinum AG, Hamburg (Chairman) TransConnect Unternehmensberatungs- und Beteiligungs AG, München (Chairman) Paramount Group Inc., New York, USA Verwaltungsgesellschaft Otto mbH, Hamburg
Membership of comparable supervisory bodies of business enterprises in Germany or other countries	akf Bank GmbH & Co. KG, Wuppertal	–	ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Chairman)
Profession	Personally liable partner, Vorwerk & Co. KG, Wuppertal	Global Head of Group Structuring, 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 since 2016: Global Head of Group Structuring	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 2015	3,975	0	

Beate Bell	Manuela Better	Dr Henning Kreke
1967	1960	1965
Cologne	Munich	Hagen / Westphalia
German, Polish	German	German
2019 Annual General Meeting	2019 Annual General Meeting	2018 Annual General Meeting
–	–	–
Hochtief AG, Essen (since 25 April 2015)	AXA Konzern Aktiengesellschaft, Cologne (until 25 November 2015) Deutsche Annington Immobilien SE, Bochum (until 31 May 2015)	–
–	Deka Immobilien GmbH, Frankfurt (since 15 July 2015) (Deputy Chair since 17 July 2015) Deka Immoblien Investment GmbH, Frankfurt (since 15 July 2015) (Deputy Chair since 18 July 2015) Deka Investment GmbH, Frankfurt since 15 July 2015) (Deputy Chair since 16 October 2015) Landesbank Berlin Investment GmbH, Berlin (since 10 June 2015) (Deputy Chair since 19 June 2015) WestInvest Ges. für Investmentfonds mbH, Dusseldorf (since 15 July 2015) (Deputy Chair since 18 July 2015) DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg (since 17 September 2015)	AI Perfume France SAS, Paris, France Douglas Investment B.V., Nijmegen, Netherlands Douglas Spain S.A., Madrid, Spain Parfümerie Douglas Iberia S.L., Madrid, Spain
Managing Director, immoADVICE GmbH, Cologne	Member of the Board of Management, DekaBank Deutsche Girozentrale, Frankfurt	Chairman of the Executive Board, DOUGLAS HOLDING AG, Hagen / Westphalia
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, Dusseldorf, various management functions; most recently METRO AG, Dusseldorf, Head of Group Compliance since July 2015: immoADVICE GmbH, Dusseldorf, 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 Management Board, Chief Risk Officer 2007 – 2008: Hypo Real Estate Bank International AG, Stuttgart / Hong Kong, Member of the Management Board, Head of Commercial Real Estate, Origination Asia 2010 – 2011: DEPFA Bank plc, Dublin, Ireland, Executive Member of the Board of Directors, Chief Risk Officer 2009 – June 2014: Hypo Real Estate Holding AG, Munich, and Deutsche Pfandbriefbank AG, Munich (formerly Hypo Real Estate Bank AG) 2010 – June 2014: Hypo Real Estate AG Holding AG, Munich, Chair of the Management Board, and Deutsche Pfandbriefbank AG, Munich, Chair of the Management Board since 2009: Managing Director, Dr. Ingrid Better Vermögensverwaltung GmbH & Co KG, Munich since June 2015: DekaBank Deutsche Girozentrale, Frankfurt, Member of the Board of Management	Studied business (BBA and MBA) at the University of Texas at Austin, Austin, USA Doctorate (political science) from the University of Kiel, Kiel 1993 to present day DOUGLAS HOLDING AG, Hagen / Westphalia of which 1993 – 1997: Assistant to the Executive Board 1997 – 2001: Member of the Executive Board since 2001: Chief Executive Officer
none	none	none
0	0	0

CONTINUATION

	Alexander Otto	Klaus Striebich	Roland Werner
Born	1967	1967	1969
Place of residence	Hamburg	Besigheim	Hamburg
Nationality	German	German	German
End of appointment	2018 Annual General Meeting	2017 Annual General Meeting	2020 Annual General Meeting
Committee activities	–	–	–
Memberships of other statutory supervisory boards	Sonae Sierra Brasil S.A., São Paulo, Brazil Verwaltungsgesellschaft Otto mbH, Hamburg	MEC Metro-ECE Centermanagement GmbH & Co. KG, Dusseldorf (Chairman of the Advisory Board) Unternehmensgruppe Dr. Eckert GmbH, Berlin	–
Membership of comparable supervisory bodies of business enterprises in Germany or other countries:	Bewerbungsgesellschaft Hamburg 2024 GmbH, Hamburg Peek & Cloppenburg KG, Dusseldorf	–	–
Profession	CEO, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg	Managing Director Leasing, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg	Chairman of the Board of Management, Bijou Brigitte modische Accessoires AG
Key positions held	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 to present day: Verwaltung ECE Projektmanagement G.m.b.H., Hamburg since 2003: Managing Director Leasing	Studied business to 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
Relationship to majority / major shareholders	Major shareholder	Member of the Management Board of Verwaltung ECE Projektmanagement G.m.b.H., Hamburg (Alexander Otto (major shareholder) is the Chairman of the Management Board)	none
Deutsche EuroShop securities portfolio as at 31 December 2015	9,349,125	24,000	525

Stadt-Galerie, Passau

QUALITY CAN BE FELT

WHY WE WANT TO TOUCH THINGS BEFORE WE BUY THEM.

Our skin is able to perceive contact, pressure, tension and variations in temperature. This ability is called the sense of touch. It enables us to recognise and judge the structure, nature and form of objects. The sense of touch in our fingertips is particularly refined.

feel

Experience it yourself!

PHYSICAL CONTACT INCREASES MOTIVATION TO BUY

By Olaf Hartmann, Managing Director of the Multisense Institut

The more digital and abstract the world becomes, the more the need for touch – for a piece of tangible reality, a secure anchor amid the flood of information and opportunities – is also increasing.

Once we have held something, we are unwilling to surrender it.

"IT IS ONLY WHEN WE PHYSICALLY HANDLE SOMETHING THAT WE CAN A FEEL FOR ITS VALUE."

In a context of a growing loss of trust and communication overload, the genuine experience of multisensory interaction with a product and a seller is an important guarantee of quality and foundation for trust. As a species we are very reliant on our sense of touch.

While we start to believe something when we see it with our own eyes, when we seek a deeper understanding we reach out with our fingers. It is only when we physically handle something that we can a feel for its value. Return rates in mail order business speak volumes about this.

As research into haptics shows, touch is the "truthful sense" when it comes to judging quality and gauging well-being. What is more, once we have held something, we are unwilling to surrender it. We see this behaviour in its most instinctive form in children. In the socialisation process, we learn to curb our desires, but this ingrained pattern is very persistent and has a surprisingly large influence on our buying decisions.

The irresistible endowment effect

Psychological and neuroscience studies* have shown that our valuation of an object goes up as soon as we touch or hold it. Various studies have considered a cup. The results show that the longer a test participant held the cup in their hands, the higher the value they put on it. After 10 seconds, the subjects were prepared to pay 30% more for the item; after 30 seconds they would spend 60% more.

This phenomenon is known as the "endowment effect". Holding something inspires a sense of ownership, which in turn leads one to place a higher value on it. His research into this pattern of behaviour was one of the decisive factors behind the awarding of the 2002 Nobel Prize for Economics to Daniel Kahneman – one of the few psychologists to win this accolade. One of his core findings has since become a tenet of sales and marketing: when we touch something, we subconsciously awaken a desire for ownership, and by extension to purchase, as one smart psychological experiment in a supermarket revealed.

A sign was erected at a fruit stand exhorting shoppers to "Feel the freshness for yourself". More customers did indeed touch the oranges on sale, and their spontaneous purchase rate rose by an impressive 40%.

Studies have found that the need for touch (NFT) varies from person to person. Customers with a high NFT not only need touch in order to judge quality, but also enjoy the sensation itself and are therefore naturally more disposed to make impulse purchases.

However, the highly informative nature of touch is also motivating for people with a low NFT. The basis for this is the experience that is ingrained at an early age and is always lurking in the subconscious: if it feels good, it is good!

For example, participants in a study evaluated the same water as higher quality when it was served in a sturdy PET glass rather than a flexible, thin-sided plastic one. In the same way, the convincing effect of touch increases willingness to spend.

"NOTHING CONVINCES US MORE THAN THE POSSIBILITY TO TOUCH."

A tangible impact

The associations that are subconsciously made when feeling an object have been shown in many studies. In one such example, test participants received fake letters asking for donations to protect forests, which enclosed different items. One of the letters was adorned with a feather (positive tactile experience); another with a piece of bark (neutral stimulus). The tactile experiences perceived as pleasant to the touch and appropriate had a positive impact on recipients; in other words, made them more likely to donate. After conducting further tests, the researchers concluded that tactile objects that trigger positive or neutral sensory feedback are ascribed a higher valuation, because they psychologically create a sense of ownership in advance and because they positively reinforce the emotional reaction.

Numerous scientific experiments have since underscored how impressions gained through touch implicitly influence our overall perception. For example, hard chairs also lend themselves to unyielding negotiations. Advertising materials attached to a heavy clipboard quite literally carry more weight than those of their competitors on a flimsy one.

Holding something inspires a sense of ownership, which in turn leads one to place a higher value on it.

40%

higher spontaneous purchase rate possible if customers are able to touch products.

It is significant that the participants in these studies were unaware of the opinion-shaping influence of haptic appeal or signals. Perhaps even because our sense of touch is so innate to us, it generally escapes reflection. The foundations of our haptic code – a lifelong subconscious matrix of experience – are also laid down in childhood before the age of about seven.

In light of all this, the tactile properties of objects and products subconsciously affect the way in which they will be valued by (potential) customers. As the US researchers Joann Peck and Terry L. Childers summed up after conducting many studies into haptic influences in marketing and sales: touch experiences bring emotion into, differentiate and intensify the relationship between the product and the customer.

The haptic optimisation of product design, presentation and communication produce effects in five dimensions: creating attentiveness, reinforcing information, bringing credibility to product or brand promises, improving the perception of quality and increasing the likelihood of a purchase and the price that will willingly be paid.

Nothing convinces us more than the possibility to touch. When we touch, we feel – in more than one sense.

Merkel nerve endings are specialised sensory cells that act as pressure sensors and measure the strength or pressure of a mechanical deflection of the skin.

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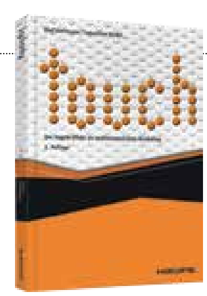
BOOK RECOMMENDATION

TOUCH!



Der Haptik-Effekt im multisensorischen Marketing

(“The haptic effect in multisensory marketing”, German only)

Three years, two laptops, 609,680 characters, one hectolitre of coffee, 156 studies and some 500 telephone calls and interviews with world-eminent agencies, academics and marketing experts went into the making of Touch! – the first comprehensive description of the impact of touch within multisensory marketing.

Touch! will change your understanding of marketing. You will learn how strongly this sense subconsciously influences our perception and how critical it is to your marketing success. Touch! draws on the latest findings in neuroscience, psychology and perception research to produce some “aha” moments, reveals the tremendous potential that multisensory marketing harbours and suggests ways in which it can be routinely incorporated.

Touch! Der Haptik-Effekt im multisensorischen Marketing by Olaf Hartmann and Sebastian Haupt, published by: Haufe-Lexware, 338 pages, 2nd edition (15 February 2016), ISBN: 978-3648079386, **price: €39.95**

SHOPPING

MULTISENSE EXPERIENCE

CENTER INNOVATIONS

By Joanna Fisher, Managing Director ECE Center Management, Sebastian Baumann, Head of ECE Future Labs

ECE fosters innovation at its centers and through its "Multisense Experience" project seeks to address visitors using all their senses.

The newly opened "Aquis Plaza" in Aachen sets the standard in this respect, with a holistic concept featuring designed sound, tailored smells and lighting elements. The multisensory approach is designed to help make the center into a place apart, in which visitors are won over by the excellent atmosphere and the quality of the environment.

The use of sound and smell in marketing is common practice these days. Targeted use is being made of scents and designed sound in retail, with Scotch & Soda, Zara Home and Bolia just a few examples of companies taking this approach. The senses are being catered to in other sectors as well: Singapore Airlines, for example, makes use of Asian sounds and in-cabin aromas. Car makers are enhancing the smell of leather in new cars and refining the sound of the engine.

As the perception of sound is very subjective, the multisensory approach does not use music in the conventional sense. Special soundscapes are designed to create a pleasant atmosphere for customers and evoke particular emotions. The aim is to subconsciously convey to customers that the moment they enter the shopping center, a pleasurable part of their day has begun. The interplay of sound and scent is intended to have a relaxing, agreeable effect that soothes visitors and promotes a joy of shopping. This makes the shopping center into a unique location.

In Aachen, the "Aquis Plaza" brand and its identity were consciously built on when designing the sound and smell elements. The flowing and energetic soundscape evokes the element of water, alluding to the historical significance of Aachen's Roman spa. The sounds take flowing, rippling form, yet are also full of energy and vitality. This is complemented by corresponding aromas with fruity / floral notes.

These installations have been put in place in nearly 20 different areas of the center. The main focus is on areas where visitors gain their first impressions, known as "welcome situations". Areas including the lift lobby in the car park and the entrance zones are used in order to attune visitors to the center. A pleasant atmosphere has also been created in the customer toilet area to enhance the quality of the visit. A conscious decision was taken not to use any aromas in the food court, but two different soundscapes are used there, played according to visitor numbers.

Lighting design is another key factor in creating the right mood. That is why there is an 18-metre-high lighting sculpture over the food court, whose scale, state-of-the-art OLED technology and changing light scenes make it spectacular.

ECE is looking very intensively into what the shopping center of the future might be like. In order to continue living up to customer expectations, one must continually reinvent the shopping center as a product, adopt new trends and test innovative services and new technologies to create an even more personalised shopping experience.

The "Multisense Experience" concept exemplifies this approach. It was developed by ECE Future Labs and is now undergoing targeted testing for its customer benefits. There is keen interest in the impact of multisensory experiences. Based on the findings in Aachen, discussions are being held with investors as to the form in which the concept can be rolled out to other centers.

City-Arkaden, Klagenfurt, Austria

TIPS AND INSIGHTS

FASCINATION & MYTHOLOGY OF FRAGRANCE

By Sylvia Enders,
Director Training,
Clarins

How do I choose the right fragrance?

It can be helpful to get advice from a good perfumery. They will ask you questions and evaluate your preferences before coming up with an initial selection. Many factors play a role: Where will I wear my scent? Which scent has previously captured my heart or my nose? Am I more of an elegant or sporty type?

How many fragrances is it possible to try out at the same time?

The human nose can cope with between three and ten fragrances without any problems at all. Many people can manage more. If you discover a favourite, it can be helpful to try a few more to be completely certain that you've found your new favourite scent.

If you really don't like a fragrance, how do you get it off your skin?

By washing it off! OK, I'm joking, but it's true. If you need to do it quickly, then an old-fashioned cleanser is your best option. An oilier cleansing product will dissolve the fragrance molecules most efficiently, but lemon is also a popular choice. A word of caution though: higher quality perfumes have excellent longevity and retain their sillage well. It's best to be sure you want to wear it before you put it on.

Where are the best places to apply fragrances?

On your hair and pulse points: wrists, behind the knees, décolletage, neck.

Where is it better to avoid?

It's really a matter of personal taste, but scents shouldn't be applied to the face or mucous membranes.

How long does a fragrance last after application?

It depends. The most important factor is the concentration – the higher the proportion of perfume oils, the better the longevity of the fragrance. As a rule, the longevity of eau de toilette is less than that of eau de parfum, with perfumes lasting longer than either. However, it is also down to the ingredients – an overdose of tuberose, such as that in POISON by Christian Dior or an excess of patchouli as in Thierry Muglers ANGEL can easily force all other fragrances in a room into the background.

Can you use a different fragrance in the morning and in the evening?

I recommend staying with the same fragrance family to avoid unpleasant clashes.

What is nose blindness or why do you soon stop being able to smell your own fragrance?

Because we're constantly surrounded by our own fragrance, we become accustomed to it and our brain blends it out. In other words, if we use a fragrance regularly, our brain begins to register it as our own smell and so it fades into the background.

Why do fragrances smell different on different people?

It's simply because a fragrance is absorbed by the wearer's skin and, as we all have an individual odour, gives rise to our own little blend.

What can make a fragrance smell different on yourself (foods / medications)?

Anything strong enough to be perceived as odours on the skin, such as spices.

What is the shelf life of fragrances and how are they best kept?

Generally about two years. It's best to store them in a cool, dark place.

Do fragrances deteriorate when you decant them into an atomiser?

Not if you treat your precious fragrance with care.

How many components are there in a fragrance?

There are no rules. There are parfumiers who create fragrances with 30 ingredients and others who use up to 300. Fewer ingredients means less of an element of surprise.

Are there completely natural fragrances?

No, nobody works without synthetic ingredients anymore.

Do all fragrances contain alcohol?

Yes.

What are summer fragrances?

They are fresh fragrances. While it's possible to wear any type of fragrance in the sun, we simply prefer to wear fresher, livelier scents when it's hot.

Is it possible to mix fragrances?

As a rule, fragrances are not designed to be mixed. Each fragrance is a wonderful composition, a minor work of art that should be kept intact.

Do fragrances impact on our mood?

Of course. It's a feeling everyone is familiar with. A certain fragrance allows us to travel back into the past for a fleeting instance. Scents that bring back sad memories take us back to that sadness, while fragrances associated with positive memories put us in a good mood.

Source: VKE-Kosmetikverband e. V.

A RIOT OF COLOUR

10 PSYCHOLOGICAL FACTS ABOUT COLOURS

Would it have occurred to you that some colours make us more creative, while others make us appear more attractive? The truth is that red, blue, black or white have a significant impact on our everyday lives. Here are ten psychological facts about colours.

1 Blue fosters creativity

This was the conclusion reached by Ravi Mehta and Rui Zhu from the University of British Columbia in Vancouver in their 2009 study. In a series of six experiments, more than 600 volunteers were asked to complete various tasks on a computer screen. Sometimes the background was blue, sometimes red and sometimes white. While the red background improved performance for detailed tasks such as proofreading, the colour blue increased creativity. A possible explanation: we associate the colour red with warning signals, such as traffic lights, and so red makes us take more note of details. Blue makes us think of things like the sky and water and, by association, of freedom and openness – the sort of thoughts that promote creativity.

2 Red makes women appear more attractive …

Are you going on a date in the near future? Or do you want to seduce your partner? Then wearing red would be a wise choice. At least that was the conclusion of US psychologists Andrew Elliot and Daniela Niesta from the University of Rochester in 2008. Their research involved showing a few dozen men photos of women and asking them to rate their attractiveness. Lo and behold, women in red were consistently seen as more attractive.

3 … and men too

That's the opinion of the University of Rochester's Andrew Elliot, who devised a variety of experiments for his 2010 study. In one, he showed 25 men and 32 women a framed black-and-white photo of a man in a polo shirt, sometimes in a white picture frame and sometimes in a red one. When the participants were asked to rate the man's attractiveness on a nine-point scale, women gave him an average of one point more when the photo was in a red frame than when it was framed in white. In further experiments, women found men in red t-shirts more sexually attractive and ascribed more powerful roles to those men.

4 Red pens make teachers stricter

Teachers traditionally correct mistakes in red. The impact this has on the psychology of the school was revealed in a 2010 experiment conducted by Abraham Rutchick from the California State University. Some 133 volunteers signalled their willingness to correct two paragraphs of an essay that was full of errors. The participants were told to flag up each mistake and were given either a red or blue pen by Rutchick. Lo and behold, those using a red pen found an average of 24 mistakes, five more than those with a blue pen.

10 PSYCHOLOGICAL FACTS ABOUT COLOURS

5

White signals purity …

When someone is seen to have a clear conscience you talk about them being whiter than white. The degree to which the colour white evokes a positive image in our brain was shown in a 2004 study by Gerald Clore from the University of Virginia. The 169 test subjects were shown words on a monitor that had a positive association, such as "soft", and others with a negative association, such as "devil". The concepts appeared in both black and white fonts. The challenge for the participants was to assign the correct meaning to the words as quickly as possible. The volunteers were best able to achieve this when words with positive associations appeared in white and those with negative ones in black – in other words, when the meaning of the word corresponded with the colour's image.

6 … which means that teams playing in black shirts are at a disadvantage …

Even the neutral referee has his favourites, even if only subconsciously. In a 1988 study, the US psychologists Mark Frank and Thomas Gilovich compared the statistics of the NFL American football league and the NHL ice hockey league to see how many penalties referees awarded against teams from 1970 to 1986. Surprisingly perhaps, the impartial referees were considerably more likely to penalise those in black shirts. According to the scientists, this is down to an unconscious thought process: the colour black signifies aggressiveness – and when a referee observes the behaviour of a player in a black shirt, he automatically subordinates his objectivity and is more prone to handing out a penalty.

7 … and teams in red jerseys are likely to do well

Germany's record championship winners Bayern Munich generally appear in red shirts. The Schalke 04 team, previously considered the country's favourite team, are nicknamed "the Royal Blues". Coincidence? Hardly, according to Russell Hill and Robert Barton from the University of Durham. Their 2005 study analysed the results of several martial arts events at the 2004 Athens Olympics, in particular boxing, taekwondo and wrestling. In each of the sports the opponents were assigned red or blue outfits. Can you guess the outcomes? Yes, the competitor in the red shirt won in two-thirds of all instances.

8 People like blue

In their 2007 study, Anya Hurlbert and Yazhu Ling from the University of Newcastle let 208 volunteers pick their favourite colour of two coloured squares. As expected, blue was very popular indeed. The technical term is the "blue-seven phenomenon": Most people prefer the colour blue and the number seven.

9 Colours help us recognise faces

When we look at someone's face, we are extremely quick to determine whether the person is male or female. According to Frédéric Gosselin from the University of Montreal, this is primarily down to facial colouring. In his 2005 study, the scientist showed 30 test subjects photos of the faces of 300 fair-skinned people. In three out of four instances, the subjects were able to identify the correct gender. The most important criterion for their choices was the colouring of the mouth area, where women have higher a proportion of green tones, while men display a greater degree of red.

10 Light-coloured ceilings appear higher

That was the finding revealed by Daniel Oberfeld-Twistel from the Johannes Gutenberg University of Mainz. In his 2010 study he devised a virtual 3D room. Twelve volunteers were then asked to guess the height of the room. The outcome was that the lighter the colour that the ceilings and walls were painted, the higher the test subjects thought they were.

A VISION OF FAST FOOD

A TREND TOWARDS QUALITY

Gastronomy expert Gretel Weiß on new worlds of taste, artistic food presentation, increasing individualism and heightened emotions

By Gretel Weiß, issuer of "food-service", dfv Mediengruppe

The state of burger sales today shows how the catering industry is changing. The two US market leaders posted negative figures for 2014, although that by no means presages the end for their products. On the contrary, the culinary benchmark for the fast food favourite has shifted to other, more modern formats. Which makes "better burgers" a hot topic right now.

Coffee, burgers and beer are billion-dollar businesses, both nationally and globally. For most people, they are everyday products with minimal differences between brands. Production is highly industrialised and both prices and bargain offers are marked by cost cuts. These are typical indicators of mature markets. To put it bluntly: consumers reduce the sexiness of the offering and the brand to low prices and high convenience.

"FROM STANDARD TO LIFESTYLE, FROM A HOT DRINK TO A LIFESTYLE PRODUCT"

Perception of quality and the backdrop count, not the price

Undoubtedly the most famous example of how to breathe completely new life into a large, fatigued market is Starbucks. Howard Schultz started an international revolution in coffee, and since then coffee bars have constituted a complete premium segment, offering all providers massive new sales opportunities, especially in the quick-service world. Since then, we have seen a shift in the entire product category: from standard to lifestyle, from a hot drink to a lifestyle product. The package of innovations includes artistic product presentation, new worlds of taste, new drink events, increasing individualism, heightened emotions, and the incredible innovation: coffee to go.

Yes, today's consumers pay twice as much for a speciality coffee as for the simple version, but they receive so much more in return than just a hot drink, namely, a gourmet experience. Perception of quality and the backdrop count first and foremost, not the price.

What we learned 10 – 15 years ago with Starbucks has had a far-reaching effect. New offerings have stolen market share from

The food court of Kassel's City-Point boasts nine outlets.

established names, but at the same time the entire market has become so much bigger and more profitable for everyone.

Precisely these trends can now be seen in the boom in gourmet burgers and craft beer. The product's new sexiness and heightened experience for the consumer entail a major challenge for all existing providers, but at the same time pump new energy into longstanding products and well-known markets.

Consumer behaviour is changing

The markets have drawn some key lessons from these changes. The biggest is probably that there would be no gourmet markets without the mass markets. The gourmet markets are rooted in consumers' longstanding, customary behaviour patterns. This means that the next generation of entrepreneurs don't have to start from scratch and teach their clients everything they need to know. The message they can spread is that products are now significantly better, more sophisticated, more individual, more artisanal, more appealing. Consumption patterns are changing: from living standard to lifestyle. The mass market will always be there, but a new category is emerging with typically different entrepreneurs, whose offering is seen as better quality. This is a move from fast food to fast casual, to more value creation for the sector with greater appreciation by our guests. This represents an enormous opportunity for us all.

Given all the innovations in the markets that are already there and still to come, it's worth having a look at typical start-ups. Young business founders 10 to 15 years ago – with or without a university degree – typically opened coffee bars, as that was what they were committed to. Today the trend is not so much for coffee bars as for gourmet burger bars, which are shooting up like mushrooms. The owners are often trained chefs with an immense passion for ensuring the culinary perfection of their favourite dish. In keeping with the times, they boost their sales with social networks – a means of underlining their specific identity.

Printed with the kind support of the German Council of Shopping Centers.

"CONSUMPTION PATTERNS ARE CHANGING: FROM LIVING STANDARD TO LIFESTYLE."

A VIEW OF THE FUTURE IN THE CATERING MARKET

In the coming years, we can expect to see this trend in further large and small product ranges. This is reason enough to hazard a guess at future trends:

- The economic forecast for the current year is excellent. According to the npd group, private demand for catering in Germany will grow by practically three per cent. Entrepreneurial optimism is also at a peak despite minor difficulties, such as the introduction of the minimum wage and the labelling of allergens.
- In the entire "eating out" market, the distinction between retail trade and catering is becoming increasingly blurred. Billion-euro retail groups such as Rewe and Edeka are testing concepts (ready-to-eat offerings, snacks to go, quick service, convenience shops) throughout Germany in order to expand their scope in the direction of eating out.
- Concepts in the fast casual category are increasingly shaping the market. The undeniably strong sectors of fast food and casual dining are merging. Consumers in 2015+ wish to enjoy light, healthy food. They have little time, but would nonetheless like a gourmet experience. This puts considerable pressure on the entire quick-service category to become "fresher, better and more appealing to the eye".
- There is more truth than ever before in the slogan that reflects the mobility and requirements of the catering industry: you eat where you are, and you are what you eat! Thus caterers at transport hubs (streets; local, intercity and underground train stations; airports) frequently score well in quantitative and qualitative analyses. The potential of commuters is still underestimated.
- Catering has been less impacted by the Internet revolution than many retailers and service providers. Their value creation process cannot migrate online or even be exported. However, online marketing (website, reservation and booking solutions, social networks, etc.) is becoming essential for offline sales. This digital dialogue is reinforced by the use of smartphones and tablets, and ratings platforms are also becoming more significant.
- The importance of franchising and joint venture partnerships in professional catering is rising greatly. Vertical sales systems are changing their approach and are no longer just financing means, but also operational tools for the systems. Capable partners are in demand. They are being wooed by franchisors, and multi-unit operators are slipping into the background.
- The most important investment a catering business can make in its future is to establish itself as a popular employer brand. Staff development and employee retention are crucial to being able to use expansion opportunities. Operational excellence rooted in training and loyalty, and high-calibre lower and middle management are the key to guaranteeing quality.
- The way in which companies and consumers perceive value is changing. Consumers are seeking greater value from providers, and providers are counting on greater value being attached to their products. These two qualitative measurements need to tie up, because only if customers lend more importance to products can higher prices take hold. And for many companies higher prices are absolutely essential to their business calculations.
- The most start-up energy is currently to be found in two niche markets: food trucks / street food and gourmet burgers. Both new and established companies are focusing their visions on these two areas. A great passion for artisanal production precisely captures the spirit of the times as well as earning the appreciation of relatively critical consumers.

"YOU EAT WHERE YOU ARE, AND YOU ARE WHAT YOU EAT!"

WHAT I BOUGHT IN 2015

WILHELM WELLNER

Member of the Executive Board, Deutsche EuroShop

Art delights the senses. Since last year, we've had an example of art photography by Christophe Jacrot in our home. It's an evocative, moody and rather melancholy street scene from Paris in soft colours.

PATRICK KISS

Head of Investor & Public Relations, Deutsche EuroShop

My "buy of the year" certainly wouldn't be to everyone's taste, but I do like the coffin lid painted by the Belgian artist Hannes d'Haese with the words, "Nothing lasts forever, so live it up, drink it down, laugh it off, avoid the bullshit, take the chances and never have any regrets." The courier who delivered this work of art wasn't terribly amused.

JOANNA FISHER

Managing Director, ECE Center Management

I didn't buy anything I'd really set my heart on in 2015. Actually, I just really do enjoy shopping generally, especially for clothes and shoes, so I regularly go off on an easy-going shopping trip with friends.

RALF BÖNNEMANN

Director, Shoppingcenter Leasing Germany, CBRE GmbH

For spring I bought myself a sky-blue Vespa motor scooter. Not only is it the ideal way to enjoy good weather, but it's also really practical in the city center!

BIRGIT SCHÄFER

Secretary to the Executive Board, Deutsche EuroShop

I bought two elegant candle-holders, each standing 1.50 metres high, for my living room. They're hand-made, with a finely hammered effect and look impressive – real attention-grabbers!

OLAF BORKERS

Member of the Executive Board, Deutsche EuroShop

"Buy local!" they say, and I've again been happy to do so. I bought myself a cyclocross bike in fire brigade red from the Hamburg firm of Stevens and I'm going to use it for outings into the villages in the woods around the city. It's "Made in Germany – German Handicraft."

OLAF HARTMANN

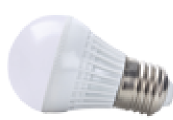
Managing Director
Multisense institut

My "buy of the year" was a pair of Salomon Speedcross 3 running shoes. I got them from a specialist shop in Berlin, where they advised me and performed a treadmill analysis on video. Buying them was really fun and an experience in itself. Quite apart from the design, the main factors in my decision to buy them were the feel of the shoes and the expert's view that they wouldn't do any damage to my knee joints. All that time and effort paid off.

NICOLAS LISSNER

Manager Investor & Public Relations, Deutsche EuroShop

I made some big changes at home by switching from light bulbs and energy-saving lights to LED lighting. The manufacturers claim these lights not only use up much less energy, but also last significantly longer – up to 10,000 hours. As three out of nine bulbs have already burned out, I'm not even going to venture preparing my own sustainability report yet.



DR. TILL DUNEMANN

Market Research Team Leader, ECE

In 2015, after hesitating for years, I at last got round to buying myself a new longboard – for surfing. Standing in front of the display in the shop, handling the boards and selecting the best, was exhilarating - something you simply can't get by shopping online. It now goes with me everywhere when I travel and I've already enjoyed many happy hours with it on the water.

GRETEL WEISS

Editor von food-service, dfv Mediengruppe

I treated myself to some really cool party clothes on a completely self-indulgent shopping trip to Munich. Looking and feeling and discussing the selection of clothes with girl friends in a nice shop is the best possible way of spending time. It's the mood that makes the difference.

BRITTA BEHRMANN

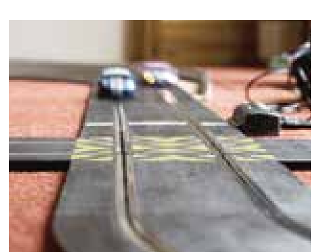
Senior Finance Manager, Deutsche EuroShop

Last year, I bought myself a height-adjustable writing desk for my workroom. Now I can edit my travel photos while standing up and taking the strain off my back.

RALPH BORGHAUS

Head of Finance, Deutsche EuroShop

When it comes to my "buy of the year", there's room for debate about who it was actually for: the Carrera model motor racing track was actually a present for my son's seventh birthday. But there are those who say I was thinking more of myself when I bought it. Whatever the truth of it, we both have masses of fun with it, turning the living room into a race track and having daredevil duels with each other.



SEBASTIAN BAUMANN

Head of ECE Future Labs

I think about innovations and new technology all the time. So of course I couldn't miss the chance to buy myself an Apple Watch.

CONSUMPTION IN 2016

Will private consumers keep on propping up the German economy?
By Rolf Bürkl

GfK forecasts suggest that private household spending in Germany is set to increase by 2% in real terms in 2016. It expects an increase of between 1.5% and 2% for the European Union as a whole. This means that private consumption in Germany is likely to grow slightly more vigorously than the country's gross

+2%
Private household spending is expected to increase by 2%.

domestic product (GDP). The retail trade, too, will benefit from rising consumer spending. GfK forecasts a 1.7% increase in spending on items other than food, and of 1.5% in food retail, including drugstores. Spending on renovations, holidays, wellness products and kitchens currently also contributes to this trend.

GfK is assuming – as it did last year – that private consumption will play a major part in propping up the economy in 2016, and not only in Germany but also Europe-wide. It justifies this by citing the general rise in economic strength, which can be expected to result in many businesses adding to their workforce, with unemployment therefore continuing to fall. Energy – in the shape of petrol and crude oil – will remain cheap, thus keeping inflation low and enabling consumers to have more money left in their wallets.

Why the cautious forecast?

This year's GfK forecast for Germany is cautious in tone. There are a number of reasons for this:

1. There is as yet no sign of the refugee crisis being resolved. If individual countries were to deny them entry, the Schengen agreement would collapse and borders would then again be closed, with very real consequences for Germany as an exporting nation.
2. The threat of terrorism in Europe as a whole and in Germany too: If more attacks are carried out, consumers might start to feel insecure and consume much less.
3. To date, falling energy prices have kept the economy going. If they continue to fall in the medium or longer term, though, the industries concerned might have to cut back on investments. If this were to result in layoffs, the labour market would be adversely affected and workers in other industries too would be more fearful of unemployment. In such a situation, more people will – despite extremely low interest rates – go back to saving up what money they can against potentially worse times rather than spending it on consumer goods.
4. The period of sustained slow growth in emerging economies such as Brazil, Russia, and – especially – China. This can have a long-term detrimental effect on the German economy's export prospects.

Retail trade benefits from favourable conditions

The German retail trade is set to benefit from good consumer sentiment in 2016. Food retail is expected to grow by 1.5% to €173.2 billion. As consumers continue to be more and more interested in quality, demand for higher-end products will be strengthened. In addition, the population growth resulting from immigration will be reflected in a quantitative rise in demand.

Indeed, the situation looks a little brighter in the non-food segment, which is expected to grow by 1.7% to €170.5 billion. There is little doubt that people will spend a lot of money on high-cost goods such as furniture in 2016, too. Over the past year, consumers have been spending more on their long-term needs and on experiences as opposed to goods. For example, expenditure on renovation work went up by 9%. Germans spent 10% more on holidays and private travel than they had done in the previous year. Their spending on new cars went up by 6% overall.

Consumer climate in Germany
in points

Source: GfK | EU-Kommission

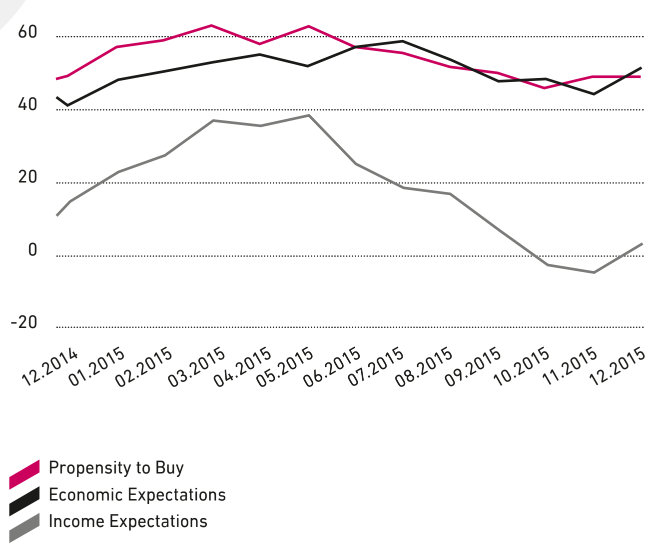
Germans are bracing themselves against external risks

Most indicators reached their peak to date last summer and then dropped sharply. This tendency was especially marked where economic expectations were concerned: May 2015 saw them reach their peak for the year at 38.3 points. The second half of the year brought clear evidence of consumer sentiment cooling down. In November, the indicator dropped to -5.3 points. It has since regained its stability and stood at 4.2 points in January.

German consumers' acquisitiveness continues unabated as yet. While the indicator fluctuated gently over the course of last year, it now stands at 52.7 points, which is extraordinarily high. Conditions are ideal for good consumer sentiment: the stable employment situation gives consumers the financial security they need to plan ahead, and the fact that petrol and heating oil prices have nose-dived leaves them with more money to spend on other things. Since the inclination to save is still languishing in the depths and the ECB's present policies are not going to revive it, spending whatever money is left over on high-end goods and services has a greater appeal than saving it.

The soaring consumer sentiment of the first half of 2015 was suddenly brought much closer to earth from the summer onwards, when nearly all consumer climate indicators fell one after another – some of them quite sharply. Behind this development lay the worsening refugee crisis, the increased threat of terrorism and the poor performance of emerging economies such as Russia, Brazil and – in particular – China. Now, though, consumer sentiment is stable again. While the potential dangers from outside Germany are obscured by the very good conditions within it, the consumer climate would without doubt become less favourable if consumers were again to feel insecure.

Consumer climate indicators
in points



CHARTS

Thalia.de
Entdecke neue Seiten.

Top 10 – fiction 2015
01 **Die Betrogene** ("The Dupe", not available in English) Charlotte Link
02 **The Rosie Project** Graeme Simsion
03 **Grey – Fifty Shades of Grey** as told by Christian, E.L. James
04 **After passion** (not available in English) Anna Todd
05 **After You** Jojo Moyes
06 **The Girl on the Train** Paula Hawkins
07 **Here's Looking At You** Mhairi McFarlane
08 **The Why Are You Here Cafe** John Strelecky
09 **Look Who's Back** Timur Vermes
10 **The Girl You Left Behind** Jojo Moyes

Top 10 – non-fiction 2015
01 **Darm mit Charme** ("The Good Gut", not available in English) Giulia Enders
02 **The German Civil Code (BGB)**
03 **My Journey into the Heart of Terror: Ten Days in the Islamic State** Jürgen Todenhöfer
04 **The Hidden Life of Trees** Peter Wohlleben
05 **Was ich noch sagen wollte** (memoir, not available in English) Helmut Schmidt
06 **Wer den Wind sät** ("Who Reaps The Wind", political writing, not available in English) Michael Lüders
07 **The Art of Thinking Clearly** Rolf Dobelli
08 **An Appeal by the Dalai Lama to the World** Dalai Lama
09 **The devil lies in the detail** (a German take on the English language, not available in English) Peter Littger
10 **Russland verstehen** ("Understanding Russia", not available in English) Gabriele Krone-Schmalz

SATURN

Top ten music albums (19 December 2015 – 15 January 2016)
01 **25** Adele
02 **Weihnachten** Helene Fischer Helene Fischer
03 **Muttersprache** Sarah Connor
04 **Hey** Andreas Bourani
05 **Farbenspiel** Helene Fischer
06 **Von Liebe, Tod und Freiheit** Santiano
07 **Das Tauschkonzert 2, Various Artists** Sing meinen Song
08 **x** Ed Sheeran
09 **Gipfelstürmer** Unheilig
10 **Rock Or Bust** AC/DC

MediaMarkt

Top 20 – Charts 2015
01 **25** Adele
02 **Weihnachten** Helene Fischer
03 **Muttersprache** Sarah Connor
04 **Hey** Andreas Bourani
05 **Farbenspiel** Helene Fischer
06 **Von Liebe, Tod und Freiheit** Santiano
07 **Sing meinen Song – Das Tauschkonzert 2** Various Artists
08 **X** Ed Sheeran
09 **Gipfelstürmer** Unheilig
10 **Rock Or Bust** AC/DC
11 **Bauch und Kopf** Mark Forster
12 **Niveau weshalb warum** Deichkind
13 **Dauernd jetzt** Herbert Grönemeyer
14 **Tracker** Mark Knopfler
15 **Alles brennt** Johannes Oerding
16 **Achtung** Pur
17 **MTV Unplugged** Cro
18 **Opposition** Frei.Wild
19 **Fifty Shades Of Grey** Original Soundtrack
20 **Home Sweet Home (Internat. Special Edt.)** Andreas Gabalier

Douglas

Top 5 ladies' fragrances 2015
01 **La vie est belle** (Lancôme)
02 **J'adore** (Dior)
03 **That's Me** (Helene Fischer)
04 **Boss Ma Vie Pour Femme** (Hugo Boss)
05 **Pour Femme** (Lacoste)

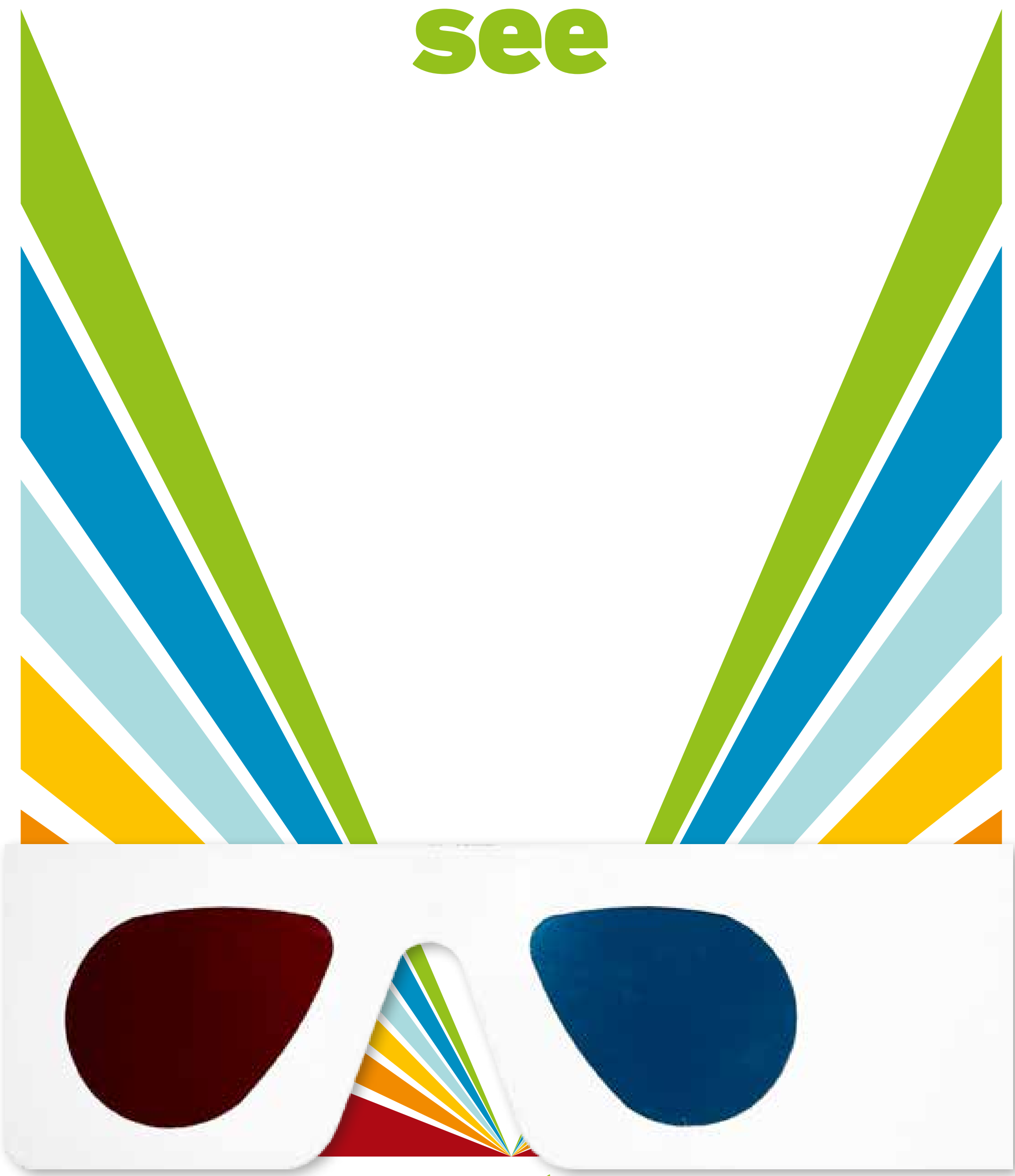
Top 5 mens' fragrances 2015
01 **Boss Bottled** (Hugo Boss)
02 **1 Million** (paco rabanne)
03 **Invictus** (paco rabanne)
04 **Sauvage** (Dior)
05 **Boss The Scent** (Hugo Boss)

CHOICE INSPIRES

OPEN YOUR EYES AND DISCOVER

Our eyes account for the majority of what we perceive. They allow us to distinguish between around ten million colour tones and detect even the tiniest light stimuli. Our spatial vision comes about through the interaction of our eyes with our brain, which enables us to orientate ourselves in space and judge distances. When shopping, the old adage still applies: you need to see it with your own eyes.

see



See for yourself.
Simply hold the 3D glasses
in front of your eyes
(with the blue on the right)
and turn the page.

INTOXICATED BY THE ELEMENTS

Wilhelm Wellner tries out what's on offer in Foodie.

€30 million invested

2,500 m^2 additional retail space

Expansion und Food Court-Grand opening im Phoenix-Center Hamburg-Harburg

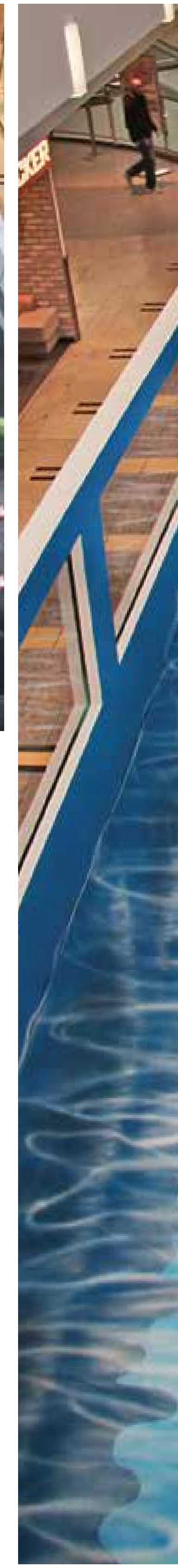
On 17 March 2016, after building works lasting more than 16 months, the day finally dawned: the opening of the new "Phoenix Foodie" food court marked the completion of the restructuring and expansion of the Phoenix-Center in Hamburg-Harburg, with two new basement-level shopping thoroughfares.

The center now has approximately 2,500 m^2 of extra retail space. Together with its project partners B&L and ECE, Deutsche EuroShop invested around €30 million in the expansion. The Phoenix-Center now offers some 130 specialist stores, gastronomy concepts and service providers across its roughly 29,000 m^2 of retail space.

Visitors were able to experience the first part of the expansion back in November 2015, when Media Markt and BR Spielwaren opened up some larger, new spaces. The drugstore Budnikowski has moved into wholly new premises and greatly expanded its range. H&M is now represented on three levels and has modernised its entire store. Depot is a new tenant specialising in homeware and interior decoration.

FIRE

The four elements – fire, water, air and earth – were symbolically represented by a 3D art project in the center during the renovation work.



The food court and new shop areas were built while the existing center continued to operate, which posed particular challenges for the project's managers. For example, most construction took place at night in order not to disturb visitors. In the final completion stage, up to 60 labourers were working simultaneously to erect walls, lay flooring and add water fountains, among many other tasks.

In order to achieve a pleasant flow of natural light to the basement level, large holes also had to be added at ground-floor level. Special dust-protection installations were erected around these, which became attractions in their own right: they were created by the reigning world champion in 3D street painting, Frederike Wouters. The end result incorporated five amazing tricks of perspective that amazed visitors.

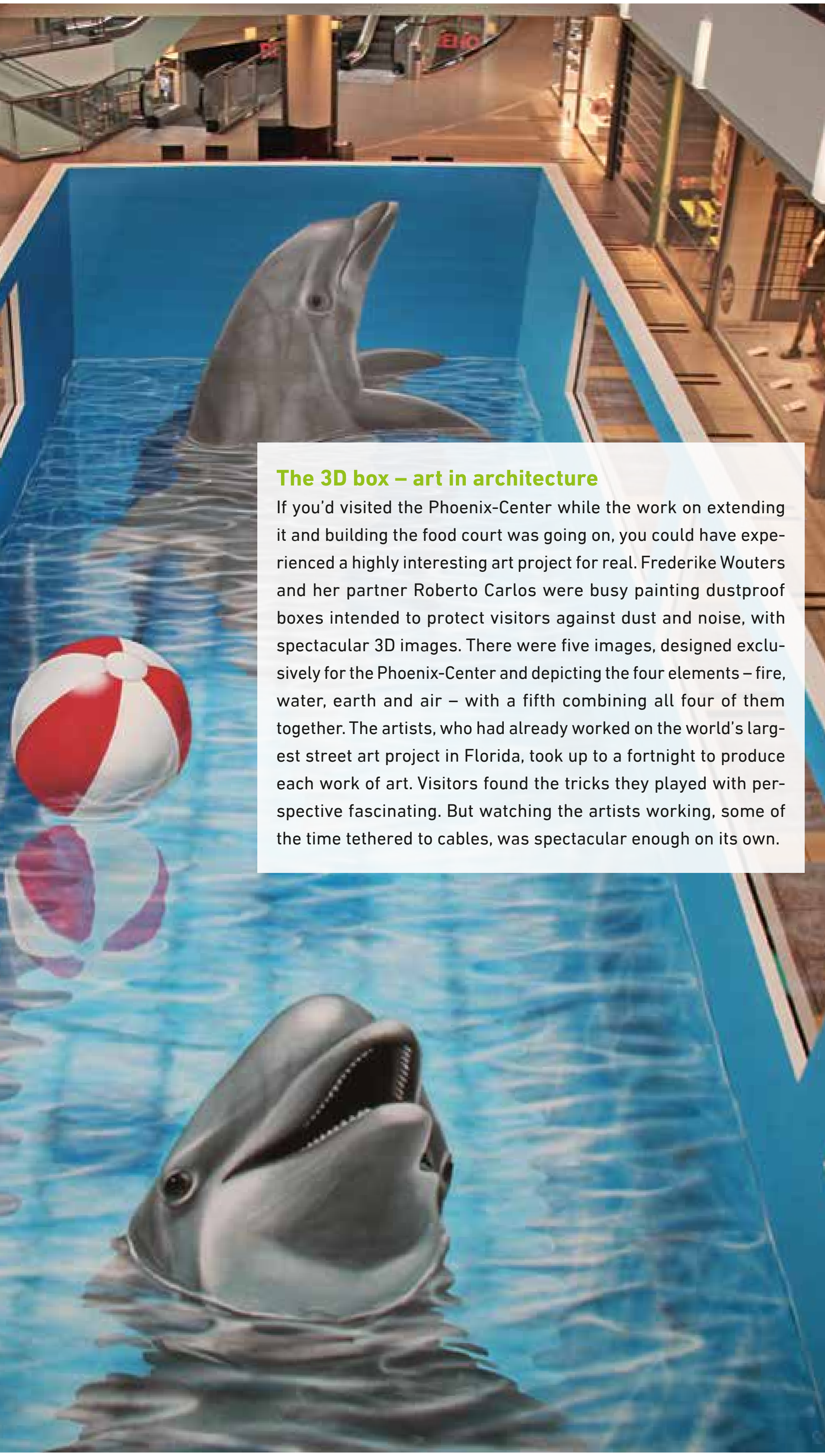
The expansion also allowed for further new concepts to be added to the shopping center. For instance, the Swedish sporting goods supplier Stadium opened a store in the Phoenix-Center – its first in any German shopping center. Gamestop opened Germany's first store for its Zing brand, which is dedicated to gaming, TV and film collectibles.

The fashion start-up About You and cosmetics retailer kosmetik4less were two further new arrivals at the Phoenix-Center, both of which had previously only sold their goods online and were therefore opening their first bricks-and-mortar stores. They follow in the footsteps of other digital-only retailers in pursuing a multi-channel strategy, no longer relying on online business alone but also making use of physical shops, where they can bring their products to life, showcase their brand and make face-to-face contact with customers.

The new basement food court, with its colourful, lively design, offers 300 seats for visitors. The "Foodie", as it has now been named, reflects the diversity of Hamburg's Harburg district, offering a highly varied selection of cuisines and dining options, from salads to sushi and Indian to Italian, not forgetting traditional hearty German fare.

The entire Phoenix-Center shopping street has been given a facelift using modern colour accents. To improve navigation around the center, the three zones of the triangular mall are now clearly colour-coded. With the addition of a children's play area in the basement and extra customer toilets, the service offering at the center has been improved and customer wishes catered to.

www.phoenix-center-harburg.de



The 3D box – art in architecture

If you'd visited the Phoenix-Center while the work on extending it and building the food court was going on, you could have experienced a highly interesting art project for real. Frederike Wouters and her partner Roberto Carlos were busy painting dustproof boxes intended to protect visitors against dust and noise, with spectacular 3D images. There were five images, designed exclusively for the Phoenix-Center and depicting the four elements – fire, water, earth and air – with a fifth combining all four of them together. The artists, who had already worked on the world's largest street art project in Florida, took up to a fortnight to produce each work of art. Visitors found the tricks they played with perspective fascinating. But watching the artists working, some of the time tethered to cables, was spectacular enough on its own.

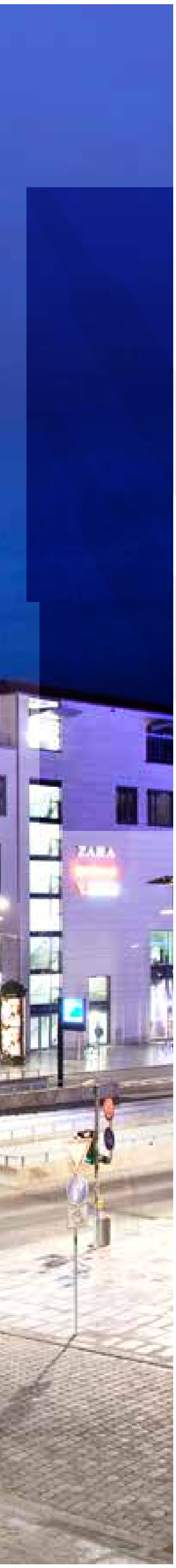
EARTH

WIND

WATER

CENTER

OUR PORTFOLIO



The success of our company lies in our shopping centers. We have 19 centers, each of which is unique. Of these, 16 are located in Germany, with one each in Austria, Poland and Hungary. Together, they contain 2,373 shops on an area covering 946,800 m².

The Altmarkt-Galerie is situated right in the heart of Dresden. The Zwinger and Frauenkirche are only minutes away on foot.

A **particular** highlight is our retail 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 the fact that we have been able to maintain this figure at a consistently high level since our company came into being. Our investments are squarely focused on Germany, which accounts for 91%.

	Domestic	International	Total
No. of centers	16	3	**19**
Leasable space in m²	825,800	121,000	**946,800**
No. of shops	1,930	443	**2,373**
Occupancy rate*	99%	99%	**99%**
Inhabitants in catchment area in millions	16.1	2.2	**18.3**

* including office space

Always in the best locations

The concepts of property and location are impossible to disentangle from one another. 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. They and their shoppers can be sure that each of our 19 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 even replace city shopping expeditions altogether and frequently have a strong pull beyond the immediate region.

Always conveniently accessible

Whether in the city center or outside the city gates: we give particular priority to transport links for each of 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. Our properties in Norderstedt and Hamburg-Billstedt are directly above or adjacent to metro stations.

All our shopping centers also have their own parking facilities, offering visitors and customers convenient and affordable parking, even in city centers, and ensuring optimum accessibility by car, too. Our out-of-town properties offer a huge number of free parking spaces. These particular locations are alongside motorways, making them very easy to reach, such as the A10 Center in Wildau on the A10 (Berlin ring road) or 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.

The ceilings and atria of Hamburg's Phoenix-Center are paradigms of sophisticated construction principles.

Successful mix

Each of our 19 shopping centers has a unique tenant structure resulting from a long, intensive and ongoing process. 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 we design our locations, architecture always has a special impact: specific plot requirements are just as important as the functional specifications of our 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. To this end, 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, however: 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.

Greenery and rest zones, such as those in Hameln's Stadt-Galerie, invite people to take a moment to relax.

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. Play areas are provided for our smallest visitors. Massage chairs are available for a small fee, providing a relaxing break from shopping.

Sustainable business

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 constantly seek dialogue with our rental partners with the aim of working together to reduce energy consumption in the individual shops.

Flexibility is the guarantee of tomorrow's success

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. The role all these factors play is growing steadily, particularly in the age of increasing online shopping.

We provide customised solutions to meet the demand for ever more varied spaces. We can 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 increased diversity.

165 million visitors in one year

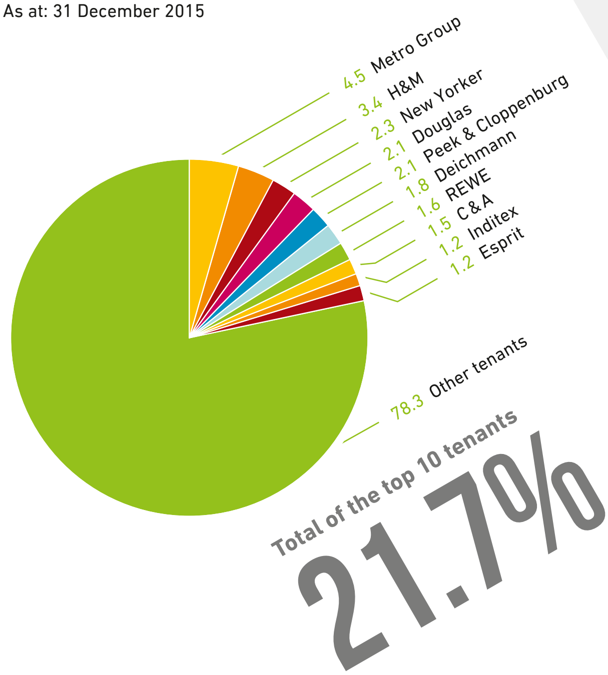
More than 18 million people live in the catchment areas of our shopping centers, over 16 million of them in Germany. Theoretically, this gives us access to 20% of the German population. A location's catchment area is a major factor for us when it comes to selecting an investment: this is ascertained 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 2015 we welcomed a total of around 165 million visitors to our 19 properties.

Our top 10 tenants

With a share of 4.5%, the Metro Group is our biggest tenant. It is one of the biggest international retailers and is represented in a large number of our centers by its retail brands Media Markt and Saturn (consumer electronics) and Real-SB-Warenhaus. In second place is the Swedish fashion group H&M, which is one of the world's leading retailers. It accounts for 3.4% of our total rental volume.

Our rental contract portfolio is highly diversified: our top 10 tenants are responsible for just under a quarter of our rental income, which shows that there is no dependency on individual tenants.

The ten largest tenants
Share of rental income in %
As at: 31 December 2015



Elaborate lighting technology and high-quality shop design concepts.

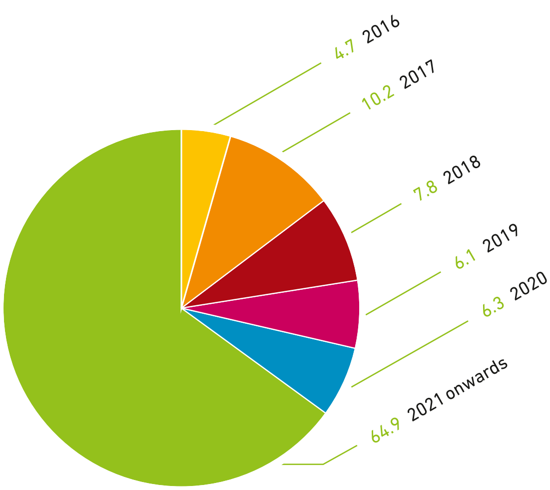
Warm colours and natural materials in a Marc O'Polo store.

Long-term rental contracts

The rental contracts that we sign with our tenants tend to have a standard term of ten years. As at 31 December 2015 the weighted residual term of the rental agreements in our portfolio was 6.2 years, with 65% of our rental agreements being secured until at least 2020.

Residual term of rental agreements in place

Share in %
As at: 31 December 2015



Our partner for center management

Management of our 19 shopping centers has been outsourced to our partner ECE Projektmanagement.

ECE has been designing, planning, building, letting and managing shopping centers since 1965. With 196 facilities in 16 countries currently under its management, the company is Europe's leader in the area of shopping malls.

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.

www.ece.com

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 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; and our customers appreciate the very wide choice of shops. These range from different fashion concepts to accessories and health and beauty retailers, right through to professional services such as bank and post office branches.

Whether German, Italian or Asian cuisine, there's something for everyone.

Something for all tastes

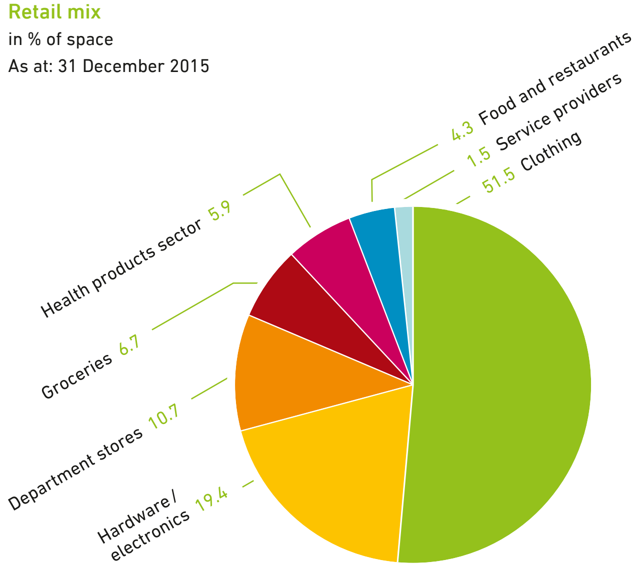
Surveys show that the food and drink offering is an increasingly important consideration for customers when choosing whether to visit a center. This is just one of the reasons why we want to offer our visitors something special on the gastronomic front: cafés, fast-food restaurants, ice-cream parlours, etc. offer a chance for refreshment and revitalisation while shopping. The Phoenix-Center in Hamburg-Harburg, the City-Point in Kassel and the Galeria Baltycka in Gdansk have their own food courts, offering seating and a wide variety of cuisines to a large number of diners. Friends or families can choose to eat from different outlets while still sitting together.

Focus on fashion

The fashion industry dominates our retail mix with over 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 traders as well as national and international chain stores. This contrasts starkly with the main shopping streets, where, according to studies in Germany, chain stores occupy over 90% of the retail space in some cases. The small-scale structure of our centers offers visitors something different each time and the opportunity to satisfy a vast range of consumer needs.

Retail mix
in % of space
As at: 31 December 2015



Benefiting offline from the Internet

Retail has always involved change. And the Internet has without doubt accelerated the pace of this process in recent years. 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 a prerequisite for subsequent online purchases.

Multichannel marketing – in which our tenants combine different communication and distribution channels – is also having an impact. For example, products that are out of stock in a store in the required size or colour can be

Fresh smoothies are becoming ever more popular. These delicious fruit and vegetable juices come in a multitude of combinations.

delivered directly to customers at home. Alternatively, customers can order their goods online from home and collect them from our tenant's store.

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

Successful tenant partners

Our tenants are one of the key drivers of our success. They include Aldi, Apple, Bench, Bijou Brigitte, Birkenstock, Breuninger, C&A, Christ, Deichmann, Deutsche Post, Deutsche Telekom, dm-drogerie markt, Douglas, Esprit, Fielmann, H&M, Hollister, Jack & Jones, Kiehl's, Media Markt, Marc O'Polo, New Yorker, Nordsee, Peek & Cloppenburg, Reserved, REWE, Rituals, Saturn, s.Oliver, Subway, Superdry, Thalia, Timberland, TK Maxx, Tommy Hilfiger, Vero Moda, Villeroy & Boch, Vodafone and Zara.

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.

The shopping center as a community

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 can, for example, be purchased here, and in many of our centers there is also the opportunity to hire pushchairs. 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 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 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 IN 2015

Christmas festivities in Pécs

The Árkád Pécs was transformed into a Christmas wonderland from 19 November to 31 December 2015. Lavish decorations throughout the mall produced a festive atmosphere that no visitor to the center could have failed to note. The theme this year was the story of Rudolph the Red-Nosed Reindeer. Local schools and associations staged concerts and short Christmas-themed dramas on the Christmas stage. Customers were also offered some special seasonal services, such as gift-wrapping and "pages", who were not only on hand to answer whatever questions customers might have, but also helped out by carrying purchases to shoppers' cars. Our tenants also made gift recommendations on a specially set up center website.

www.arkadpecs.hu

The Christmas stage was also used to put on small plays.

The photoreceptor cells of the retina are the key to vision: rods (light-dark contrast) and cones (colours).

Experiencing history in Hameln

Visitors to the Stadt-Galerie Hameln between 30 April and 9 May were able to embark on a journey through history. During this period, many museums in the region put various valuable exhibits from their collections on show at the center. The intention was to inspire a love of history and also of course to attract visitors to the "Museen des Landkreises Hameln-Pyrmont" group of museums. Museum volunteers were on hand on various days to bring the eventful history of the region to life in personal conversations with visitors and give them deeper insights into how the people of Hameln used to live. Given that these days museums are not just about learning, looking and marvelling, but also about actively engaging and trying things for oneself, there was a varied programme of activities for young time travellers in particular.

www.stadt-galerie-hameln.de

40 years of Hamm at the Allee-Center

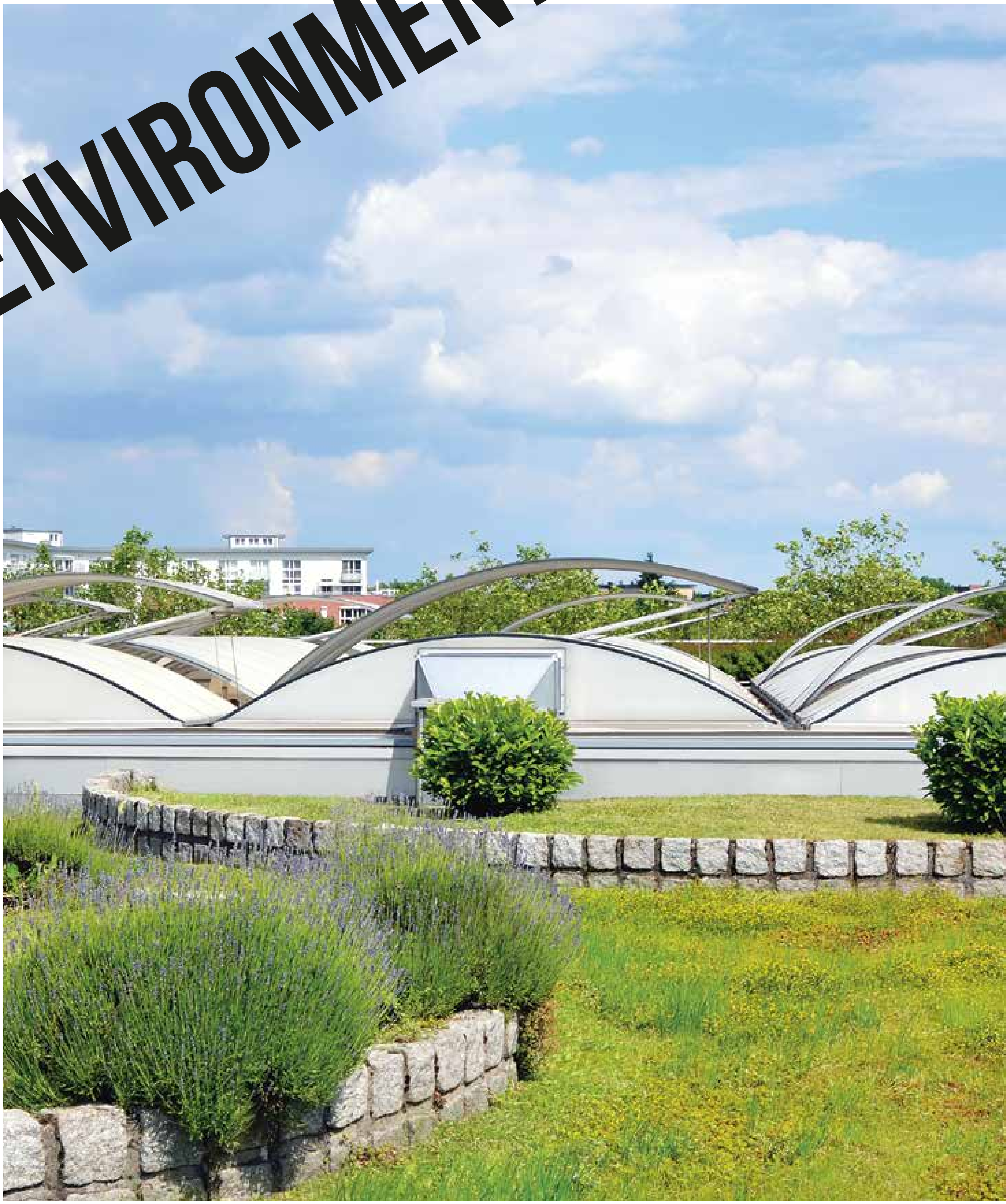
On 1 January 1975, the towns of Bockum-Hövel, Hamm and Heessen and the municipalities of Pelkum, Rhynern and Uentrop were incorporated to form a new autonomous city. That effectively marked the birth of Hamm as we know it today. Despite its youth, much has happened here! Growing together, a departure from mining, structural change and transitioning into a university town are just some of the stages it has gone through. The Allee-Center marked the city's ruby anniversary with a major week of activities from 7 to 12 September, under the banner "Welcome to Hamm!" Various activities at the center commemorated significant events and people, who were shown from a fresh angle, along with some of the city's landmarks.

www.allee-center-hamm.de

Exciting exhibits in glass cases awaken interest in history.

Particularly in vogue at the moment: T-shirts bearing the slogan "Echte Hammerin"

ENVIRONMENT



The Herold-Center has a special lighting and ventilation concept with dynamic controls integrated in the planted roofs.

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.

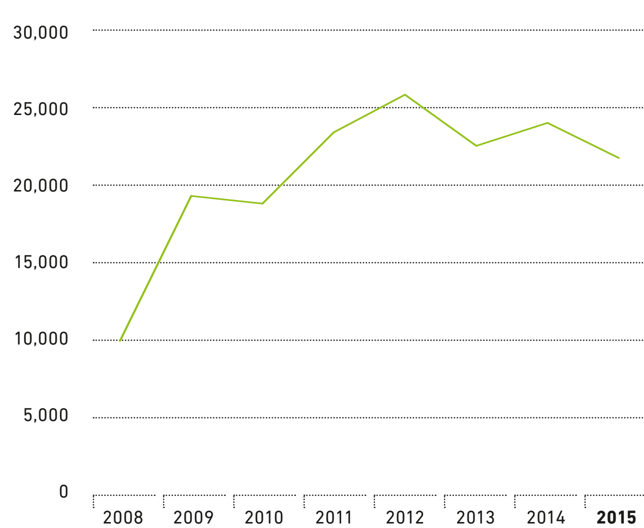
In 2015, all our German shopping centers had contracts with suppliers that use renewable energy sources, such as hydroelectric power, for their electricity needs. The "EnergieVision" organisation certified the green electricity for our centers in Germany with the renowned "ok-power" accreditation in 2015. We also plan to switch our centers in other countries over to green electricity wherever possible within the next few years.

The German centers used a total of around 66.6 million kWh of green electricity in 2015. This represented 100% of the electricity requirements in these shopping centers. Based on conservative calculations, this meant a reduction of around 21,760 tonnes in carbon dioxide emissions, which equates to the annual CO_2 emissions of nearly 1,000 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 in CO_2 emissions

in tonnes



MORE THAN JUST TEMPLES TO RETAIL

According to the report "Food and Beverage in Shopping Centers" by the real estate advisory company CBRE, shopping centers are European consumers' preferred venue for eating and drinking.

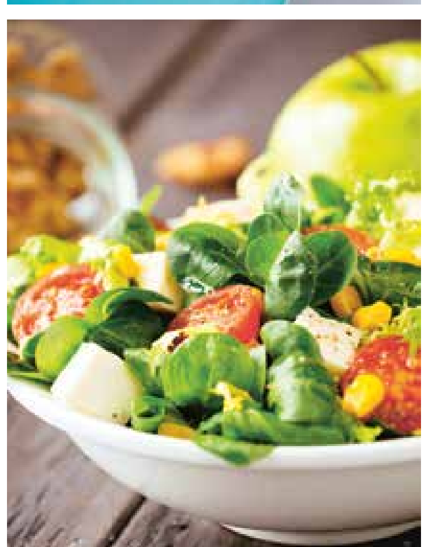
By Ralf Bönnemann,
Director of Shoppingcenter Leasing Germany, CBRE

24%
of all Germans often visit a shopping center, mainly because of the gastronomic range available.

Of the 22,000 people across 22 countries who were surveyed, 31% said shopping centers were their destination of choice because of the gastronomic range available. Just 10% favoured restaurants and cafés in city centers, with a further 7% opting to dine in retail parks.

City center retail plays a major role in Germany

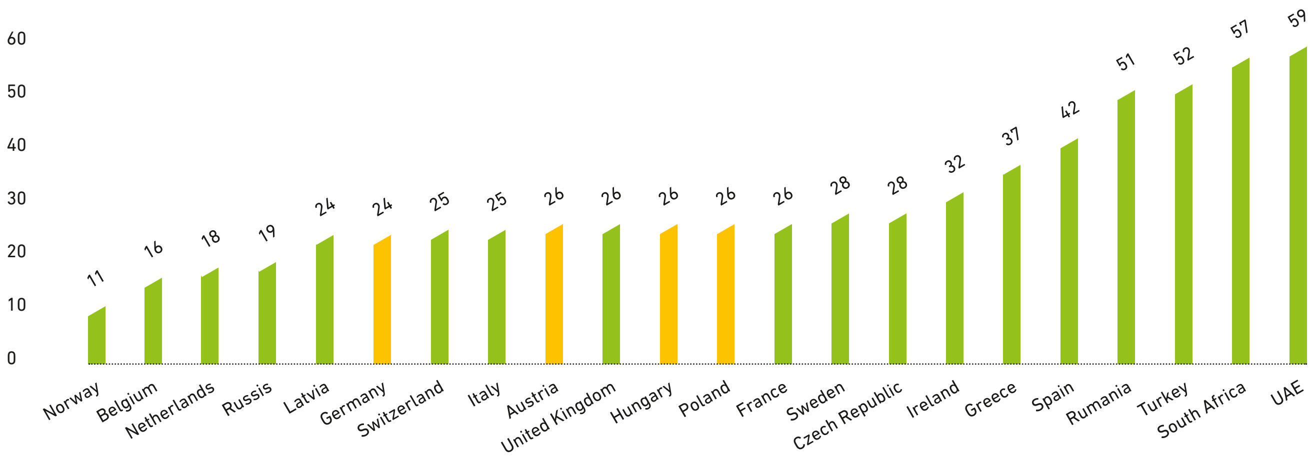
In Germany, 24% of respondents said that they often seek out shopping centers purely for eating and drinking. In this regard, Germany ranks middle in a global comparison. City center retail, in particular, is apparently even more significant in Germany, with the consequence that the gastronomic offerings are broadly distributed. By contrast, in places such as Dubai retail takes place primarily in mega malls, some of which are even attached to leisure and amusement parks and as such have a sufficient number of dining opportunities.



Always fresh – the food courts of our shopping centers offer something for every taste.

Share of respondents who occasionally visit shopping centers purely to eat or drink

in%



Source: CBRE Research, 2015

Increasing demands on the part of consumers

47% of respondents said that they will stay longer in a shopping center if they have the opportunity during their visit to use the on-site food court to eat or drink something or pass some time in a pleasant environment. On average, as many as 40% agreed with the statement that even if they visited a shopping center primarily for those reasons, they would subsequently do some shopping as well. The equivalent figure for Germany was over 31%.

47%

of those surveyed spend more time in a shopping center if it has a food court.

This shows firstly that shopping centers today are more than just temples to retail, and that consumers seek them out for more than just to buy clothes, shoes, electronic goods and entertainment media. Secondly, shopping center operators must adapt to the increased demands of consumers and the changed requirements for additional service offerings that go beyond the typical forms of consumption found at shopping centers.

The days when a limited gastronomic range was sufficient to pull in investors are over. These days, an extensive and diverse offering is needed that genuinely excites consumers and is geared to the lifestyle, consumption and eating habits of different customer groups in their respective catchment areas. It is important that – in a very real sense – nothing is off the table, and that customers are not served up the same old fare for the umpteenth time. Creativity is called for, both on the menu and when it comes to using innovative technologies like smartphones and tablets which customers can use to virtually assemble their own customised pizza or burger, for instance, then place their order and consume it at a time of their choosing.

The impact of such trends can be seen in Germany too: particularly when opening a new center or redeveloping portfolio properties, offering a wide range of different dining opportunities in an appealing atmosphere has become vital. Yet owners and operators still face the necessity of developing modern concepts with high hospitality standards in order to live up to the increased and ever-evolving requirements.

There is a desire for new dining concepts

The quality of the gastronomic offerings is another key factor for consumers. In all, 67% of visitors to shopping centers said that they had eaten something there within the last 12 months. However, only 7% of them described the food as “excellent”. In other words, what counts is not merely that a shopping center offers dining opportunities, but above all what the quality is like.

45% of respondents, for instance, expressed a desire for a wider range of healthy options or organic foods. In addition, 34% said that they would like new, independent restaurant concepts. Consumers are demonstrating increased differentiation and discernment in their expectations of a high-quality shopping center and are demanding a truly enjoyable shopping and sensory experience. With that in mind, operators and owners will have to do more in future than merely offer consumers centers full of top brands. Instead, they will need to incorporate expansive food courts, for instance, to extend the shopping center experience to the food offering.

Confectionary Kreutzkamm, Altmarkt-Galerie, Dresden

SOMETHING FOR EVERY TASTE

Asian cuisine or wraps? What kinds of food do shopping center customers prefer?

By Dr Till Dunemann, Head of Research, ECE

Above and beyond the general appetite for high-quality, fresh and healthy food, there is also demand for specific types of cuisine, such as vegan, kosher and halal. In other words, the culinary range on offer in shopping centers has to be wider than ever before to meet these exacting requirements. A growing awareness of good nutrition and the latest dietary trends are also reflected in customers' specific wishes. It is therefore time to take a closer look at how this variety breaks down in terms of actual customers.

Back to one's roots

While over half of all users are satisfied with the range on offer, the rest of the respondents above all wanted more regional German cooking and healthier options. There was also demand to further increase provision of the following:

13% regional German food
9% healthier options
7% Mexican
7% innovative, trendy cuisine

Download

The study can be downloaded from

www.ece.de/gastronomie-studie

Source: TNS survey regarding food and beverages in shopping centers, 2016, n = 1,019, multiple responses were allowed

37%
ASIAN
Within the 18–29 age bracket, 53% favour Asian food.

44%

Coffee: Cappucino and other coffee drinks are the undisputed food court champions.

24% Ice cream

24% Cakes and doughnuts

22% Döner kebabs and falafel

19% Salads

27%
SANDWICHES
Sandwiches, rolls and wraps for a tasty snack during a break

CENTER

FOOD POINT

AT CITY-POINT KASSEL

This new dining space with an area of 1,200 m² was created on the third floor. A seating area with space for around 200 people is surrounded by nine tenant outlets, offering a broad choice of cuisine. With Thai food, pizza, chicken from KFC, Indian food, Dutch chips, burgers, Chinese cuisine, filled baguettes and kebabs to choose from, there is something for every palate. Individuals and groups are equally catered for. Each guest picks out their own menu, then groups can reassemble to eat together and enjoy the cool yet congenial surroundings, with views of the spectacular atrium with its futuristic escalators.

City-Point Kassel now boasts an additional attraction: after nearly four months of building works, its Food Point – Kassel's first food court and a new culinary meeting place – was opened on 28 November 2015.

We have invested around €4.5 million in Food Point and are pleased with its reception to date. It has also been very well received by new customers who are now spending their lunch breaks in the center or are choosing the center on account of the quality of its food offering. Food Point has materially improved the quality of visits for everyone using the center.

What is more, visitors are coming in droves not just to eat: the opening of Food Point gives guests access to the very first balcony at City-Point, overlooking Untere Königsstraße and offering them views of the scenery surrounding Kassel. In good weather there is of course also the option of picking up something delicious to enjoy in the open air.

www.city-point-kassel.de

THE FORUM WETZLAR

TURNS TEN

The Forum Wetzlar – one of the largest city center shopping centers in the state of Hesse – opened its doors on 16 February 2005.

Ever since, it has provided around 110 shops, a wide-ranging selection of dining options and numerous service providers, forming an attractive connection between Wetzlar station and the pedestrian zone.

Its landmark birthday was celebrated with two weeks of events in October 2015, with customers and visitors offered a lively programme. This included daily activities such as fashion shows, comedy, live music, a puppet theatre and a seniors' café.

A competition ran throughout the whole period, with valuable prizes given away each day, including a travel voucher and a camera from local manufacturer Leica. The top prize was a Mercedes-Benz A-Class.

Birthday guests and Forum customers attended a jazz afternoon, at which they were entertained with bossa nova classics, old favourites and TV theme tunes.

There was also something to keep the smallest visitors happy: children's singer-songwriter Volker Rosin presented his latest programme, "The blue dog wants to dance", as part of a junior disco. A caricaturist was on hand the whole day to draw portraits on request. The face painting and popcorn stands also went down very well with the young guests.

And of course, no birthday would be complete without a cake! Ours was a massive 1.60 by 1.20 metres in size. It took the center's Bäckerei Moos more than 22 hours to make and used 285 eggs, 50 kilos of flour, 40 kilos of sugar and 22 kilos of cream.

www.forum-wetzlar.de

A visit is a culinary experience for everyone, not only nougat fans.

EXPERIMENTAL CONFECTIONERY

THE WORLD OF NOUGAT AND CHOCOLATE IN DRESDEN'S ALTMARKT-GALERIE

Visitors who enter the Altmarkt-Galerie in Dresden, under the roof of the historic building that was formerly the Intecta department store and was integrated into the Center as part of the 2011 extension, find a very special culinary highlight waiting for them.

On two levels and covering nearly 900 m^2, an event space has been created in which a team some twenty strong put on a real celebration of indulgent consumption: the Viba-Erlebnis-Confiserie & Café is making more and more of a name for itself as a go-to venue for people from Dresden and Saxony and visitors to the city and region from around the world. It's a place where every visit is meant to be an experience, whether it's to enjoy a cup of coffee with home-made desserts or a bowl of nougat ice cream, to browse and perhaps buy in a shop full of presents or have fun with friends and family.

One special attraction is the courses in which visitors can take their part in making confectionery an experience. These give visitors a chance to try out the craft practised by Viba's confectioners and are a complete blast for young and old alike. A variety of try-it-yourself courses offer insights into how to handle the ingredients and into the art of making chocolate, nougat and fillings.

And anyone who finds that the refinements of the confectioner's craft give them an appetite can give themselves a treat in the restaurant, which has space for 80 guests and offers lots of home-made specialities. Visitors are spoiled for choice at breakfast, lunch or dinner, or indeed at any time of the day. And the culinary delights are matched by the glorious view of the Frauenkirche and the Old Market.

CENTER

THE CENTERS

POLAND

9,80 million visitors 2015
1 center

18 Galeria Bałtycka, Danzig, Poland

GERMANY

137,10 million visitors 2015
16 centers

01 A10 Center, Wildau / Berlin
02 Main-Taunus-Zentrum, Sulzbach / Frankfurt
03 Altmarkt-Galerie, Dresden
04 Rhein-Neckar-Zentrum, Viernheim / Mannheim
05 Herold-Center, Norderstedt
06 Allee-Center, Magdeburg
07 Billstedt-Center, Hamburg
08 Phoenix-Center, Hamburg
09 Forum, Wetzlar
10 Allee-Center, Hamm
11 City-Galerie, Wolfsburg
12 Rathaus-Center, Dessau
13 City-Arkaden, Wuppertal
14 City-Point, Kassel
15 Stadt-Galerie, Passau
16 Stadt-Galerie, Hameln

AUSTRIA

5,60 million visitors 2015
1 center

17 City Arkaden, Klagenfurt, Austria

HUNGARY

12,40 million visitors 2015
1 center

19 Árkád, Pécs, Hungary

THE CENTERS IN GERMANY

Number of visitors in Germany in 2015 in millions

137.10

Average number of visitors per center in Germany in 2015 in millions

8.57

Floor space of all centers in Germany in 2015 in m^2

825,800

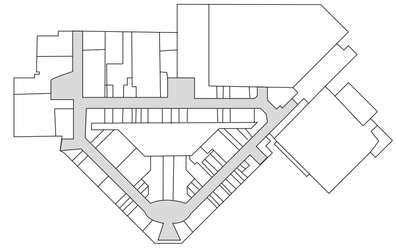
Number of stores in shopping centers in Germany

1,930

6.9
million
Visitors 2015

A10 CENTER

Wildau / Berlin



Address

Chausseestraße 1
15754 Wildau
www.a10center.de

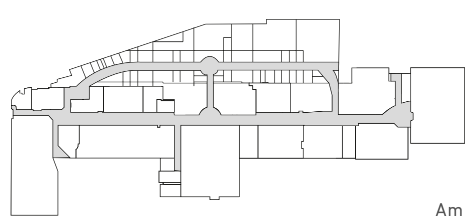
INVESTMENT: 100%
LEASABLE SPACE: 124,700 m²
OF WHICH RETAIL SPACE: 66,000 m²
PARKING: 4,000
NO. OF SHOPS: 200
OCCUPANCY RATE: 100%
CATCHMENT AREA: 1.1 million residents
PURCHASED BY DES: January 2010
GRAND OPENING: 1996
RESTRUCTURING / MODERNISATION: 2010 – 2011
ANCHOR TENANTS: Bauhaus, C&A, H&M, Karstadt Sports, MediMax, Peek & Cloppenburg, real

INVESTMENT: 52%
LEASABLE SPACE: 124,000 m²
OF WHICH RETAIL SPACE: 91,000 m² (plus C&A)
PARKING: 4,500
NO. OF SHOPS: 170
OCCUPANCY RATE: 100%
CATCHMENT AREA: 3.1 million residents
PURCHASED BY DES: September 2000
GRAND OPENING: 1964
RESTRUCTURING / MODERNISATION: 2004
EXPANSION: 2011
ANCHOR TENANTS: Apple, Breuninger, Galeria Kaufhof, H&M, Hollister, Karstadt, Media Markt, REWE

8.2
million
Visitors 2015

MAIN-TAUNUS-ZENTRUM

Sulzbach / Frankfurt



Address

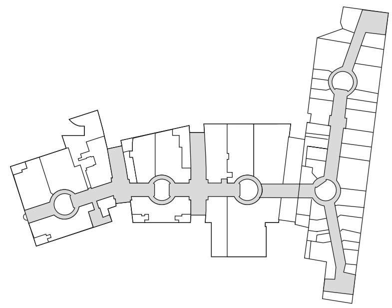
Am Main-Taunus-Zentrum
65843 Sulzbach (Taunus)
www.main-taunus-zentrum.de

ALTMARKT-GALERIE

Dresden

14.8 million

Visitors 2015



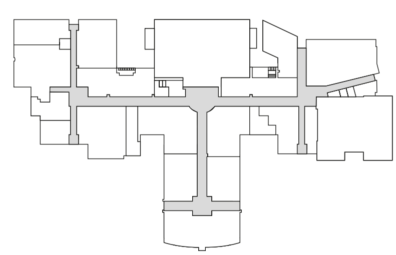
INVESTMENT: 100%
LEASABLE SPACE: 77,000 m²
OF WHICH RETAIL SPACE: 44,000 m²
PARKING: 500
NO. OF SHOPS: 200
OCCUPANCY RATE: 99%
CATCHMENT AREA: 2.1 million residents
PURCHASED BY DES: September 2000
GRAND OPENING: 2002
EXPANSION: 2011
ANCHOR TENANTS: Apple, H&M, Hollister, Saturn, SinnLeffers, SportScheck, Zara

Address

Webergasse 1
01067 Dresden

www.altmarkt-galerie.de

INVESTMENT: 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: Engelhorn Active Town, H&M, Humanic, Peek & Cloppenburg TK Maxx, Zara



RHEIN-NECKAR-ZENTRUM

Viernheim / Mannheim

7.8 million

Visitors 2015

Address

Robert-Schumann-Straße 8a
68519 Viernheim

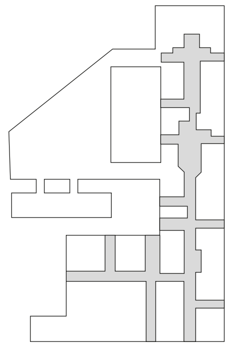
www.rhein-neckar-zentrum-viernheim.de

CENTER

HEROLD-CENTER

Norderstedt

11.5 million Visitors 2015



INVESTMENT: 100%
LEASABLE SPACE: 54,200 m²
OF WHICH RETAIL SPACE: 26,000 m²
(plus Karstadt and Saturn)
PARKING: 850
NO. OF SHOPS: 140
OCCUPANCY RATE: 96%
CATCHMENT AREA:
0.5 million residents
PURCHASED BY DES: January 2013
GRAND OPENING: 1971
RESTRUCTURING / EXPANSION: 1995 und 2003
ANCHOR TENANTS: C&A, H&M, Peek & Cloppenburg, REWE

Address

Berliner Allee 38–44
22850 Norderstedt

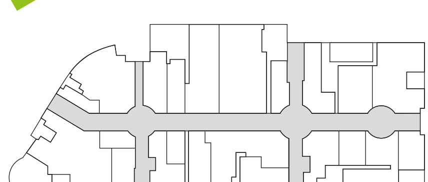
www.heroldcenter.de

INVESTMENT: 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: Oktober 2011
GRAND OPENING: 1998
EXPANSION: 2006
ANCHOR TENANTS: H&M, Saturn, SinnLeffers, SportScheck, REWE

9.5 million Visitors 2015

ALLEE-CENTER

Magdeburg



Address

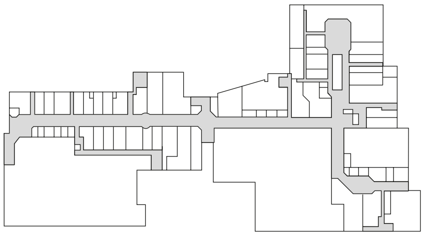
Ernst-Reuter-Allee 11
39104 Magdeburg

www.allee-center-magdeburg.de

BILLSTEDT-CENTER

Hamburg

10.1 million
Visitors 2015



INVESTMENT: 100%
LEASABLE SPACE: 42,600 m²
OF WHICH RETAIL SPACE:
40,000 m² (plus Primark)
PARKING: 1,500
NO. OF SHOPS: 110
OCCUPANCY RATE: 98%
CATCHMENT AREA: 1.0 million residents
PURCHASED BY DES: January 2011
GRAND OPENING: 1969 / 1977
RESTRUCTURING: 1996
ANCHOR TENANTS: C&A, H&M,
Media Markt, TK Maxx, REWE

Address

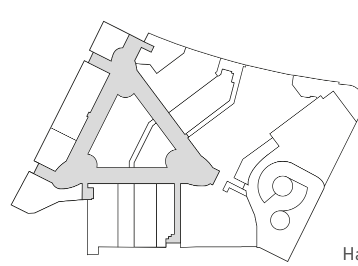
Möllner Landstraße 3
22111 Hamburg
www.billstedt-center.de

INVESTMENT: 50%
LEASABLE SPACE: 43,300 m²
OF WHICH RETAIL SPACE: 29,000 m²
PARKING: 1,400
NO. OF SHOPS: 130
OCCUPANCY RATE: 99%
CATCHMENT AREA: 0.6 million residents
PURCHASED BY DES: August 2003
GRAND OPENING: 2004
EXPANSION / RESTRUCTURING: 2016
ANCHOR TENANTS: C&A, H&M,
Karstadt Sports, Media Markt, New Yorker,
REWE, SinnLeffers, Stadium

PHOENIX-CENTER

Hamburg

9.2 million
Visitors 2015



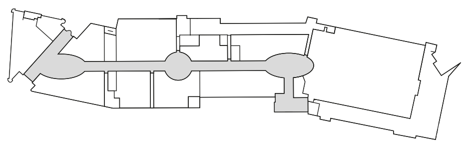
Address

Hannoversche Straße 86
21079 Hamburg
www.phoenix-center-harburg.de

7.6 million
Visitors 2015

FORUM

Wetzlar



INVESTMENT: 65%
LEASABLE SPACE: 34,300 m²
OF WHICH RETAIL SPACE: 23,500 m²
PARKING: 1,700
NO. OF SHOPS: 110
OCCUPANCY RATE: 99%
CATCHMENT AREA:
0.5 million residents
PURCHASED BY DES: Oktober 2003
GRAND OPENING: 2005
ANCHOR TENANTS:
Kaufland, Media Markt,
Sporthaus Kaps, Thalia

Address

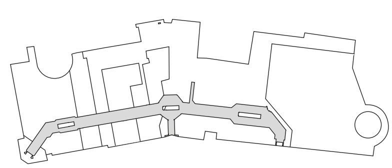
Am Forum 1
35576 Wetzlar
www.forum-wetzlar.de

6.8 million
Visitors 2015

ALLEE-CENTER

Hamm

INVESTMENT: 100%
LEASABLE SPACE: 34,000 m²
OF WHICH RETAIL SPACE: 21,000 m²
PARKING: 1,300
NO. OF SHOPS: 90
OCCUPANCY RATE: 99%
CATCHMENT AREA:
0.7 million residents
PURCHASED BY DES: April 2002
GRAND OPENING: 1992



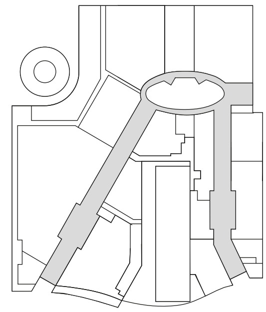
RENOVATION / RESTRUCTURING:
2003, 2009
ANCHOR TENANTS: C&A, H&M,
Peek & Cloppenburg, REWE, Saturn

Address

Richard-Matthaei-Platz 1
59065 Hamm
www.allee-center-hamm.de

7.7 million
Visitors 2015

CITY-GALERIE
Wolfsburg



INVESTMENT: 100%
LEASABLE SPACE: 30,800 m²
OF WHICH RETAIL SPACE: 20,000 m²
PARKING: 800
NO. OF SHOPS: 100
OCCUPANCY RATE: 100%
CATCHMENT AREA:
0.5 million residents
PURCHASED BY DES:
September 2000
GRAND OPENING: 2001
RESTRUCTURING: 2011
ANCHOR TENANTS: Hempel,
New Yorker, REWE, Saturn

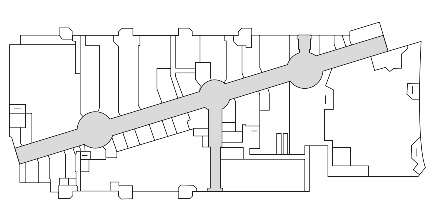
Address

Porschestraße 45
38440 Wolfsburg
www.city-galerie-wolfsburg.de

RATHAUS-CENTER
Dessau

5.6 million
Visitors 2015

INVESTMENT: 100%
LEASABLE SPACE: 30,100 m²
OF WHICH RETAIL SPACE:
20,400 m² (plus Karstadt)
PARKING: 850
NO. OF SHOPS: 90
OCCUPANCY RATE: 98%
CATCHMENT AREA:
0.5 million residents
PURCHASED BY DES:
November 2005
GRAND OPENING: 1995
ANCHOR TENANTS: H&M, Modehaus Fischer,
Thalia, TK Maxx



Address

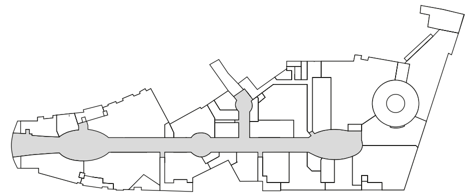
Kavalierstraße 49
06844 Dessau-Roßlau
www.rathauscenter-dessau.de

8.9 million

Visitors 2015

CITY-ARKADEN

Wuppertal



Address

Alte Freiheit 9
42103 Wuppertal

www.city-arkaden-wuppertal.de

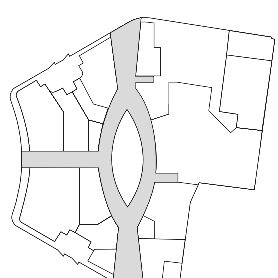
INVESTMENT: 100%
LEASABLE SPACE: 28,600 m²
OF WHICH RETAIL SPACE: 20,000 m²
PARKING: 650
NO. OF SHOPS: 80
OCCUPANCY RATE: 99%
CATCHMENT AREA: 0.8 million residents
PURCHASED BY DES: September 2000
GRAND OPENING: 2001
RESTRUCTURING: 2011
ANCHOR TENANTS: Akzenta, H&M, Reserved, Thalia

8.6 million

Visitors 2015

CITY-POINT

Kassel



INVESTMENT: 100%
LEASABLE SPACE: 27,700 m²
OF WHICH RETAIL SPACE: 20,000 m²
PARKING: 220
NO. OF SHOPS: 60
OCCUPANCY RATE: 100%
CATCHMENT AREA: 0.8 million residents
PURCHASED BY DES: September 2000
GRAND OPENING: 2002
RESTRUCTURING: 2009, 2015
ANCHOR TENANTS: H&M, New Yorker, Saturn, tegut

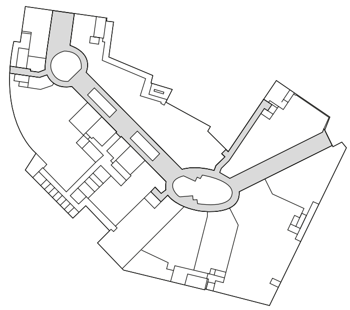
Address

Königsplatz 61
34117 Kassel

www.city-point-kassel.de

8.2
million
Visitors 2015

STADT-GALERIE
Passau



INVESTMENT: 75%
LEASABLE SPACE: 27,700 m²
OF WHICH RETAIL SPACE: 21,000 m²
PARKING: 500
NO. OF SHOPS: 90
OCCUPANCY RATE: 100%
CATCHMENT AREA: 1.2 million residents
PURCHASED BY DES: December 2006
GRAND OPENING: 2008
ANCHOR TENANTS: C&A, Esprit, Saturn, Thalia

Address

Bahnhofstraße 1
94032 Passau

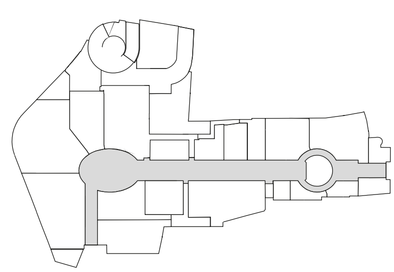
www.stadtgalerie-passau.de

5.7
million
Visitors 2015

STADT-GALERIE
Hameln

INVESTMENT: 100%
LEASABLE SPACE: 26,000 m²
OF WHICH RETAIL SPACE: 19,000 m²
PARKING: 500
NO. OF SHOPS: 100
OCCUPANCY RATE: 99%
CATCHMENT AREA: 0.4 million residents
PURCHASED BY DES: November 2005
GRAND OPENING: 2008

ANCHOR TENANTS: Müller Drogerie, New Yorker, real, Thalia



Address

Pferdemarkt 1
31785 Hameln

www.stadt-galerie-hameln.de

THE CENTERS ABROAD

Number of visitors abroad in 2015 in millions

27.80

Average number of visitors per center abroad in 2015 in millions

9.27

Total floor space of all centers abroad in 2015 in m²

121,000

Number of stores in shopping centers abroad

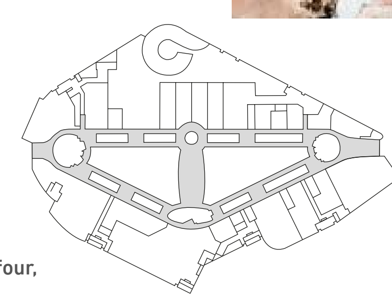
443

GALERIA BAŁTYCKA

Gdańsk, Poland

9.8 million

Visitors 2015

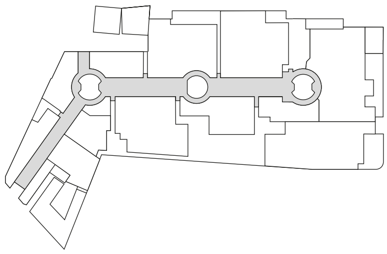


INVESTMENT: 74%
LEASABLE SPACE: 48,700 m²
OF WHICH RETAIL SPACE: 42,600 m²
PARKING: 1,050
NO. OF SHOPS: 193
OCCUPANCY RATE: 100%
CATCHMENT AREA: 1.1 million residents

PURCHASED BY DES: August 2006
GRAND OPENING: 2007
ANCHOR TENANTS: Carrefour, H&M, Peek & Cloppenburg, Reserved, Saturn, Zara

Address

al. Grunwaldzka 141
80-264 Gdańk, Poland
www.galeriabaltycka.pl



5.6 million
Visitors 2015

CITY ARKADEN

Klagenfurt, Austria

INVESTMENT: 50%
LEASABLE SPACE: 36,900 m²
OF WHICH RETAIL SPACE: 30,000 m²
PARKING: 880
NO. OF SHOPS: 120
OCCUPANCY RATE: 100%
CATCHMENT AREA: 0.4 million residents
PURCHASED BY DES: August 2004
GRAND OPENING: 2006
ANCHOR TENANTS: C&A, Peek & Cloppenburg, Saturn, Zara, H&M

Address

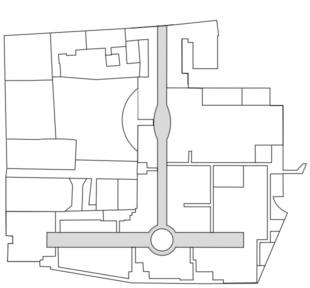
Heuplatz 5
9020 Klagenfurt, Austria
www.city-arkaden-klagenfurt.at

INVESTMENT: 50%
LEASABLE SPACE: 35,400 m²
OF WHICH RETAIL SPACE: 29,200 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

12.4 million
Visitors 2015

ÁRKÁD

Pécs, Hungary



Address

Bajcsy Zs. U. 11 / 1
7622 Pécs, Hungary
www.arkadpecs.hu

SAUSAGE FOR EVERYONE

A SHIFT FROM SHOPPING EXPERIENCE TO LEISURE EXPERIENCE

We each possess around 5,000 taste buds, which are able to distinguish between precisely five flavours: sweet, sour, salty, bitter and umami – the sensation of savouriness. Individuals all have their own taste preferences. This is a good reason for food courts – a collection of different catering outlets with a common seating area. These allow everyone to eat what they fancy, yet sit together on the same table.

taste

A suggestion for your next currywurst: aromatic, hot and spicy

INVESTOR RELATIONS 2015

Taste buds are onion-shaped structures found on the mucus membranes in the mouth. In addition to other types of cells, they contain the taste receptors.

STOCK MARKET PERFORMANCE

in %	2015	2014
DES share	15.3	17.7
DAX	9.6	2.7
MDAX	22.7	2.2
TecDAX	33.5	17.5
EURO STOXX 50 (Europe)	4.8	1.2
Dow Jones (USA)	-0.6	8.5
Nikkei (Japan)	9.1	7.1

THE SHOPPING CENTER SHARE

SHARE PRICE REACHES PEAK FOR YEAR JUST BEFORE THE ANNUAL GENERAL MEETING

Deutsche EuroShop shares began the 2015 trading year at €36.20. After a good start during the first few days of trading, our shares plunged to €36.32, a low for the year, on 6 January, and then rebounded to new record highs in what was – for real estate stocks in particular – a highly supportive market. The share price reached €48.00 on 10 April 2015, its peak for the year, and hence also of all time, in Xetra trading. During the following months, the DES share price was highly volatile and fluctuated between €38.00 and €44.00 in the second half of the year. It closed the year back up at €40.46, a gain of +15.3% including dividends. The market capitalisation of Deutsche EuroShop rose by €230 million to €2.18 billion in 2015.

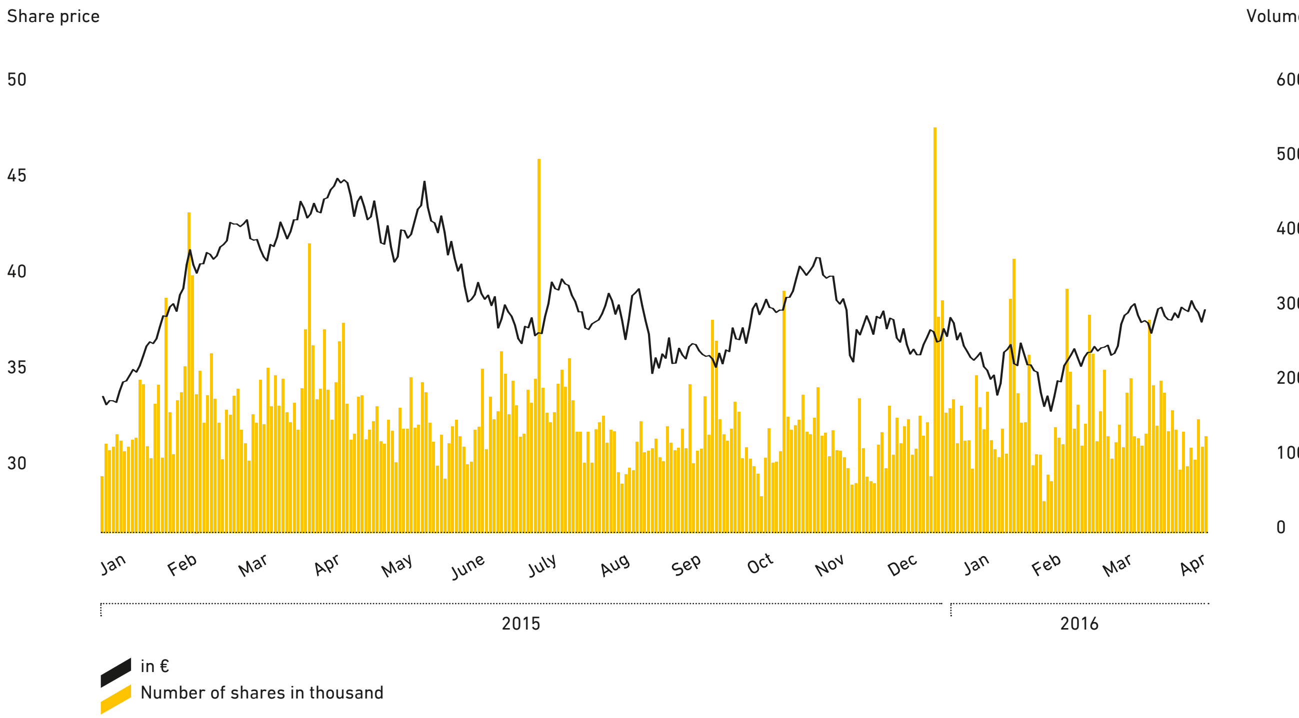
KEEPING UP WITH EUROPEAN PEERS

The price of Deutsche EuroShop shares rose by 11.8%. Taking into account the dividend paid of €1.30 per share, the performance of Deutsche EuroShop shares amounted to 15.3% year on year (2014: 17.7%). As such, our share price performance was below that of the European benchmark for listed real estate companies, the EPRA index, in 2015 (+20.0%) and was mid-ranking within its European peer group [1]. The benchmark index for medium-sized companies, the MDAX, gained 22.7% in the year under review.

Over the past year, German open-ended property funds achieved an average performance of +3.3% (2014: +1.6%), and attracted cash inflows of around €3.3 billion (2014: €2.2 billion).

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

TREND OF SHARE

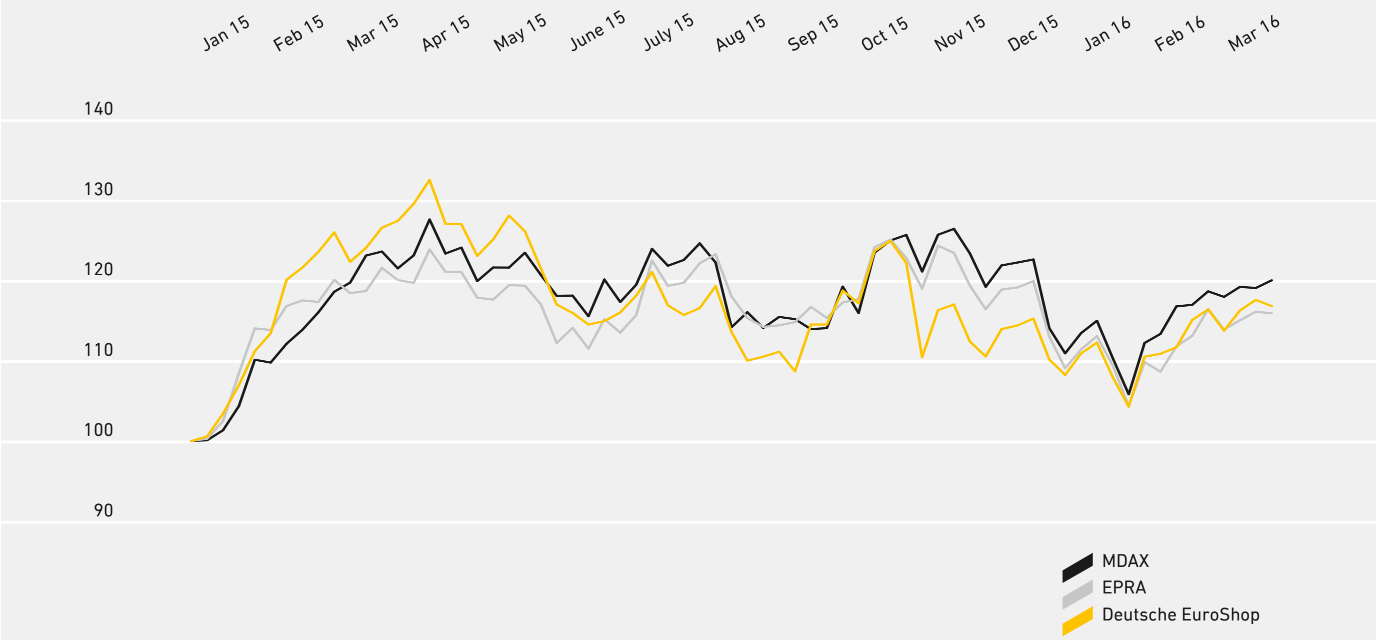


Stadt-Galerie, Passau

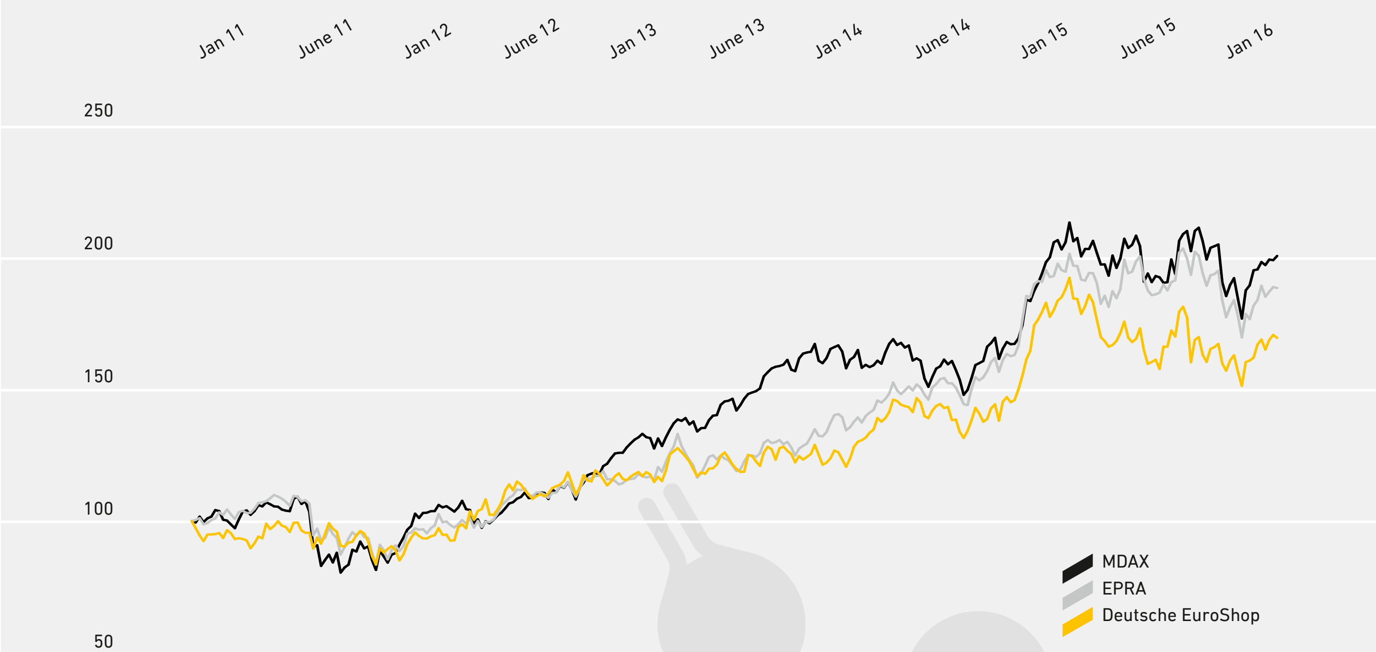
DEUTSCHE EUROSHOP SHARES – KEY FIGURES

German securities no. / ISIN	748 020 / DE 000 748 020 4
Ticker symbol	DEQ
Share capital in €	53,945,536.00
Number of share (non-par value registeres shares)	53,945,536
Indices	MDAX, EPRA, GPR 250, MSCI Small Cap, EPIX 30, HASPAX, HDAX, DAX International Mid 100, MSCI Small Cap, F.A.Z.-Index, DivMSDAX, EURO STOXX, STOXX Europe 600
Official market	Prime Standard Frankfurter Wertpapierbörse and Xetra
OTC markets	Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich and Stuttgart

TREND OF SHARE (INDEXED) – SINCE JANUARY 2015

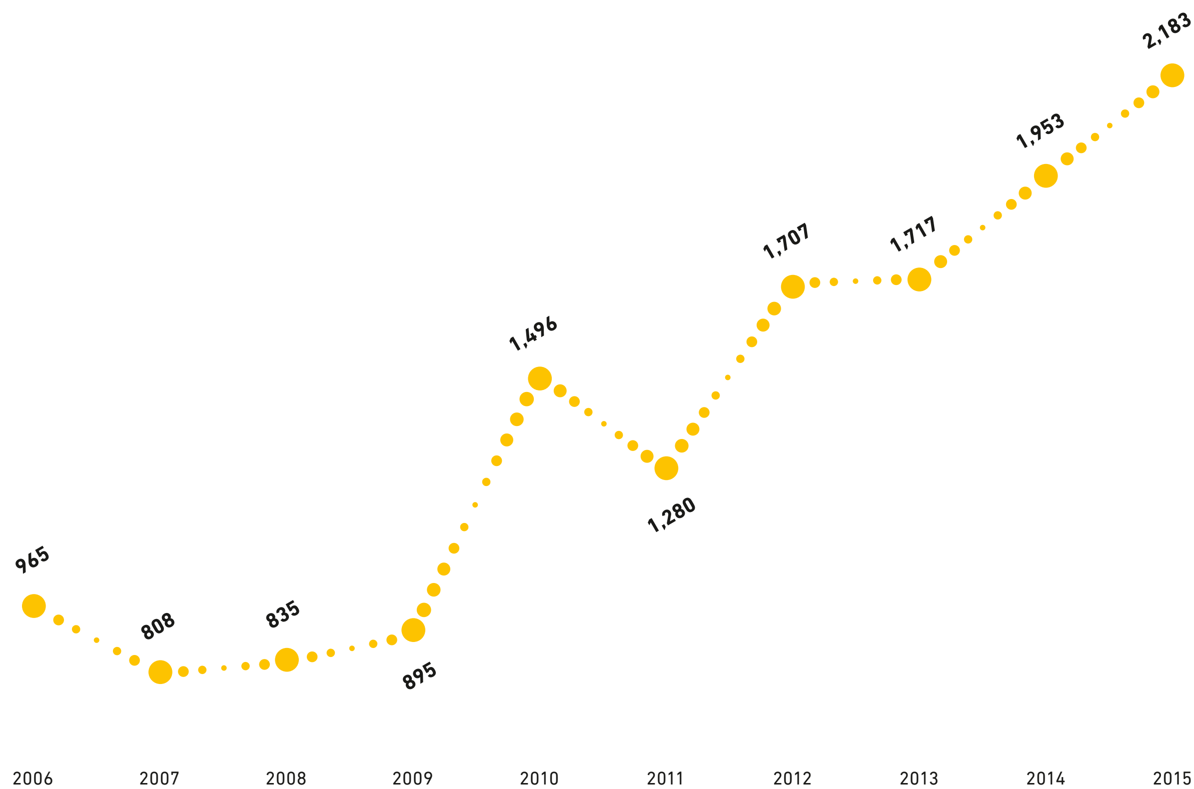


TREND OF SHARE (INDEXED) – 5 YEAR OVERVIEW



MARKET CAPITALISATION

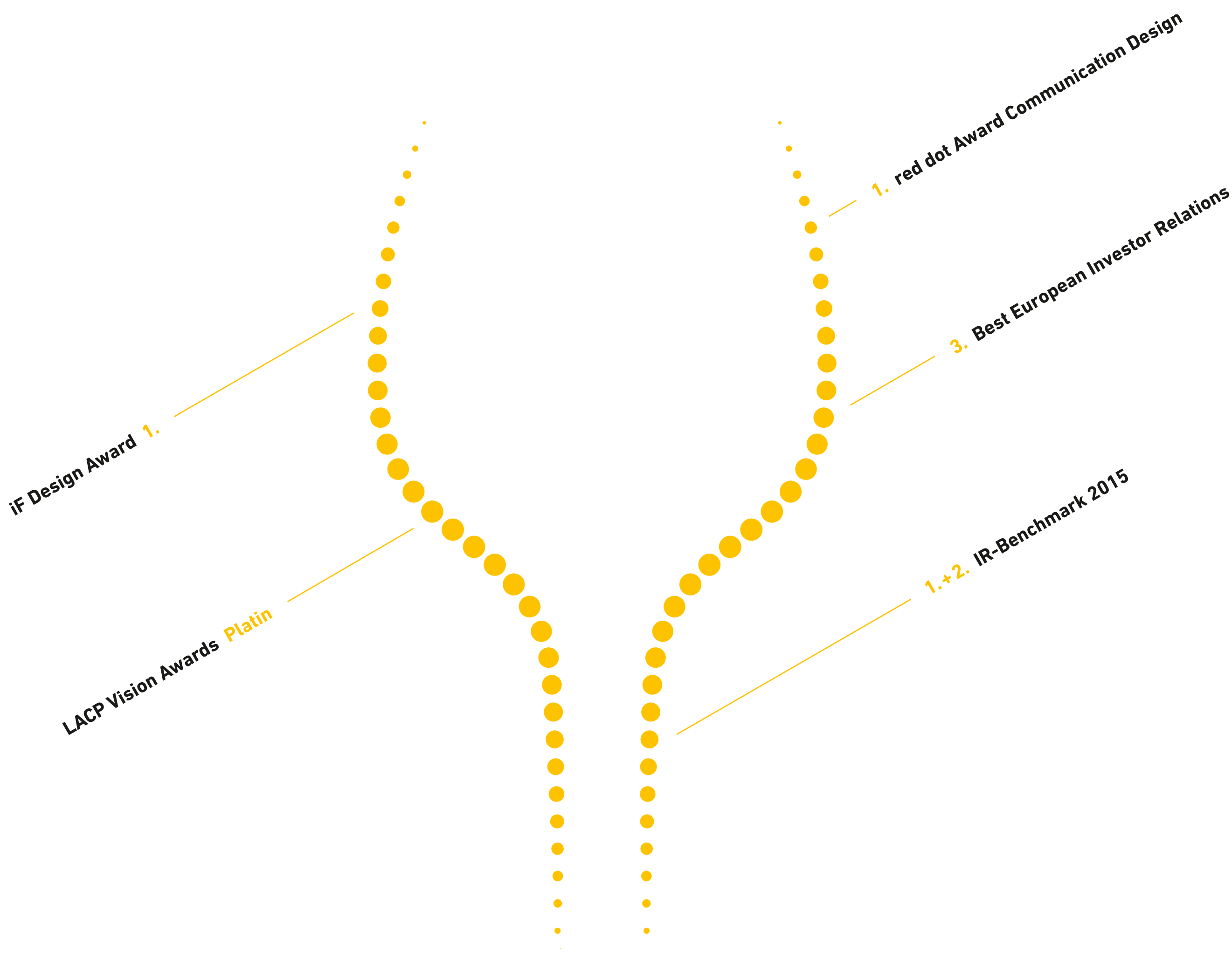
in € million



grow

The market capitalisation of
Deutsche EuroShop has more than doubled
over the last ten years.

AWARDS FOR THE INVESTOR RELATIONS ACTIVITIES OF DEUTSCHE EUROSHOP IN 2015



excite

QUALITY OF IR WORK RECOGNISED

The 2014 Annual Report won three internationally prestigious prizes: the red dot Communication Design award, the iF Design Award, and the platinum award at the LACP Vision Awards.

In addition, the international specialist magazine Institutional Investor awarded Deutsche EuroShop and its IR managers its third prize for "Best European Investor Relations". As in previous years, the Deutsche EuroShop website did very well in Netfederation's "IR-Benchmark 2015" (coming first in the "Real Estate" sector and second in MDAX).

Further awards for our capital market communications can be found on our website at

www.deutsche-euroshop.com/ircommunication

ATTENDANCE AT AGM STABLE

The Annual General Meeting was held in Hamburg on 18 June 2015. Around 200 shareholders were in attendance at the Handwerkskammer, representing 61.2% (previous year: 60.8%) of the capital and approved all the items on the agenda.

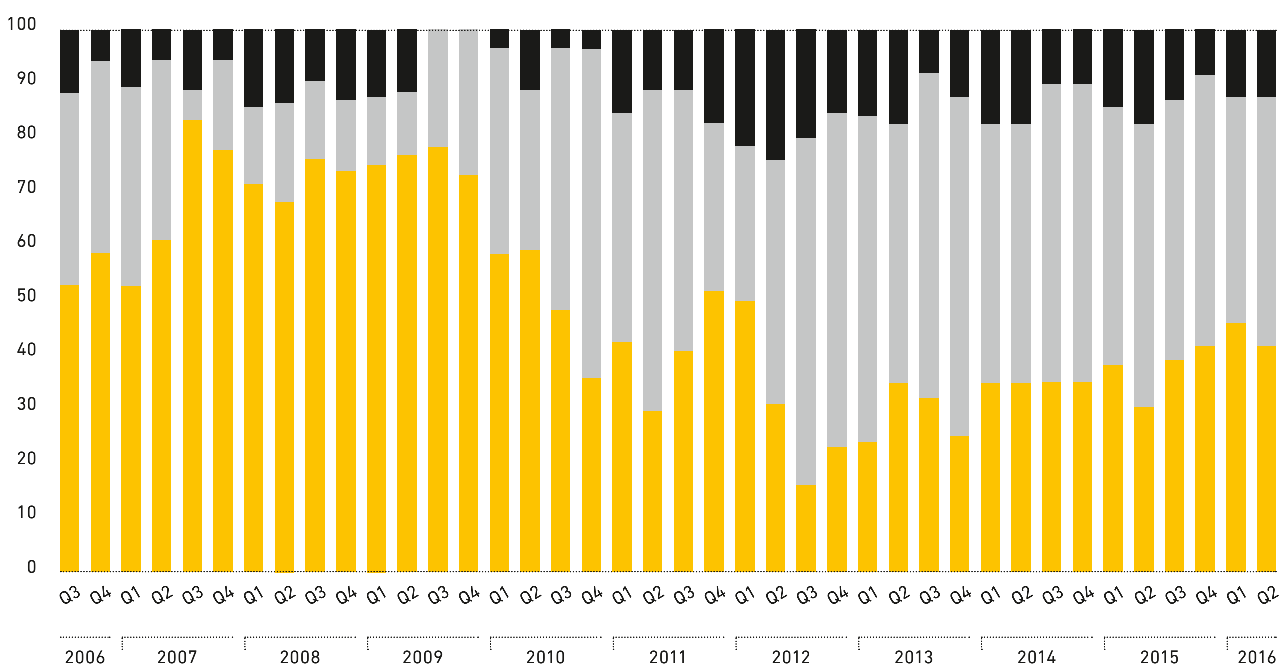
BROAD COVERAGE OF THE SHARES

Our shares are now regularly followed by 24 analysts (as at 20 April 2016) from respected German and international institutions[2], and their recommendations introduce us to new groups of investors. Deutsche EuroShop is one of the best-covered property companies in Europe. Information on the recommendations can be found at

www.deutsche-euroshop.com/research

DIVERSITY OF ANALYST'S OPINION OF THE LAST 10 YEARS

in %

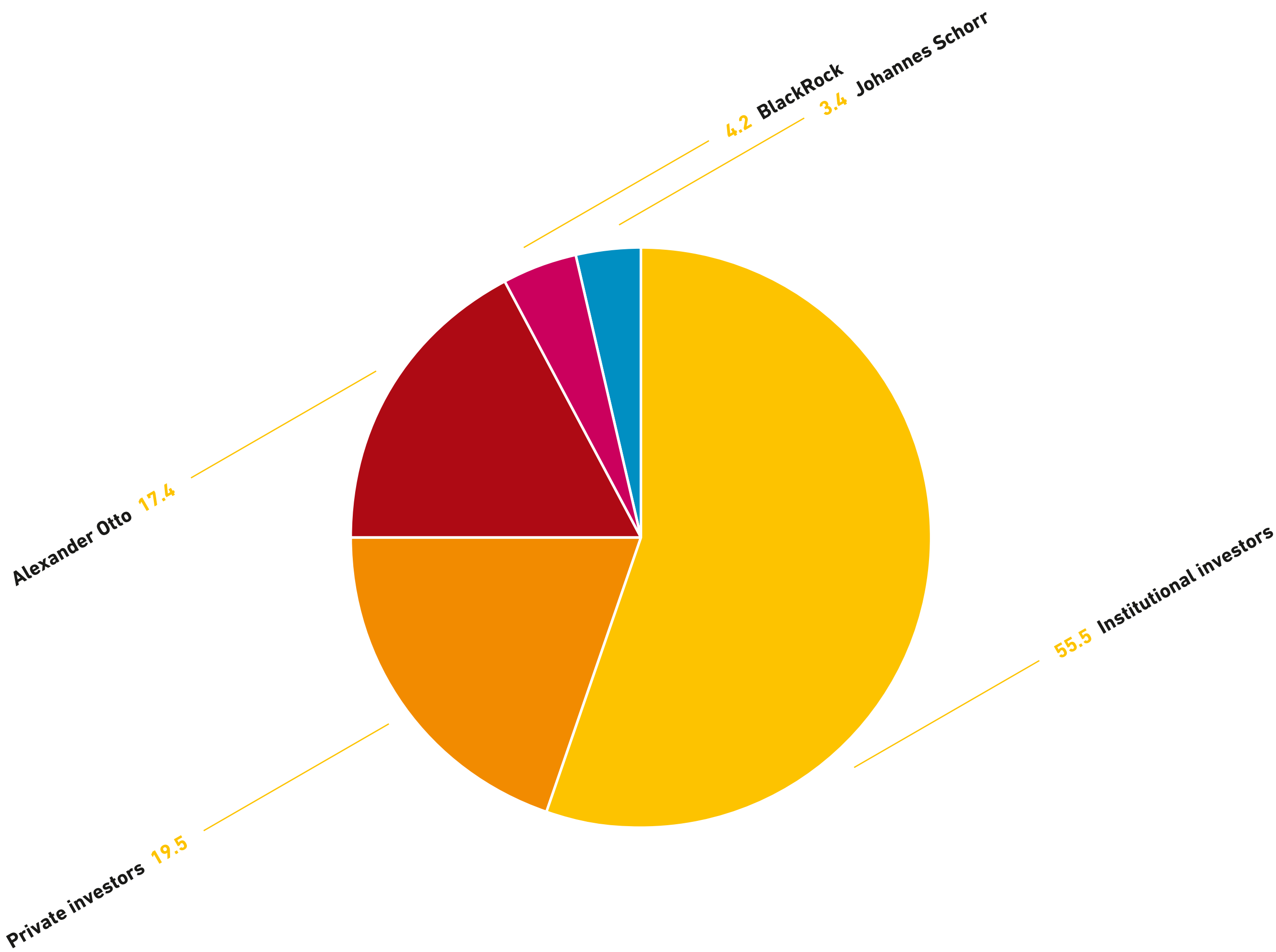


The analysts are neutral to positive on the prospects for the DES share (as at 20 April 2016).

[2] ABN Amro, Baader Bank, Bankhaus Lampe, Berenberg Bank, BHF Bank, BofA Merrill Lynch, Commerzbank, Deutsche Bank, DZ Bank, equinet, Green Street Advisors, Hamburger Sparkasse, HSBC, Independent Research, J.P. Morgan Cazenove, Kempen & Co., Kepler Cheuvreux, Metzler, M.M. Warburg & Co, Natixis, NORD/LB, Oddo Seydler, Société Générale and UBS

SHAREHOLDER'S STRUCTURE

in %

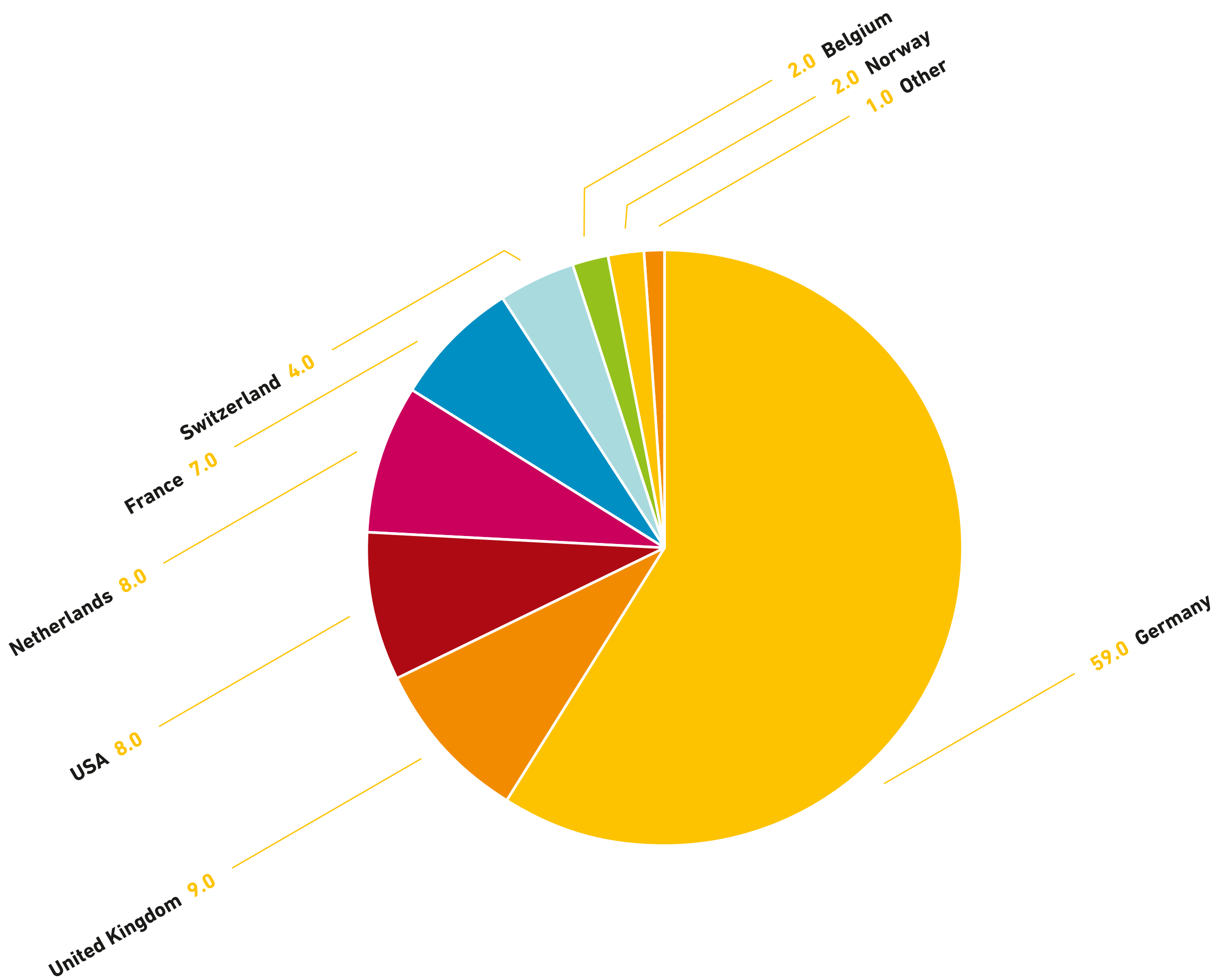


CHANGES IN SHAREHOLDER STRUCTURE

The number of investors rose considerably in 2015: Deutsche EuroShop now has around 11,175 shareholders (as at 20 April 2016, previous year: 9,750, +15%). At the same time, the structural breakdown has changed somewhat: the proportion of shares held by institutional investors remains virtually unchanged at around 55.5% (previous year: 55.6%) of shares, with private investors holding 19.5%, just five percentage points short of the previous year's figure (24.3%). Alexander Otto holds a 17.4% stake in Deutsche EuroShop AG. Johannes Schorr (3.4%) is another investor we were able to bring on board with a stake of over three percent. According to the information available to us, BlackRock currently holds some 4.2% of shares.

SHAREHOLDER'S STRUCTURE REGIONAL

in %



In a shareholder identification process, we have analysed the international distribution of our shares. While German investors hold around 59% (previous year: 64%) of shares in Deutsche EuroShop and hence constitute a clear majority, the shareholder structure as a whole is dominated by Europeans, headed up by British, Dutch and French investors who together hold just about a quarter of the shares in DES. US investors hold around 8% of them.

DIVIDEND RISING YEAR BY YEAR

The Executive and Supervisory Boards will once again propose a €0.05 increase in the dividend payment (€1.35 per share) for the 2015 financial year to the Annual General Meeting on 15 June 2016 in Hamburg.

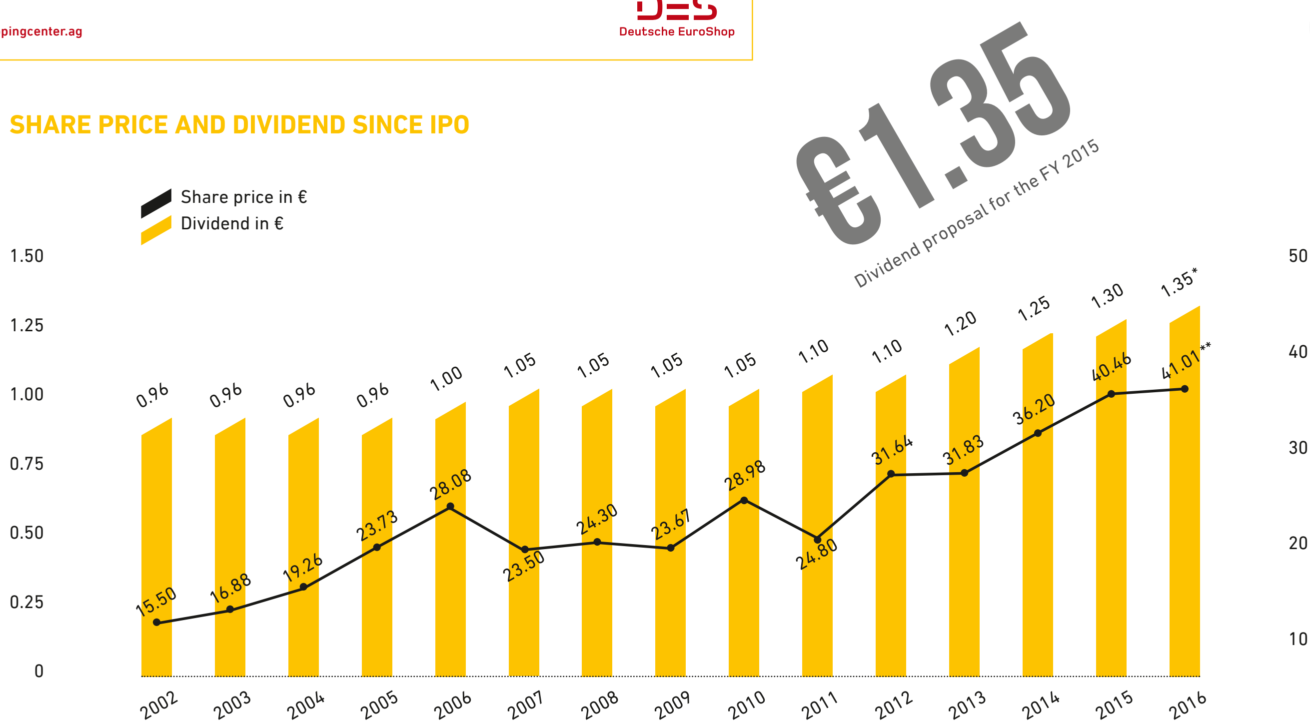
With our long-term strategy of a dividend policy based on continuity and a yield of 3.3% (based on the 2015 year-end closing price of €40.46), we hope to cement further the confidence of our existing shareholders and attract new investors. Further increasing the dividend by €0.05 per share each year, as is intended, should also help to achieve this. As a result, €1.40 per share is to be paid out in 2017 for financial year 2016.

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 is 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 cost of the stake in Deutsche EuroShop and therefore result in higher sales proceeds at the time of the sale.

SHARE PRICE AND DIVIDEND SINCE IPO



* proposal ** Price on 15 April 2016

WOULD YOU LIKE MORE INFORMATION?

Please visit our website or call us:

Patrick Kiss and Nicolas Lissner
Tel.: +49 (0)40 - 41 35 79 20 / -22
Fax: +49 (0)40 - 41 35 79 29
www.deutsche-euroshop.com/ir
E-Mail: ir@deutsche-euroshop.com

inform

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Market capitalisation (basis: year-end closing price) (€ million)	**2,183**	1,953	1,717	1,707	1,280	1,496	895	835	808	965
Number of shares (year-end)	**53,945,536**	53,945,536	53,945,536	53,945,536	51,631,400	51,631,400	37,812,496	34,374,998	34,374,998	34,374,998
Weighted average number of shares	**53,945,536**	53,945,536	53,945,536	51,934,893	51,631,400	45,544,976	36,799,402	34,374,998	34,374,998	34,374,998
High €	**48.00 (10.04.15)**	37.84 (20.05.14)	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)	28.40 (13.05.08)	30.09 (23.04.07)	29.12 (31.03.06)
Low €	**36.32 (06.01.15)**	30.72 (24.06.14)	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)	18.50 (20.11.08)	23.22 (20.08.07)	23.89 (02.01.06)
Year-end closing price (30 Dec.) €	**40.46**	36.20	31.83	31.64	24.80	28.98	23.67	24.30	23.50	28.08
Dividend per share (€)	**1.35** [1]	1.30	1.25	1.20	1.10	1.10	1.05	1.05	1.05	1.05
Dividend yield (30 Dec.) %	**3.3**	3.6	3.9	3.8	4.4	3.8	4.4	4.3	4.5	3.7
Annual performance excl. / incl. dividend	**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 %	3.4 % / 7.9 %	-16.3 % / -13.1 %	18.4 % / 22.8 %
Average daily trading volume (shares)	**152,355 ([2]>449,500)**	113,000 ([2]>250,400)	112,400 ([2]>204,000)	129,400 ([2]>174,000)	125,400 ([2]>210,000)	116,084	113,008	143,297	144,361	93,744
EPS (€) (undiluted)	**5.73**	3.29	3.17	2.36	1.92	-0.17	0.93	2.00	2.74	2.92

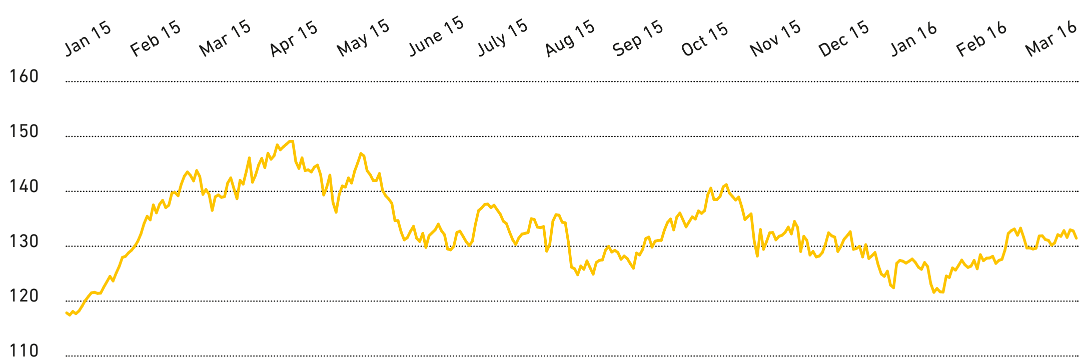
[1] proposal [2] incl. Multilateral Trading Facilities

Advertisement for Deutsche EuroShop shares

CONVERTIBLE BOND

TREND OF SHARE OF THE CONVERTIBLE BOND

in %



KEY DATA OF THE CONVERTIBLE BOND 1.75%, 2012 – 2017

Amount	€100 million
Principal amount	€100,000.00 per Bond
Issue date	20 November 2012
Maturity date	20 November 2017
Coupon	1.75%
Price (30 December 2015)	132.75%
Interest payment date	Payable semi-annually in arrear on 21 May and 21 November in each year
Conversion price	€31.65 [1]
Dividend protection	Conversion Price adjustment for any dividends paid (full dividend protection)
ISIN	DE000A1R0W05
Listing	Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange

[1] originally €35.10, adjusted on 21 June 2013, 19 June 2014 and 19 June 2015

ANNUAL GENERAL MEETING

The Annual General Meeting of Deutsche EuroShop was held on 18 June 2015. The venue was once again the historic rooms of the Handwerkskammer Hamburg.

At least 200 shareholders were in attendance to hear the outgoing CEO Claus-Matthias Böge talk about the events and results of the previous financial year. Wilhelm Wellner then presented himself to the shareholders as Mr Böge's successor and spoke about the current economic environment and the state of the shopping center transaction market. The shareholders also received detailed information on the portfolio and the expansions / renovations that are in progress at the centers in Hamburg-Harburg, Kassel and Gdansk. Wilhelm Wellner has been CEO of Deutsche EuroShop since 1 July 2015.

The speeches and presentation were made available at the web address given below shortly after the event. There 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 one new Supervisory Board member: Roland Werner was elected to the board for a term of five years. Manfred Zaß, who had been Chairman of the Supervisory Board since 2002, stepped down with effect from the end of the meeting. He is succeeded as Chairman of the Supervisory Board by Reiner Strecker. The Deputy Chairwoman is Karin Dohm. The attendance at the time of the vote was 61.2%.

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 2015 will be held on 15 June 2016 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.

The Handwerkskammer Hamburg on the Holstenwall, built from 1912 to 1915

www.deutsche-euroshop.de/agm

REAL ESTATE SUMMER

On 20 and 21 August 2015, we held our fourth Deutsche EuroShop Real Estate Summer event.

We launched this series of events in the summer of 2009 with the aim of offering our analysts and others an in-depth, up-to-date insight into the Deutsche EuroShop portfolio as well as presentations covering all the latest developments in shopping and real estate. The first Deutsche EuroShop Real Estate Summer was held in Dresden in 2009. In 2011 we visited our centers in Wolfsburg, Magdeburg and Wildau and in 2013 we used the City Arkaden in Klagenfurt.

Last year, we invited investors and financial analysts who are currently managing our shares to Danzig on Poland's Baltic coast. On 20 August, they were given a comprehensive introduction and tour of the Galeria Baltycka, a tour of the old town and a presentation on the competitive situation.

On the second day, Sebastian Müller, Head of Real Estate Consulting, GfK Geomarketing, provided an overview of the European retail market and an appraisal of consumers' current behaviour patterns. Sebastian Baumann, Innovation Manager / Project Manager Future Labs at ECE, presented ECE's new Future Lab concept. Future Labs are shopping centers in the ECE portfolio, in which new digital and interactive shopping experiences and service offerings are being tested.

Marek Piechocki, the founder and head of LPP, gave an insight into tenants' requirements of landlords and center operators. The Polish LPP Group includes, among others, the Reserved brand, which is greatly expanding at present and is already a tenant in several of our centers. The event was concluded with a speech on the current situation at Deutsche EuroShop as well as a round of questions and answers with Wilhelm Wellner, the CEO.

The old town of Gdańsk

Inside the Galeria Baltycka in Gdańsk

One of three advertising images from 2015

MARKETING

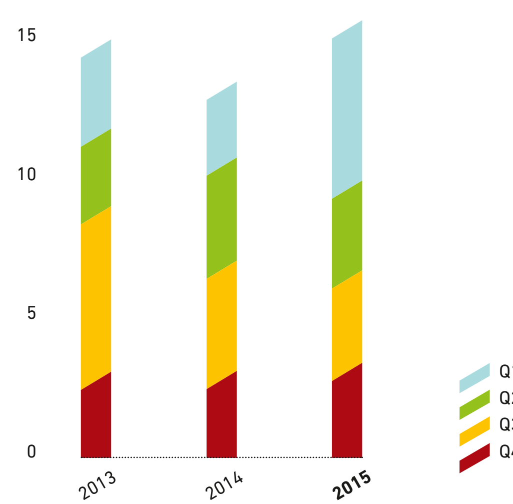
“THE PROFIT IS IN THE PURCHASE.”

In 2015 we placed advertisements in the trade press designed for highly specific target groups that were perfectly timed to coincide with the publication of our latest financial figures, in which, with a nod to the world of shopping centers and to Deutsche EuroShop's business model, cited the old commercial dictum that: “The profit is in the purchase.”

INCREASED MEDIA ATTENTION

Deutsche EuroShop continued to be well covered by the media. Business and financial journalists in particular 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 increased by around 16% from 13.5 million in the previous year to 15.7 million copies and the equivalent advertising value through reports in newspapers and magazines rose from around €1.13 million to almost €1.69 million (up +49%).

PUBLISHED CIRCULATION
in millions



SOCIAL MEDIA PLATFORMS

Follow us on Twitter:
www.twitter.com/DES_AG

Become a fan on Facebook:
www.facebook.com/euroshop

Add us to your circle on Google+:
plus.google.com/102911789106628036776

Read 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/deutsche-euroshop

SOCIAL MEDIA ON AN UPWARD TREND

Social media are establishing themselves 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 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.

THE BRAND

In addition to share marketing, we concentrate on further developing and maintaining the Deutsche EuroShop brand.

Our goal is to boost awareness and recognition of the brand.

care

The intention of Deutsche EuroShop is to establish itself as the brand for investments in shopping centers.

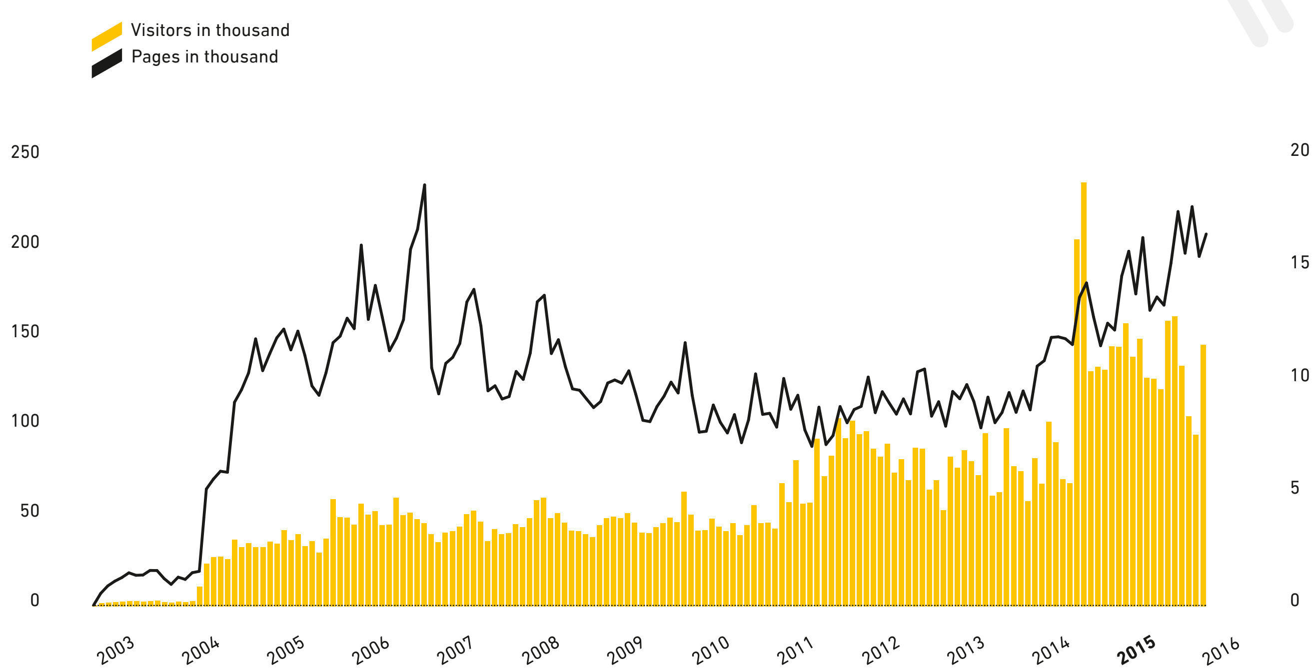
www.deutsche-euroshop.com

WEBSITE GETS 25% MORE VISITORS

The Internet is gaining increasing importance as a source of information, with the corporate website very often the first jumping-off point for investors. Our website has been very popular for 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 2015 the number of visitors rose by more than 25%. Our website can be found at www.deutsche-euroshop.com.

25%
more website visitors

VISITORS AND PAGE HITS PER MONTH



CONFERENCES AND ROADSHOWS 2015

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 2015.

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 contingent on the ability to hold regular meetings with the Executive Board members of companies in which they invest.

In 2015 we held 12 workshops in Frankfurt, Munich, Amsterdam, Brussels, Edinburgh, Paris, Warsaw and Zurich. We also attended 17 conferences in Baden-Baden, Berlin, Frankfurt, Munich, Amsterdam, Boston, London, Lyons, New York, Nice and Paris.

Across all these events we had around 300 one-to-one discussions. We also held conference calls once again, for example in connection with the annual and quarterly results releases.

In addition, many investors visited us at the Deutsche EuroShop head offices in Hamburg-Poppenbüttel, often in combination with visits to our properties in and around Hamburg.

We are once again planning a diverse range of investor relations activities for 2016, 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 182. A constantly updated version can also be found on our website, at www.deutsche-euroshop.de/ir/en.

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.

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. Shareholder-friendly 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

impress

CORPORATE GOVERNANCE 2015

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 our 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 289 a (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. Another 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. In order to achieve these targets, 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 the 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 should 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 our leasing concept is a differentiated rental system. 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 almost 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 19 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.

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.

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

CORPORATE GOVERNANCE 2015

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 5 May 2015. Going forward, the Government Commission will continue to monitor the development of corporate governance in legislation and in practice, and will adapt the Code as needed.

WORKING METHODS OF THE EXECUTIVE AND SUPERVISORY BOARDS

The Supervisory and Executive Boards performed their statutory duties in financial year 2015 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 regularly, promptly and in detail informed of business developments and the risk situation by the Executive Board. Detailed information on the main areas of focus of its activities in the 2015 financial year can be found in its report in the 2015 Annual Report of Deutsche EuroShop AG.

In financial year 2015, 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

The Supervisory Board has formulated specific goals 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. 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 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.

At the Annual General Meeting, Mr Manfred Zaß did not stand for election, and Mr Roland Werner was elected to the Supervisory Board.

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 and implementation and monitoring of risk management.

As of 31 December 2015, the Executive Board of Deutsche EuroShop AG comprised two members.

Wilhelm Wellner
Born 8 March 1967
First appointment: 1 February 2015
Appointed until: 30 June 2018

Wilhelm Wellner joined Deutsche EuroShop on 1 February 2015, initially as a member of the Executive Board, and took on his present position as CEO in succession from Mr Böge 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
Appointment ends: 30 September 2019

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 different companies in the Deutsche EuroShop Group.

Claus-Matthias Böge's role as CEO ended on the expiry of his appointment on 30 June 2015.

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. Alongside a **Supervisory Board Executive Committee** (which functions also as a nomination committee) reduced from four to three members on 18 June 2015, an Audit Committee and a **Capital Market Committee** were established (each also consisting of three members).

The members of the Supervisory Board are / were:

Manfred Zaß, Chairman
(until 18 June 2015)
Reiner Strecker, Chairman
(since 18 June 2015;
previously its Deputy Chairman)
Karin Dohm,
Deputy Chairwoman
(since 18 June 2015;
previously a member)
Thomas Armbrust
Beate Bell
Manuela Better
Dr. Henning Kreke
Alexander Otto
Klaus Striebich
Roland Werner (since 18 June 2015)

Mr Strecker, Ms Dohm and Mr Armbrust were members of the **Supervisory Board Executive Committee** throughout the year. Mr Zaß stepped down from the Committee after the Annual General Meeting. 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 Zaß (until 18 June 2015) Mr Armbrust, and Mr Strecker (since 18 June 2015). It is responsible for issues relating to financial reporting, auditing and the preparation of the annual and consolidated financial statements. 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.

The **Capital Market Committee** consisted of Mr Zaß (until 18 June 2015), Mr Armbrust, Mr Strecker and Dr Kreke (since 18 June 2015). During the past year, it was chaired by Mr Zaß (until 18 June 2015) and Mr Armbrust (since 18 June 2015). The position of Deputy Chairman was held by Mr Armbrust (until 18 June 2015) and Mr Strecker (since 18 June 2015). 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.

SHAREHOLDINGS

Executive Board
As at 31 December 2015, the Executive Board held no shares, and hence less than 1% of Deutsche EuroShop AG's share capital.

Supervisory Board
As at 31 December 2015, the Supervisory Board held a total of 9,402,625 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 2015 in accordance with section 15 a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act):

DIRECTORS' DEALINGS

Name / Company name			Date	Price in €	Number
PANTA Dreiundsechzigste Grundstücksgesellschaft m.b.H.	Shares	Purchase	26.05.2015	45.655	596,124
PANTA Stiftungsverwaltung G.m.b.H.	Shares	Sale	26.05.2015	45.655	123,125
PANTA Einundneunzigste Grundstücksgesellschaft m.b.H.	Shares	Sale	26.05.2015	45.655	760,000
AROSA Vermögensverwaltungsgesellschaft m.b.H.	Shares	Purchase	26.05.2015	45.655	287,001
DESAG Vermögensverwaltung G.m.b.H.	Shares	Purchase	28.05.2015	45.195	8,095,000
PANTA Dreiundsechzigste Grundstücksgesellschaft m.b.H.	Shares	Sale	28.05.2015	45.195	1,215,000
„Bravo-Alpha" Beteiligungs G.m.b.H.	Shares	Sale	28.05.2015	45.195	1,270,000
„Charlie-Fox" Beteiligungs G.m.b.H.	Shares	Sale	28.05.2015	45.195	1,330,000
AROSA Vermögensverwaltungsgesellschaft m.b.H.	Shares	Sale	28.05.2015	45.195	4,280,000
Armbrust, Annette	Shares	Purchase	05.06.2015	42.300	2,000
Cattarius-Armbrust, Gabriele	Shares	Purchase	05.06.2015	42.175	1,000
Armbrust, Thomas	Shares	Purchase	05.06.2015	42.175	1,000
Cattarius-Armbrust, Gabriele	Shares	Purchase	08.06.2015	41.900	1,000
Armbrust, Thomas	Shares	Purchase	08.06.2015	41.900	1,000
Böge, Claus-Matthias	Shares	Purchase	08.06.2015	41.700	1,000
Cattarius-Armbrust, Gabriele	Shares	Purchase	12.06.2015	41.740	200
Armbrust, Thomas	Shares	Purchase	12.06.2015	41.750	200
Cattarius-Armbrust, Gabriele	Shares	Purchase	16.06.2015	41.400	1,000
Armbrust, Thomas	Shares	Purchase	16.06.2015	41.400	1,000
Cattarius-Armbrust, Gabriele	Shares	Purchase	16.11.2015	38.350	1,000
Armbrust, Thomas	Shares	Purchase	16.11.2015	38.350	1,000

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.

OUTLOOK

The composition of the Supervisory Board has changed significantly over the past three years 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 2015, 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 2015 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 5 May 2015), 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 (German Corporate Governance Code Section 4.2.2).**
  Since the staff of Deutsche EuroShop AG consists of just four 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, 27 November 2015

Executive Board and Supervisory Board
Deutsche EuroShop AG

DESIRE IS ALL IN THE MIND

HOW THE ENJOYMENT OF SHOPPING ORIGINATES IN THE SUBCONSCIOUS.

Our nose creates the first impression. Completely subconsciously, it helps us identify dangers such as gas and smoke, as well as playing a part in selecting a mate. We can distinguish between more than 10,000 aromas. A pleasant-smelling environment positively affects how we experience and assess products.

smell

Please
scratch and
sniff here.

MANAGEMENT REPORT 2015

City-Point, Kassel

Human beings possess around 30 million olfactory cells in an area of 2 × 5 cm² of olfactory epithelium on the roof of the nasal cavity. These olfactory cells are home to around 400 different types of receptors.

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 19 shopping centers in Germany, Austria, Poland and Hungary 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, in which Deutsche EuroShop holds stakes of 100% in eleven cases and between 50% and 75% in the other eight. Depending on the share of nominal capital owned, these companies are either fully consolidated or accounted for using the equity method. More information on indirect or direct investments is provided in the notes to the consolidated financial statements.

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. Another 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 the 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 should 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 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 GmbH & 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 196 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 19 DES 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 activities for children. As a result, the shopping centers become market places where there is always something new and spectacular on offer.

MANAGEMENT SYSTEM, RESEARCH AND DEVELOPMENT

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).

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.

A research and development (R&D) report is not required as part of the Management Report because Deutsche EuroShop does not need or pursue any research and development in connection with its primary business.

ECONOMIC REVIEW

MACROECONOMIC AND SECTOR-SPECIFIC CONDITIONS

Germany's gross domestic product (GDP) rose by 1.7% in 2015, according to the calculations of the German Federal Statistical Office. Positive stimuli came mainly from the domestic market, in the shape of increased consumer spending and higher capital expenditure. German foreign trade gained further momentum in 2015 (+5.4%) and also made a positive contribution to GDP growth. On the labour market, the positive trend of recent years also continued: on average, 2.8 million people were registered as unemployed during the year, putting the unemployment rate at 6.4%. Consumer prices in Germany rose by just 0.3% versus 2014, mainly caused by the fall in energy prices (-7.0%); taking energy prices out of the equation, the annual rate of increase in 2015 was +1.1%.

In 2015, real employee pay rose by 4.0% according to the German Federal Statistical Office. In an environment still marked by high employment and very low interest rates, the propensity to consume rose again. In 2015, the savings rate reversed its long-standing downward trend, increasing slightly to 9.7% of disposable income (2014: 9.4%). Private consumer spending, which accounted for 54.0% of GDP, rose by 1.9% in 2015, adjusted for price changes.

According to provisional calculations by the German Federal Statistical Office, German retail sales posted nominal growth of 2.8% and real growth of 2.7% year-on-year.

The rising importance of online retailing remains a major focus of attention in terms of sales growth in the bricks-and-mortar retail sector. According to figures from the German Retail Federation (HDE), online sales saw further above-average growth to around €41.7 billion, an increase of approximately 12%.

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 is additional competition for city center retail in the form of growing numbers of factory and designer outlets on greenfield sites outside the city limits. A factory outlet in Brena, close to our center in Dessau, is scheduled to open in early 2016, and we are watching further project developments in Hamm and Wuppertal.

What is more, the fast and continual gains being made by online shopping are intensifying the competitive situation in bricks-and-mortar retailing and in our shopping centers. This channel is currently absorbing much of the growth in retail sales.

Retail sector

Based on calculations from the real estate consultants Jones Lang LaSalle, rental turnover on retail spaces leased in Germany decreased by 10% in 2015 to 524,700 m², linked to increased demand for smaller spaces of up to 100 m². The high demand for small spaces led to a decline in the average leased area to 490 m² (2014: 590 m²).

With around 37% of rented floor space, textile retailers were the most significant demand group. Second place went to the catering and food industry at approx. 22%; health and beauty took third place with nearly 10%.

Real estate market

Transaction volumes rose again significantly by 38% (2014: 30%) to €55.1 billion (2014: €39.8 billion) according to figures from Jones Lang LaSalle, meaning that Germany's commercial real estate investment market also continued to grow in 2015. Retail real estate accounted for 31% of the volumes (2014: 22%).

Investments in German shopping centers totalled €5.6 billion in 2015 (2014: €2.0 billion) corresponding to nearly three times the amount in the previous year. This record result was influenced by Klépierre's acquisition of Corio and the stake taken in mfi AG by the Canada Pension Plan Investment Board. Market events were once again dominated by individual transactions, which roughly doubled in number compared with the previous year. The average purchase price of these 50 or so individual transactions in 2015 was in line with 2014 at €76.5 million, indicating that it was mainly smaller and medium-sized centers that changed hands.

Foreign buyers dominated the retail property market in 2015, as they had the previous year. Although their share of the transaction volume fell from 65% to 57%, in absolute terms they acquired shopping centers with a value of €3.2 billion. This was two and a half times the level of 2014. As demand for shopping centers remained persistently high, peak yields for these investments fell further. According to estate agency data, yields on top properties in the core segment at year-end averaged around 4.0%, down 40 – 50 basis points year-on-year.

Share price performance

The Deutsche EuroShop share began 2015 at €36.47. Its low for the year of €36.32 was then reached as early as the second week of trading, on 6 January. The share then embarked on an uptrend in an especially positive market phase for real estate stocks, which took the price to its high for the year of €48.00 on 10 April 2015. This was also a new all-time high for the DES share. During the second half of the year, the share price fluctuated between €38.00 (following reports of a sharp slowdown in Chinese economic growth) and €44.00. It closed the year at €40.46, which represented a gain of +15.3% including dividends (2014: +17.7%).

Forum, Wetzlar

Evaluation of the financial year
The Executive Board looks back with satisfaction at the financial year just ended. Revenue came to €202.9 million, against a forecast of €201 to 204 million. This included €1.3 million from mall rental income that was previously recognised under other operating income but under the new definition of revenue must now be classed as regular rental income. Adjusted for this effect, revenue was up 0.4% year-on-year, at €201.6 million (2014: €200.8 million).

Earnings before interest and tax (EBIT) of €176.3 million were slightly lower than the original guidance for financial year 2015 (€177 million to €180 million). They came in a marginal €1.2 million or 0.7% below the 2014 level of €177.5 million. We expected earnings before taxes (EBT) excluding measurement gains / losses (including at-equity investments) of €126 million to €129 million. At €127.0 million for the year, this item was 1.6% above the level of the previous year (2014: €125.0 million). On FFO, we slightly exceeded the guidance of €2.24 to €2.28 per share, closing the year at €2.29 per share (+2.4%).

These results underscore that Deutsche EuroShop is well placed with its first-rate portfolio of shopping centers, even in an increasingly fierce competitive environment.

COURSE OF BUSINESS

Financial position
Deutsche EuroShop can look back on another successful but challenging financial year. The net assets, financial position and results of operations remain very solid, and once again the Company's forecasts were met and key measures were increased.

Revenue rose to €202.9 million, while consolidated profit came to €309.3 million, against €177.4 million the previous year. This took earnings per share to €5.73, compared with €3.29 per share in 2014. Operating profit per share advanced 2.7% from €1.84 to €1.89.

Measurement gains increased substantially year-on-year in 2015, from €77.0 million to €220.6 million, while measurement gains of joint ventures consolidated at equity were also well above the year-earlier level, climbing €34.5 million to €47.2 million (2014: €12.7 million). Earnings before tax rose by 1.6%, from €125.0 million in the previous year to €127.0 million.

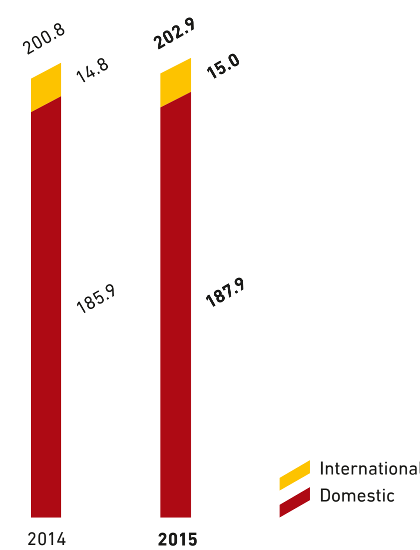
The EPRA net asset value per share rose markedly, up 18% from €33.17 to €39.12.

Turnover in the German retail trade (including online retailing) rose by 2.8% in nominal terms and 2.7% in real terms, while the turnover of the tenants in our shopping centers rose overall by a small 0.3%. Tenant turnover at our German shopping centers was close to the previous year's level (-0.1%), whereas the tenants at our foreign properties increased their turnover by 2.8%.

RESULTS OF OPERATIONS

Consolidated revenue up 0.4% on adjusted basis
Consolidated revenue was up 1.0% over the year, from €200.8 million to €202.9 million. This included €1.3 million from specific mall rental income that was recognised under other operating income in previous years but under the redefinition of revenue must be reclassified from 2015 onwards. Adjusted for this effect, revenue climbed 0.4% to €201.6 million.

Revenue
in € million



The revenue growth was primarily the result of index-linked changes to rents and of various new rental agreements signed. There were slight falls in revenue at our centers in Norderstedt, Billstedt, Hameln and Dessau only, caused by reletting and renovation-related vacancies. In Dessau, we also saw the impact of temporary market uncertainty regarding the future of the Karstadt property adjacent to the Rathaus Center. We have since bought and relet that property. At City-Arkaden Wuppertal, the long-running roadworks directly adjacent to the center led to a reduction in parking revenue Nevertheless, across the portfolio revenue rose by 0.4% (0.3% domestic, 0.9% international) on a like-for-like basis over the reporting year.

Revenue

in € thousand	31.12.2015	31.12.2014	Difference	Change in %
Main-Taunus-Zentrum, Sulzbach	34,744	34,110	634	1.9
Altmarkt-Galerie, Dresden	25,320	25,190	130	0.5
A10 Center, Wildau	20,755	20,567	188	0.9
Rhein-Neckar-Zentrum, Viernheim	18,961	18,593	368	2.0
Herold-Center, Norderstedt	13,055	13,174	-119	-0.9
Billstedt-Center, Hamburg	11,287	11,457	-170	-1.5
Allee-Center, Hamm	10,401	10,388	13	0.1
City-Galerie, Wolfsburg	9,796	9,771	25	0.3
City-Arkaden, Wuppertal	9,376	9,617	-241	-2.5
Forum, Wetzlar	9,304	9,156	148	1.6
Rathaus-Center, Dessau	8,308	8,502	-194	-2.3
City-Point, Kassel	8,234	8,332	-98	-1.2
Stadt-Galerie, Hameln	7,043	7,082	-38	-0.5
DES Verwaltung GmbH *	1,291	0	1,291	
Total domestic	**187,875**	**185,939**	**1,936**	**1.0**
Galeria Baltycka, Gdansk	14,843	14,639	204	1.4
Caspia	136	207	-71	-34.3
Total international	**14,979**	**14,846**	**133**	**0.9**
OVERALL TOTAL	**202,854**	**200,785**	**2,069**	**1.0**

* recognised in other operating income in previous year

Vacancy rate remains below 1%

As in previous years, the vacancy rate for retail spaces remained stable at under 1%. At €0.9 million (2014: €0.7 million) or 0.5% of revenue (2014: 0.4%), write-downs for rent losses once again remained at a very low level.

Operating and administration costs for property up slightly versus previous year

The property operating costs of €9.4 million (2014: €9.1 million) were, at €0.3 million, slightly above the prior year figure as were the property administrative costs which, at €10.0 million (2014: €9.9 million) were at the previous year's level. Overall, the cost ratio remained largely constant at 9.6% of revenue (2014: 9.5%).

Other operating income and expenses driven by non-recurring effects

Other operating income of €0.8 million was below that of the previous year (€1.9 million), as specific mall rents of €1.3 million contained in this item in the previous year are recognised under revenue from 2015 onward. Other operating expenses, conversely, rose from €6.2 million to a total of €8.0 million. This was linked in particular to a need to create provisions in connection with the acquisition of the Karstadt property in Dessau (€1.0 million) and higher personnel expense (€+0.4 million) arising from the long-term incentive plan that expired in 2015 (LTI 2010).

Strong improvement in net finance costs, dominated by measurement effect

Net finance costs at the reporting date were €-2.1 million (2014: €-39.8 million), influenced in particular by the high positive earnings from investees recognised at equity. Net finance costs improved significantly, up €33.2 million to €68.4 million (2014: €35.1 million) on the strength of much-increased measurement gains from property appreciation at the affected companies of €47.2 million (2014: €12.7 million).

Income statement of the joint ventures

in € thousand	31.12.2015	31.12.2014	Difference	Change in %
Allee-Center, Magdeburg	8,037	8,021	16	0.2
Phoenix-Center, Harburg	6,187	6,218	-31	-0.5
Stadt-Galerie, Passau	7,220	7,151	69	1.0
City-Arkaden, Klagenfurt	6,054	5,995	59	1.0
Árkád, Pécs	3,674	3,531	143	4.0
Others	353	606	-253	-41.7
Revenue	**31,525**	**31,522**	**3**	**0.0**
Property operating costs	-1,616	-1,496	-120	
Property management costs	-1,632	-1,624	-8	
Net operating income	**28,277**	**28,402**	**-125**	
Other operating income	271	852	-581	
Other operating expenses	-907	-334	-573	
Earnings before interest and taxes (EBIT)	**27,641**	**28,920**	**-1,279**	
Interest income	1	9	-8	
Interest expense	-6,331	-6,415	84	
Net finance costs	**-6,330**	**-6,406**	**76**	
Valuation gains / losses	**47,180**	**12,689**	**34,491**	
Earnings before tax (EBT)	**68,491**	**35,203**	**33,288**	
Taxes on income and earnings	-135	-75	-60	
SHARE IN THE PROFIT / LOSS OF JOINT VENTURES	**68,356**	**35,128**	**33,228**	

Interest expense decreased by €2.6 million, from €58.6 million to €56.0 million, helped by cheaper refinancing for the Forum Wetzlar and regular repayments on existing loans. Other financial expense consisted mainly of a measurement gain on an interest rate swap for the financing of the Altmarkt-Galerie Dresden in the amount of €2.3 million (2014: €-0.6 million).

The profit attributable to third-party shareholders rose by €0.9 million to €17.0 million (2014: €16.1 million), as the operating earnings contributions of the various companies also rose.

Interest income of €0.2 million was slightly lower than in the previous year.

Measurement gains significantly higher than in previous year

Measurement of the Group's portfolio properties in accordance with IAS 40 led to measurement gains of €285.4 million (2014: €88.3 million). The share of third-party shareholders in this result during the financial year was €64.4 million (2014: €11.3 million). Accordingly, measurement gains attributable to the Group improved year-on-year from €77.0 million to €220.6 million.

The average value of Group properties after ongoing investments rose by 9.4%; individual measurement gains / losses ranged between -5.3% and +19.9%. This development is based on the latest rental market forecasts, which assume slight rises in rents in the medium term, and of a stable cost ratio, but principally on the basis of comparative yields on the German and international transaction markets, which have again contracted substantially. This trend was particularly marked for first-rate, dominant shopping centers in prime locations, such as the Main-Taunus-Zentrum which draws its customers from Frankfurt, but also for very good centers in second-tier locations, such as the City-Galerie Wolfsburg. Such shopping center properties remain in strong demand from investors because of the dearth of alternative investment opportunities, and some notched up double-digit increases in value. By contrast, slower trends in rents in particular led to depreciation in the value of the Rathaus-Center Dessau.

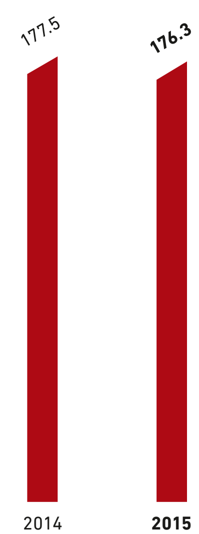
Another significant change in tax position

Taxes on income and earnings came to €85.4 million, compared with €37.2 million in the previous year. Deferred tax provisions were increased in the year on account of the large gains in value of €80.9 million (2014: €39.0 million). Income tax expenditure amounted to €4.6 million (2014: €5.4 million), €3.6 million of this was attributable to domestic taxes and €1.0 million to foreign taxes.

Significant increase in consolidated profit

Earnings before interest and taxes (EBIT) decreased marginally during the year under review, standing at €176.3 million, the figure for 2014 having been €177.5 million. At €394.7 million, earnings before taxes (EBT) were up a substantial €180.0 million versus the previous year (€214.7 million), thanks to the high contribution from the valuation of properties. Consolidated profit jumped to €309.3 million, exceeding the previous year's figure of €177.4 million by 74%.

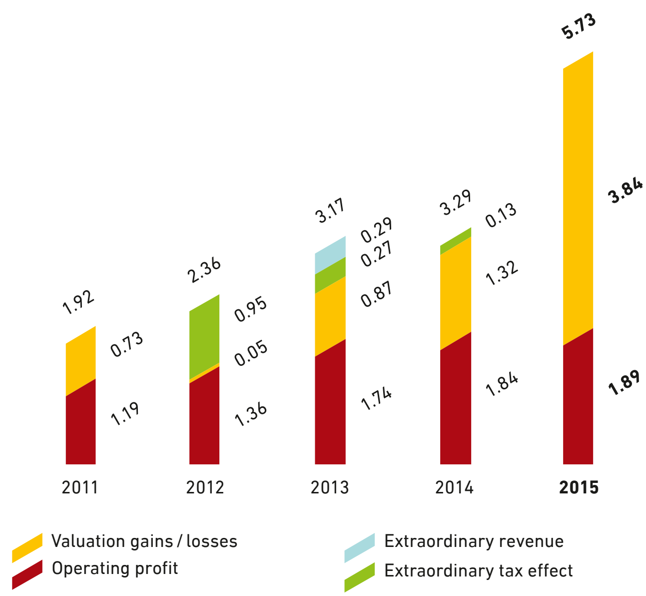
EBIT
in € million



Strong measurement gains drive earnings per share

Earnings per share (consolidated net profit per share) came to €5.73 in the reporting year, compared with €3.29 in the previous year (+74.2%). Of this amount, €1.89 (2014: €1.84) was attributable to operations and €3.84 (2014: €1.32) to measurement gains. Earnings per share for the previous year had been impacted by one-off tax income in the amount of €0.13 per share.

Earnings per share
in €, undiluted



in € per share	2015	2014
Consolidated net profit	**5.73**	**3.29**
Valuation in accordance with IAS 40	-4.09	-1.42
Valuation gains / losses for equity-accounted companies	-0.87	-0.24
Deferred taxes	1.12	0.34
Tax income from past years	0.00	-0.13
EPRA* earnings	**1.89**	**1.84**
Weighted no. of shares in thousands	53,946	53,946

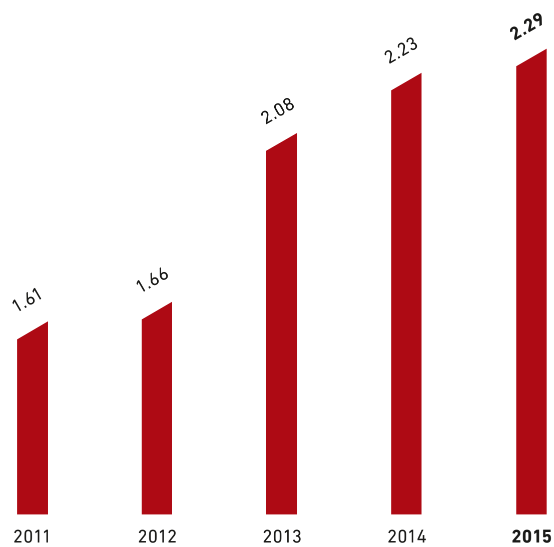
* European Public Real Estate Association

Funds from operations (FFO) up 2.4%

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 €123.4 million was generated – a 2.4% increase from the previous year's €120.5 million. FFO per share rose by 2.7% from €2.23 to €2.29.

FFO per share

in €



in € thousand	2015	2014
Consolidated profit	309,282	177,426
Measurement gains / losses	-220,556	-76,986
Measurement gains / losses for equity-accounted companies	-47,180	-12,688
Bond conversion expense	967	967
Deferred taxes	80,851	31,805
FFO	123,364	120,524
FFO per share	**2.29 €**	**2.23 €**
Weighted no. of shares in thousands	53,946	53,946

Dividend proposal: €1.35 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 15 June 2016 that a dividend of €1.35 per share, 3.8% or €0.05 higher than the previous year, be distributed for financial year 2015. An estimated €0.63 per share of the dividend will be subject to the deduction of capital gains tax.

FINANCIAL POSITION

Principles and objectives of financial management

For the purposes of financing its investments, Deutsche EuroShop uses the stock exchange to raise equity, as well as the credit and capital markets to borrow funds. Within the Group, both the individual property companies and Deutsche EuroShop AG borrow from banks and serve as bond issuers. Deutsche EuroShop's credit standing has been shown to be advantageous when negotiating loan terms. The Group can also arrange its financing independently and flexibly.

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: further improvement in key financials and interest rates

As at 31 December 2015, Deutsche EuroShop Group reported the following key financial data:

in € million	2015	2014	Change
Total assets	3,851.6	3,492.2	+359.4
Equity (including third-party interests)	2,061.0	1,751.2	+309.8
Equity ratio (%)	53.5	50.1	+3.4
Net financial liabilities	1,336.9	1,371.8	-34.9
Loan to value ratio (%)	35.5	40.0	-4.5

At €2,061.0 million, the Group's economic equity capital, which comprises the equity of the Group shareholders (€1,767.9 million) and that of the third-party shareholders (€293.1 million), was €309.8 million higher than in the previous year. The equity ratio improved year on year from 50.1% to 53.5%.

Financial liabilities

in € million	2015	2014
Convertible bond	96,972	95,264
Non-current bank loans and overdrafts	1,262,924	1,279,539
Current bank loans and overdrafts	47,711	55,282
TOTAL	**1,407,607**	**1,430,085**
Cash and cash equivalents	**-70,699**	**-58,284**
Net financial liabilities	**1,336,908**	**1,371,801**

Current and non-current financial liabilities shrank from €1,430.1 million to €1,407.6 million in the year under review, a decrease of €22.5 million. In contrast, cash and cash equivalents rose by €12.4 million, leading net financial liabilities to fall by €34.9 million, from €1,371.8 million to €1,336.9 million.

The net financial liabilities existing at the end of the year are used exclusively to finance non-current assets. As a result, 35.5% of non-current assets were financed by loans in the year under review.

Finance terms for the consolidated loans (including the convertible bond) as at 31 December 2015 were fixed at an average of 3.69% p.a. (2014: 3.76% p.a.) for an average residual maturity of 5.9 years (2014: 6.6 years). Deutsche EuroShop maintains credit facilities with 21 banks, all of which are German.

Of the 21 loans across the Group, 12 are subject to credit covenants with the financing banks. This includes a total of 18 different covenants on debt service cover ratios (DSCRs), interest cover ratios (ICRs), changes in rental income and the 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.

Scheduled repayments totalling €17.1 million will be made from current cash flow during financial year 2016. Over the period from 2017 to 2020, average annual repayments will be €14.8 million.

Refinancing of an €81.0 million loan is anticipated for financial year 2016. The €100 million convertible bond must be repaid in 2017 if the bond holders have not made use of their conversion rights by then. Other loans totalling €72.1 million must then be extended in 2018, €123.1 million in 2019 and €134.1 million in 2020.

Current and non-current financial liabilities totalling €1,407.6 million were recognised in the balance sheet at the reporting date. The difference compared with the amounts stated here of €2.3 million relates to deferred interest and repayment obligations that were settled at the beginning of 2016.

Investment analysis: investments slightly above previous year's level

Investments made during financial year 2015 totalled €11.1 million, compared with €9.7 million in the previous year. They related exclusively to ongoing investments in portfolio properties. In addition, the Karstadt property adjacent to the Rathaus Center in Dessau was acquired in 2015; the date for payment of the purchase price and for the transfer of benefits and encumbrances is 1 April 2016.

Loan structure as at 31 December 2015

Interest rate lock-in	as % of loan	in € million	Average residual maturity (years)	Average interest rate
Up to 1 year	3.3	45.5		2.10
1 to 5 years	40.2	565.4	3.8	3.87
5 to 10 years	50.3	707.4	6.8	3.34
Over 10 years	6.2	87.0	11.8	5.08
TOTAL	**100**	**1,405.3**	**5.9**	**3.69**

Liquidity analysis: liquidity further increased

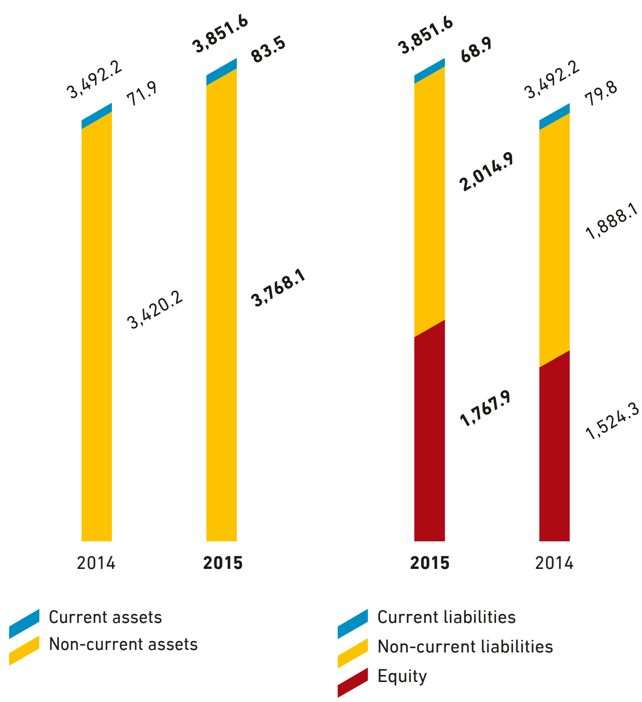
The Group's operating cash flow of €135.0 million (2014: €133.3 million) comprises the amount generated by the Group for shareholders through the leasing of shopping center space after deduction of all costs. It primarily serves to finance the dividends of Deutsche EuroShop AG and payments to third-party shareholders.

Cash flow from operating activities came to €133.8 million (2014: €132.8 million) and contains, in addition to operating cash flow, changes in receivables and other assets as well as in other liabilities and provisions. The reduction in current provisions was attributable mainly to the payment of invoices outstanding beyond the reporting date for maintenance and restructuring work carried out in the previous year.

Cash flow from financing activities fell from €-139.8 million to €-109.4 million. Cash outflows from financial liabilities totalling €24.2 million resulted from the repayment of credit liabilities. Dividends paid to shareholders totalled €70.1 million. Dividend payments to third-party shareholders came to €15.1 million.

Cash and cash equivalents rose by €12.4 million in the year under review to €70.7 million (2014: €58.3 million).

Balance sheet structure
in € million



NET ASSETS

Balance sheet analysis

The Group's total assets increased by €359.5 million from €3,492.2 million to €3,851.6 million.

in € thousand	2015	2014	Change
Current assets	83,496	71,946	11,550
Non-current assets	3,768,118	3,420,212	347,906
Current liabilities	68,904	79,770	-10,866
Non-current liabilities	2,014,851	1,888,046	126,805
Equity	1,767,859	1,524,342	243,517
TOTAL ASSETS	**3,851,614**	**3,492,158**	**359,456**

Current assets slightly higher

At the end of the year, current assets stood at €83.5 million, up €11.6 million compared with the previous year (2014: €71.9 million). This was attributable to cash and cash equivalents, which were €12.4 million higher at the reporting date. Trade receivables were up slightly versus the year-earlier level, advancing €1.1 million to €5.6 million (2014: €4.5 million). Conversely, other assets shrank a little, from €9.2 million to €7.2 million.

On the reporting date, cash and cash equivalents amounted to €70.7 million (2014: €58.3 million).

Non-current assets higher as a result of property appreciation

Non-current assets rose from €3,420.2 million to €3,768.1 million in the year under review, an increase of €347.9 million.

Investment properties gained €296.5 million. While costs of investments in portfolio properties came to €11.1 million, revaluation of our property portfolio resulted in valuation gains of €285.4 million.

At-equity investments increased by €51.6 million from €359.4 million to €411.0 million. This is attributed to the difference between the shares in the earnings and losses for the financial year. A €1.0 million capital increase was also carried out in the year under review for Immobilienkommanditgesellschaft FEZ Harburg, Hamburg.

Other financial assets saw a net drop from the previous year of €0.2 million, which was primarily linked to the repayment of equity in an investee in connection with the sale of the shares in Galeria Dominikanska, Poland, in 2013.

Current liabilities down

Current liabilities fell by €10.9 million, from €79.8 million to €68.9 million, largely due to lower short-term bank loans and liabilities (€-7.6 million) and the utilisation of provisions (€-2.7 million).

Other current liabilities declined by a net €0.6 million.

Non-current liabilities up

Non-current liabilities rose by €126.9 million, from €1,888.0 million to €2,014.9 million. The increase was the result of the allocation to the deferred tax liabilities (€+82.1 million) and the redemption entitlements of third-party shareholders that increased by €66.3 million. By contrast, financial liabilities were lower on account of repayment obligations (€-14.9 million). Other liabilities decreased by €6.6 million, due in particular to a year-on-year reduction in the negative present values of interest rate hedges entered into in connection with loans.

Equity

At €1,767.9 million, Group equity was up €243.5 million against the previous year (€1,524.3 million).

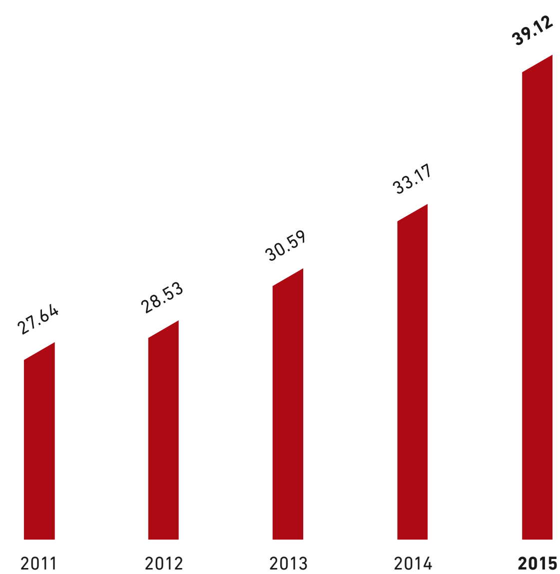
The increase over the year under review primarily comprises the difference between consolidated profit of €309.3 million and the €70.1 million paid as a dividend in June 2015. The change in the fair values of swaps, at €4.4 million, positively impacted equity.

EPRA net asset value significantly increased

Net asset value (NAV) stood at €2,110.6 million or €39.12 per share as at 31 December 2015, compared with €1,789.4 million or €33.17 per share in 2014. Net asset value per share was therefore 18.0% or €5.95 higher year-on-year.

in € thousand	31.12.2015	31.12.2014
Equity	1,767,859	1,524,342
Deferred taxes	309,528	227,455
Negative swap values	42,600	48,194
resulting deferred taxes	-9,380	-10,602
EPRA NAV	2,110,606	1,789,389
EPRA NAV PER SHARE	**39.12 €**	**33.17 €**

EPRA net asset value per share
in €



EPRA also recommends that an EPRA NNNAV (triple NAV) be calculated, which should roughly correspond to the liquidation value of the company. This adjusts the EPRA NAV to take account of hidden liabilities or undisclosed reserves resulting from the market valuation of bank loans and overdrafts, as well as deferred taxes. As at 31 December 2015, EPRA NNNAV stood at €1,693.7 million, compared with €1,432.0 million in 2014. EPRA NNNAV per share was therefore €31.40 (2014: €26.54), which corresponds to an increase of 18.3%.

in € thousand	31.12.2015	31.12.2014
EPRA NAV	2,110,606	1,789,389
Negative swap values	-42,600	-48,194
Negative present value of bank loans and overdrafts	-92,254	-114,837
Total deferred taxes	-282,034	-194,385
EPRA NNNAV	1,693,718	1,431,973
EPRA NNNAV PER SHARE	**31.40 €**	**26.54 €**

Overall comment by the Executive Board on the economic situation

The past financial year confirmed that Deutsche EuroShop Group has a successful business model. We met our forecasts for financial year 2015.

REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

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

OUTLOOK

In 2016, positive stimuli for German economic growth are again expected to come from real increases in employee income, the positive environment for consumption and exports, which currently remain strong. Despite persistent economic imbalances within the eurozone, the economic review produced by the federal government predicts a positive scenario for Germany in 2016. Gross domestic product (GDP) is forecast to grow by 1.7%. Unemployment is set to remain around the current level of 6.4%, while inflation should be low. The German Retail Federation (HDE) predicts that retail sales will advance by 2.0%, with online sales the biggest growth driver.

The positive, robust state of the economy in our core market of Germany contrasts sharply with the structural economic problems in some individual eurozone member states. The Greek debt crisis, which has not been eradicated by the support measures put in place by the international financial institutions, and the necessary fundamental reforms in the affected European economies will continue to occupy us in 2016 and beyond. The refugee crisis is another new drag, with unclear political and economic implications for the EU and for Germany in particular. In our estimate, the risk to the overall economy remains high.

In light of these financial and economic challenges, 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 demand for real estate at record levels, considering that the supply side is limited. Retail property remains attractive to many institutional investors, leading to very high transaction prices and correspondingly low anticipated yields for high-quality properties. We monitor developments on the real estate market closely. As in the past, we will only make new investments if the return that is achievable over the long term bears a reasonable relation to the investment risks.

STABLE OUTLOOK FOR OUR SHOPPING CENTERS IN AN INCREASINGLY COMPETITIVE ENVIRONMENT

We expect the positive trend for our shopping centers to continue. The occupancy rate across our portfolio as a whole is currently expected to remain around 99%. At the end of 2015, the occupancy rate for all types of space was 99.0%, on a par with 2014 (98.9%). The remaining vacancies consisted largely of office and storage space. The occupancy rate for retail space stood steady at 99.6% (2014: 99.5%).

Outstanding rents and necessary valuation allowances remain at a low level. We currently see no indications of a significant change in this satisfactory situation.

Agreed transactions are the foundation for revenue and earnings planning

The Deutsche EuroShop Group's revenue and earnings planning for 2016 and 2017 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 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.

Stadt-Galerie, Passau

CONSTANT REVENUE EXPECTED

In light of the very low inflation, we expect 2016 rental revenue to come in between €200 million and €204 million. We anticipate a small (+0.25%) rise in rents in 2017, translating into revenue of €201 million to €205 million.

STABLE TO SLIGHTLY HIGHER RESULTS IN 2016 AND 2017

Earnings before interest and taxes (EBIT) were €176.3 million in 2015. Our forecast is that EBIT, both this year and in 2017, will, much as it did last year, move in a range between €175 million and €179 million.

Earnings before tax (EBT) excluding measurement gains / losses came to €127.0 million in the year under review. We expect to achieve a figure of between €127 million and €130 million in 2016 (+1.2%) and €131 to €134 million in 2017 (+3.1%).

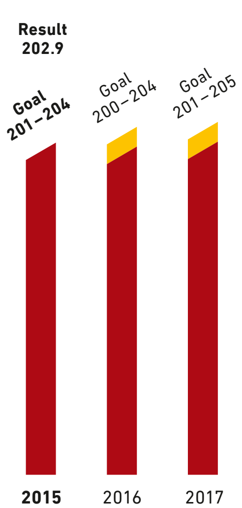
FFO to increase slightly out to 2017

Funds from operations (FFO) amounted to €2.29 per share in the year under review. We expect this figure to be in line with the year-earlier level in 2016, at between €2.26 and €2.30, and to increase to between €2.34 and €2.38 in 2017 (+3.5%). The FFO calculation is performed on an undiluted basis, assuming 53.9 million shares.

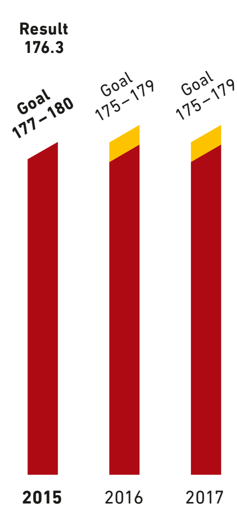
Dividend policy

We intend to maintain our long-term, reliable dividend policy and anticipate that we will be able to pay a dividend of €1.40 per share to our shareholders for financial year 2016.

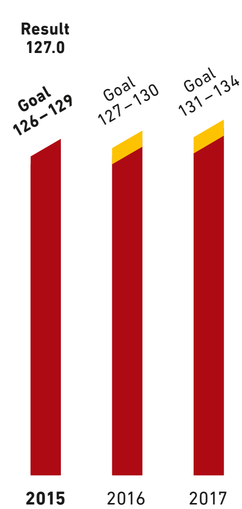
Revenue in € millions



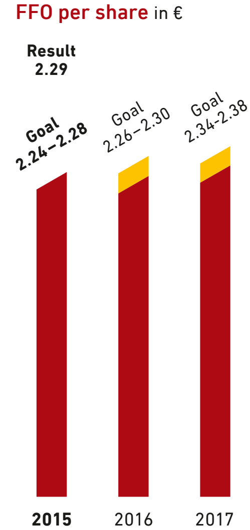
EBIT in € millions



EBT in € millions



FFO per share in €



RISK AND OPPORTUNITY 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 ensuring that the shareholders can share in the success of the company over the long term through the distribution of an appropriate 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 are the focus 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.

Risk analysis involves the identification and analysis of factors that may jeopardise the achievement of objectives. The risk analysis process answers the question of how to deal with risks given ongoing changes in the environment, the legal framework and working conditions. The resulting control activities are to be embedded into processes that are essential to the realisation of business targets.

KEY FEATURES

Under existing service contracts, the Executive Board of Deutsche EuroShop AG is continuously briefed about the business performance of individual 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

2. **Centers under construction**
- Pre-leasing levels
- Construction status
- Budget status

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, as well.

ANNUAL FINANCIAL STATEMENT PREPARATION PROCESS

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 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 such that the application of the systems used cannot guarantee absolute certainty in respect of 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.

ILLUSTRATION OF MATERIAL RISKS AND OPPORTUNITIES

Cyclical and macroeconomic risks

Buoyed by the positive climate for consumption and the good contribution from external trade, price-adjusted GDP grew by 1.7% in 2015 (source: German Federal Statistical Office). The German economy remains on a growth track. It has performed well in a tough global environment. Real wage growth and a stable wage share are having a very stabilising effect on domestic demand, and exports were in line with the previous year's level. The federal government forecasts GDP growth of 1.7% in Germany in 2016.

The labour market is in very good shape, after continuing on its positive trend. Unemployment fell slightly once again in 2015, from 6.7% to 6.4%. Around 43.3 million people were employed as at the end of 2015. Another 2.8 million were registered unemployed. Germany has one of the highest levels of economic participation in Europe. For the coming year, the German federal government expects the labour market to remain robust, albeit harbouring risks, with the average unemployment rate at 6.4%.

After eurozone GDP had risen by 0.9% in 2014, it gathered some momentum in 2015 to increase by 1.6%. The European Commission expects growth of 1.7% for the 19 eurozone member states in 2016. In 2015, the overall unemployment rate in the eurozone was still a high 11%. The upturn in the real economy does not have universally solid foundations. Although the recession appears to have bottomed out in Europe, the debt crisis remains a major source of uncertainty, and the economic difficulties, geopolitical risks and refugee crisis represent major drags for the eurozone.

Furthermore, the Chinese economy cooled towards the end of last year, the US Federal Reserve signalled an end to the country's low interest rate policy when it made a first rate hike for many years, and the dramatic fall in oil prices is having a severe negative impact on most oil-exporting countries. This environment sparked turmoil on financial and equity markets all over the world in early 2016, highlighting how strongly international interconnections between economies and the financial markets are. Global sentiment deteriorated in the space of just a few weeks. The latest developments harbour considerable risks for the world economy, and the uncertainty on the markets could slow or even wipe out the recent more positive economic momentum.

Consumer price inflation fell year-on-year once again in 2015. German inflation was 0.3%. Prices in the eurozone went up by 0%, and the European Central Bank is using all weapons in its armoury to avoid deflation and its harmful effects on economic activity and consumer spending. The main reason behind the fall was the huge drop in oil prices, which offset the bulk of price increases in many other areas of consumption, such as rents, food and services.

We continue to rate the risks to the economy as a whole as high. These risks have risen again in light of the latest developments on the international financial markets, as market participants have the increasingly firm impression that the monetary policy actions taken by central banks around the world have not yet had the desired effect. Despite historically low interest rates, most economies are posting no real sustainable growth. There are also suspicions of asset price bubbles in some areas of the economy, which in the event of a significant downturn could burst and trigger a fresh financial crisis.

Deutsche EuroShop AG is not as strongly affected by short-term economic developments as companies in other sectors, by virtue of its business model – long-term leasing of retail space – and the associated risks. However, in light of the trends described, we cannot rule out the possibility of a change in economic conditions that would impact Deutsche EuroShop AG's business.

Past experience has demonstrated that by situating our shopping centers in prime locations and by ensuring broad sector diversification within the centers, we can achieve commercial success even under difficult economic conditions.

Market and sector risks

There has been a structural change in retail trade in recent years, caused by continual shifts in demand patterns and new forms of offerings. The greatest success has been enjoyed by large-scale retail operations that are able to offer customers a wide range of goods. Thanks to its business model, Deutsche EuroShop is in a position to benefit from this development, especially as the experience aspect of shopping has gained in importance and a trend towards shopping as a recreational and lifestyle activity has become apparent.

Revenue in the bricks-and-mortar retail sector (including online sales) saw nominal growth of 2.8% and 2.7% in real terms in 2015 (2014: +1.7% nominal, +1.4% real). Total revenue was €472.4 million. The German Retail Federation (HDE) predicts nominal retail sales growth of 2.0% to €481.8 billion in 2016.

Online retail advanced by 12% to €41.7 billion in 2015. Online sales now account for about 9% of all retail volume, and the trend is up. The German Retail Federation anticipates another substantial 11% rise in 2016 to €46.3 billion. As such, the dynamic trend of recent years continued in 2015. One in two Germans now regularly shop online. However, their behaviour varies considerably from sector to sector. Many customers now prefer to shop online for books, entertainment electronics and telecommunications. Medication, jewellery and watches, and groceries still tend to be bought in person.

The rising share of total German retail sales accounted for by online business is mainly causing increased competition for small and medium-sized bricks-and-mortar retailers. This trend is linked to the increasing interconnection between the offline and online worlds, and to the emphasis on leisure, experience and place-to-meet aspects when rethinking the design of shopping centers. Improving personalised advice and contact when shopping is another key component.

Deutsche EuroShop AG is not wholly immune to longer-term trends such as the rise of online retail for physical stores. Past experience has demonstrated that by locating our shopping centers in prime locations and by ensuring broad sector diversification within the centers, we can achieve commercial success even during periods of stagnation. We minimise market and sector risks by closely monitoring the market, by adjusting the mix of tenants and sectors at our centers on an ongoing, individualised basis, and by concluding long-term contracts with tenants with strong credit ratings in all retail segments.

Risk of rent loss

It is possible that tenants may be unable to meet their obligations under existing leases or that the previous rents may no longer be obtained in the case of new and follow-on rentals. 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. Tenants' revenue trends and the accounts receivable trends are regularly analysed in this respect, and measures to find new tenants are initiated at an early stage if there are signs of any negative developments.

The tenants generally provide corresponding security deposits against the risk of default. In addition, write-downs are recognised in the accounts in individual cases.

Cost risk

Expenditure on current maintenance or investment projects can turn out higher than budgeted on the basis of experience. We minimise risks from cost overruns in current investment projects by taking cost models for all identifiable risks into account in our calculations as a precautionary measure at the planning stage. In addition, 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 ongoing construction projects in individual cases.

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, the underlying location risk, the evolution of long-term capital market rates and the general condition of the property. A reduction in rental income or a deterioration in the location risk generally has a downward effect on the capitalised earnings value. What is more, the appreciation of property values is also significantly influenced by a variety of macroeconomic or regional factors as well as developments specific to the property that cannot be foreseen or influenced by 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 the consolidated profit.

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. A risk could arise if the Hungarian forint or the Polish zloty were to plummet against the euro such that tenants were no longer able to pay what would then be considerably higher rents denominated in a foreign currency.

Financing and interest rate risks

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 20 years. There is a risk that refinancing may only be available at higher interest rates than before. The interest rate level is materially determined by the underlying macroeconomic and political conditions and therefore cannot be predicted by us.

The possibility cannot be completely excluded that, due for example to a deterioration in the Company's results of operations, banks may not be prepared to provide refinancing or to extend credit lines. We monitor the interest rate environment closely so as to be able to react appropriately to interest rate changes with alternative financing concepts or hedging if necessary. With average interest rates at 3.69% (2014: 3.76%), this does not currently represent a significant risk within the Group, particularly as the most recent refinancing was concluded at much lower interest rates than the original financing and the present average interest rate.

Deutsche EuroShop AG 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. Interest rate swaps and the underlying transaction are reported as one item in the consolidated financial statements. Financial instruments are not subject to liquidity or other risks. The Company counters the risk of default by stringently examining its contract partners. A test of effectiveness for the hedges described is implemented regularly.

Risk of damage

The property companies bear the risk of total or partial destruction of the properties. The insurance payouts due in such a case might be insufficient to compensate fully for the damage. It is conceivable that insurance cover is not sufficient for all theoretically possible losses or that the insurers may refuse to provide compensation.

IT risk

Deutsche EuroShop'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 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 on a daily basis on multiple storage media. In the event of a hardware or software failure in our system, all data can be reproduced at short notice.

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.

Legal risk

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

EVALUATION OF THE OVERALL RISK POSITION

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.

Allee-Center, Magdeburg

REMUNERATION REPORT

The remuneration rules of Deutsche EuroShop AG were last reviewed by the Supervisory Board in financial year 2010 and amended to comply with the statutory requirements, most notably those of the Gesetz zur Angemessenheit der Vorstandsvergütung (VorstAG – German Act on the Appropriateness of Executive Board Remuneration) and the Corporate Governance Code.

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.

The bonus – as a one-year variable remuneration component – 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 Böge receives 0.5% of the calculation basis as a bonus, Mr Wellner 0.25% and Mr Borkers 0.2%. The bonus is limited to 150% of the basic annual remuneration.

The non-performance-related basic annual remuneration is €300 thousand for Mr Böge, €252 thousand for Mr Wellner and €168 thousand for Mr Borkers. For financial year 2015, the pro-rated basic remuneration for Mr Böge for the period to 30 June 2015 was €150 thousand, while Mr Wellner received a pro-rated €231 thousand for the period from 1 February 2015. In addition, Mr Böge is expected to receive a pro-rated bonus of €225 thousand (the maximum) and Mr Wellner a pro-rated bonus of €289 thousand for 2015. The expected bonus for Mr Borkers is €252 thousand. 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 shall decide at its own discretion on the extent to which such remuneration shall 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 shall 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 is applicable.

A long-term incentive (LTI 2010) remuneration component was agreed for the first time in 2010. The amount of the LTI 2010 was based on the change in market capitalisation of Deutsche EuroShop AG between 1 July 2010 and 30 June 2015. Market capitalisation is calculated by multiplying the share price by the number of Company shares issued. Mr Böge will receive 0.2% of any positive change in value up to €500 million, and Mr Borkers 0.025%. For any change over and above this amount, Mr Böge will receive 0.1% and Mr Borkers 0.0125%. Between 1 July 2010 and 30 June 2015, according to data provided by Deutsche Börse, the Company's market capitalisation rose from €983.5 million to €2,195.0 million (31 December 2014: €1,952.6 million). The positive change in market capitalisation was therefore €1,211.5 million. Mr Böge therefore has a total entitlement of €1,712 thousand and Mr Borkers €238 thousand. An expense of €600 thousand (2014: €481 thousand) was recognised for this purpose during the financial year. The LTI 2010 will be paid out to Mr Borkers in December 2015. Mr Böge will receive his payment in five equal annual instalments, the first being paid on 1 January 2016.

Following expiry of the LTI 2010, a new long-term incentive (LTI 2015) remuneration component was agreed in 2015. The amount of the LTI 2015 is based on the change in market capitalisation of Deutsche EuroShop AG over the period from 1 January 2015 (for Mr Wellner) and 1 July 2015 (for Mr Borkers) to 30 June 2018. Market capitalisation is calculated by multiplying the share price by the number of Company shares issued. According to data provided by Deutsche Börse, the Company's market capitalisation was €2,195 million as at 1 July 2015 and €1,932.3 million as at 1 January 2015.

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 2015 will be made in three equal annual instalments, the first being payable on 1 January 2019. In the event that the employment contract is terminated prematurely by the Company, any entitlements arising from the LTI 2015 until that date will be paid out prematurely.

Between 1 January 2015 and 31 December 2015, the market capitalisation of the Company rose to €2,147 million. This marked an increase of €214.6 million versus 1 January 2015. The present value of the resulting potential entitlement under the LTI 2015 was €202 thousand at year-end. A provision of €58 thousand for this purpose was recognised during the financial year.

REMUNERATION OF THE EXECUTIVE BOARD IN 2015

The remuneration of the Executive Board amounted to €3,330 thousand, which broke down as follows:

in € thousand	Claus-Matthias Böge				Wilhelm Wellner				Olaf Borkers				Total
	CEO (until 30 June 2015) Departed: 30.06.2015				CEO (from 1 July 2015) Joined: 01.02.2015				Member of the Executive Board Joined: 01.10.2005				
Contributions made	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)	2015
Fixed remuneration	300	150				231			168	168			
Ancillary benefits	16	8				17			11	13			
Total	**316**	**158**				**248**			**179**	**181**			**587**
One-year variable remuneration	450	225	0	225		289	0	347	239	252	0	252	
Multi-year variable remuneration													
LTI 2010	0	1,712	0	(*)					0	238	0	(*)	
LTI 2015						0	0	(*)	0	0	0	(*)	
Other	0	0				0			0	0			
Total	**450**	**1,937**				**289**			**239**	**490**			**2,716**
Pension expense	53	27				0			0	0			27
TOTAL REMUNERATION	**819**	**2,122**				**537**			**418**	**671**			**3,330**

* no maximum

In 2015, the Executive Board was in receipt of payments totalling €1,773 thousand:

in € thousand	Claus-Matthias Böge				Wilhelm Wellner				Olaf Borkers				Total
	CEO (until 30 June 2015) Departed: 30.06.2015				CEO (from 1 July 2015) Joined: 01.02.2015				Member of the Executive Board Joined: 01.10.2005				
Allocation	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)	2014	2015	2015 (min)	2015 (max)	2015
Fixed remuneration	300	150				231			168	168			
Ancillary benefits	16	8				17			11	13			
Total	**316**	**158**				**248**			**179**	**181**			**587**
One-year variable remuneration	447	675	0	675		0	0	0	230	246	0	259	
Multi-year variable remuneration													
LTI 2010	0	0	0	(*)					0	238	0	(*)	
LTI 2015						0	0	(*)	0	0	0	(*)	
Other	0	0				0			0	0			
Total	**447**	**675**				**0**			**230**	**484**			**1,159**
Pension expense	53	27				0			0	0			27
TOTAL REMUNERATION	**816**	**860**				**248**			**409**	**665**			**1,773**

* no maximum

The ancillary benefits included the provision of a car for business and private use. Contributions to a pension plan were included in the pension expenses.

Ancillary benefits include the provision of a car for business and private use. Contributions to a pension scheme have been recognised under pension expense.

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. This amount will from 2016 be paid at the start of each year in five equal instalments, finishing in 2020. The Company also paid a old-age pension contribution of €27 thousand for Mr Böge.

In the event that Mr Wellner is not re-elected to the Executive Board when his employment contract ends on 30 June 2018, he will receive a monthly transitional sum of €40 thousand for a period of six months. This transitional sum shall not be payable if Mr Wellner does not stand for re-election to the Executive Board.

REMUNERATION SYSTEM FOR 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.

REMUNERATION OF THE SUPERVISORY BOARD IN 2015

The remuneration of the members of the Supervisory Board totalled €312 thousand in the period under review, which breaks down as follows:

in € thousand	Total 2015	2014
Manfred Zaß	27.55	59.50
Dr Michael Gellen	0	20.66
Reiner Strecker	52.61	37.74
Thomas Armbrust	29.75	29.75
Beate Bell	29.75	15.98
Manuela Better	29.75	15.98
Karin Dohm	37.74	29.75
Dr Henning Kreke	29.75	29.75
Alexander Otto	29.75	29.75
Klaus Striebich	29.75	29.75
Dr Bernd Thiemann	0	13.77
Roland Werner	15.98	0
INCLUDING 19% VALUE ADDED TAX	**312.37**	**312.37**

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

ACQUISITION REPORTING

Deutsche EuroShop shares are traded on the Frankfurt Stock Exchange and other exchanges. As of 31 December 2015, 17.33% of shares were owned by Alexander Otto (2014: 9.73%).

The share capital is €53,945,536, comprised of 53,945,536 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 €26,972,768 through one or multiple issues of new no-par-value registered shares against cash or non-cash contributions before 19 June 2018 ("Authorised capital 2013").

The Executive Board is authorised, with the Supervisory Board's approval, to issue, until 15 June 2016, convertible bonds with a total nominal value of up to €200,000,000 and a maximum term of 10 years and to grant the holders of the respective, equally privileged, bonds conversion rights to new no-par-value shares in the Company up to a total of 10,000,000 shares (€10.0 million), as detailed in the terms and conditions for convertible bonds ("Bond conditions"; "Conditional capital 2011"). The convertible bonds may also pay a variable rate of interest, in which case, as with a participating bond, the interest may be dependent in full or in part on the level of the Company's dividend. In November 2012, Deutsche EuroShop issued a convertible bond with a five-year term and a nominal value of €100,000,000, for which some 3.2 million shares are currently reserved in conditional capital.

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.

Billstedt-Center, Hamburg

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 289A HGB)

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

www.deutsche-euroshop.de/ezu

Hamburg, 15 April 2016

Forward-looking statements
This 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 (–).

WHAT YOU ALWAYS WANTED TO HEAR ABOUT SHOPPING.

THE SOUND OF THE CITY

Our sense of hearing is always on alert. It tells us where we are, warns us and is vital for social communication. But we also perceive sounds emotionally, whether it's a piece of music that moves us or being engaged in an enjoyable conversation. Hearing also impacts our feelings when we shop and makes it possible to discuss items and receive advice in a shop.

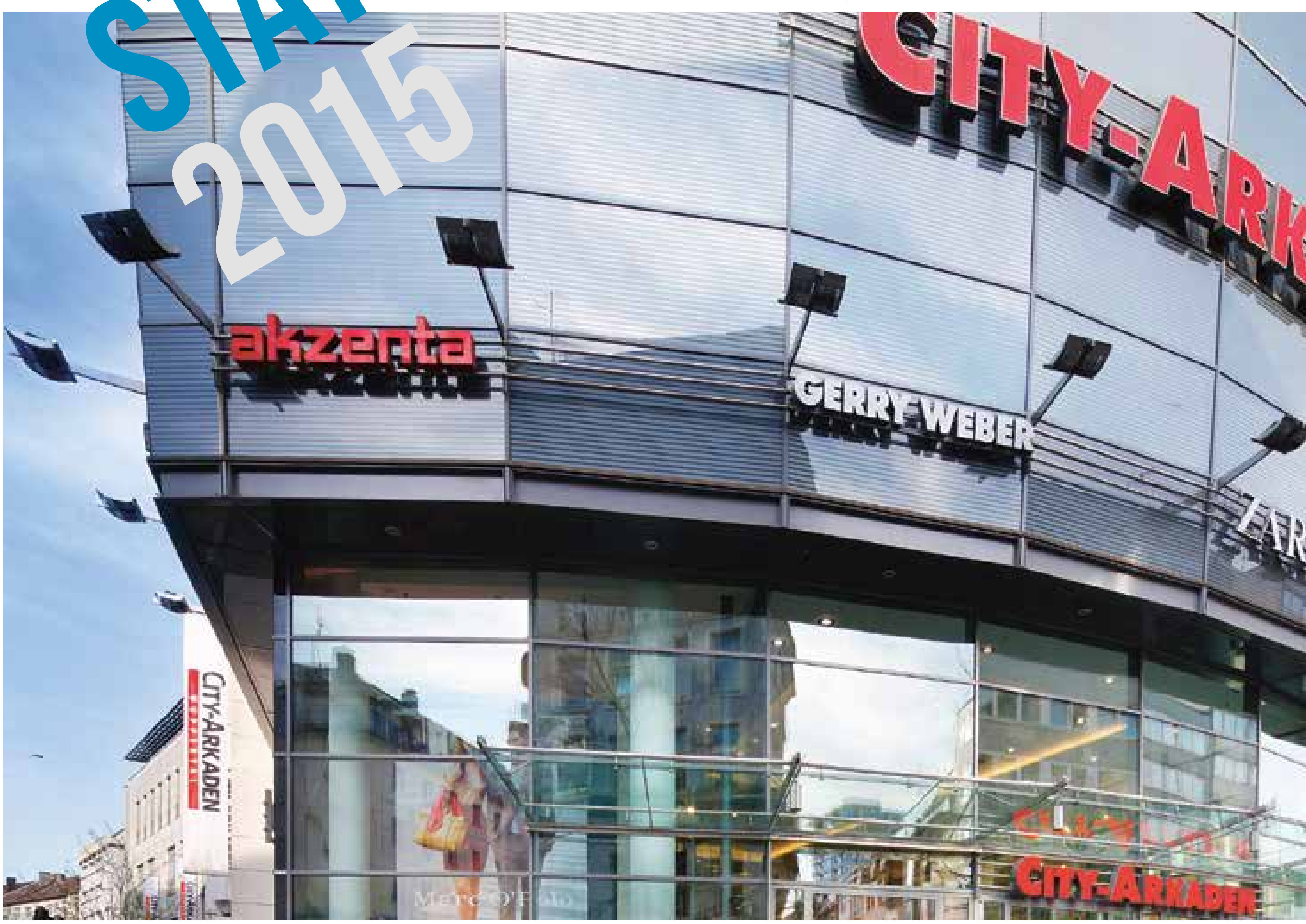
That's what
an experience
sounds like.

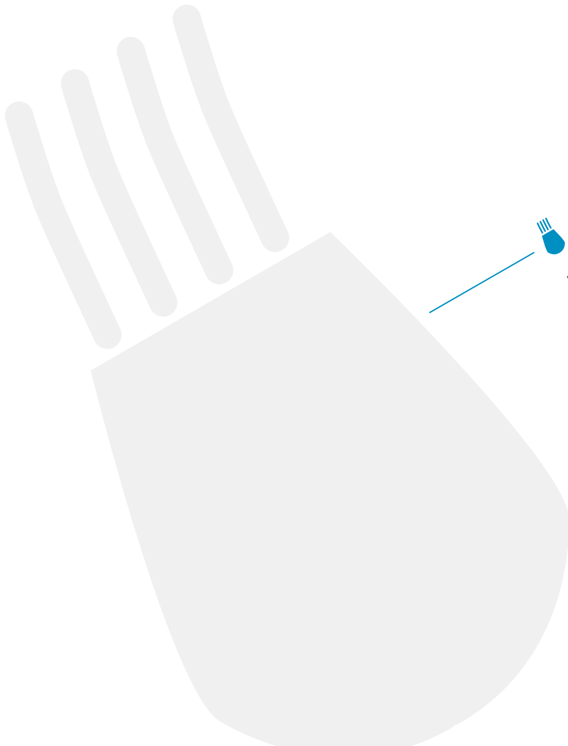
hear

http://bit.ly/soundofshopping

CONSOLIDATED FINANCIAL STATEMENTS 2015

City-Arkaden, Wuppertal





Hair cells convert mechanical impulses into neural activity and, depending on type, are stimulated by sound, water flow, or angular or linear acceleration.

CONSOLIDATED BALANCE SHEET

ASSETS

in € thousand	Note	31.12.2015	31.12.2014
ASSETS			
Non-current assets			
Intangible assets	1.	8	17
Property, plant and equipment	2.	365	393
Investment properties	3.	3,356,655	3,060,179
Investments accounted for using the equity method	4.	411,031	359,357
Other financial assets	5.	59	266
Non-current assets		**3,768,118**	**3,420,212**
Current assets			
Trade receivables	6.	5,605	4,510
Other current assets	7.	7,192	9,152
Cash and cash equivalents	8.	70,699	58,284
Current assets		**83,496**	**71,946**
TOTAL ASSETS		**3,851,614**	**3,492,158**

EQUITY AND LIABILITIES

in € thousand	Note	31.12.2015	31.12.2014
EQUITY AND LIABILITIES			
Equity and reserves			
Issued capital		53,945	53,945
Capital reserves		961,970	961,970
Retained earnings		751,944	508,427
Total equity	9.	**1,767,859**	**1,524,342**
Non-current liabilities			
Financial liabilities	10.	1,359,896	1,374,803
Deferred tax liabilities	11.	309,528	227,455
Right to redeem of limited partners		293,113	226,849
Other liabilities	16.	52,314	58,939
Non-current liabilities		**2,014,851**	**1,888,046**
Current liabilities			
Financial liabilities	10.	47,711	55,282
Trade payables	12.	621	1,098
Tax liabilities	13.	489	857
Other provisions	14.	7,056	9,799
Other liabilities	15.	13,027	12,734
Current liabilities		**68,904**	**79,770**
TOTAL EQUITY AND LIABILITIES		**3,851,614**	**3,492,158**

CONSOLIDATED INCOME STATEMENT

in € thousand	Note	01.01.–31.12.2015	01.01.–31.12.2014
Revenue	17.	202,854	200,785
Property operating costs	18.	-9,407	-9,062
Property management costs	19.	-9,976	-9,922
Net operating income (NOI)		**183,471**	**181,801**
Other operating income	20.	800	1,889
Other operating expenses	21.	-7,975	-6,184
Earnings before interest and taxes (EBIT)		**176,296**	**177,506**
Share of the profit or loss of associates and joint ventures accounted for using the equity method	23.	68,355	35,129
Interest expense		-55,980	-58,570
Profit / loss attributable to limited partners	24.	-17,020	-16,117
Other financial income and expenditure		2,273	-610
Interest income		229	348
Income from investments	22.	1	1
Net finance costs		**-2,142**	**-39,819**
Measurement gains / losses	25.	**220,556**	**76,986**
Earnings before tax (EBT)		**394,710**	**214,673**
Income taxes	26.	-85,428	-37,247
CONSOLIDATED PROFIT		**309,282**	**177,426**
Earnings per share (€), basic	30.	5.73	3.29
Earnings per share (€), diluted	30.	5.46	3.15

STATEMENT OF COMPREHENSIVE INCOME

in € thousand	Note	2015	2014
Consolidated profit		**309,282**	**177,426**
Items which under certain conditions in the future will be reclassified into the income statement:			
Actual share of the profits and losses from instruments used to hedge cash flows	9., 28.	5,594	-17,435
Change due to IAS 39 measurement of investments available for sale	4., 9., 28.	-8	-7
Deferred taxes on changes in value offset directly against equity	9.	-1,222	2,841
Total earnings recognised directly in equity		**4,364**	**-14,601**
TOTAL PROFIT		**313,646**	**162,825**
Share of Group shareholders		313,646	162,825

CONSOLIDATED CASH FLOW STATEMENT

in € thousand	Note	01.01.–31.12.2015	01.01.–31.12.2014
Profit after tax		**309,282**	**177,426**
Profit / loss attributable to limited partners	24., 25.	81,396	27,433
Depreciation of intangible assets and property, plant and equipment	1., 2.	86	76
Unrealised changes in fair value of investment property	25.	-285,408	-88,302
Net profit and loss from derivatives		-2,231	610
Other non-cash income and expenses		1,708	1,708
Profit / losses of joint ventures and associates	23., 29.	-50,651	-17,452
Deferred taxes	26.	80,851	31,805
Operating cash flow		**135,033**	**133,304**
Changes in receivables	6., 7., 28.	657	-1,745
Change in other financial investments		0	3,000
Changes in current provisions	13., 14.	-3,111	2,495
Changes in liabilities	12., 15., 16., 28.	1,171	-4,258
Cash flow from operating activities		**133,750**	**132,796**
Outflows for the acquisition of property, plant and equipment / investment properties	2., 3.	-11,143	-9,779
Inflows / outflows to / from the financial assets		-800	34,245
Cash flow from investing activities		**-11,943**	**24,466**
Outflows from the repayment of financial liabilities	10.	-24,186	-58,384
Payments to limited partners	27.	-15,077	-13,972
Payments to Group shareholders	9., 27.	-70,129	-67,432
Cash flow from financing activities		**-109,392**	**-139,788**
Net change in cash and cash equivalents		**12,415**	**17,474**
Cash and cash equivalents at beginning of period		**58,284**	**40,810**
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**70,699**	**58,284**

STATEMENT OF CHANGES IN EQUITY

in € thousand	Note	Number of shares out-standing	Share capital	Capital reserves	Other retained earnings	Statu-tory reserve	Available for sale reserve	Cash flow hedge reserve	Total
01.01.2014		**53,945,536**	**53,945**	**961,970**	**434,031**	**2,000**	**0**	**-22,997**	**1,428,949**
Total profit			0	0	177,426	0	-7	-14,594	162,825
Dividend payments	9.				-67,432				-67,432
31.12.2014		**53,945,536**	**53,945**	**961,970**	**544,025**	**2,000**	**-7**	**-37,591**	**1,524,342**
01.01.2015		**53,945,536**	**53,945**	**961,970**	**544,025**	**2,000**	**-7**	**-37,591**	**1,524,342**
Total profit			0	0	309,282	0	-8	4,372	313,646
Dividend payments	9.				-70,129				-70,129
31.12.2015		**53,945,536**	**53,945**	**961,970**	**783,178**	**2,000**	**-15**	**-33,219**	**1,767,859**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR FINANCIAL YEAR 2015

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). They are based on the premise of a going concern. All IFRSs and IFRIC interpretations endorsed by the European Commission and required to be applied as at 31 December 2015 have been applied.

In addition to the consolidated balance sheet, consolidated income statement and the consolidated statement of comprehensive income, the consolidated financial statements comprise the consolidated statement of changes in equity, the 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 at the balance sheet date, as well as the recognition of income and expenses during the reporting period. The actual amounts can differ from these estimates. Expected cash flows and the discount factor in particular are critical parameters for the measurement of investment properties.

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

The annual financial statements of the consolidated companies were prepared as at 31 December 2015, the reporting date of the consolidated financial statements.

BASIS OF CONSOLIDATION AND CONSOLIDATION METHODS

BASIS OF CONSOLIDATION

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.

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.

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 €657,000 thousand (previous year: €547,590 thousand) and current assets of €13,699 thousand (previous year: €14,804 thousand) at the balance sheet date. Non-current liability items amounted to €220,000 thousand (previous year: €220,000 thousand) and current liability items totalled €3,696 thousand (previous year: €4,573 thousand). The Company generated revenue of €34,744 thousand (previous year: €34,110 thousand) and profit of €69,928 thousand (previous year: €22,033 thousand). A dividend of €12,125 thousand (previous year: €11,490 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. Six companies fall into this category as at the balance sheet date. Deutsche EuroShop AG has a 75% stake in Stadt-Galerie Passau KG, Hamburg. It does not exercise sole control of this company, nor does it hold the majority of voting rights based on corporate agreements.

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. This applied to five companies at the balance sheet date.

Investees

Investments over which Deutsche EuroShop AG has neither significant influence nor control are measured at fair value, in line with the provisions of IAS 39. This relates to the stake in Ilwro Holding B.V., Amsterdam.

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 excess of identified net assets acquired over cost of acquisition is recognised in income following a further 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 and of income and expenses.

CURRENCY TRANSLATION

The Group currency is the euro (€).

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

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

A closing rate of HUF 313.12 (previous year: HUF 314.89) and an average rate of HUF 309.90 (previous year: HUF 308.66) were used in the translation of the separate Hungarian financial statements for Einkaufs-Center Arkaden Pécs KG, Hamburg, from forint to euros. A closing rate of PLN 4.2615 (previous year: PLN 4.2623) and an average rate of PLN 4.1841 (previous year: PLN 4.1843) was taken as a basis for translating the separate financial statements of the Polish property company.

Reporting principles

The following new or amended standards and interpretations are required to be applied for the first time to the financial years ending on 31 December 2015:

1. Annual Improvements to IFRSs – 2011 – 2013 Cycle
2. IFRIC 21 – Levies

Annual Improvements to IFRS – 2011 – 2013 Cycle

Publication: 12 December 2013

Required to be applied (since 18 December 2014) to financial years beginning on or after 1 January 2015.

IFRS 3 Business Combinations

The scope of IFRS 3 is clarified:

- The establishment of joint arrangements of all kinds is outside the scope of IFRS 3.
- The scope excludes only the financial statements of the joint arrangement itself but not the financial statements of the companies participating in it.

IFRS 13 Fair Value Measurement

The amendments give concrete form to the scope of the exception portfolios in IFRS 13.52. The exception applies to all contracts recognised under IAS 39 or IFRS 9, irrespective of whether they can be defined as a financial asset or a financial liability as set out in IAS 32.

IAS 40 Property held as a financial investment

Concrete form is given to the differentiation set out in IFRS 3 and IAS 40. If the transaction meets the conditions for being defined as a business combination under IFRS 3 and includes an investment property, both IFRS 3 and IAS 40 (independently of each other) apply to it (IAS 40.14A). It follows from this that the acquisition of an investment property can meet the not only the conditions for being an acquisition of a single asset (or group) but also for being a business combination under IFRS 3.

IFRIC 21 – Levies

Publication: 20 May 2013
Required to be applied to financial years beginning on or after 17 June 2014. (since 13 June 2014)

IFRIC 21 contains guidelines on when a debt in connection with a levy imposed by a government is to be reported. The interpretation applies not only to levies recognised under IAS 37 (Provisions and Contingent Receivables and Liabilities) but also to those where the amount and timing are known.

IFRIC 6 remains in force, with IFRIC 21 taken into account.

IFRSs incorporated into EU law and published up to the reporting date, the application of which will not be mandatory until later reporting periods
Where a standard or an amendment is not yet applicable or not yet required to be applied, is not applied and no use has been made of any option to apply it early, the expected effect of its future application is to be disclosed. According to IAS 8.30 Accounting Policies and Valuation Methods, Changes in Accounting Estimates and Errors, a company shall then state:

a. the fact; and
b. information known or to be regarded as to some degree reliable that is relevant to the assessment of the potential effects of an application of the new IFRS to the company's financial statements in the period in which it is first applied.
c. Taking Paragraph 30 into account, a company shall consider stating:
d. the title of the new IFRS;
e. the nature of the forthcoming changes to accounting methods;
f. the moment in time after which the application of the IFRS is required;
g. the moment in time after which it is intended that the IFRS be first applied; and either
   (i) discussing the expected effects of this IFRS being applied for the first time on the company's financial statements; or,
   (ii) if these effects are unknown or cannot be reliably estimated, giving an explanation with this content.

The following IFRSs adopted into EU law were issued before the reporting date, but are only required to be applied in later reporting periods as long as the company does not avail itself of the right to adopt them early.

Amendment / standard	Date of publication	Date of incorporation into EU law	Date applied (EU)
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	21 November 2013	17 December 2014	1 February 2015
Annual Improvements to IFRSs – 2010 – 2012 Cycle	12 December 2013	17 December 2014	1 February 2015
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	6 May 2014	24 November 2015	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	12 May 2014	2 December 2015	1 January 2016
Annual Improvements to IFRSs – 2012 – 2014 Cycle	25 September 2014	15 December 2015	1 January 2016
Disclosure Initiative (Amendments to IAS 1)	18 December 2014	18 December 2015	1 January 2016
The Equity Method in Separate Financial Statements (Amendments to IAS 27)	12 August 2014	18 December 2015	1 January 2016

Standards issued up to the reporting date, not yet incorporated into EU law.

The following standards as well as interpretations of and amendments to existing standards that were also issued by IASB, were not yet compulsory for the preparation of the consolidated financial statements as at 31 December 2015. Application requires that they are endorsed by the EU within the scope of the EU's IFRS incorporation (endorsement) process.

Amendment / standard	Date of publication	Expected incorporation into EU law	Date applied
IFRS 9 Financial Instruments	24 July 2014	H1 / 2016	1 January 2018
IFRS 14 Regulatory Deferral Accounts	30 January 2014	suspended	1 January 2016
IFRS 15 Revenue from Contracts with Customers [1]	28 May 2014	Q1 / 2016	1 January 2018
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IRFS 10 and IAS 28)	11 September 2014	To be decided	1 January 2016
Investment Entities – Applying the Consolidation Exception (Amendments to IRFS 10, IRFS 12 and IAS 28)	18 December 2014	Q1 / 2016	1 January 2016 [2]

[1] On account of the amendment effective date of IFRS 15 being 11 September 2015, the date on which IFRS 15 Revenue from Contracts with Customers is to be applied is deferred by one year to financial years commencing on or after 1 January 2018.

[2] EFRAG currently expects incorporation into EU law not to occur until after the binding first application date set by the IASB (1 January 2016).

The amendments or new announcements had no or no material effects on the presentation of the net assets, financial position and results of operations of the Group.

SIGNIFICANT ACCOUNTING POLICIES AND VALUATION METHODS

REVENUE AND EXPENSE RECOGNITION

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

INTANGIBLE ASSETS

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

PROPERTY, PLANT AND EQUIPMENT

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

Operating and office equipment comprises company cars, office equipment, 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.

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.

The fair values of the properties in the period under review as at 31 December 2015 were determined by appraisers from Jones Lang LaSalle GmbH (JLL). As in previous years, the discounted cashflow method (DCF) was used. 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.

In the preceding year, the fair values of the properties in the period under review had been determined by the Feri EuroRating Services AG and GfK GeoMarketing GmbH appraisal team using the discounted cash flow (DCF) method.

Over the forecast period, rents were assumed to increase on average over the long term at 1.14% (2014: 1.70%). On average, management and administration costs at 10.7% (2014: 11.0%) were deducted from the forecast rents. This resulted in an average net income of 89.3% (2014: 89.0%). Actual management and administrative costs amounted to 9.6% of rental income in the year under review (2014: 9.5%). At an average capitalisation rate of 5.33%, the average discount rate was 6.11% (2014: 6.44%).

The appraisal showed that, for the 2015 financial year, the real property portfolio had an initial yield before deduction of transaction costs of 5.46% compared with the previous year's 5.87% (-0.41%), and an initial rate of return net of transaction costs (net initial yield) of 5.13%, the figure for the previous year having been 5.53% (-0.40%). The net initial yields thus largely reflect the trend on the retail property market in 2015:

Market report dated	Net initial yield 2014	Net initial yield 2015	Difference 2014 to 2015
CBRE	4.50%	4.10%	-0.40%
BNP	4.50%	4.10%	-0.40%
Cushman Wakefield LLP	4.40%	3.95%	-0.45%
Change from 2014 to 2015			**-0.40% to -0.45%**

Market reports indicate that peak yields from first-class shopping centers in prime locations in Germany have fallen by some 0.40%, with a similar trend also being observed at second-tier locations.

Alongside the main parameters influencing the forecast rate of rent increases and the cost ratio, then, the change in market yields was the dominant factor influencing the valuation of the Group's properties (€220.6 million) and those belonging to the companies in which it has invested and which are recognised at equity (€47.2 million).

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

All other borrowing costs are recognised in income in the period in which they occur.

Maintenance measures relating to property, plant and equipment are recognised as an expense in the financial year in which they occur.

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 2015:

in € thousand	Level 1	Level 2	Level 3
Investment properties	0	0	3,356,655

There were no reclassifications between the hierarchical levels in the current financial year.

LEASE AGREEMENTS

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

FINANCIAL INSTRUMENTS

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

Financial instruments are generally recognised at fair value. The fair value is defined as the price that would be accepted or paid to transfer a liability in an arm's length transaction between market participants. When measuring the fair value, it is assumed that the transaction upon which the price is based occurs on a main market to which the Group has access. The price is measured based on the assumptions that market participants would use for pricing.

When determining fair value, a distinction is made between three assessment categories in accordance with IFRS 13:

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

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

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

In the case of financial instruments 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. For financial instruments measured at amortised cost, fair value is determined based on the expected payment flows using the benchmark interest rates for matching risk and maturities at the balance sheet date.

A. DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives that qualify for hedge accounting in accordance with IAS 39 are used to hedge interest rate risks. These are fixed-rate swaps to limit the interest rate risk of variable interest rate loans, which have terms extending to 2026. The interest rate hedges are recognised at fair value (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. Hedge effectiveness tests are conducted regularly. 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.

B. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets are classified as available for sale and 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 (recurring fair value measurement) in line with the provisions of IAS 39.

C. RECEIVABLES AND OTHER CURRENT ASSETS

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

D. 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.

E. FINANCIAL LIABILITIES

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

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, and comes to an amount equalling the difference between the actual interest expense and the nominal interest rate.

F. TRADE PAYABLES

Trade payables are recognised at their repayment amount.

G. OTHER LIABILITIES

Other liabilities are recognised at amortised cost.

H. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances (terms of up to three months) at their principal amounts.

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. The local tax rates, ranging between 19% and 25%, were applied for foreign companies. In accordance with IAS 12.74, deferred tax assets on existing loss carryforwards are offset against deferred tax liabilities.

OTHER PROVISIONS

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

NOTES TO THE CONSOLIDATED BALANCE SHEET – ASSETS

1. INTANGIBLE ASSETS

Concessions, industrial and similar rights and licences in such rights and assets

in € thousand	2015	2014
Costs as at 01.01.	**50**	**64**
Additions	0	14
Disposals	0	-28
as at 31.12.	**50**	**50**
Depreciation as at 01.01.	**-33**	**-56**
Additions	-9	-5
Disposals	0	28
as at 31.12.	**-42**	**-33**
Carrying amount at 01.01.	**17**	**8**
CARRYING AMOUNT AT 31.12.	**8**	**17**

This item consists mainly of software licences.

2. PROPERTY, PLANT AND EQUIPMENT

Other equipment, operating and office equipment

in € thousand	2015	2014
Costs as at 01.01.	**571**	**530**
Additions	76	51
Disposals	-79	-10
as at 31.12.	**568**	**571**
Depreciation as at 01.01.	**-178**	**-117**
Additions	-76	-71
Disposals	51	10
as at 31.12.	**-203**	**-178**
Carrying amount at 01.01.	**393**	**413**
CARRYING AMOUNT AT 31.12.	**365**	**393**

This includes the office equipment of Deutsche EuroShop AG, three company vehicles and tenant fixtures.

3. INVESTMENT PROPERTIES

in € thousand	2015	2014
Carrying amount at 01.01.	**3,060,179**	**2,962,163**
Additions	11,068	9,714
Unrealised changes in fair value	285,408	88,302
CARRYING AMOUNT AT 31.12.	**3,356,655**	**3,060,179**

The properties are secured by mortgages. There are land charges in the amount of €1,310,635 thousand (previous year: €1,334,821 thousand). The rental income of the properties valued in accordance with IAS 40 was €202,854 thousand (previous year: €200,785 thousand). Directly associated operating expenses were €19,383 thousand (previous year: €18,984 thousand).

Additions mainly include ongoing investments in portfolio properties.

Unrealised changes in market value relate to appreciation and depreciation in accordance with IAS 40.

4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

in € thousand	2015	2014
Carrying amount at 01.01.	**359,357**	**341,907**
Additions for equity-accounted companies	0	0
Deposits / withdrawals	-16,724	-17,679
Share of profit / loss	68,355	35,129
Appreciations / depreciations	43	0
Disposals	0	0
CARRYING AMOUNT AT 31.12	**411,031**	**359,357**

This item includes dividend distributions, share in the profits / losses and other equity changes of the companies concerned.

5. OTHER FINANCIAL ASSETS

in € thousand	2015	2014
Costs as at 01.01.	**273**	**34,519**
Additions	0	0
Disposals	-200	-34,246
as at 31 December	**73**	**273**
Amortisation / impairment losses and reversals as at 01.01.	**-7**	**0**
Amortisation / impairment losses and reversals	-7	-7
Additions	0	0
Disposals	0	0
as at 31.12.	**-14**	**-7**
Carrying amount at 01.01.	**266**	**34,519**
CARRYING AMOUNT AT 31.12.	**59**	**266**

This item includes the investment in Ilwro Holding B.V., Amsterdam, that made a capital repayment of €0.2 million to Deutsche EuroShop AG in 2015.

The investment was decreased in the year under review by €7 thousand to €59 thousand.

6. TRADE RECEIVABLES

in € thousand	31.12.2015	31.12.2014
Trade receivables	7,156	5,671
Allowances for doubtful accounts	-1,551	-1,161
	5,605	**4,510**

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

7. OTHER CURRENT ASSETS

in € thousand	31.12.2015	31.12.2014
Value added tax receivables	367	0
Interest rate swaps	0	207
Deductible withholding tax on dividends / solidarity surcharge	0	14
Other current assets	6,825	8,931
	7,192	**9,152**

Other current assets primarily consist of other receivables from tenants from heating and ancillary costs as well as prepaid costs to protect locations.

RECEIVABLES

in € thousand	Total	Up to 1 year	Over 1 year
Trade receivables	5,605 (4,510)	5,605 (4,510)	0 (0)
Other assets	7,192 (9,152)	7,192 (9,152)	0 (0)
(previous year's figures)	**12,797** (13,662)	**12,797** (13,662)	**0** (0)

MATURITY OF TRADE RECEIVABLES AND OTHER ASSETS

in € thousand	Carrying amount	Not overdue
Trade receivables	5,605 (4,510)	5,605 (4,510)
Other assets	7,192 (9,152)	7,192 (9,152)
(previous year's figures)	**12,797** (13,662)	**12,797** (13,662)

8. CASH AND CASH EQUIVALENTS

in € thousand	31.12.2015	31.12.2014
Short-term deposits / time deposits	8,819	15,116
Current accounts	61,866	43,150
Cash	14	18
	70,699	**58,284**

NOTES TO THE CONSOLIDATED BALANCE SHEET – LIABILITIES

9. EQUITY AND RESERVES

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

The share capital is €53,945,536, comprised of 53,945,536 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 still authorised, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to a total of €26,972,768 on one or multiple occasions until 19 June 2018 by issuing no-par-value registered shares against cash and / or non-cash contributions (approved capital 2013).

The Executive Board is authorised, subject to the approval of the Supervisory Board and until 15 June 2016, to issue convertible bonds with a total nominal value of up to €200,000,000 and maturities of up to ten years and to grant the holders of the respective, equally privileged, bonds conversion rights to new no-par-value shares in the Company up to a total of 10,000,000 shares (€10.0 million) in accordance with the detailed provisions of the terms and conditions for convertible bonds (bond conditions) (conditional capital 2011). The convertible bonds may also pay a variable rate of interest, in which case, as with a participating bond, the interest may be dependent in full or in part on the level of the Company's dividend.

The parent company of the Group, Deutsche EuroShop AG, is reporting an unappropriated surplus of €72,826 thousand. The Executive Board and the Supervisory Board will, at the Annual General Meeting on 15 June 2016, propose to distribute this amount as a dividend of €1.35 per share.

The previous year's unappropriated surplus of €70,129 thousand was distributed in full to the shareholders. The dividend paid was €1.30 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). Capital reserves also contain deferred tax assets at the expense of the capital increase amounting to €1,441 thousand.

Retained earnings consist of the remeasurement reserves, currency items and accumulated profits carried forward at the time of transition to IFRS.

Other total profit is divided into the following components:

2015

in € thousand	Before taxes	Taxes	Net
Measurement of investments (AfS) IAS 39	-8	0	-8
Cash flow hedges	5,594	-1,222	4,372
	5,586	**-1,222**	**4,364**

2014

in € thousand	Before taxes	Taxes	Net
Measurement of investments (AfS) IAS 39	-7	0	-7
Cash flow hedges	-17,435	2,841	-14,594
	-17,442	**2,841**	**-14,601**

10. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

in € thousand	31.12.2015	31.12.2014
Non-current bank loans and overdrafts	1,262,924	1,279,539
Current bank loans and overdrafts	47,711	55,282
Bonds	96,972	95,264
	1,407,607	**1,430,085**

Bank loans and overdrafts are recognised at amortised cost on the balance sheet date. The present value of loans is redetermined at the reporting date. To do so, the annuities due up to this date, together with any residual amount according to the redemption schedule, are discounted at the reporting date at market rates of interest plus a margin. This recurring fair value measurement is in accordance with level 3 of the IFRS 13 fair value hierarchy.

The fair value of the bank loans and overdrafts at the reporting date is €1,405,866 thousand (previous year: €1,450,483 thousand).

Bank loans and overdrafts relate to loans raised to finance property acquisitions and investment projects. Land charges on Company properties totalling €1,310,635 thousand (previous year: €1,334,821 thousand) serve as collateral.

Discounts are amortised over the term of the loan. In the year under review, €1,100 thousand (previous year: €1,079 thousand) was recognised in income.

Twelve of the 21 loan agreements currently contain arrangements regarding covenants. There are a total of 18 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 between 2016 and 2018 either.

Deutsche EuroShop issued a convertible bond on 20 November 2012. Convertible bonds with a five-year maturity and total value of €100 million were placed. The initial conversion price is €31.65; the coupon is 1.75% per year and is payable semi-annually in arrears. The convertible bonds were issued at 100% of their nominal value of €100,000.00 each and can initially be converted to 3,159,558 shares in Deutsche EuroShop AG in accordance with the conversion ratio and the terms and conditions of the convertible bonds. The proceeds from the issue amounted to €100 million. No conversion rights were exercised by 31 December 2015.

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.

11. DEFERRED TAX LIABILITIES

in € thousand	As at 01.01.2015	Utilisation	Reversal	Addition	As at 31.12.2015
Deferred taxes on properties	240,327	0	0	80,498	320,825
Deferred taxes on derivatives	-1,596	0	353	0	-1,243
Deferred taxes recognised directly in equity	-11,276	0	1,222	0	-10,054
	227,455	**0**	**1,575**	**80,498**	**309,528**

Deferred tax liabilities relate primarily to properties reported at fair value in accordance with IAS 40. At the reporting date, they totalled €327,298 thousand (previous year: €249,462 thousand) and were partially offset by deferred tax assets on tax loss carryforwards of €6,473 thousand (previous year: €9,134 thousand).

The deferred tax on derivatives concerns an interest rate swap, which is to be measured through profit and loss following the acquisition of the remaining shares in Altmarkt-Galerie Dresden.

The deferred taxes are formed for interest rate swaps, which due to an effective hedging relationship with the underlying transaction are recognised directly in equity.

in € thousand	As at 01.01.2015	Utilisation	Reversal	Addition	As at 31.12.2015
Deferred taxes on domestic companies	193,946	0	1,604	72,233	267,783
Deferred taxes on foreign companies	33,509	0	-29	8,265	41,745
	227,455	**0**	**1,575**	**80,498**	**309,528**

12. TRADE PAYABLES

in € thousand	31.12.2015	31.12.2014
Construction services	290	271
Other	331	827
	621	**1,098**

13. TAX LIABILITIES

in € thousand	As at 01.01.2015	Utilisation	Reversal	Addition	As at 31.12.2015
Income taxes	253	58	0	294	489
Real estate transfer tax	334	334	0	0	0
Real property tax	270	126	144	0	0
	857	**518**	**144**	**294**	**489**

14. OTHER PROVISIONS

in € thousand	As at 01.01.2015	Utilisation	Reversal	Addition	As at 31.12.2015
Maintenance and construction services already performed but not yet invoiced	3,317	2,706	613	2,818	2,816
Fees	1,782	1,782	0	77	77
Other	4,700	4,072	322	3,857	4,163
	9,799	**8,560**	**935**	**6,752**	**7,056**

Other provisions contain the present value (€58 thousand) of a long-term incentive plan which was contractually agreed between the Executive Board and employees of Deutsche EuroShop AG in 2015. The new long-term incentive plan is linked to changes in the market capitalisation up to 30 June 2015. Please also refer to the details in the remuneration report, which is part of the management report. The Long-Term Incentive 2010 expired on 30 June 2015.

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

15. OTHER CURRENT LIABILITIES

in € thousand	31.12.2015	31.12.2014
Value added tax	3,246	3,977
Rental deposits	874	970
Service contract liabilities	0	4
Debtors with credit balances	778	1,139
Other	8,129	6,644
	13,027	**12,734**

Other mainly comprises liabilities for heating and ancillary costs, prepaid rent for the following year and tax payments made at the beginning of 2016.

16. OTHER NON-CURRENT LIABILITIES

in € thousand	31.12.2015	31.12.2014
Interest rate swaps	50,452	58,431
Other	1,862	508
	52,314	**58,939**

In connection with borrowing, interest rate hedges (interest rate swaps) were concluded to hedge against higher capital market interest rates. Their present value totalled €50,452 thousand as at the reporting date.

LIABILITIES

in € thousand	Total	Current	Non-current
Financial liabilities	1,407,607 (1,430,085)	47,711 (55,282)	1,359,896 (1,374,803)
Trade payables	621 (1,098)	621 (1,098)	0 (0)
Tax liabilities	489 (857)	489 (857)	0 (0)
Other liabilities	65,341 (71,673)	13,027 (12,734)	52,314 (58,939)
of which taxes	3,277 (4,440)	3,277 (4,440)	0 (0)
(previous year's figures)	**1,474,058** (1,503,713)	**61,848** (69,971)	**1,412,210** (1,433,742)

NOTES TO THE CONSOLIDATED INCOME STATEMENT

17. REVENUE

in € thousand	2015	2014
Minimum rental income	200,802	197,993
Turnover rental income	1,566	1,682
Other	486	1,110
	202,854	**200,785**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	202,854	200,785

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

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 have the following maturities:

in € thousand	2015	2014
Maturity within 1 year	196,881	197,369
Maturity from 1 year to 5 years	635,570	620,569
Maturity after 5 years	311,310	325,547
	1,143,761	**1,143,485**

18. PROPERTY OPERATING COSTS

in € thousand	2015	2014
Center marketing	-2,763	-2,735
Operating costs that cannot be passed on	-3,474	-1,873
Maintenance and repairs	-1,152	-1,942
Real property tax	-640	-689
Insurance	0	-314
Write-downs of rent receivables	-939	-739
Other	-439	-770
	-9,407	**-9,062**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	-9,407	-9,062

The increase in non-allocable ancillary costs is largely attributable to operating costs that cannot be fully allocated to the tenants and to the payment of heating and ancillary costs in arrears for preceding years.

19. PROPERTY MANAGEMENT COSTS

in € thousand	2015	2014
CENTER MANAGEMENT / AGENCY AGREEMENT COSTS	**-9,976**	**-9,922**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	-9,976	-9,922

20. OTHER OPERATING INCOME

in € thousand	2015	2014
Income from the reversal of provisions	312	441
Exchange rate gains	30	34
Other	458	1,414
	800	**1,889**

21. OTHER OPERATING EXPENSES

in € thousand	2015	2014
Personnel expenses	-2,830	-2,466
Legal, consulting and audit expenses	-1,694	-1,401
Marketing costs	-433	-436
Exchange rate losses	-248	-318
Supervisory Board compensation	-312	-312
Appraisal costs	-283	-299
Write-downs	-86	-76
Real estate transfer tax	-8	0
Other	-2,081	-876
	-7,975	**-6,184**

Personnel expenses includes €848 thousand for the Long-Term Incentive 2010, which ended in June 2015.

Legal and consulting costs and audit expenses include expenditure of €286 thousand in fees for the audit of Group companies (previous year: €286 thousand).

Other expenditure also includes a threatened loss of €1,000 thousand on the acquisition of the Karstadt building in our Dessau shopping center in April 2016.

22. INCOME FROM INVESTMENTS

in € thousand	2015	2014
Income from investments	1	1

The profit dividend of City-Point Beteiligungs GmbH, Pullach for the previous year is recognised.

23. SHARE OF THE PROFIT OR LOSS OF ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

in € thousand	2015	2014
Profit / loss from equity-accounted associates	68,355	35,129

Amounts shown are shares in profit / losses of joint ventures and associates for the year. They relate to five shopping center companies and four smaller property companies. The profit / loss of equity-accounted companies is made up of operating profit of €21,175 thousand (previous year: €22,414 thousand) and measurement gains of €47,180 thousand (previous year: €12,688 thousand).

24. PROFIT / LOSS ATTRIBUTABLE TO LIMITED PARTNERS

in € thousand	2015	2014
Profit / loss attributable to limited partners	-17,020	-16,117

25. MEASUREMENT GAINS / LOSSES

in € thousand	2015	2014
Unrealised changes in fair value	285,408	88,302
Profit / loss attributable to limited partners	-64,376	-11,316
Other	-476	0
	220,556	**76,986**

26. INCOME TAXES

in € thousand	2015	2014
Current tax expense	-4,577	-5,442
Domestic deferred tax expense	-72,586	-27,926
Foreign deferred tax expense	-8,265	-3,879
	-85,428	**-37,247**

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, ranging between 19% and 25%, were applied for foreign companies.

TAX RECONCILIATION

Income taxes in the amount of €-85,428 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	2015	2014
Consolidated profit before income tax	**394,710**	**214,673**
Theoretical income tax 32.28%	**-127,412**	**-69,296**
Tax rate differences for foreign Group companies	5,381	1,647
Tax rate differences for domestic Group companies	36,877	24,148
Tax-free income / non-deductible expenses	-408	-589
Effect of tax rate changes	0	7,174
Aperiodic tax income	134	-381
Other	0	50
CURRENT INCOME TAX	**-85,428**	**-37,247**

In financial year 2015, the effective income tax rate was 21.7%. This did not include aperiodic tax income in the amount of €134 thousand.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

COMPOSITION OF CASH AND CASH EQUIVALENTS

in € thousand	31.12.2015	31.12.2014
Cash and cash equivalents	70,699	58,284

OPERATING CASH FLOW

After adjustment of the annual profit for non-cash income and expenses, operating cash flow was €135,033 thousand. All changes to cash flows from net finance costs are allocated to operating activities.

CASH FLOW FROM OPERATING ACTIVITIES

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

Cash outflows from operating activities includes, among others:

- interest income of €0.2 million (previous year: €0.3 million)
- interest expense of €54.2 million (previous year: €56.8 million)
- income taxes paid of €4.2 million (previous year: €2.1 million)
- net allocations to provisions of €5.8 million (previous year: €8.0 million)

CASH FLOW FROM INVESTING ACTIVITIES

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

We received an equity repayment of €0.2 million from Ilwro B.V., Amsterdam.

However, there was also a capital increase for Immobilienkommanditgesellschaft FEZ Harburg, Hamburg amounting to €1.0 million.

In the year under review, investments totalling €11.0 million were made in the portfolio properties.

In addition, investments in operating and office equipment totalled €0.1 million.

CASH FLOW FROM FINANCING ACTIVITIES

Moreover, loan reductions resulted in a cash outflow in the amount of €24.2 million.

Payments to third-party shareholders include the distributions paid, which amounted to €15.1 million.

In financial year 2015, a dividend of €70.1 million was paid to the shareholders.

SEGMENT REPORTING

As a holding company, Deutsche EuroShop AG holds equity interests in shopping centers in the European Union. The investees are pure real-estate shelf companies without staff of their own. Operational management is contracted out to external service providers under agency agreements, with the result that the companies' activities are exclusively restricted to asset management. The companies are operated individually.

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

As the Group's main decision-making body, the Deutsche EuroShop AG Executive Board first and foremost assesses the performance of the segments based on the EBT before measurement of the individual property companies. The valuation principles for the segment reporting correspond to those of the Group.

Intra-Group activities between the segments are eliminated in the reconciliation statement.

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

BREAKDOWN BY GEOGRAPHICAL SEGMENT

in € thousand	Domestic	Inter-national	Recon-ciliation	Total
Revenue (previous year's figures)	**187,874** (185,939)	**14,980** (14,846)	**0** (0)	**202,854** (200,785)

in € thousand	Domestic	Inter-national	Recon-ciliation	Total
EBIT (previous year's figures)	**167,138** (168,598)	**13,730** (13,093)	**-4,572** (-4,185)	**176,296** (177,506)

in € thousand	Domestic	Inter-national	Recon-ciliation	Total
Net interest income (previous year's figures)	**-48,378** (-50,685)	**-3,681** (-3,729)	**-3,692** (-3,808)	**-55,751** (-58,222)

in € thousand	Domestic	Inter-national	Recon-ciliation	Total
Earnings before tax (EBT) (previous year's figures)	**311,113** (181,069)	**24,399** (10,390)	**59,198** (23,214)	**394,710** (214,673)

The reconciliation statement primarily discloses profits and losses for equity-accounted companies in the amount of €68,355 thousand, of which €47,189 thousand are domestic and €21,166 thousand international.

in € thousand	Domestic	Inter-national	Total
Segment assets (previous year's figures)	**3,595,992** (3,262,622)	**255,622** (229,536)	**3,851,614** (3,492,158)
of which investment properties (previous year's figures)	**3,112,000** (2,838,839)	**244,655** (221,340)	**3,356,655** (3,060,179)

OTHER DISCLOSURES

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Carrying amounts, valuations and fair values according to measurement category

	Balance sheet amount in line with IAS 39				
in € thousand	Measurement category pursuant to IAS 39	Carrying amounts 31.12.2015	Amortised cost	Costs	Fair value recognised in equity
Financial assets					
Non-current financial assets**	AfS	58		66	-8
Trade receivables*	LaR	5,605	5,605		
Other assets*	LaR	808	808		
Cash and cash equivalents*	LaR	70,699	70,699		
Financial liabilities					
Financial liabilities***	FLAC	1,407,607	1,407,607		
Right to redeem of limited partners*	FLAC	293,113	293,113		
Trade payables*	FLAC	621	621		
Other liabilities*	FLAC	5,834	5,834		
Interest rate hedges not recognised in profit or loss*	FLAC	42,599			42,599
Interest rate hedges recognised in profit or loss**	FVTPL	7,853			
Aggregated according to measurement category pursuant to IAS 39					
Loans and receivables (LaR)		77,112	77,112		–
Available for sale (AfS)		58		66	-8
Financial liabilities measured at amortised cost (FLAC)		1,749,774	1,707,175		42,599
Financial liabilities measured at fair value in income (FVTPL)		7,853			

* Corresponds to level 1 of the IFRS 7 fair value hierarchy
** Corresponds to level 2 of the IFRS 7 fair value hierarchy
*** Corresponds to level 3 of the IFRS 7 fair value hierarchy

Investments measured using the equity method are reported at fair value. In the year under review no additional appreciations or depreciations were made as they are already included in the respective subsidiary's net income for the period.

Trade receivables, other assets as well as cash and cash equivalents – which are recognised at present value – have predominantly short residual terms. The carrying amounts thus correspond to the fair value.

The long-term financial liabilities include obligations from convertible bonds that are measured at amortised cost using the effective interest rate method. Interest expense incurred amounted to €3,458 thousand (previous year: €3,458 thousand) and is recognised in net finance costs.

Balance sheet amount in line with IAS 39							
Fair value recognised in income	**Fair value 31.12.2015**	Carrying amounts 31.12.2014	Amortised cost	Costs	Fair value recognised in equity	Fair value recognised in income	Fair value 31.12.2014
	58	266		273	-7		266
	5,605	4,510	4,510				4,510
	808	4,299	4,092		207		4,299
	70,699	58,284	58,284				58,284
	1,502,838	1,430,085	1,430,085				1,545,747
	293,113	226,849	226,849				226,849
	621	1,098	1,098				1,098
	5,834	6,602	6,602				6,602
	42,599	48,347			48,347		48,347
7,853	7,853	10,084				10,084	10,084
	77,112	67,093	66,886		207		67,093
	58	266		273	-7		266
	1,845,005	1,712,981	1,664,634		48,347		1,828,643
7,853	7,853	10,084				10,084	10,084

Bank loans and overdrafts have short and long-term durations and are recognised at amortised cost. The fair value for Group loans is given in the notes under item 10 non-current and current financial liabilities. In total, interest expense of €55,980 thousand (previous year: €58,570 thousand) is included in net finance costs.

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

Changes in the value of financial liabilities measured at fair value in profit or loss in the amount of €2,273 thousand (previous year: €-610 thousand) are reported under Other financial expenses.

The fair value of the liabilities listed above in level 3 was calculated in accordance with generally accepted valuation methods based on the discounted cash flow method. The interest and market price parameters applicable on the reporting date were applied.

The profit / loss share of third-party shareholders of €17,020 thousand (previous year: €16,117 thousand) is included in net finance costs.

Write-downs on trade receivables amounting to €939 thousand (previous year: €739 thousand) are recognised in the property operating costs.

RISK MANAGEMENT

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

MARKET RISKS

Liquidity risk

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

The contractually agreed future interest and principle repayments of the original financial liabilities and derivative financial instruments are as follows at 31 December 2015:

in € thousand	Carrying amount 31.12.2015	Cash flows 2016	Cash flows 2017 to 2020	Cash flows from 2021
Convertible bond	96,972	1,750	101,553	0
Bank loans and overdrafts	1,310,635	97,798	623,931	890,346

The amounts relate to all contractual commitments existing on the balance sheet date. The majority of the trade payables and other financial liabilities reported at the end of the financial year will fall due in 2016.

Credit and default risk

There are no significant credit risks in the Group. The trade receivables reported on the reporting date were predominantly paid up to the date of preparation of the financial statements. During the reporting year, write-downs of rent receivables of €939 thousand (previous year: €739 thousand) were recognised under property operating costs.

The maximum default risk in relation to trade receivables and other assets totalled €12,797 thousand (previous year: €13,662 thousand) on the reporting date.

Currency and measurement risk

The Group companies operate exclusively in the European Economic Area and conduct the greater part of their business in euro. This does not entail currency risks.

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:

Valuation parameter	Basis	Change in parameter	in € million	in %
Rate of rent increases	1.14%	+ 0.25 percentage points - 0.25 percentage points	129.1 -101.1	3.7% -2.9%
Cost ratio	10.70%	+ 0.25 percentage points - 0.25 percentage points	-10.2 7.7	-0.3% 0.2%
Discount rate	6.11%	+ 0.25 percentage points - 0.25 percentage points	-64.1 62.4	-1.9% 1.8%
Capitalisation interest rate	5.33%	+ 0.25 percentage points - 0.25 percentage points	-96.8 99.4	-2.8% 2.9%

Interest rate risk

A sensitivity analysis was implemented to determine the effect of potential interest rate changes. Based on the financial assets and liabilities subject to interest rate risk on the balance sheet date, this shows the effect of a change on the Group's equity. Interest rate risks arose on the balance sheet date only for credit borrowed and the associated interest rate hedges. An increase in the market interest rate of 100 basis points would lead to an increase in equity of €15,177 thousand (previous year: €17,550 thousand). The majority of the loan liabilities have fixed interest terms. On the reporting date, loans totalling €205,640 thousand (previous year: €210,111 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	31.12.2015	31.12.2014
Equity	**2,060,972**	**1,751,191**
Equity ratio (in %)	53.5	50.1
NET FINANCIAL DEBT	**1,336,908**	**1,371,801**

Equity is reported here including the compensation claims by limited partners.

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

29. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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:

in € thousand	Allee-Center Magdeburg KG, Hamburg		Stadt-Galerie Passau KG, Hamburg	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Non-current assets	248,000	246,400	170,000	147,100
Current assets	1,233	1,324	368	373
Cash and cash equivalents	972	1,206	1,026	1,293
Non-current liabilities	0	0	0	0
Current liabilities	905	971	324	593
Revenue	16,073	16,041	9,627	9,535
Net interest income	0	4	0	0
Net profit	15,446	19,067	31,648	13,705
Other income	0	0	0	0
TOTAL PROFIT	**15,446**	**19,067**	**31,648**	**13,705**

* Includes the figures for the immaterial joint venture CAK City Arkaden Klagenfurt KG, Hamburg. The equity method valuation amounted to €929 thousand (previous year: €895 thousand) and the net loss for the year €38 thousand (previous year: €-38 thousand).

Under the equity method, the joint ventures developed as follows in the period under review:

in € thousand	Allee-Center Magdeburg KG, Hamburg	Stadt-Galerie Passau KG, Hamburg	Immobilienkommanditgesellschaft FEZ Harburg, Hamburg	EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co. OG, Vienna	Einkaufs-Center Arkaden Pécs KG, Hamburg
Equity method valuation as at 01.01.2015	**123,980**	**111,129**	**48,096**	**48,572**	**23,953**
Net profit	7,723	23,736	15,662	12,788	8,377
Inflows	0	0	1,000	0	0
Dividend	-7,053	-6,563	0	-2,939	-1,170
EQUITY METHOD VALUATION AS AT 31.12.2015	**124,650**	**128,302**	**64,758**	**58,421**	**31,160**

	Immobilien-kommandit-gesellschaft FEZ Harburg, Hamburg		EKZ Eins Errichtungs- und Betriebs Ges.m.b.H.& Co. OG, Vienna*		Einkaufs-Center Arkaden Pécs KG, Hamburg	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	248,000	206,263	207,928	187,310	90,000	77,540
	1,090	1,171	644	493	418	284
	2,241	2,067	680	1,093	2,854	1,806
	52,516	107,981	0	91,831	28,266	29,641
	69,300	4,528	92,411	817	2,284	1,875
	12,374	12,437	12,108	11,990	7,347	7,061
	-5,810	-5,694	-5,130	-5,200	-1,654	-1,765
	31,323	11,346	25,578	12,473	16,754	6,860
	0	0	0	0	0	0
	31,323	**11,346**	**25,578**	**12,473**	**16,754**	**6,860**

In addition, small property companies in which Deutsche EuroShop indirectly or directly has an interest are part of the Group. However, they are negligible for the assets, financial and earnings position of the Group.

During the financial year, the equity-accounted associates posted the following equity method valuation and annual profit / loss:

in € thousand	31.12.2015	31.12.2014
Equity method valuation	3,739	3,628
Annual profit / total profit	69	-23

30. EARNINGS PER SHARE

	2015	2014
Group shareholders' portion of profits / losses (€ thousand)	309,282	177,426
Weighted number of no-par value shares issued	53,945,536	53,945,536
Basic earnings per share (€)	**5.73**	**3.29**
Group shareholders' portion of profits / losses (€ thousand)	309,282	177,426
Adjustment of interest expense for the convertible bond (€ thousand)	2,152	2,152
Profits / losses used to calculate the diluted earnings per share (€ thousand)	311,434	179,578
Weighted number of no-par value shares issued	53,945,536	53,945,536
Weighted adjustment of potentially convertible no-par value shares	3,114,317	3,014,439
Average weighted number of shares used to determine the diluted earnings per share	57,059,853	56,959,975
Diluted earnings per share (€)	**5.46**	**3.15**

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

Diluted earnings per share:
The diluted earnings are calculated by taking the average number of shares outstanding and adding the number of warrants granted in connection with the convertible bond. 3.2 million warrants existed during the year under review. Due to the fact that the convertible bond was issued mid-year, the warrants issued in connection with the convertible bond were recognised on a pro rata basis in 2012. It is anticipated that the convertible bonds will be exchanged for shares in full. The profits / losses will be adjusted accordingly for interest expense and tax effects.

OTHER FINANCIAL OBLIGATIONS

There are other financial obligations of €56.7 million arising from service contracts (previous year: €68.0 million).

There are financial obligations of €15.1 million which will arise in 2016 in connection with investment measures in our shopping centers.

OTHER DISCLOSURES

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

EVENTS AFTER THE BALANCE SHEET DATE

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

THE SUPERVISORY BOARD AND EXECUTIVE BOARD

SUPERVISORY BOARD

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

Manfred Zaß, Königstein / Ts., Chairman (until 18 June 2015)
Banker

Reiner Strecker, Wuppertal, Chairman (Chairman since 18 June 2015)
Personally liable partner, Vorwerk & Co. KG, Wuppertal
b) akf Bank GmbH & Co. KG, Wuppertal

Karin Dohm, Kronberg / Ts., Deputy Chairman
(Deputy Chairman since 18 June 2015)
Global Head of Group Structuring, Deutsche Bank AG, Frankfurt
a) Deutsche Bank Luxembourg S.A., Luxembourg
(until 10 December 2015)

Thomas Armbrust, Reinbek
Member of Management of CURA Vermögensverwaltung G.m.b.H., Hamburg
a) Platinum AG, Hamburg (Chairman)
TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich (Chairman)
Paramount Group Inc. New York, NY, USA
b) ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Chairman)
Verwaltungsgesellschaft Otto mbH, Hamburg

Beate Bell, Cologne
Head of Group Compliance, Metro AG, Dusseldorf (until 30 June 2015);
Managing partner, immoADVICE GmbH, Cologne (since 1 July 2015)
a) Hochtief AG, Essen (since 25 April 2015)

Manuela Better, Munich
Member of the Board of Management,
DekaBank Deutsche Girozentrale, Frankfurt
(since 1 June 2015)
a) AXA Konzern AG, Cologne (since 25 November 2015)
Deutsche Annington Immobilien SE / Vonovia SE, Bochum
(until 31 May 2015)
b) Deka Investment GmbH, Frankfurt (since 15 July 2015;
Dep. Chair since 16 October 2015)
Landesbank Berlin Investment GmbH, Berlin
(since 10 June 2015; Dep. Chair since 19 June 2015)
Deka Immobilien GmbH, Frankfurt
(since 15 July 2015; Dep. Chair since 17 July 2015)
Deka Investment GmbH, Frankfurt
(since 15 July 2015; Dep. Chair since 17 July 2015)
WestInvest Gesellschaft für Investmentfonds mbH, Dusseldorf
(since 15 July 2015; Dep. Chair since 18 July 2015)
DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg
(since 17 September 2015)

Dr Henning Kreke, Hagen
Chairman of the Board of Douglas Holding AG, Hagen / Westphalia
b) AI Perfume France SAS, Paris, France
Douglas Investment B.V., Nijmegen, Netherlands
Douglas Spain S.A., Madrid, Spain
Parfümerie Douglas Iberia S.L., Madrid, Spain

Klaus Striebich, Besigheim
Managing Director Leasing of Verwaltung ECE Projektmanagement G.m.b.H., Hamburg
b) Unternehmensgruppe Dr. Eckert GmbH, Berlin
MEC Metro-ECE Centermanagement GmbH & Co. KG, Dusseldorf
(Chairman)

Alexander Otto, Hamburg
CEO of Verwaltung ECE Projektmanagement G.m.b.H., Hamburg
a) DDR Corp., Beechwood (Ohio), USA
Sonae Sierra Brasil S.A., São Paulo, Brazil
b) Peek & Cloppenburg KG, Dusseldorf
Verwaltungsgesellschaft Otto mbH, Hamburg
Bewerbungsgesellschaft Hamburg 2024 GmbH, Hamburg

Roland Werner, Hamburg (since 18 June 2015)
Chairman of the Board of Management, Bijou Brigitte modische Accessoires AG, Hamburg

EXECUTIVE BOARD

Claus-Matthias Böge, Hamburg, CEO (until 30 June 2015)
b) Bijou Brigitte modische Accessoires AG, Hamburg
(Deputy Chairman)
Hamborner REIT AG (since 7 May 2015)

Wilhelm Wellner, Hamburg, CEO (since 1 July 2015;
member since 1 February 2015)

Olaf Borkers, Member of the Executive Board

The remuneration of the members of the Supervisory Board totalled €312 thousand in the period under review (previous year: €312 thousand).

The remuneration of the Executive Board totalled €3,330 thousand (previous year: €1,237 thousand), which includes performance-related compensation in the amount of €2,716 thousand (previous year: €689 thousand). This amount includes the Long-Term Incentive 2010 (LTI 2010) of €1,712 thousand for Claus-Matthias Böge, CEO, who departed on 30 June 2015; this is to be paid out in 5 equal instalments at the beginning of each year until 2020. The LTI 2010 expired on 30 June 2015. On the basis of the LTI 2010, Mr Borkers received a payment of €238 thousand in December 2015.

On 1 July 2015, the term of a new LTI 2015 commenced, a reserve for which amounting to €58 thousand had been created during the reporting year.

For further details, please see the supplementary disclosures on remuneration in the management report.

CORPORATE GOVERNANCE

The Declaration of Conformity with the German Corporate Governance Code required by section 161 of the Aktiengesetz (AktG – German Public Companies Act) has been issued jointly by the Supervisory Board and the Executive Board, and was made available to shareholders via publication on the Internet in November 2015.

OTHER DISCLOSURES

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

Shareholder	Shareholding report as at	Event ...	New voting rights share	of which own holdings	of which indirectly attributable
			in %	in %	in %
Credit Suisse Group AG, Zurich, Switzerland	23.06.2014	... falls below threshold (3)	0.28	0.00	0.28
Credit Suisse AG, Zurich, Switzerland	23.06.2014	... falls below threshold (3)	0.28	0.27	0.01
BlackRock Group Limited, London, United Kingdom	19.09.2014	... falls below threshold (3)	2.99	0.00	2.99
BlackRock Advisors Holdings, Inc., New York, United States of America	23.09.2014	... falls below threshold (3)	2.94	0.00	2.94
Gemeinnützige Hertie-Stiftung, Frankfurt	03.02.2015	... falls below threshold (3)	2.99	2.99	0.00
BlackRock International Holdings, Inc., Wilmington, DE, United States of America	02.04.2015	... exceeds threshold (3)	3.01	0.00	3.01
BR Jersey International Holdings, L.P., St. Helier, Jersey, Channel Islands	02.04.2015	... exceeds threshold (3)	3.01	0.00	3.01
BlackRock International Holdings, Inc., Wilmington, DE, United States of America	22.04.2015	...falls below threshold (3)	2.80	0.00	2.80
BR Jersey International Holdings, L.P., St. Helier, Jersey, Channel Islands	22.04.2015	... falls below threshold (3)	2.80	0.00	2.80
BlackRock International Holdings, Inc., Wilmington, DE, United States of America	27.04.2015	... exceeds threshold (3)	3.01	0.00	3.01
BR Jersey International Holdings, L.P., St. Helier, Jersey, Channel Islands	27.04.2015	... exceeds threshold (3)	3.01	0.00	3.01
BlackRock International Holdings, Inc., Wilmington, DE, United States of America	30.04.2015	... falls below threshold (3)	2.97	0.00	2.97
BR Jersey International Holdings, L.P., St. Helier, Jersey, Channel Islands	30.04.2015	...falls below threshold (3)	2.97	0.00	2.97
Alexander Otto, Hamburg	26.05.2015	... exceeds threshold (10)	10.26	0.65	9.61
DESAG Vermögensverwaltung G.m.b.H., Hamburg	28.05.2015	... exceeds threshold (3, 5, 10, 15)	15.01	15.01	0.00
AROSA Vermögensverwaltungsgesellschaft m.b.H., Hamburg	28.05.2015	... exceeds threshold (10, 15)	15.01	0.00	15.01
Alexander Otto, Hamburg	28.05.2015	... exceeds threshold (15)	17.33	0.65	16.68
Benjamin Otto, Hamburg	28.05.2015	... falls below threshold (5, 3)	1.48	0.00	1.48
Bravo-Alpha Beteiligungs G.m.b.H, Hamburg	28.05.2015	... falls below threshold (5, 3)	0.00	0.00	0.00
BlackRock, Inc., Wilmington, DE, United States of America	11.06.2015	... falls below threshold (3)	2.97	0.00	2.97
BlackRock Holdco 2. lnc., Wilmington, DE, United States of America	11.06.2015	... falls below threshold (3)	2.97	0.00	2.97
BlackRock Financial Management, lnc. , New York, NY, United States of America	11.06.2015	... falls below threshold (3)	2.97	0.00	2.97
BlackRock, Inc., Wilmington, DE, United States of America	25.06.2015	... exceeds threshold (3)	4.20	0.00	4.20
BlackRock Holdco 2. lnc., Wilmington, DE, United States of America	25.06.2015	... exceeds threshold (3)	4.20	0.00	4.20
BlackRock Financial Management, lnc. , New York, NY, United States of America	25.06.2015	... exceeds threshold (3)	4.20	0.00	4.20

The total fees invoiced by the auditor for the consolidated financial statements for the 2015 financial year amounted to €290 thousand (previous year €286 thousand). Other audit-related services were also provided by the auditor in the amount of €4 thousand.

RELATED PARTIES FOR THE PURPOSES OF IAS 24

Deutsche EuroShop AG'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 the "Supervisory Board and Executive Board" section and also in the remuneration report portion of the group management report.

Fees for service contracts with the ECE Group totalled €15,686 thousand (previous year: €15,931 thousand). This amount was partially offset by income from lease agreements with the ECE Group in the amount of €6,447 thousand (previous year: €6,573 thousand). Receivables from ECE were €3,253 thousand, while liabilities were €200 thousand.

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

Hamburg, 15 April 2016

Deutsche EuroShop AG
The Executive Board

Wilhelm Wellner | Olaf Borkers

SHAREHOLDINGS

Details of the basis of consolidation and of the ownership of shares in the group as required by § 313 para. 2 HGB:

Company name and domicile	Interest in equity	of which indirect	of which direct	HGB equity as of 31.12.2015	HGB results 2015
Fully consolidated companies				**in €**	**in €**
DES Verwaltung GmbH, Hamburg	100.00%	–	100.00%	27,056,313.40	958,434.79
DES Management GmbH, Hamburg	100.00%	–	100.00%	53,541.94	28,541.94
DES Shoppingcenter GmbH & Co. KG, Hamburg	100.00%	–	100.00%	384,860,550.85	24,385,604.14
A10 Center Wildau GmbH, Hamburg	100.00%	–	100.00%	77,034,359.11	3,494,503.11
Main-Taunus-Zentrum KG, Hamburg	52.01%	–	52.01%	-102,714,238.65	19,715,873.55
Forum Wetzlar KG, Hamburg	65.00%	–	65.00%	8,614,993.03	3,710,919.06
Objekt City-Point Kassel GmbH & Co. KG, Pullach	100.00%	100.00%	–	-26,448,153.94	-161,553.61
Stadt-Galerie Hameln GmbH & Co. KG, Hamburg	100.00%	–	100.00%	23,988,887.48	2,309,578.51
Altmarkt-Galerie Dresden GmbH & Co. KG, Hamburg	100.00%	–	100.00%	29,661,607.44	8,221,986.50
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Hamburg	74.00%	–	74.00%	40,560,573.54	5,325,053.36
				in PLN*	**in PLN***
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Sp. kom., Warsaw, Poland	99.99%	99.99%	–	726,733,129.81	132,201,473.66
CASPIA Investments Sp. z o.o., Warsaw, Poland	100.00%	100.00%	–	20,624,192.35	40,721.33
Joint ventures				**in €**	**in €**
Allee-Center Magdeburg KG, Hamburg	50.00%	–	50.00%	65,009,067.94	10,297,544.09
Stadt-Galerie Passau KG, Hamburg	75.00%	–	75.00%	106,180,569.26	5,076,082.27
CAK City Arkaden Klagenfurt KG, Hamburg	50.00%	–	50.00%	-3,781,048.81	1,637,807.79
EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OG, Vienna, Austria	50.00%	50.00%	–	-13,178,713.18	1,675,851.93
Immobilienkommanditgesellschaft FEZ Harburg, Hamburg	50.00%	–	50.00%	-24,470,323.93	-3,599,730.32
Einkaufs-Center Arkaden Pécs KG, Hamburg	50.00%	–	50.00%	23,071,982.24	2,340,516.79
Associates				**in €**	**in €**
Kommanditgesellschaft Sechzehnte ALBA Grundstücksgesellschaft mbH & Co., Hamburg	50.00%	50.00%	–	1,812,067.34	10,110.57
EKZ Vier Errichtungs- und Betriebs Ges.m.b.H., Vienna, Austria	50.00%	50.00%	–	775,429.59	32,911.55
Kommanditgesellschaft PANTA Fünfundsiebzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%	–	-84,965.01	-332,530.09
Kommanditgesellschaft PANTA Dreiunddreißigste Grundstücks gesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%	–	5,639,565.76	-25,776.70
City-Point Beteiligungs GmbH, Pullach	40.00%	–	40.00%	27,597.95	2,033.35
Investees				**in €**	**in €**
Ilwro Holding B.V., Amsterdam, Netherlands	33.33%	–	33.33%	176,613.09	-22,560.08

* 31.12.2015 closing rate: € / PLN 4.2615; average rate € / PLN 4.1841

AUDITOR'S REPORT

We have audited the consolidated financial statements – comprising the balance sheet, statement of comprehensive income, income statement, statement of changes in equity, cash flow statement and notes, and the group management report prepared by Deutsche EuroShop AG, Hamburg, for the financial year from 1 Januar 2015 to 31 Dezember 2015. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code) is the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Hamburg, 15 April 2016

BDO AG
Wirtschaftsprüfungsgesellschaft

(signed) Glaser	(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, 15 April 2016

Wilhelm Wellner   Olaf Borkers

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 2016, Quarterly Statement 9M 2016 and Interim Report H1 2016 (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.

IMPRINT

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Deutsche EuroShop AG, Heegbarg 36, 22391 Hamburg,
Phone: +49 (0)40 - 41 35 79 0, Fax: +49 (0)40 - 41 35 79 29, www.deutsche-euroshop.com, ir@deutsche-euroshop.com

Editor in chief
Patrick Kiss

Editorial management
Nicolas Lissner

Editors responsible
Sebastian Baumann, Ralf Bönnemann, Rolf Bürkl, Dr. Till Dunemann, Sylvia Enders,
Joanna Fisher, Olaf Hartmann, Gretel Weiß

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Deutsche EuroShop AG, Hamburg

Art Direction / Layout
Whitepark GmbH & Co., Hamburg

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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 management 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 supervisory 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, well-situated properties that are fully let on a long-term basis to tenants with strong credit ratings. Other return / risk categories are value-added 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.

EBT Earnings before Taxes.

E-COMMERCE Direct commercial relationship between supplier and buyer via the internet including the provision of services.

EPRA European Public Real Estate Association. Based in Brussels, the EPRA is an organisation that represents the interests of the major European property management companies and supports the development and market presence of European public property companies. The wellknown international index named after it, the EPRA index, tracks the performance of the largest European and North American listed property companies.

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) Cash flows from operating activities. DES-calculation: net income for the period adjusted for measurement gains / losses and deferred income 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 that ex-presses the amount of a mortgage as a percentage of the market value of real property.

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 between them.

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.

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.

SERVICE

FINANCIAL CALENDAR 2016

January

07.–08.01. Oddo European Midcap Forum, Lyon
13.01. J.P. Morgan Cazenove European Real Estate CEO Conference, London
19.01. UniCredit Kepler Cheuvreux German Corporate Conference, Frankfurt

February

16.02. Oddo Seydler Small & Mid Cap Conference, Frankfurt

March

17.03. Grand opening of the food court, Phoenix-Center Hamburg
23.03. Preliminary Results FY 2015

April

06.04.–08.04. Roadshow USA, Berenberg
06.04. Roadshow London, Metzler
07.04. Roadshow Paris, Natixis
18.04. Roadshow Munich, Baader Bank
Roadshow Frankfurt, HSBC
28.04. Publication of the Annual Report 2015

May

12.05. Quarterly Statement 3M 2016
26.05. Kempen European Property Seminar, Amsterdam

June

01.06. Kepler Cheuvreux German Property Day, Paris
Roadshow Warsaw, Erste Securities Polska
08.06. Deutsche Bank dbAccess German Swiss & Austrian Conference, Berlin
15.06. Annual General Meeting, Hamburg

July

01.07. ESN equinet European Conference, Frankfurt
07.07. Roadshow London, Societe Generale
Roadshow Zurich, Bankhaus Lampe
08.07. Roadshow Cologne-Dusseldorf, DZ Bank
Roadshow Stuttgart, ESN equinet
12.07. DSW Private Investors Forum, Frankfurt

August

15.08. Interim Report H1 2016
17.08. Roadshow Helsinki, ESN equinet

September

13.09. Bank of America Merrill Lynch Global Real Estate Conference, New York
14.09. UBS Best of Germany Conference, New York
19.09. Goldman Sachs & Berenberg German Conference, Munich
20.09. Baader Investment Conference, Munich

October

04.10.–06.10. EXPO Real, Munich
10.10. Roadshow Madrid, M.M. Warburg
13.10. Roadshow Brussels, DZ Bank

November

14.11. Quarterly Statement 9M 2016
16.11. Roadshow Amsterdam, ABN AMRO
Roadshow Geneva, Kepler Cheuvreux
17.11. Roadshow Zurich, Kepler Cheuvreux
22.11. German Equity Forum, Frankfurt

Our financial calendar is updated continuously.
Please check our website for the latest events:

www.deutsche-euroshop.com/ir

MULIT-YEAR OVERVIEW

in € millions	2006	2007	2008	2009	2010	2011	2012[5]	2013[5]	2014[5]	2015[5]
Revenue	92.9	95.8	115.3	127.6	144.2	190	178.2	188.0	200.8	202.9
EBIT	86.3	78.5	98.1	110.7	124	165.7	151.6	165.8	177.5	176.3
Net finance costs	-41.0	-39.6	-49.4	-55.9	-60.2	-79.1	-62.1	-34.1	-39.8	-2.1
Measurement gains / losses	68.8	39.0	38.3	-14.8	33.1	50.1	13.9	56.0	77.0	220.6
EBT	117.7	77.8	87.0	40.1	97.0	136.7	103.4	187.6	214.7	394.7
Consolidated profit	100.3	94.2	68.9	34.4	-7.8	99.0	122.5	171.0	177.4	309.3
FFO per share (€)	1.08	1.12	1.38	1.4	1.35	1.61	1.68	2.08	2.23	2.29
Earnings per share (€)[1]	2.92	2.74	1.96	0.88	-0.17	1.92	2.36	3.17	3.29	5.73
Equity[2]	897.9	974.0	977.8	1,044.4	1,441.5	1,473.1	1,606.1	1,642.4	1,751.2	2,061.0
Liabilities	898.3	1,002.3	1,029.1	1,067.8	1,522.1	1,752.0	1,741.5	1,752.5	1,741.0	1,790.6
Total assets	1,796.2	1,976.3	2,006.8	2,112.1	2,963.6	3,225.1	3,347.6	3,394.9	3,492.2	3851.6
Equity ratio (%)[2]	50.0	49.3	48.7	49.5	48.6	45.7	48.0	48.4	50.1	53.5
Gearing (%)[2]	100	103	105	102	106	119	108	107	99	87
Cash and cash equivalents	94.2	109.0	41.7	81.9	65.8	64.4	161.0	40.8	58.3	70.7
Net asset value[3]	877.4	925.1	942.8	1,006.9	1,361.1	1,427.3	1538.9	1,650.4	1,789.4	2,110.6
Net asset value per share (€)[3]	25.53	26.91	27.43	26.63	26.36	27.64	28.53	30.59	33.17	39.12
Dividend per share (€)	1.05	1.05	1.05	1.05	1.10	1.10	1.20	1.25	1.30	1.35[4]

[1] undiluted
[2] incl. non controlling interests
[3] since 2010: EPRA
[4] proposal
[5] at-equity consolidation

QUARTERLY FIGURES 2015

in € millions	Q1.15	Q2.15	Q3.15	Q4.15
Revenue	50.6	50.0	50.3	52.0
EBIT	44.6	43.5	42.9	45.3
Net finance costs	-12.9	-14.2	-12.5	37.4
Measurement gains / losses	-0.5	-1.5	-0.8	223.4
EBT	31.3	30.2	29.5	303.7
Consolidated profit	25.3	24.3	23.9	235.7
EPS (€)[1]	0.47	0.45	0.44	4.37

[1] undiluted

OVERVIEW

DES
Deutsche EuroShop

www.shoppingcenter.ag