Deutsche EuroShop

DES

FINANCIAL REPORT

20

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CONTENTS

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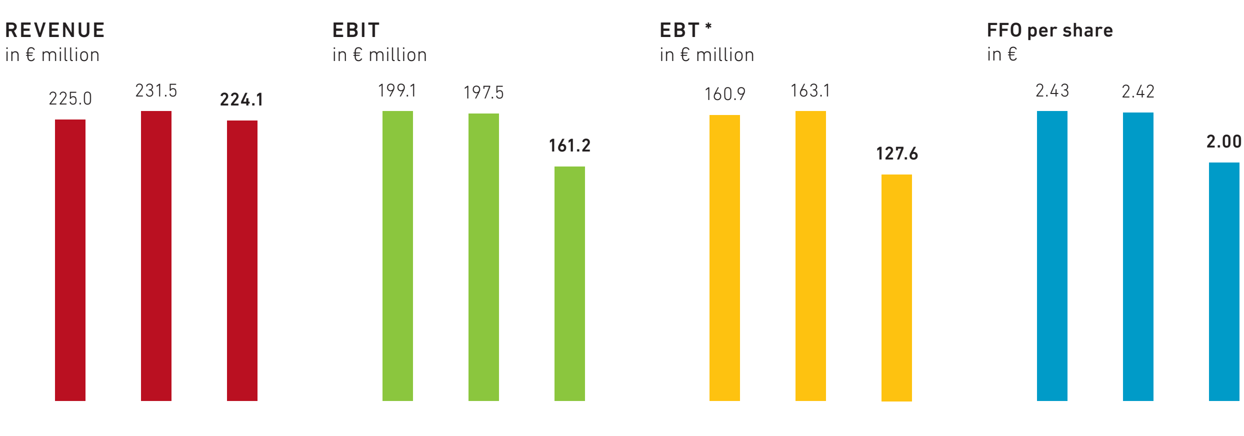
AN·TICI·PA·TION

Anticipation, noun, a feeling of excitement about something that is going to happen in the near future

KEY FIGURES

in € millions	2020	2019	+/-
Revenue[4]	224.1	231.5	-3%
EBIT	161.2	197.5	-18%
Net finance costs (excluding measurement gains / losses[1])	-33.6	-34.3	2%
EBT (excluding measurement gains / losses[1])	127.6	163.1	-22%
Measurement gains / losses[1]	-429.6	-120.0	-258%
Consolidated profit	-251.7	112.1	-325%
FFO per share in €	2.00	2.42	-17%
Earnings per share in €	-4.07	1.81	-325%
EPRA Earnings per share in €	2.02	2.56	-21%
Equity[2]	2,314.8	2,601.5	-11%
Liabilities	1,922.6	1,957.1	-2%
Total assets	4,237.4	4,558.6	-7%
Equity ratio in %[2]	54.6	57.1	
Loan to value (LTV) in %	32.9	31.5	
Cash and cash equivalents	266.0	148.1	80%
Net tangible assets (EPRA)	2,309.7	2,613.4	-12%
Net tangible assets per share in € (EPRA)	37.38	42.30	-12%
Dividend per share in €	0.04[3]	0.00	–

1 Including the share attributable to equity-accounted joint ventures and associates
2 incl. non controlling interests
3 proposal
4 In 2020, there was a change in the disclosure of revenue with adjustment of the comparative figure for the previous year 2019.



* excluding measurement gains / losses

COMBINED MANAGEMENT REPORT

The information provided in the combined management report applies to both the Group and Deutsche EuroShop AG, except where otherwise stated. The separate financial statements of Deutsche EuroShop AG are reported on in a separate section of the combined management report.

BASIC INFORMATION ABOUT THE GROUP

GROUP BUSINESS MODEL, TARGETS AND STRATEGY

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

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

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

Objectives and strategy

The management focuses on investments in high-quality shopping centers in city centers and established locations offering the potential for stable, long-term value growth. A key investment target is the generation of high surplus liquidity from leases in shopping centers, of which a significant part can be 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 of investment. Indexed and turnover-linked commercial rents ensure that high earnings targets are achieved.

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

New investments should be financed from a balanced mix of sources, and external financing 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.

Diversified shopping center portfolio

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

Seizing opportunities and maximising value

In line with the buy & hold strategy, the management is increasingly concentrating on shopping center quality and returns rather than rapid portfolio growth. We continuously monitor the market and make portfolio adjustments through acquisitions and sales when economically attractive opportunities arise.

Rapid decision-making chains as well as 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 rents that are customary in this sector and regularly consist mainly of a minimum rent linked to the consumer price index and a revenue-linked rent.

The shopping experience concept

Deutsche EuroShop has outsourced center management to an experienced external partner: ECE Marketplaces GmbH & Co. KG (previously ECE Projektmanagement G.m.b.H. & Co. KG) (ECE), based in Hamburg. ECE has been designing, planning, building, letting and managing shopping centers since 1965. The Company is currently the European market leader, with around 200 shopping centers under management. Deutsche EuroShop views professional center management as the key to successful shopping centers. In addition to guaranteeing standard opening hours and a consistently friendly, bright, safe and clean shopping environment, the center management can make use of unusual displays, promotions and exhibitions to turn shopping into an experience. Before the outbreak of the coronavirus pandemic, each day an average of 500,000 to 600,000 shoppers visited the 21 Deutsche EuroShop centers, where they were impressed not only by the range of sectors represented, but also by promotional activities including car, talent and fashion shows as well as a wide variety of attractions for children. As a result, the shopping centers become market places where there is always something new and spectacular on offer. We are confident that once the pandemic has subsided we will once again be able to welcome a comparable average number of visitors to our centers.

MANAGEMENT SYSTEM

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 management indicators (performance indicators) are based on the targets of having shopping centers with sustainable and stable value growth and generating a high liquidity surplus from their 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). Due to the higher rent defaults and arrears as a result of the coronavirus, these management metrics currently have only limited information value in some cases, so the collection ratio will be used for management purposes as a supplement until further notice. The collection ratio measures the ratio of incoming payments to rent and service charge receivables from tenants.

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

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

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

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

ECONOMIC REVIEW

MACROECONOMIC AND SECTOR-SPECIFIC CONDITIONS

Since March 2020, the world's economies have been under the shadow of the coronavirus pandemic. All prior-year comparisons should be viewed against this backdrop. Consequently, Germany's gross domestic product (GDP) shrank by 5.0% in the year under review, according to the calculations by the German Federal Statistical Office. After ten years of growth, the German economy was stopped in its tracks by the first lockdown in spring 2020. The marked downturn in the second quarter (-9.8%) was followed by a growth and catch-up phase in summer, which was then brought to a halt in the fourth quarter by climbing case numbers and a second lockdown.

The government's protective measures in response to the coronavirus pandemic meant that consumers did not spend their disposable income as usual during the year under review. The savings rate hit a historic high of 16.3% (previous year: 10.9%), while private consumer spending, which accounted for 51.3% of GDP and had boosted growth in previous years, fell by 6.0% on a price-adjusted basis.

Expenditure on accommodation and restaurant services and on recreational and cultural services recorded particularly sharp declines. Government expenditure on consumption, by contrast, increased by 3.4% after adjustment for prices, fuelled by factors such as the procurement of protective equipment and hospital services. Construction investments were still up by 1.5% in 2020.

In addition to private consumer spending, exports – and in particular the low level of travel – were the main factors behind the decline in gross domestic product.

On the labour market as well, the positive trend seen in recent years was interrupted by the coronavirus pandemic. On average, 2.7 million people were registered as unemployed during the year, putting the unemployment rate at 5.9% (previous year: 5.0%). Short-time work prevented significantly higher unemployment, which reached a new high of just under six million people in April.

Consumer prices in Germany rose by just 0.5% versus 2019, curbed by the temporary reduction in VAT in the second half of 2020 and lower prices for energy products (-4.8%).

Real employee pay decreased by 1.0% in the year under review, according to the German Federal Statistical Office. These wage losses especially impacted the lower wage groups, in which the proportion of short-time working was significantly higher. The calculation of the change in real wages did not take into account the short-time working allowance, which reduced the loss of income for many employees.

According to provisional calculations by the German Federal Statistical Office, German retail sales (including online sales) posted nominal growth of 5.1% and real growth of 3.9% over 2019. Once again, online sales were the main contributor to the positive sales trend in retail, growing by around one fifth. Online retail, which has already seen strong and steady growth in the past, has been given a significant boost by the coronavirus pandemic as consumers shift to this alternate shopping channel. It is expected that bricks-and-mortar retail will not be able to regain its full share of sales after the pandemic situation has returned to normal.

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

There can be additional competition for city center retail in the form of growing numbers of factory and designer outlets on greenfield sites outside the city limits and to a certain extent also within them. In Remscheid, in the catchment area of our Wuppertal shopping center, for example, a large-scale project development has been planned for some time, but its completion has now been postponed until 2024/25.

Retail sector

According to calculations by JLL, a consultancy firm in the real estate sector, contract signings for retail space in Germany fell by 25% to 384,800 m^2 in 2020 in the wake of the exceptional situation caused by the coronavirus in the bricks-and-mortar retail sector. Of these, 57% of all lettings were for spaces measuring less than 250 m^2.

The German Retail Federation (HDE) reports that online sales increased year on year to around €71.5 billion, an increase of approximately 20.7%. This equates to roughly a 12.4% share of total retail sales in 2020, which according to the HDE statistics came to €577.4 billion. Bricks-and-mortar retail sales in Germany grew 3.9% in nominal terms in 2020, though the key indicator for shopping centers of bricks-and-mortar fashion retail sales collapsed by 30% due to the coronavirus according to figures from the industry magazine TextilWirtschaft.

Although food and drink retailers, drugstores and pharmacies were not affected by the lockdown measures, this range of "daily needs" products saw the strongest growth in online retail in percentage terms (+40.9%). The largest segment "Entertainment" (incl. e.g. electronic goods & telecommunications, video & music downloads) grew by 10.5%, while the second-largest retail segment in terms of sales "Clothing" (incl. shoes) grew by 13.2%.

Real estate market

With a drop in transaction volumes of just 11% to €81.6 billion (previous year: €91.3 billion) according to JLL, the investment market for real estate in Germany showed that real estate continues to be considered a stable investment, also in the special year just ended. Here, the office and residential asset classes continued to dominate with some 71% of the transaction volume. Retail real estate accounted for 13% of the volumes (previous year: 12%).

Investments in German shopping centers totalled just slightly below €1.5 billion in full-year 2020 (previous year: €1.8 billion), representing a decline of 18% compared with the previous year. Real estate broker CBRE is of the opinion that the lockdown-related challenges faced by shopping centers have only been partially reflected in the numbers as there has been limited trading in this sub-segment of the retail real estate market in recent years. The share of the total investment volume was correspondingly low at 12%. On the buyer side of the German retail investment market, asset and fund managers were the most active group with a 27% share of investment volume, while on the seller side it was real estate stock corporations and REITs that accounted for the largest share of the total volume at 26%.

JLL is observing an increase in prime yields in the sectors hit hardest by the pandemic. At the top shopping centers in Germany, top returns averaged 4.85% at the end of the year (previous year: 4.5%).

Share price performance

Following a year-end closing price for 2019 of €26.42, Deutsche EuroShop shares were steady in the first few weeks of 2020. On 3 January 2020, the share closed at €26.50, its highest level of the year. At the end of February, investor uncertainty rose sharply in connection with the coronavirus pandemic. This led to considerable price falls in the DES share, those of our peers and stock markets worldwide. From mid-March to the end of October, the DES share price trended sideways, exhibiting large fluctuations between €9.50 and €15.50. During this phase, on 25 September, the share price hit its low for the year of €9.52. The price recovered from the beginning of November onwards, and the DES share closed the reporting period on 30 December 2020 at €18.45. This equates to performance of -30.2% (previous year: +10.4%). Deutsche EuroShop's market capitalisation stood at €1.14 billion at the end of 2020.

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

Key consolidated figures

in € million	**01.01.–31.12.2020**	01.01.–31.12.2019	+/-
Revenue[6]	224.1	231.5	-3.2%
EBIT	161.2	197.5	-18.3%
EBT (excluding measurement gains / losses[1])	127.6	163.1	-21.8%
EPRA[2,5] earnings	124.5	158.3	-21.3%
FFO	123.3	149.6	-17.6%
Equity ratio in %[3]	54.6	57.1	
LTV ratio in %[4]	32.9	31.5	

in €	**01.01.–31.12.2020**	01.01.–31.12.2019	+/-
EPRA[2,5] earnings per share	2.02	2.56	-21.1%
FFO per share	2.00	2.42	-17.4%
EPRA[2] NTA per share	37.38	42.30	-11.6%
Weighted number of no-par-value shares issued	61,783,594	61,783,594	0.0%

1 Including the share attributable to equity-accounted joint ventures and associates
2 European Public Real Estate Association
3 Including third-party interests in equity
4 Loan-to-value ratio (LTV ratio): ratio of net financial liabilities (financial liabilities less cash and cash equivalents) to non-current assets (investment properties and financial investments accounted for using the equity method)
5 EPRA earnings include a one-off tax refund in the period in the previous year, including interest accrued for previous years. Without this tax refund, EPRA earnings would have totalled €149.3 million or €2.41 per share.
6 The disclosure within NOI was changed in the year under review and the previous year's figures have been adjusted for easier comparability. Please refer to the information in the notes to the consolidated financial statements under section "4. New accounting standards and changes in presentation".

The financial year 2020 started off as planned, but since March 2020 the coronavirus pandemic has been posing major challenges to society, the economy, and to Deutsche EuroShop too. The spread of the virus caused extraordinary reductions in business activities both for our rental partners and for us. After almost all shops in the centers underwent a lockdown in March, this was followed by the challenging phase of safe, successive reopenings and center operations subject to a variety of preventive measures. We saw a significant recovery in business activity in the third quarter. Customer footfall in our centers picked up again during this period to around 80% and tenants' revenues to around 90% of prior-year levels. The ratio of rent paid to rent due, known as the collection ratio, also improved significantly.

Towards the end of the financial year, coronavirus infection rates rose again sharply in most European countries, accompanied by further government-mandated store closures, which also affected the important Christmas business of our tenants, especially in Germany. These reimposed lockdowns are still continuing in some cases.

The store closures are having clear negative financial repercussions for the bricks-and-mortar retail trade and thus also for us, which must be taken into account with foresight when analysing the 2020 business figures and also when planning our further actions.

It is important to emphasise that despite the multitude of pandemic-related challenges in the operational business, there were also some very positive signs. After each bout of shop reopenings, customer footfall increased quickly and significantly – despite ongoing operating restrictions and the need to wear masks – and therefore so did the potential of our tenants to generate sales. This overall development clearly demonstrated that consumers still highly value bricks-and-mortar retail and shopping in our attractive shopping centers, even though business activity in some segments remained well below normal levels. The in-person shopping experience was and still is extremely popular, even after the outbreak of the coronavirus pandemic.

At the beginning of the pandemic, we quickly and rigorously took all the measures needed to cushion the effects of the crisis as best we could. To further improve our liquidity and financial leeway, operating costs were reduced and non-essential investments halted or postponed. The dividend payment for financial year 2019 has been suspended. At the same time, we have been in detailed discussions with our banks and have successfully secured the refinancing due this current year.

In this difficult situation we have provided temporary relief for our tenants even beyond the legal requirements, and have refrained from taking legal enforcement action for rent arrears caused by the coronavirus pandemic against the tenants concerned for the time being. In the spirit of partnership, discussions have been held with all tenants concerned to find fair solutions and share the burden, depending in each case on the legal and individual situation, and agreements have already been reached in the vast majority of cases. For the period of the government-mandated store closures from mid-December and possible further closures in 2021, we have regularly offered the tenants affected in Germany a waiver of 50% of their net rent, in the aim of concluding as quickly as possible a definitive contractual arrangement regarding the economic effects of the renewed lockdowns that is legally secure for both sides. We are convinced that in this special situation, this is the best foundation for shared and sustainable business success in the future.

Due to the continued high level of uncertainty in financial year 2020 regarding the magnitude and duration of the substantial impact of the coronavirus pandemic on our tenants' business and therefore on our business outlook, it has not been possible to renew the expectations regarding our key performance indicators for 2020 as presented in the 2019 combined management report in the form of specific target ranges. In April 2020, we expected revenue, EBIT, EBT (excluding measurement gains / losses) and FFO to be below the figures for the 2019 financial year. Business performance in 2020 confirmed this forecast.

Revenue fell by 3.2% year on year due to the coronavirus from €231.5 million to €224.1 million. Earnings before interest and taxes (EBIT) were €161.2 million, down a considerable €36.2 million or -18.3% on the previous year. Accordingly, earnings before taxes and measurement gains / losses (EBT before measurement) fell by 21.8% to €127.6 million. Funds from operations (FFO) adjusted for measurement gains / losses and non-recurring effects were below the prior-year level at €2.00 per share (-17.4%). The 2020 operating result was extremely adversely impacted by the coronavirus pandemic and the resulting revenue losses and write-downs, while the further reduction in interest expense had a positive effect on the operating result.

The coronavirus pandemic also had major repercussions on the valuation of our existing portfolio and led to a clearly negative measurement loss of €-429.6 million (previous year: €-120.0 million) in view of the higher average purchase yields for shopping centers, lower tenant expectations, longer re-letting periods and increased investment requirements.

RESULTS OF OPERATIONS OF THE GROUP

RESULTS OF OPERATIONS

in € thousand	01.01. – 31.12.2020		01.01. – 31.12.2019 (adjusted)[1]		Change +/-	Change in %
Revenue		224,104		231,487	-7,383	-3.2
Operating and administrative costs for property		-28,288		-28,301	13	0.0
Write-downs and derecognition of receivables		-29,218		-1,674	-27,544	-1,645.4
NOI		**166,598**		**201,512**	**-34,914**	**-17.3**
Other operating income		2,400		1,915	485	25.3
Other operating expenses		-7,759		-5,958	-1,801	-30.2
EBIT		**161,239**		**197,469**	**-36,230**	**-18.3**
At-equity profit / loss	*-51,482*		*4,345*			
Measurement gains / losses (at equity)	*73,786*		*25,854*			
Deferred taxes (at equity)	*717*		*417*			
At-equity (operating) profit / loss		23,021		30,616	-7,595	-24.8
Interest expense		-43,716		-49,256	5,540	11.2
Profit / loss attributable to limited partners		-13,501		-18,443	4,942	26.8
Other financial gains or losses		547		2,745	-2,198	-80.1
Financial gains or losses (excl. measurement gains / losses)		**-33,649**		**-34,338**	**689**	**2.0**
EBT (excl. measurement gains / losses)		**127,590**		**163,131**	**-35,541**	**-21.8**
Measurement gains / losses	*-355,845*		*-94,188*			
Measurement gains / losses (at equity)	*-73,786*		*-25,854*			
Measurement gains / losses (including at-equity profit / loss)		-429,631		-120,042	-309,589	-257.9
Taxes on income and earnings		-4,267		-4,546	279	6.1
Deferred taxes	*55,308*		*73,965*			
Deferred taxes (at equity)	*-717*		*-417*			
Deferred taxes (including at equity)		54,591		73,548	-18,957	-25.8
CONSOLIDATED PROFIT		**-251,717**		**112,091**	**-363,808**	**-324.6**

[1] The disclosure within NOI was changed in the year under review and the previous year's figures have been adjusted for easier comparability. Please refer to the information in the notes to the consolidated financial statements under section "4. New accounting standards and changes in presentation".

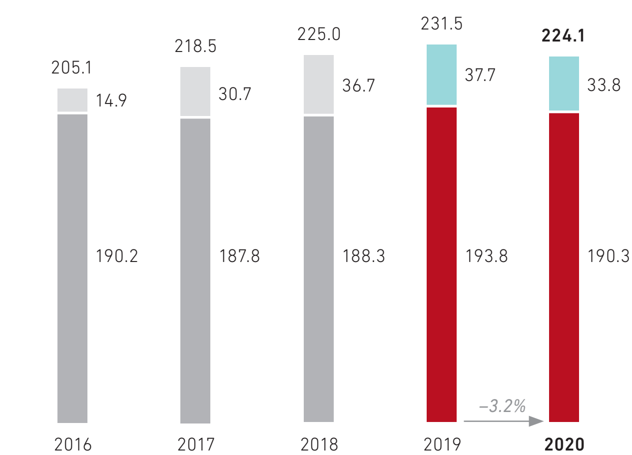
Revenue affected by the coronavirus pandemic

Consolidated revenue was down 3.2% for the financial year, from €231.5 million to €224.1 million. This was due to the legal arrangements adopted in our foreign markets from mid-March to cushion the negative effects of the coronavirus pandemic, which included the temporary suspension of payment obligations under lease arrangements for tenants affected by the closures (-€3.2 million). To the extent that the payment obligation on the part of tenants was not suspended by law (applicable in particular to the Group's German centers), rents continued to be invoiced during the closure phases on the basis of the applicable rental agreements. Concessions granted and expected on the receivables thus created were taken into account in write-downs and derecognition of receivables.

Furthermore, defaults by tenants who got into payment difficulties, partial loss of turnover rent, longer re-letting periods and higher vacancy rates owing to the coronavirus pandemic were all additional factors that contributed to the decline in revenue and deterioration in the results of operations.

REVENUE*

in € million



* In 2020, there was a change in the disclosure of revenue with adjustment of the comparative figures for the previous year 2019. A comparison with the years 2016 to 2018 is therefore only possible to a limited extent.

REVENUE

in € thousand	01.01.–31.12.2020	01.01.–31.12.2019 (adjusted)[1]	Change +/-	Change in %
Main-Taunus-Zentrum, Sulzbach	35,714	36,521	-807	-2.2
Altmarkt-Galerie, Dresden	25,995	26,451	-456	-1.7
A10 Center, Wildau	21,984	22,051	-67	-0.3
Rhein-Neckar-Zentrum, Viernheim	17,757	18,241	-484	-2.7
Herold-Center, Norderstedt	12,633	13,104	-471	-3.6
Allee-Center, Hamm	11,482	11,013	469	4.3
Billstedt-Center, Hamburg	11,366	11,412	-46	-0.4
City-Galerie, Wolfsburg	9,796	9,931	-135	-1.4
Forum, Wetzlar	9,786	10,225	-439	-4.3
City-Arkaden, Wuppertal	9,419	9,577	-158	-1.6
City-Point, Kassel	8,742	8,952	-210	-2.4
Rathaus-Center, Dessau	7,990	8,241	-251	-3.0
Stadt-Galerie, Hameln	6,520	6,621	-101	-1.5
DES Verwaltung GmbH	1,153	1,455	-302	-20.8
Domestic	**190,336**	**193,795**	**-3,459**	**-1.8**
Galeria Bałtycka, Gdansk	12,517	16,381	-3,864	-23.6
Olympia Center, Brno	21,250	21,311	-61	-0.3
Abroad	**33,767**	**37,692**	**-3,925**	**-10.4**
TOTAL	**224,104**	**231,487**	**-7,383**	**-3.2**

[1] The disclosure within NOI was changed in the year under review and the previous year's revenue figures have been adjusted for easier comparability. Please refer to the information in the notes to the consolidated financial statements under section "4. New accounting standards and changes in presentation".

Center operating costs excluding write-downs at prior-year level

Center operating costs of €28.3 million in the reporting period, which mainly comprise center management fees, non-allocable ancillary costs, property taxes, building insurance and maintenance, were on a par with the previous year.

Sharp rise in write-downs due to coronavirus

Write-downs and derecognition of receivables increased significantly on the previous year to €29.2 million (previous year: €1.7 million). These take into account both the contractually agreed rental concessions up to the balance sheet date (€8.6 million) and the expected further waivers of receivables outstanding as at the balance sheet date (€14.7 million). Furthermore, additional receivables had to be derecognised or written down individually (€5.9 million), in particular due to insolvency.

Other operating income and expenses

Other operating income, stemming primarily from the reversal of provisions, reimbursements and compensation payments, income from rental receivables written down in previous years and additional payments in conjunction with ancillary costs, amounted to €2.4 million (previous year: €1.9 million), an increase on the previous year.

At €7.8 million, other operating expenses, most of which related to general administrative and personnel expenses, were up on the same period last year, in particular as a result of one-off financing costs in connection with the extension of our credit line (€0.5 million) as well as higher consulting and appraisal costs (€0.6 million) (previous year: €6.0 million).

EBIT significantly lower than last year

Earnings before interest and taxes (EBIT) at €161.2 million were well below the figure for the previous year (€197.5 million), largely due to the derecognition write-down of accumulated rent arrears and the coronavirus-driven decline in revenue.

Financial gains / losses excluding measurement effects up slightly on previous year

At €-33.6 million, financial losses (excluding measurement gains / losses) were up slightly year on year (previous year: €-34.3 million) as a result of opposing, mutually offsetting effects. The at-equity (operating) loss fell by €7.6 million, due in particular to higher write-downs on rent receivables and revenue shortfalls as a result of the coronavirus. Furthermore, in the previous year other financial gains / losses included a one-off interest refund of €2.7 million for a trade tax refund, which this year was only offset by interest income of €0.5 million. By contrast, the interest expense of the Group companies was reduced by a further €5.5 million. In addition to scheduled repayments, the cheaper refinancing for the Rhein-Neckar-Zentrum Viernheim center and the A10 Center Wildau had a positive effect here. The share of earnings attributable to limited partners decreased by €4.9 million in line with the reduced EBIT.

INCOME STATEMENT OF THE JOINT VENTURES

in € thousand	01.01. – 31.12.2020	01.01. – 31.12.2019 (adjusted) [1]	Change +/-	Change in %
Allee-Center, Magdeburg	8,158	8,237	-79	-1.0
Phoenix-Center, Harburg	7,084	7,410	-326	-4.4
Stadt-Galerie, Passau	7,004	7,284	-280	-3.8
Saarpark-Center, Neunkirchen	5,824	6,257	-433	-6.9
City-Arkaden, Klagenfurt	5,790	6,762	-972	-14.4
Árkád, Pécs	4,209	4,174	35	0.8
Other	29	35	-6	-17.1
Revenue	**38,098**	**40,159**	**-2,061**	**-5.1**
Operating and administrative costs for property	-6,324	-5,635	-689	-12.2
Write-downs and derecognition of receivables	-5,013	-226	-4,787	-2,118.1
NOI	**26,761**	**34,298**	**-7,537**	**-22.0**
Other operating income	364	356	8	2.2
Other operating expenses	-384	-346	-38	-11.0
EBIT	**26,741**	**34,308**	**-7,567**	**-22.1**
Interest income	6	1	5	500.0
Interest expense	-3,720	-3,902	182	4.7
Other financial gains or losses	88	350	-262	-74.9
Financial gains or losses	**-3,626**	**-3,551**	**-75**	**-2.1**
Taxes on income and earnings	-94	-141	47	33.3
At-equity profit (excluding measurement gains / losses)	**23,021**	**30,616**	**-7,595**	**-24.8**
Measurement gains / losses	-73,786	-25,854	-47,932	-185.4
Deferred taxes	-717	-417	-300	-71.9
SHARE OF PROFIT / LOSS	**-51,482**	**4,345**	**-55,827**	**-1,284.9**

[1] The disclosure within NOI was changed in the year under review and the previous year's figures have been adjusted for easier comparability. Please refer to the information in the notes to the consolidated financial statements under section "4. New accounting standards and changes in presentation".

EBIT (excluding measurement gains / losses) falls by one fifth due to the coronavirus

The decline in EBIT and at-equity profit / loss plus the one-off interest refund the previous year caused EBT (excluding measurement gains / losses) to fall from €163.1 million to €127.6 million (-21.8%).

Significant measurement loss

The measurement loss of €-427.6 million (previous year: €120.0 million) resulted from the valuation of the Group's real estate assets according to IAS 40, plus €2.0 million from the goodwill write-down for Olympia Brno.

Measurement losses on real estate assets, after minority interests, broke down into €-353.8 million (previous year: €-94.2 million) from the measurement of the real estate assets reported by the Group and €-73.8 million (previous year: €-25.8 million) from the measurement of the real estate assets of the joint ventures recorded on the balance sheet according to the at-equity method.

The average value of Group properties, after ongoing investments, fell by -10.7% (previous year: -2.9%); individual measurement gains / losses ranged between -14.4% and -7.4%. With a slightly lower occupancy rate of 95.4% (-2.2%), the valuation of the property portfolio was mainly influenced by an increase in average acquisition yields for shopping centers in Germany, investments in lease renewals, modernising and positioning the existing portfolio, changes to expected rental trends and longer post-rental terms.

The goodwill write-down for Olympia Brno was the result of the reversal of deferred taxes to be recognised in connection with the acquisition. The write-down was offset by corresponding income from the reversal of deferred taxes.

Increase in taxes on income and earnings, deferred taxes

Taxes on income and earnings amounted to €4.3 million (previous year: €4.5 million). Taking into account the trade tax refund of €7.1 million included in the previous year, the Group's tax burden was reduced on the back of the decline in profits and the corporate restructuring carried out the year before.

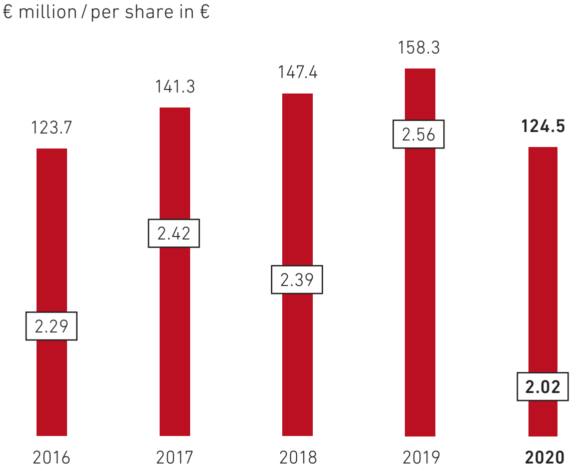
Deferred tax provisions, including the share included in the at-equity result, were reversed by €54.6 million in the year under review as a result of the decline in the market value of real estate (previous year: €73.5 million). The reversal last year was mainly the result of the corporate restructuring within the Group completed at the end of financial year 2019, which will allow the extended trade tax reduction to be used to a greater extent than before.

EPRA earnings and consolidated profit significantly lower

EPRA earnings, which exclude measurement gains / losses, fell significantly to €124.5 million or €2.02 per share, due mainly to impairments of rent receivables and the decline in revenue. The decline in earnings is also attributable to a one-off income from trade tax refunds included in the previous year and the interest income accrued on this totalling €9.0 million.

The large valuation loss resulted in a consolidated loss of €-251.7 million, after a consolidated profit of €112.1 million in the previous year. Earnings per share amounted to €-4.07 (previous year: €1.81).

EPRA EARNINGS
in € million / per share in €



EPRA EARNINGS

	01.01. – 31.12.2020		01.01. – 31.12.2019	
	in € thousand	per share in €	in € thousand	per share in €
Consolidated profit	-251,717	-4.07	112,091	1.81
Measurement gains / losses investment properties [1]	427,623	6.92	120,042	1.94
Measurement gains / losses derivative financial instruments [1]	-88	0.00	-350	0.00
Goodwill write-down	2,008	0.03	0	0.00
Deferred taxes in respect of EPRA adjustments [2]	-53,290	-0.86	-73,523	-1.19
EPRA EARNINGS [3]	**124,536**	**2.02**	**158,260**	**2.56**
Weighted number of no-par-value shares issued		61,783,594		61,783,594

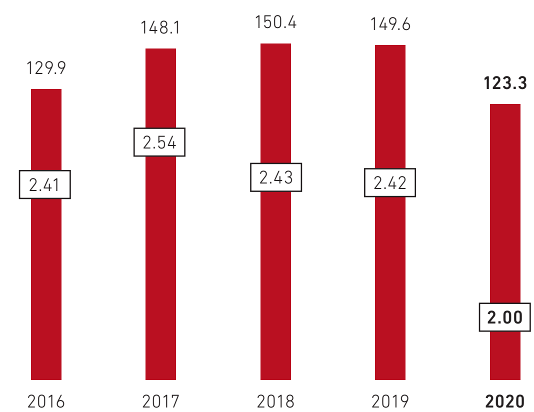
1 Including the share attributable to equity-accounted joint ventures and associates
2 Relates to deferred taxes on investment properties and derivative financial instruments
3 EPRA earnings include a one-off tax refund in the period in the previous year, including interest accrued for previous years. Without this tax refund, EPRA earnings would have totalled €149.3 million or €2.41 per share.

Development of funds from operations

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. Significant non-recurring effects that are not part of the Group's operating activities are eliminated in the calculation of FFO. FFO declined from €149.6 million to €123.3 million or by €0.42 per share to €2.00. As an income-based figure, FFO do not reflect the current significant increase in rent receivables, so the analysis of tenants' payment behaviour expressed in the collection ratio is also necessary. This averaged 89.6% in 2020.

FUNDS FROM OPERATIONS (FFO)

in € million / per share in €



FUNDS FROM OPERATIONS

	01.01. – 31.12.2020		01.01. – 31.12.2019	
	in € thousand	per share in €	in € thousand	per share in €
Consolidated profit	-251,717	-4.07	112,091	1.81
Measurement gains / losses investment properties [1]	427,623	6.92	120,042	1.94
Tax refund for previous years [2]	0	0.00	-8,994	-0.15
Goodwill write-down	2,008	0.03	0	0.00
Deferred taxes [1]	-54,591	-0.88	-73,548	-1.18
FFO	**123,323**	**2.00**	**149,591**	**2.42**
Weighted number of no-par-value shares issued		61,783,594		61,783,594

1 Including the share attributable to equity-accounted joint ventures and associates
2 Including the interest reimbursement and the tax expense attributable to this reimbursement

Results of operations of the segments

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

in € thousand	01.01.–31.12.2020	01.01.–31.12.2019 (adjusted)[1]	Change +/-	Change in %
Revenue	**238,391**	**246,286**	**-7,895**	**-3.2**
Domestic	197,880	201,917	-4,037	-2.0
Abroad	40,511	44,369	-3,858	-8.7
EBIT	**175,330**	**213,330**	**-38,000**	**-17.8**
Domestic	142,793	172,556	-29,763	-17.2
Abroad	32,537	40,774	-8,237	-20.2
EBT (excl. measurement gains / losses)	**132,015**	**164,579**	**-32,564**	**-19.8**
Domestic	106,530	130,932	-24,402	-18.6
Abroad	25,485	33,647	-8,162	-24.3

[1] The disclosure within NOI was changed in the year under review and the previous year's figures for segment sales have been adjusted for easier comparability. Please refer to the information in the notes to the consolidated financial statements under section "4. New accounting standards and changes in presentation".

As the coronavirus pandemic spread worldwide, it had a massive negative impact on all of our shopping centers. Differences arise between the segments in the area of revenue as some of our foreign centers are subject to a statutory suspension of rental payment obligations during the closures. This explains the higher percentage decline in revenue in the International segment. The legal regulations and requirements that need to be fulfilled vary widely from country to country; some of them, for example, provide for consideration from the tenant in the form of an advance extension of the lease.

The suspension of rental payment obligations in individual foreign countries additionally means that a higher proportion of the rental concessions in the International segment will already have an effect on income in 2020, while in the Domestic segment some will not have an effect until 2021. Accordingly, the decline in EBIT and EBT (excluding measurement gains / losses) abroad was higher in percentage terms.

FINANCIAL POSITION OF THE GROUP

Principles and objectives of financial management

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

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

Financing analysis

As at 31 December 2020, the Deutsche EuroShop Group reported the following key financial data:

in € million	31.12.2020	31.12.2019	Change
Total assets	4,237.4	4,558.6	-321.2
Equity (including third-party shareholders)	2,314.8	2,601.5	-286.7
Equity ratio (%)	54.6	57.1	-2.4
Net financial liabilities	1,275.4	1,364.3	-88.9
Loan-to-value ratio (LTV ratio) in %	32.9	31.5	1.4

At €2,314.8 million, the Group's economic equity capital, which comprises the equity of the Group shareholders (€2,003.3 million) and the equity attributable to third-party shareholders (€311.5 million), was down on the previous year due to the negative Group result (previous year: €2,601.5 million). Accompanied by a simultaneous reduction in total assets, the equity ratio fell year on year to 54.6% (previous year: 57.1%) and was thus still at a high level and on a firm footing.

FINANCIAL LIABILITIES

in € thousand	31.12.2020	31.12.2019	Change
Non-current bank loans and overdrafts	1,359,612	1,433,373	-73,761
Current bank loans and overdrafts	181,816	78,974	102,842
TOTAL	**1,541,428**	**1,512,347**	**29,081**
Less cash and cash equivalents	266,030	148,087	117,943
Net financial liabilities	**1,275,398**	**1,364,260**	**-88,862**

Current and non-current financial liabilities increased by €29.1 million from €1,512.3 million to €1,541.4 million in the year under review after scheduled repayments due to new loans and the short-term draw-down of €30.0 million on the credit line. Together with the rise in cash and cash equivalents by €117.9 million, net financial liabilities, at €1,275.4 million, were on balance €88.9 million lower than at the end of 2019 (€1,364.3 million).

The net financial liabilities existing at the end of the year are used exclusively to finance non-current assets. This brings the percentage of non-current assets financed with debt capital (LTV) in the year under review to 32.9% (previous year: 31.5%). Based on the segment reporting approach, which takes into account the Group's pro-rata share in joint ventures and subsidiaries, the LTV ratio in the reporting year was 35.8% (previous year: 33.7%).

The financing terms for consolidated borrowing as at 31 December 2020 were fixed at 2.18% p. a. (previous year: 2.47% p. a.) with an average residual maturity of 5.1 years (previous year: 5.3 years). The loans to Deutsche EuroShop are maintained as credit facilities with 23 banks and savings banks in Germany, Austria and the Czech Republic.

LOAN STRUCTURE

as at 31 December 2020

Interest rate lock-in	as % of loan	in € million	Average residual maturity (years)	Average interest rate (in %)
Up to 1 year	10.0	151.2	1.0	2.82
1 to 5 years	35.2	532.5	2.7	2.85
5 to 10 years	54.8	828.3	7.7	2.12
TOTAL	**100.0**	**1,512.0**	**5.1**	**2.18**

Of the 20 loans across the Group, 14 are subject to credit covenants with the financing banks. There are a total of 25 different covenants for debt service cover ratios (DSCRs), interest cover ratios (ICRs), changes in rental income, the Group's leverage ratio and its loan-to-value ratio (LTV). All conditions were met. In the case of one loan of €57.5 million, there is sufficient evidence that an individual loan condition may not be met in 2021 which, depending on the extent of failure to meet the condition, may trigger an annual special repayment of 0.5% to 1.0% of the loan amount or a prohibition on distribution for the Group company (cash sweep). The Group company concerned has sufficient cash and cash equivalents to meet this condition. For the other loans, the loan conditions will also be met in 2021 according to current planning. With regard to the uncertainties relating to the planning period as a result of the coronavirus pandemic, please refer to the report on events after the reporting date.

Scheduled repayments totalling €15.9 million will be made from current cash flow during financial year 2021. Over the period from 2022 to 2025, repayments will average €10.3 million per annum.

Two loans totalling €135.3 million are due for refinancing in the middle of financial year 2021. Refinancing has already been concluded for a loan in the amount of €65.2 million, including an increase to €70.3 million. The second loan of €70.1 million is in the final stages of negotiation. Loans totalling €226.0 million must then be extended in 2022, €209.1 million in 2023 and €58.7 million in 2025.

Current and non-current financial liabilities totalling €1,541.4 million were recognised in the balance sheet at the reporting date. The difference between the total amount and the amounts stated here relates to the short-term draw-down of the €30.0 million credit line, the financing costs to be distributed by means of the effective interest rate method as well as deferred interest and repayment obligations that were settled at the beginning of 2021.

Investment analysis

In financial year 2020, investments continued to be made in modernising and positioning the existing portfolio and amounted to €15.1 million after €19.3 million in the previous year.

Liquidity analysis

in € thousand	**01.01. – 31.12.2020**	01.01. – 31.12.2019
Net cash flow from operating activities	111,088	170,206
Cash flow from investing activities	-14,576	-19,332
Cash flow from financing activities	21,431	-119,122
Net change in cash and cash equivalents	**117,943**	**31,752**
Cash and cash equivalents at beginning of period	148,087	116,335
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**266,030**	**148,087**

The Group's operating net cash flow of €111.1 million (previous year: €170.2 million) constituted the amount generated by the Company through the leasing of shopping center space after deduction of all costs. It is primarily used to finance the dividends of Deutsche EuroShop AG and payments to third-party shareholders as well as ongoing loan repayments and investments.

Cash flow from investing activities consisted of cash-effective investment in portfolio properties (€15.1 million; previous year: €19.3 million) and the proceeds from the sale of a leasehold property (€0.5 million).

Cash flow of €117.9 million from financing activities comprised a cash outflow from current repayments of financial liabilities of €16.7 million (previous year: €27.1 million), cash inflow from the assumption of financial liabilities of €45.7 million (including the short-term draw-down of €30.0 million of the credit line repaid in January 2021) and a pay-out to third-party shareholders of €7.5 million (previous year: €15.8 million). In the previous year, cash flow from financing activities also included the dividend payment of €92.7 million, which was suspended in 2020 to further strengthen the Group's liquidity situation.

Cash and cash equivalents rose by €117.9 million in the year under review to €266.0 million (previous year: €148.1 million). Cash and cash equivalents at the balance sheet date included the funds from the short-term draw-down of €30.0 million of the credit line.

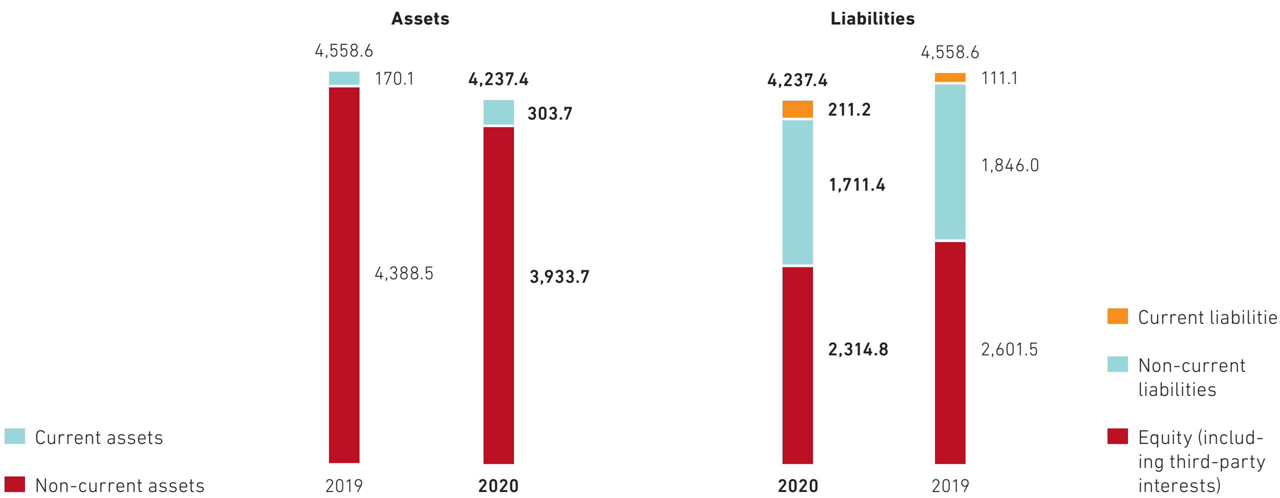
NET ASSETS OF THE GROUP

Total assets decline slightly

The Group's total assets fell by €321.2 million from €4,558.6 million to €4,237.4 million.

in € thousand	31.12.2020	31.12.2019	Change
Current assets	303,657	170,150	133,507
Non-current assets	3,933,724	4,388,455	-454,731
Current liabilities	211,169	111,136	100,033
Non-current liabilities	1,711,441	1,845,991	-134,550
Equity (including third-party interests)	2,314,771	2,601,478	-286,707
TOTAL ASSETS	**4,237,381**	**4,558,605**	**-321,224**

BALANCE SHEET STRUCTURE
in € million

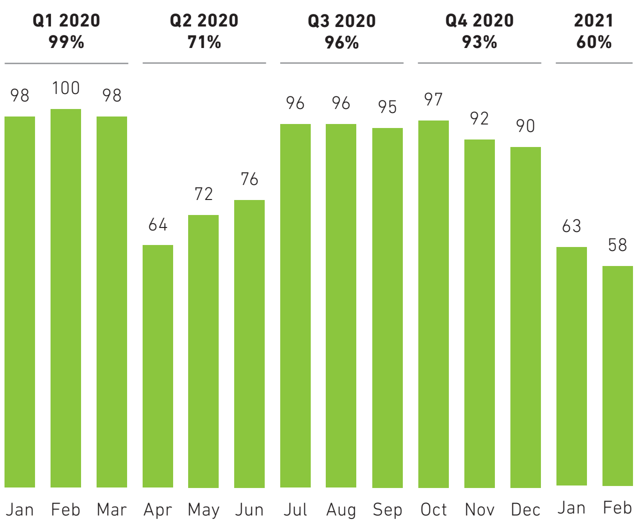


Current assets rise due to increase in cash and cash equivalents

At the end of the year, current assets amounted to €303.7 million, representing a €133.6 million rise versus the previous year (€170.1 million), which was mainly the result of a €117.9 million increase in cash and cash equivalents as at the reporting date (€266.0 million; previous year: €148.1 million).

The collection ratio, as the ratio of incoming payments to rent and service charge receivables from tenants, developed as follows in each individual month in 2020 up to the end of February 2021 due to the coronavirus. Adjustments from agreed rent reductions have already been taken into account in the figures.

COLLECTION RATIO
in %



Accordingly, the Group's receivables (after write-downs) increased sharply by €12.4 million to €19.8 million (previous year: €7.4 million).

Other assets rose by €3.2 million, from €14.6 million to €17.8 million.

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

Non-current assets fell from €4,388.5 million to €3,933.7 million in the year under review, representing a reduction of €454.8 million. At a share of 92.8% (previous year: 96.3%), they still make up the overwhelming proportion of total assets.

Investment properties fell by €385.6 million to €3,437.1 million, which corresponds to a decline of -10.1%. While additions and the costs of investments in portfolio properties came to €15.1 million, revaluation of the property portfolio resulted in valuation losses of €400.2 million.

At-equity financial investments declined by €67.0 million from €511.5 million to €444.5 million. This decrease is attributed to the share of profit / loss (€-51.5 million) and the losses for the financial year (€15.5 million).

Current and non-current liabilities declining on the whole

Current liabilities increased to €211.2 million due to the expiration of two loans totalling €136.5 in mid-2021 – of which refinancing for €65.8 million of this amount had already been concluded and €70.7 million was in the final stages of negotiation at the time the consolidated financial statements were prepared – coupled with the short-term draw-down of the credit line (€30 million).

Non-current liabilities fell from €1,846.0 million to €1,711.4 million, which constitutes a decline of €134.6 million, owing to the reversal of deferred tax liabilities (€-53.8 million), the reallocation of the loan maturing in mid-2021 to current liabilities (€-136.5 million) as well as the balance from scheduled repayments and the raising of new long-term loans (€62.7 million).

Equity (including third-party interests)

At €2,314.8 million as at the end of the reporting year, equity (including third-party shareholders) was down €286.7 million on the previous year (€2,601.5 million), mainly attributable to the consolidated loss. Redemption entitlements for third-party shareholders fell by €40.4 million, and the market values of swaps boosted equity by €5.4 million.

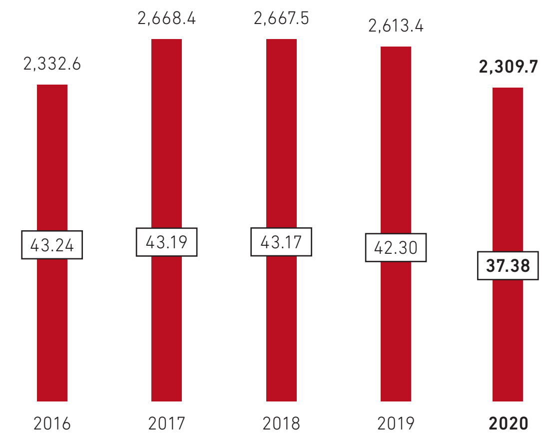
Net tangible assets[1] according to EPRA

Net tangible asset (NTA) stood at €2,309.7 million or €37.38 per share as at 31 December 2020, compared with €2,613.4 million or €42.30 per share in the previous year. The net tangible asset value was therefore down by €4.92 (-11.6%) year on year.

[1] October 2019 saw the publication of the EPRA's current revised Best Practice Recommendations, which introduces three new net asset value metrics as a key change. In the case of Deutsche EuroShop, the EPRA net tangible asset (EPRA NTA) is comparable to the EPRA NAV. The difference between the two metrics is the deduction of intangible assets (excluding goodwill) for EPRA NTA. Since these were and are not significant in terms of amount within the Deutsche EuroShop Group, neither today nor in the past (< €0.1 million), the comparability of EPRA NTA with EPRA NAV used previously is ensured. The previous year's figures have been adjusted to the new EPRA NTA. Concerning reconciliation of the metric, please refer to "EPRA reporting" in our financial report.

EPRA NET TANGIBLE ASSETS*

in € million / per share in €



* 2016 – 2018 EPRA NAV

EPRA NTA

	31.12.2020		31.12.2019	
	in € thousand	per share in €	in € thousand	per share in €
Equity	2,003,246	32.42	2,249,573	36.41
Derivative financial instruments measured at fair value[1]	26,138	0.42	33,726	0.55
Equity excluding derivative financial instruments	**2,029,384**	**32.84**	**2,283,299**	**36.96**
Deferred taxes on investment properties and derivative financial instruments[1]	332,059	5.38	383,818	6.21
Intangible assets	-13	0.00	-25	0.00
Goodwill as a result of deferred taxes	-51,719	-0.84	-53,727	-0.87
EPRA NTA	**2,309,711**	**37.38**	**2,613,365**	**42.30**
Number of no-par-value shares issued as at the reporting date		61,783,594		61,783,594

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

REPORT ON EVENTS AFTER THE REPORTING DATE

In order to contain the coronavirus pandemic, the authorities continued to implement far-reaching safety and quarantine measures at the beginning of 2021, including the closure of retail stores that do not serve basic needs. There are only exceptions for food, drugstores, pharmacies, banking services and a limited number of other everyday products and services. The ongoing safety and quarantine measures in the various countries during the period are as follows:

For Germany, the decision was taken on 3 March 2021 to continue the extensive retail closures in place since 16 December 2020. The resolution further provides that retailers will only be allowed to reopen nationwide or regionally if a stable seven-day incidence rate of less than 50 new infections per 100,000 inhabitants has been achieved, however no earlier than 8 March. Retail purchases are possible by appointment with a three-day incidence rate of between 50 and 100. If the incidence rates exceed the limit of 100 following any steps of the re-opening strategy, an "emergency brake" will be applied, which calls for the rules regarding business closures as at 16 December 2020 to be reinstated. On 22 March 2021, it was decided that these rules should apply until at least 18 April 2021.

In Poland, measures requiring the closure of shops in shopping centers, which have been in force since 28 December 2020, were lifted again on 1 February 2021, subject to conditions such as wearing a mask and observing limits on the number of customers allowed per square metre; they were then reimposed regionally from 13 March and from 20 March 2021 nationwide. The closure measures will apply at least until 9 April 2021.

Widespread retail closures in the Czech Republic since 27 December 2020 became even stricter effective 1 March 2021, and the list of shops allowed to remain open has been shortened even further.

As of 8 February 2021 and subject to certain conditions, Austria has cancelled shop closures that had been in force since 26 December 2020.

Hungary closed its retail shops for the first time from 8 March 2021. Even prior to that, however, catering operations had only been possible to a limited extent (take-away) and retailers had to observe the applicable protective measures, such as restrictions on opening hours and mask requirements.

The closures, which extend well into 2021, have further exacerbated the economic situation of the tenants affected. For many tenants, the Christmas season was heavily impacted by the closures in late autumn and the renewed closures from mid-December 2020. The states' support programmes were either unable to compensate for this or only to a limited extent.

Deutsche EuroShop is in continued dialogue with tenants via its service provider, ECE, in order to arrange support measures. Among other things, at the beginning of 2021 the affected tenants of the German shopping centers were made a regular offer under which half of the net rent excluding ancillary costs would be waived for the duration of the closure since mid-December 2020 and for all further closures in 2021.

While the federal government has suspended the requirement to file for bankruptcy in the event of pandemic-related insolvency and over-indebtedness in an effort to mitigate the effects of the coronavirus pandemic and has now extended this exemption to the end of April 2021, there is still a risk of further tenant insolvencies. More tenants have already filed for insolvency or announced branch closures in 2021. This may necessitate additional write-downs on the receivables reported as at the reporting date.

Tenants' losses and continued shop closures in individual countries may have an impact on the valuation of our shopping centers. Please refer to the sensitivity analysis in section "8. Investment properties".

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

OUTLOOK

General conditions

The success of Deutsche EuroShop's business depends mainly on the overall macroeconomic performance. This applies to both the global economy, due to our core market of Germany's huge dependency on exports, and to the specific performance of the national economies within our five European markets. A thriving economy, based on stable political conditions and good trade relations as well as on functioning international value creation chains, is in this respect a factor that has a significant influence on the growth of the respective population's income, consumer confidence and retail sales.

The German federal government, in its annual economic report published at the end of January 2021, forecasts that gross domestic product will grow by 3.0% in the current year. Growth is expected to be supported, among other things, by the German exports industry, which should benefit from a marked recovery in the global economy as the coronavirus pandemic is gradually brought under control.

The coronavirus pandemic put the temporary brakes on the 14-year growth trend in employment in 2020. The German government expects employment figures to pick up from the second quarter of 2021 onwards as the economic recovery gathers pace. Consumer price levels should increase again in 2021 following the temporary reduction in VAT and the low energy prices seen last year. Gross salaries are projected to increase due to additional relief measures (extensive abolition of solidarity surcharge, adjustment of income tax scale). After deducting price increases, private consumption is forecast to rise by 3.6% and thus make a significant contribution to growth.

The projection is subject to a high degree of uncertainty due to question marks concerning the further course of the pandemic. The federal government's estimate is based on the assumption that the lockdown measures, which have been in place since November and were tightened in December 2020, will remain in force until February 2021 before they are gradually eased once more.

Expected results of operations

The uncertainties facing the business operations of our tenants in our DES centers, for the economy and for the consumer climate are still very high owing to the coronavirus pandemic. At the present time, it is not possible to make an assessment of the negative effects the continuing pandemic will have on our operating earnings, and thus to provide a forecast for the 2021 financial year as a whole. The repercussions depend, in particular, on the duration and extent of the pandemic, the efficacy of vaccinations and the vaccination status of the population, further official restrictions, legislation and support measures. However, we expect that revenue, EBIT, EBT (excluding measurement gains / losses) and FFO will be lower than the business figures achieved in 2020 due to the stricter operating restrictions and longer store closures overall compared with the first lockdown, which have been in place since the fourth quarter of 2020 and have lasted for almost the entire first quarter of 2021. We anticipate that the situation will stabilise in the second quarter of 2021 and consolidate, particularly in the second half of the year. A new forecast will be issued as soon as this is feasible.

Dividend policy

The impact of the ongoing coronavirus pandemic situation on financial year 2021 is not quantifiable at this time. Since our last Annual General Meeting and the reopening of stores in summer 2020, we have succeeded in keeping our liquidity stable overall in spite of the highly adverse after-effects of the first lockdown and the impact of the reimposed store closures since the end of 2020. Due to the ongoing official closures of businesses in most of our markets, as well as existing restrictions on operations that are expected to continue in the medium term, the economic risks remain high. In order to ensure the Company's continued liquidity, the Executive Board has therefore decided to propose to the Annual General Meeting only to pay a dividend amounting to 4% of share capital (equivalent to a total dividend of €2,471,343.76 or €0.04 per share) from the unappropriated surplus remaining after allocation to other retained earnings and to carry forward the remaining amount of the unappropriated surplus of EUR 41,311,535.84 to the new accounts Notwithstanding the recent suspension of or limits on dividend payments due to the coronavirus, we intend to continue our dividend policy focused on continuity once this exceptional situation has stabilised.

RISK REPORT

PRINCIPLES GOVERNING THE RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM

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

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

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

Risk analysis

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

1. Portfolio properties

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

2. Centers under construction

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

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

Risk inventory

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

Furthermore, the Executive Board uses scenario-based simulations, in which the key planning parameters (including rent, cost, return and interest rate trends) are changed, to assess the way in which risk aggregation affects the Group's continued existence. This analysis also allows for an evaluation to be carried out as regards which risks the Group can sustain.

The Executive Board reports on significant new risks and the scenario-based simulations in the Supervisory Board meetings. In the event of risks that jeopardise the continued existence of the Group, a report is issued immediately.

ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM

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

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

Advice on limitations

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

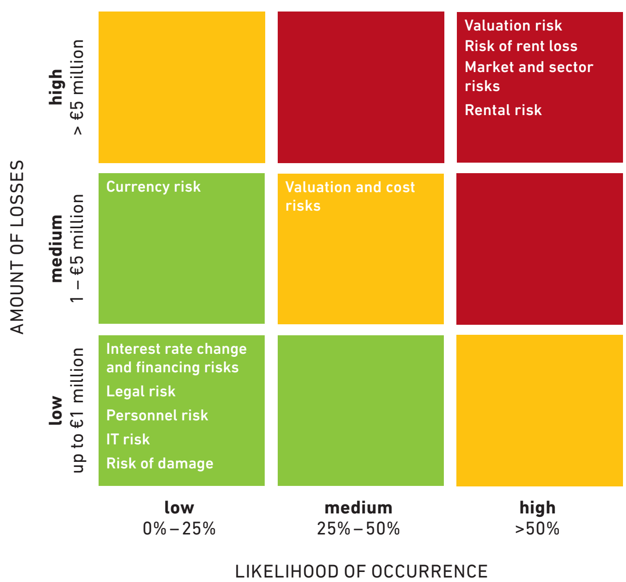
Decisions based on personal judgement, flawed controls, criminal acts or other circumstances cannot be entirely ruled out, however, and may limit the effectiveness and reliability of the internal control and risk management system that is in use. Consequently, the application of the systems used cannot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

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

EVALUATION OF THE OVERALL RISK POSITION

The overall risk situation is presented in the following matrix. The potential extent of losses is calculated on the basis of the impact for the financial year following the year under review. The coronavirus pandemic is having an impact on the individual risks of the Deutsche EuroShop Group. Compared to the presentation of the overall risk position in the 2019 combined management report, there is a differing assessment for the following individual risks: market and sector risks, rental risk, risk of default on leases, and management and cost risk, increase in risk assessment.

RISK MATRIX



On the basis of the monitoring system described, Deutsche EuroShop AG has taken appropriate steps to identify developments that could jeopardise its continued existence at an early stage and to counteract them. The Executive Board has performed a wide range of scenario-based simulations in order to evaluate the potential effects of the coronavirus pandemic on the Company and Group's continued existence. In this context, the impact on the liquidity of the Group and the compliance with credit covenants has also been reviewed.

The Executive Board is accordingly not aware of any risks that could jeopardise the continued existence of the Company and the Group.

PRESENTATION OF MATERIAL INDIVIDUAL RISKS

Valuation risk

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

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

The coronavirus pandemic is having a direct impact on the parameters used to value the real estate portfolio, such as derived interest rates, market rents, management costs and re-letting periods. The external appraiser pointed out that, in this exceptional situation, comparable transactions had only taken place to a limited extent and that the valuation was therefore subject to a higher degree of uncertainty. Nor can it be ruled out that, in view of the dynamics of the coronavirus crisis observed in 2020, the overall situation will have to be reassessed in the short term and corresponding adjustments will have to be made to the valuations. The probability and extent of loss of the valuation risk must therefore continue to be regarded as high.

Market and sector risks

The coronavirus pandemic and the hygiene and protective measures taken by the authorities have had a massive impact on the bricks-and-mortar retail trade in the form of lost sales. In addition to the temporary store closures that are affecting the majority of our tenants, many consumers also find it annoying to have to wear mouth and nose protection while out shopping, meaning they are mostly only buying the things they actually need. The shopping experience, the marketplace concept as well as the role of the centers as a place to meet and have fun have receded into the background during these phases. In addition, lockdowns have a significant and in some cases lasting influence on purchasing behaviour. The closures have led to a significant increase in the proportion of purchases made online. In Germany, this share rose to 12.4% in 2020.

Online retail will continue to grow in future and increase its share of total retail sales. The segments of fashion, shoes and consumer electronics, in particular, continue to dominate online commerce, together making up around 45% of total online sales, and are also especially heavily represented in shopping centers. Despite this general trend, attractive retail spaces are still a strong pull for customers. After stores were reopened in the second quarter of 2020, and again in Austria and Poland in the middle of the first quarter of 2021, bricks-and-mortar retail underwent a rapid and significant recovery in customer footfall. Although visitor numbers still lagged behind the levels recorded prior to coronavirus, they show that attractive and spacious retail facilities that are leaders in their respective catchment areas and can offer customers a broad range of products, an enjoyable time and a special shopping experience can continue to hold their own.

Alongside the growth in online retail, additional retail commercial space offered on the rental market, created for example through the building, expansion or modernisation of shopping or factory outlet centers both in city centers and on the outskirts, as well as through the revitalisation of retail locations in city centers, may cause realisable revenues in bricks-and-mortar retail trade to be distributed over more rental space overall and lead to lower space utilisation. Larger or improved rental space offerings in the competitive environment of our shopping centers and a potentially permanent redistribution of retail revenues to online channels and the accompanying permanent drop in space utilisation for bricks-and-mortar retailers harbour the risk that subsequent leases and / or renewals could be concluded at lower rent prices and / or under less favourable contractual terms.

To counter the rising share of online retail along with potential pressure on space utilisation, bricks-and-mortar retail is embracing floor-space restructuring and focusing on good retail locations, optimising product ranges, improving the quality of service and placing an emphasis on individual consultations when shopping. The interconnection between the offline and online worlds is also becoming increasingly important. In this respect, retailers are at different stages of progress and success, particularly as far as implementation of their omni-channel concepts is concerned, as the past year in particular has shown. If bricks-and-mortar retailers do not have an online presence or maintain only a very limited online offering, this means that during pandemic-related store closures they have few or even no distribution options. As a result, the corporate reserves of the affected tenants are being stretched to breaking as the pandemic continues, and a number of retailers have already had to file for bankruptcy. The small number and limited extent of state support measures and landlord concessions have only been able to compensate for a portion of these losses.

Since the start of the coronavirus pandemic, there has been an increased trend among retailers to develop or expand their own omni-channel strategies. Deutsche EuroShop AG is actively confronting this trend with a variety of measures. A key focus here is to optimise the integration of the offline and online shopping worlds through the Digital Mall concept, which aims to enable customers to see, prospectively reserve and order products that are immediately available in a shopping center conveniently and in just a few clicks via their smartphone or over the Internet. The basic functionality ("product search") of Digital Mall was rolled out in all of our German shopping centers by the end of 2019. The offering remains limited during the market launch phase. However, over 2.2 million products were already available by the end of 2020, and the omni-channel offering continues to grow through the successive integration of an ever-increasing number of retailers and locations.

The leisure, customer experience and meeting point aspects of our centers are also being enhanced. In addition to the creation of attractive and new restaurant spaces, this includes our "At Your Service" and "Mall Beautification" investment programmes which were launched back in 2018, even if these have currently been adjusted or partially postponed due to the coronavirus. The aim is to make the centers a more pleasurable place to be and to raise the quality of service through targeted investments in, among other things, improved service and lounge areas, modern entertainment zones for kids, simplified in-house navigation when searching for shops or parking using touch screens or smartphone solutions, and intelligent parking guidance systems. The conclusion of leases with as long a term as possible with tenants with high credit ratings across every retail segment also reduces market and sector risks.

Since the outbreak of the coronavirus and until the pandemic situation has stabilised to a significant degree, the huge impact of the business closures and restrictions have dominated the business of our tenants and thus also influenced our profitability. On the basis of economic necessity and the legal framework and with a view to sustainable and long-term cooperation with our tenants, we will continue to seek economic solutions (e.g. temporary rent reductions) with our rental partners in a flexible manner that is in line with the evolving course of the pandemic. We set the amount of losses and likelihood of occurrence of the market and sector risks at high (amount of loss and likelihood of occurrence according to combined management report 2019: medium).

Rental risk

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

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

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

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

The economic consequences of the coronavirus pandemic are influencing demand for floor space, rent rates and the contractual conditions for new and renewed leases. The time it takes for a space to be re-let may also increase, leading to higher vacancy rates.

Due to the massive impact of the store closures on our tenants and the associated increased pandemic-related insolvency and re-letting risks, we have set the risk of loss and likelihood of occurrence posed by rental risk to high (loss estimate and likelihood of occurrence according to 2019 combined management report: medium).

Risk of rent loss

Deteriorating performance and credit ratings among tenants, which may also be triggered by serious external political or economic shocks as well as by nationwide store closures imposed by governments in response to the pandemic and accompanying legislative measures, may lead to defaults on leases and other financial burdens, with the risk of default on leases comprising the rent payments in their entirety, allocable ancillary costs and potential legal and reinstatement costs. Insolvency on the part of tenants, especially anchor tenants or shop chains, can moreover lead to temporary increases in vacancy rates.

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

The requisite writedowns are recognised on the balance sheet in individual cases. In financial year 2020, these amounted to €29.2 million, mainly due to the pandemic (previous year: €1.7 million). It is not possible to rule out high write-downs in the current financial year in view of the significant structural change in bricks-and-mortar retail and depending on economic developments and, in particular, the further course of the pandemic. We have set the amount of losses and likelihood of occurrence at high (amount of loss and likelihood of occurrence according to combined management report 2019: low and medium).

Valuation and cost risks

The complexity of the applicable court decisions and changes thereto could lead to corrections and objections in relation to ancillary costs, which in turn could lead to limits being enforced on passing the burden on to tenants and / or to subsequent reimbursements to same. Besides financial losses, this could also affect tenant satisfaction. Continuous examination of ancillary cost invoicing based on current legislation minimises this risk. New changes in the law may also mean that additional costs cannot legally and / or economically be passed on entirely to tenants as ancillary costs in future.

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

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

The coronavirus pandemic has an indirect impact on management and cost risk. Even if the coronavirus-related rent concessions agreed with tenants regularly provide that ancillary costs will also be paid by tenants during the closure phase, the loss of tenants could result in longer vacancy periods and renovation measures, leading to an increase in the proportion of non-allocable ancillary costs and necessary investments. We rate the likelihood of budget overruns and additional costs as higher than in the previous year and have set this to medium (assessment of likelihood of occurrence according to 2019 combined management report: low).

Financing and interest rate risks

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

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

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

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

The Group loans expiring in 2021 of €135.3 million were re-financed (€65.2 million) or are in the final stage of negotiation with the financing banks (€70.1 million). A loan of €24.4 million of a joint venture is scheduled for refinancing in 2021 on a pro-rata basis and the negotiations with the financing banks are also in the final stages. Based on the status of negotiations with the banks, there is no indication that the refinancing cannot be concluded by the scheduled expiry of the loans.

Currency risk

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

Risk of damage

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

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

Legal risk

The concept for our business model is based on the current legal situation, administrative opinion and court decisions, all of which may, however, change at any time. In the wake of the coronavirus pandemic, various legislators in Europe, including Germany and Poland, were quick to enact new laws or amend existing laws that may provide temporary relief to tenants in terms of their rental payment obligations during government-mandated, pandemic-related business closures. The exact interpretation and impact of these laws is not yet possible in many cases due to a lack of precedents and rulings. Given the regular, consensus-oriented negotiations we have held with our tenants during the pandemic situation with regard to the potential and appropriate limitation or division of losses for the affected periods, we do not currently assume any increased legal risk in this regard. The Company is not currently aware of any legal risks that could have a major impact on its assets or results of operations.

Personnel risk

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

IT risk

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

OPPORTUNITY REPORT

Deutsche EuroShop AG forms part of a retail market undergoing dynamic structural transformation. While bricks-and-mortar retail is currently facing challenges from strong growth in online retail, and many transformation processes are being initiated more actively, the strict boundaries between the online and offline shopping world continue to disappear. The coronavirus pandemic has significantly increased the pressure to act and the required speed of implementation. Even before this, however, there was a clear trend towards purely online retailers increasingly opening shops and branch networks or gaining access to bricks-and-mortar retail chains and their branch network through acquisitions or joint ventures. This development is based on the expectation from customers that they will be able to buy all products online or offline depending on the situation. Lots of retailers had to accept that they were only able to generate revenue during the closure phase with an omnichannel sales approach as this sales approach opens up new opportunities in the areas of customer contact and service and provides revenue growth potential. Attractive bricks-and-mortar retail spaces and thus also shopping centers will continue to play an important role in the transformation of the retail landscape to a largely integrated omnichannel distribution. This is supported by the rapid and relatively significant recovery in customer footfall and tenant revenue in many segments following the reopening of stores post-lockdown. In addition, bricks-and-mortar spaces are also increasingly lending themselves to being used as local logistics hubs for fast and cost-efficient delivery services.

Given the prompt stabilisation of the pandemic situation and the positioning of our shopping centers at first-rate locations, broad sector diversification within the centers, the increasing link-up between the shopping centers and online retail via Digital Mall, and their conceptional adaptation with an emphasis on leisure, customer experience and meeting point aspects, and the increasing complementary importance of shop space to online retail, we see opportunities for further success even during the current accelerated phase of structural change.

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

In addition, once the special challenges posed by the coronavirus pandemic have been overcome and the market situation has stabilised, there will be growth opportunities for Deutsche EuroShop AG through the acquisition of further shopping centers or stakes therein, in keeping with its clearly defined, selective investment strategy. This, in turn, would positively impact the results of operations. Further external growth can also enhance the diversification effect in the Company's holdings portfolio. Due to the great degree of flexibility in the implementation of our acquisition and holdings structures, our good reputation with banks and as a reliable partner in the real estate market, the Company will be well positioned following stabilisation of the pandemic situation to continue to operate in the transactions market in such a way as to exploit opportunities going forward.

REMUNERATION REPORT

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

REMUNERATION SYSTEM FOR THE EXECUTIVE BOARD

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

As a performance-related remuneration component, the bonus is dependent on the long-term performance of the Company. It is based on the weighted average over the financial year and the two previous financial years. Group EBT (excluding measurement gains / losses) for the financial year is taken into account at a weighting of 60% in the basis of calculation, that of the previous financial year at 30% and that of the financial year before that at 10%. Mr Wellner receives 0.25% of the calculation basis as a bonus and Mr Borkers 0.2%. The bonus for Mr Wellner is limited to 150% of his basic annual remuneration and the bonus for Mr Borkers is limited to €300 thousand.

The non-performance-related basic annual remuneration is €282 thousand for Mr Wellner and €199 thousand for Mr Borkers. In addition, Mr Wellner is expected to receive a bonus of €354 thousand and Mr Borkers €283 thousand for 2020. The final amount of the bonuses will only be available after approval of the consolidated financial statements by the Supervisory Board, upon which they will be payable.

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

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

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

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

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

On 31 December 2020, the market capitalisation of the Company stood at €1,106.7 million, which was €755.7 million lower than the figure as at 1 July 2018. There was therefore no potential liability under the LTI 2018 as at the reporting date.

REMUNERATION OF THE EXECUTIVE BOARD 2020

The remuneration of the Executive Board amounted to €1,323 thousand, which broke down as follows:

	Wilhelm Wellner				Olaf Borkers				
in € thousand	CEO Joined: 01.02.2015				Member of the Management Board Joined: 01.10.2005				Total
Contributions made	2020	2019	2020 (min.)	2020 (max.)	2020	2019	2020 (min.)	2020 (max.)	2020
Fixed remuneration	282	282			236	199			
Ancillary benefits	22	25			0	12			
Total	**304**	**307**			**236**	**211**			**540**
One-year variable remuneration	354	404	0	423	283	284	0	300	
Multi-year variable Remuneration[1]									
LTI 2018	0	0	0	([2])	0	0	0	([2])	
Total	**354**	**404**			**283**	**284**			**637**
Pension expense	143	143			3	3			146
TOTAL REMUNERATION	**801**	**854**			**522**	**498**			**1,323**

1 Due to the preliminary nature of the remuneration calculations at the time the annual financial statements were drawn up, the payments may vary slightly with respect to the remuneration figures for the previous year.
2 no maximum

In 2020, the Executive Board was in receipt of payments totalling €1,281 thousand:

	Wilhelm Wellner				Olaf Borkers				
in € thousand	CEO Joined: 01.02.2015				Member of the Management Board Joined: 01.10.2005				Total
Income	2020	2019	2020 (min.)	2020 (max.)	2020	2019	2020 (min.)	2020 (max.)	2020
Fixed remuneration	282	282			236	199			
Ancillary benefits	22	25			0	12			
Total	**304**	**307**			**236**	**211**			**540**
One-year variable Remuneration[1]	404	390	0	423	284	279	0	300	
Multi-year variable remuneration									
LTI 2018	0	0	0	([2])	0	0	0	([2])	
Total	**404**	**390**			**284**	**279**			**688**
Pension expense	50	50			3	3			53
TOTAL REMUNERATION	**758**	**747**			**523**	**493**			**1,281**

1 Due to the preliminary nature of the remuneration calculations at the time the annual financial statements were drawn up, the payments may vary slightly with respect to the remuneration figures for the previous year.
2 no maximum

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

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

The outgoing CEO, Claus-Matthias Böge, is to receive a total of €1,712 thousand under the Long-Term Incentive 2010, which covered the period to 30 June 2015. From 2016, this amount was paid at the start of each year in five equal instalments, finishing in 2020.

The Supervisory Board intends to present to the Annual General Meeting on 18 June 2021 a new remuneration system for the Executive Board.

REMUNERATION OF THE SUPERVISORY BOARD

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

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

The remuneration of the members of the Supervisory Board totalled €262.5 thousand in the period under review, which breaks down as follows:

in € thousand	2020	2019
Reiner Strecker	50.0	59.5
Karin Dohm	37.5	44.6
Dr Anja Disput	25.0	16.5
Henning Eggers	25.0	16.5
Dr Henning Kreke	25.0	29.8
Alexander Otto	25.0	29.8
Claudia Plath	25.0	16.5
Klaus Striebich	25.0	29.8
Roland Werner	25.0	29.8
Thomas Armbrust	0.0	13.2
Beate Bell	0.0	13.2
Manuela Better	0.0	13.2
	262.5	**312.4**

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

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

ACQUISITION REPORTING

Deutsche EuroShop shares are traded on the Frankfurt Stock Exchange and other exchanges. As at 31 December 2020, 20.03% of shares were owned by Alexander Otto (previous year: 19.47%).

The share capital is €61,783,594, comprised of 61,783,594 no-par-value registered shares. The notional value of each share is €1.00.

According to Article 5 of the Articles of Association, the Executive Board is authorised, with the Supervisory Board's approval, to increase the share capital by up to a total of €11,680,999 through individual or multiple issues of new no-par-value registered shares against cash and / or non-cash contributions before 27 June 2022 (Authorised capital 2017). As at 31 December 2020, no use had been made of this authorisation.

In addition, the Executive Board was authorised by a resolution of the Annual General Meeting held on 28 June 2018 to acquire treasury shares in the Company constituting up to 10% of the share capital available on the entry into force or – if this is lower – on exercise of the authorisation by 27 June 2023. As at 31 December 2020, no use had been made of this authorisation.

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

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

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

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

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

DECLARATION ON CORPORATE GOVERNANCE (SECTION 289F, SECTION 315D HGB)

The declaration on corporate governance, in conformity with section 3.10 of the Deutscher Corporate Governance Kodex (German Corporate Governance Code) and section 289f, 315d of the Handelsgesetzbuch (HGB – German Commercial Code) has been published on the Deutsche EuroShop website at

www.deutsche-euroshop.com/EZU

REPORTING ON THE SEPARATE FINANCIAL STATEMENTS OF DEUTSCHE EUROSHOP AG

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

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

RESULTS OF OPERATIONS OF DEUTSCHE EUROSHOP AG (HGB)

in € thousand	01.01.–31.12.2020	01.01.–31.12.2019	Change +/-	Change in %
Other operating income	317	150	167	111
Personnel expenses	-2,030	-2,055	25	1
Depreciation / amortisation and other operating expenses	-3,199	-2,185	-1,013	-46
Investment income	38,059	69,353	-31,294	-45
Financial gains or losses	-13,511	-7,918	-5,593	-71
Taxes on income and earnings	-1,382	11,784	-13,166	-112
Net profit	**18,254**	**69,129**	**-50,875**	**-74**
Profit brought forward	34,629	0	34,629	
Transfer to retained earnings	-9,100	-34,500	25,400	
UNAPPROPRIATED SURPLUS	**43,783**	**34,629**	**9,145**	

For Deutsche EuroShop AG, financial year 2020 was overshadowed by the effects of the coronavirus pandemic. At €19.6 million, pre-tax profit was €37.7 million lower than in the previous year (€57.3 million). A principal component of the Company's earnings is investment income, at €38.1 million (previous year: €69.4 million), which was down €31.3 million year on year. This decline is essentially explained by the coronavirus-related rent defaults and necessary write-downs on receivables from the investments. In addition, in order to strengthen the liquidity of individual investments, no dividend payments were recognised in the income statement.

In the previous year, the financial result was boosted by the interest refund as part of the trade tax reimbursement of €2.7 million. The interest expenses fell by €0.1 million year on year due to the scheduled repayments. Conversely, the write-down of €10.1 million, which was carried out on the basis of an external appraisal report on the investment property, impacted the investment in Saarpark Center Neunkirchen KG.

Taxes on income and earnings resulted in an expense of €1.4 million, compared with tax income of €11.8 million in the previous year. Of this amount, €0.1 million was attributable to the reversal of deferred taxes (previous year: reversal of €12.9 million), €1.5 million to taxes to be paid (previous year: €8.2 million) and a further €7.1 million to a trade tax reimbursement. The reversal of deferred taxes in the prior year was the result of the corporate restructuring of individual investments completed in 2019, which will enable the extended trade tax reduction to be used to a greater extent than it has been. The decline in taxes payable is due to the restructuring in the previous year as well as to the low share in earnings from investees owing to the coronavirus.

NET ASSETS OF DEUTSCHE EUROSHOP AG (HGB)

in € thousand	31.12.2020	31.12.2019	Change +/-
Financial investments	1,168,713	1,161,439	7,274
Other non-current assets	145	184	-39
Receivables and other assets	457	859	-402
Cash and bank balances	79,211	69,027	10,184
Assets	**1,248,526**	**1,231,509**	**17,017**
Equity	1,061,775	1,043,521	18,254
Provisions	1,899	3,066	-1,167
Liabilities	103,862	103,772	90
Deferred tax liabilities	80,990	81,150	-160
Liabilities	**1,248,526**	**1,231,509**	**17,017**

The increase in non-current financial investments was due mainly to the proportional net profits of investees, as determined under commercial law, reduced by the withdrawals made in financial year 2020.

The equity ratio of Deutsche EuroShop AG improved slightly from 84.7% to 85.0% and remained at a very healthy and high level.

FINANCIAL POSITION OF DEUTSCHE EUROSHOP AG (HGB)

in € thousand	01.01. – 31.12.2020	01.01. – 31.12.2019
Net profit	18,254	69,129
Undistributed share in entitlement to profits	-14,109	0
Cash distributions on investees recognised in equity	0	50,509
Measurement of investments not affecting liquidity	10,084	6,618
Addition / reversal for deferred income taxes	-160	-12,846
1. Free cash flow from operating activities	**14,069**	**113,410**
2. Outflows for new investments	**0**	**-100**
3. Inflows from equity	**0**	**0**
Inflows / outflows from bank loans	-1,777	-1,753
4. Inflows / outflows from financing activities	**-1,777**	**-1,753**
5. Other cash changes in the balance sheet	**-2,108**	**-258**
6. Dividend for the previous year	**0**	**-92,675**
Liquidity at the start of the year	**69,027**	**50,403**
Cash changes in liquidity (1st to 6th subtotal)	10,184	18,624
Liquidity at the end of the year	**79,211**	**69,027**

Due to the lower share in earnings of investments and the partial waiver of distributions to strengthen liquidity in investments, free cash flow from operating activities fell to €14.1 million in the year under review, compared with €113.4 million in 2019 (-87,6%). For the past financial year, there was a return on the equity paid in amounting to €1,369.0 million of 1.0% compared with 8.3% in the previous year. Free cash flow per share fell from €1.84 to €0.23.

The outflows for new investments in the previous year included the newly founded DES Beteiligungs GmbH & Co. KG as part of the corporate restructuring of the Group.

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

Taking into account the cash changes in net working capital (€-2.1 million), liquidity ended the year at €79.2 million.

FORECAST FOR DEUTSCHE EUROSHOP AG (HGB)

At the present time, it is not possible to make an assessment of the negative effects the continuing pandemic will have on the operating profits of our investees, and thus to provide a forecast for the 2021 financial year as a whole. The repercussions depend, in particular, on the duration and extent of the pandemic, the efficacy of vaccinations and the vaccination status of the population, further official restrictions, legislation and support measures. However, we expect lower investment income from our investees in 2021.

Hamburg, 25 March 2021

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

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

Forum Wetzlar

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

Assets

in € thousand	Note	31.12.2020	31.12.2019
ASSETS			
Non-current assets			
Intangible assets	7.	51,732	53,752
Property, plant and equipment	7.	330	424
Investment properties	8.	3,437,145	3,822,786
Investments accounted for using the equity method	9.	444,517	511,493
Non-current assets		**3,933,724**	**4,388,455**
Current assets			
Trade receivables	10.	19,822	7,417
Other current assets	11.	17,805	14,646
Cash and cash equivalents	12.	266,030	148,087
Current assets		**303,657**	**170,150**
TOTAL ASSETS		**4,237,381**	**4,558,605**

Liabilities

in € thousand	Note	31.12.2020	31.12.2019
EQUITY AND LIABILITIES			
Equity and reserves			
Issued capital		61,784	61,784
Capital reserves		1,217,560	1,217,560
Retained earnings		723,902	970,229
Total equity	13.	**2,003,246**	**2,249,573**
Non-current liabilities			
Financial liabilities	14.	1,359,612	1,433,373
Deferred tax liabilities	16.	324,978	378,755
Right to redeem of limited partners	17.	311,525	351,905
Other liabilities	15.	26,851	33,863
Non-current liabilities		**2,022,966**	**2,197,896**
Current liabilities			
Financial liabilities	14.	181,816	78,974
Trade payables	15.	3,303	5,805
Tax liabilities	15.	456	1,401
Other provisions	18.	8,313	8,120
Other liabilities	15.	17,281	16,836
Current liabilities		**211,169**	**111,136**
TOTAL EQUITY AND LIABILITIES		**4,237,381**	**4,558,605**

CONSOLIDATED INCOME STATEMENT

in € thousand	Note	01.01. – 31.12.2020	01.01. – 31.12.2019 (adjusted) [1]
Revenue	19.	224,104	231,487
Property operating costs	20.	-18,581	-17,488
Property management costs	21.	-9,707	-10,813
Write-downs and disposals of financial assets	10., 22.	-29,218	-1,674
Net operating income (NOI)		**166,598**	**201,512**
Other operating income	23.	2,400	1,915
Other operating expenses	24.	-7,759	-5,958
Earnings before interest and taxes (EBIT)		**161,239**	**197,469**
Share in the profit or loss of associated companies and joint ventures accounted for using the equity method	9., 25.	-51,482	4,345
Interest expense		-43,716	-49,256
Profit / loss attributable to limited partners	17.	-13,501	-18,443
Interest income		547	2,745
Financial gains or losses		**-108,152**	**-60,609**
Measurement gains / losses	26.	**-355,845**	**-94,188**
Earnings before tax (EBT)		**-302,758**	**42,672**
Taxes on income and earnings	27.	51,041	69,419
CONSOLIDATED PROFIT		**-251,717**	**112,091**
Earnings per share (€), undiluted and diluted	28.	-4.07	1.81

[1] The disclosure within net operating income was changed in the year under review and the previous year's figures have been adjusted for easier comparability. Please refer to the information in the notes to the consolidated financial statements under section "4. New accounting standards and changes in presentation".

STATEMENT OF COMPREHENSIVE INCOME

in € thousand	Note	01.01.–31.12.2020	01.01.–31.12.2019
Consolidated profit		**-251,717**	**112,091**
Items which under certain conditions in the future will be reclassified to the income statement:			
Actual share of the profits and losses from instruments used to hedge cash flows	13.	6,921	487
Deferred taxes on changes in value offset directly against equity	13.	-1,531	-78
Total earnings recognised directly in equity		**5,390**	**409**
TOTAL PROFIT		**-246,327**	**112,500**
Share of Group shareholders		-246,327	112,500

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in € thousand	Note	Number of shares outstanding	Issued capital	Capital reserves	Other retained earnings	Statutory reserve	Cash flow hedge reserve	Total
01.01.2019		**61,783,594**	**61,784**	**1,217,560**	**974,484**	**2,000**	**-26,080**	**2,229,748**
Total profit			0	0	112,091	0	409	112,500
Dividend payments	13.		0	0	-92,675	0	0	-92,675
31.12.2019		**61,783,594**	**61,784**	**1,217,560**	**993,900**	**2,000**	**-25,671**	**2,249,573**
01.01.2020		**61,783,594**	**61,784**	**1,217,560**	**993,900**	**2,000**	**-25,671**	**2,249,573**
Total profit			0	0	-251,717	0	5,390	-246,327
Dividend payments	13.		0	0	0	0	0	0
31.12.2020		**61,783,594**	**61,784**	**1,217,560**	**742,183**	**2,000**	**-20,281**	**2,003,246**

CONSOLIDATED CASH FLOW STATEMENT

in € thousand	Note	01.01.–31.12.2020	01.01.–31.12.2019
Consolidated profit		**-251,717**	**112,091**
Income taxes	26.	-51,041	-69,419
Financial gains or losses		108,152	60,609
Amortisation / depreciation of intangible assets and property, plant and equipment with a finite life	23.	144	169
Unrealised changes in fair value of investment property and other measurement gains / losses	25.	355,845	94,188
Distributions and capital repayments received	9.	15,494	23,896
Changes in trade receivables and other assets	10., 11.	-15,920	-4,894
Changes in current provisions	18.	193	707
Changes in liabilities	15.	-2,084	4,419
Cash flow from operating activities		**159,066**	**221,766**
Interest paid		-43,669	-48,776
Interest received		547	2,745
Income taxes paid	26.	-4,856	-5,529
Net cash flow from operating activities		**111,088**	**170,206**
Investments in investment properties	8.	-15,053	-19,324
Inflows from the disposal of investment properties		490	0
Investments in intangible assets and property, plant and equipment		-13	-27
Inflows from the disposal of financial assets		0	19
Cash flow from investing activities		**-14,576**	**-19,332**
Assumption of financial liabilities	14., 28.	45,721	16,575
Repayment of financial liabilities	14.	-16,687	-27,101
Repayment of lease liabilities	15.	-89	-107
Payments to limited partners	17.	-7,514	-15,814
Payments to Group shareholders	13.	0	-92,675
Cash flow from financing activities		**21,431**	**-119,122**
Net change in cash and cash equivalents		**117,943**	**31,752**
Cash and cash equivalents at beginning of period	12.	**148,087**	**116,335**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	12.	**266,030**	**148,087**

NOTES

TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR FINANCIAL YEAR 2020

PRINCIPLES UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL DISCLOSURES

The Group parent company is Deutsche EuroShop AG, Hamburg, Germany. The Company's registered office is at Heegbarg 36, 22391 Hamburg, Germany. The Company is entered in the Hamburg Commercial Register (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 (IFRS) 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 315e (1) of the Handelsgesetzbuch (HGB – German Commercial Code). All IFRS and IFRIC interpretations endorsed by the European Commission and required to be applied as at 31 December 2020 have been applied. The Executive Board prepared the consolidated financial statements as at 31 December 2020 on 25 March 2021 and forwarded them to the Supervisory Board for examination and approval.

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

Amounts are mainly presented in thousands of €.

The preparation of the consolidated financial statements necessitates the use of estimates and assumptions. These affect the reported amounts of assets, liabilities and contingent liabilities as at the reporting date, as well as the recognition of income and expenses during the reporting period. The actual amounts can differ from these estimates. Expected cash flows and the discount factor in particular are critical parameters for the measurement of investment properties (for more information, see the notes to section "8. Investment properties"). When calculating write-downs on rent receivables, rental concessions still expected to be granted, which are included the write-down calculation, constitute a significant estimation parameter (for more information, see the notes to section "10. Trade receivables").

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

The annual financial statements of the consolidated companies were prepared on 31 December 2020, the reporting date of the consolidated financial statements.

2. BASIS OF CONSOLIDATION

The scope of consolidation has not changed compared with the previous year.

As at 01.01. / 31.12.2020	Domestic [1]	Abroad [1]	Total
Fully consolidated subsidiaries	11	4	15
Associates included in consolidated financial statements in accordance with the equity method Joint ventures	4	3	7
Associates included in consolidated financial statements in accordance with the equity method Associates	0	1	1

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

Subsidiaries

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

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

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

Financial information of subsidiaries with significant non-controlling interests

The Group 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 €689,867 thousand (previous year: €759,972 thousand) and current assets of €30,842 thousand (previous year: €19,710 thousand) as at the reporting date. Non-current liability items amounted to €211,814 thousand (previous year: €214,127 thousand) and current liability items totalled €8,759 thousand (previous year: €7,895 thousand). The Company generated revenue of €35,714 thousand (previous year: €36,521 thousand) and net profit (after earnings due to limited partners) of €-26,335 thousand (previous year: €21,949 thousand). A dividend of €3,305 thousand (previous year: €10,242 thousand) was paid to limited partners in the year under review.

Joint ventures

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

Associates

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

Investees

Investments over which Deutsche EuroShop AG has neither significant influence nor control are measured at fair value in principle. In line with IFRS 9, for initial recognition of an investment the Group has the irrevocable right to choose to record the fair value adjustment in other income as well. As at 31 December 2020 the Group had no investees.

Shareholdings

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

3. CONSOLIDATION METHODS

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

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

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

4. NEW ACCOUNTING STANDARDS AND CHANGES IN PRESENTATION

New accounting standards

The following new or amended standards and interpretations relevant for the business activities of the Group are required to be applied for the first time to the financial years ending on 31 December 2020:

Amendments / standard	Date applied (EU)	Amendments	Impact on the net assets, financial position and results of operations or cash flow of Deutsche EuroShop AG
Definition of a business (amendment to IFRS 3)	01.01.2020	Clarification of the definition of a business to distinguish more clearly whether a business or a group of assets was acquired.	The amendment has to be applied prospectively to acquisitions after the initial application date. There are therefore no effects from the changeover.
Interest Rate Benchmark Reform (amendment to IFRS 9, IAS 39, IFRS 7)	01.01.2020	Relief for the continuation of hedge accounting under the reform of the benchmark interest rate	No material impact
Definition of materiality (amendment to IAS 1 and IAS 8)	01.01.2020	Standardisation and clarification of the definition of materiality in IFRS	No material impact
Rental concessions in connection with COVID-19 (amendment to IFRS 16)	01.06.2020	Amendment making it easier for lessees to apply the regulations of IFRS 16 if modifications are made to the lease agreement as a result of rental concessions	As the Group only has a small number of leases in which it, itself, is the lessee and no rent concessions have been agreed for these, the amendment had no repercussions.

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

Amendments / standard	Expected date of application (EU)	Expected amendments	Impact on the net assets, financial position and results of operations or cash flow of Deutsche EuroShop AG
Onerous Contracts – Cost of Fulfilling a Contract (amendment to IAS 37)	01.01.2022	The amendment specifies which costs an entity should consider when assessing whether a contract is onerous or involves a loss.	The amendment will be applied prospectively from the mandatory initial application date to all contracts that have not yet been fulfilled in full at that date.
Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (amendment to IFRS 9)	01.01.2022	The amendment clarifies which fees must be included when assessing whether there is a modification to a financial liability.	No material impact
Classification of liabilities as current and non-current (amendment to IAS 1)	01.01.2023	Clarification of the classification of liabilities as Current and non-current	No material impact

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

Changes in presentation

In contrast to the previous year, the costs that are transferred for building insurance and property tax are no longer shown netted as these costs are part of the leasing component As a result, revenue and property operating costs each increased by €5,704 thousand in the financial year (previous year: €5,546 thousand).

Furthermore, in contrast to the previous year, write-downs and disposals of financial assets are reported separately in the consolidated income statement. In the previous year, these were included in property operating costs in the amount of €1,674 thousand.

Both changes in presentation are made within net operating income (NOI) in the consolidated income statement. The previous year's figures in the consolidated income statement have been adjusted to improve comparability of the current financial year with the previous year:

in € thousand	2020	2019 (adjusted)	Change in presentation	2019
Revenue	224,104	231,487	5,546	225,941
Property operating costs	-18,581	-17,488	-3,872	-13,616
Property management costs	-9,707	-10,813	0	-10,813
Write-downs and disposals of financial assets	-29,218	-1,674	-1,674	0
Net operating income (NOI)	**166,598**	**201,512**	**0**	**201,512**

5. CURRENCY TRANSLATION

The Group currency is the euro (€).

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

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

Translation was based on the following exchange rates:

	31.12.2020		31.12.2019	
€1 =	Closing rate	Average rate	Closing rate	Average rate
Hungarian forint (HUF)	365.13	351.17	330.52	325.35
Polish zloty (PLN)	4.61	4.44	4.26	4.30
Czech koruna (CZK)	26.24	25.41	25.41	25.73

In addition, Deutsche EuroShop AG has a bank account in US dollars with a value of $446 thousand as at the balance sheet date, which was translated at an exchange rate of 1.23.

6. SIGNIFICANT ACCOUNTING POLICIES AND VALUATION METHODS

Revenue and expense recognition

As a general rule, revenue from leasing the investment properties is recognised on a straight-line basis over the term of the lease. Tenant incentives granted are distributed on a straight-line basis over the lease term. The portion of tenant incentives granted but not yet distributed as at the reporting date is reported under current assets.

The rental concessions granted in connection with the coronavirus pandemic, to the extent that they relate to receivables that arose in the period up to the contractual agreement with the tenant, are treated as a waiver of receivables and recognised as a disposal of financial assets. Rental concessions that affect the period after the contractual agreement with the tenant are treated as a modification to the lease and are distributed on a straight-line basis over the remaining lease term from the date the agreement was reached. This approach is not applicable with respect to the cessation or reduction of rental payments that have been made on the basis of an existing lease agreement or by law. Those are treated as variable lease payments and recognised in revenue as they actually arise.

When passing on operating costs the Group acts as an agent for the service. The income from recharging is therefore netted with the corresponding expenses in the income statement. This does not include operating costs that are passed on and for which the tenants do not receive a separate service (property tax and building insurance). The proceeds received through the transfer of these expenses, which are included in the property operating costs, are recognised in revenue (unnetted recognition). For further explanations on this topic, see section "4. New accounting standards and changes in presentation".

Other revenue and other operating income are recognised once the relevant service has been rendered or once the risk has passed to the customer.

Operating expenses are recognised once the service has been utilised or at the time when they are booked through profit and loss.

Interest income and expense are accrued.

Determination of fair values

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

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

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

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

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

In the case of assets or liabilities that are recognised at fair value on a regular basis, it is determined based on a reassessment at the end of the financial year whether reclassifications between the hierarchical levels occurred. In 2020, as in the previous financial year, no reclassifications were made between the hierarchical levels.

Intangible assets

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

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

Goodwill within the context of a company takeover arose as a positive difference between the fair value of the assets, liabilities and contingent liabilities at the time of acquisition as well as the deferred taxes of the acquired company and the consideration paid for it by the Group. Goodwill is not subject to amortisation.

Property, plant and equipment

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

Operating and office equipment comprises office equipment, tenant fixtures, fittings and technical equipment belonging to Deutsche EuroShop AG, and is depreciated using the straight-line method over three to 13 years. The method of depreciation and the depreciation period are reviewed annually at the end of each financial year.

Property, plant and equipment also include right-of-use assets under leases.

Impairment losses on intangible assets and property, plant and equipment

The value of the goodwill is reviewed at least once a year (as at 31 December) at the level of the cash-generating units of the Group to which goodwill was allocated at the time of acquisition. The impairment loss test as at 31 December 2020 revealed a need for write-downs in the amount of €2,008 thousand.

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

Investment properties

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

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

Borrowing and initial rental costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset until the time at which the asset is largely ready for its intended use. Income realised from the temporary investment of specifically borrowed funds up to the point when these are used to obtain qualifying assets is deducted from the capitalisable costs of these assets. General administrative costs are not added to the costs of these assets.

All other borrowing costs are recognised in income in the period in which they occur. Maintenance measures relating to property, plant and equipment are recognised as an expense in the financial year in which they occur.

Group as lessee

The Group assesses at inception whether an agreement is a lease or not and for the term of provision recognises an asset for the right of use granted and a lease liability. Initial measurement of the right of use and lease liability is at the present value of the lease payments to be made. Discounting is at the Group's marginal borrowing rate. Subsequently, the right of use is amortised on a straight-line basis over the term of the lease, and the lease liability is reduced by the lease payments made and increased by the interest accrued on the portion not yet repaid.

Financial instruments

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

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

Receivables and other current assets

Receivables and other current assets are recognised at amortised cost less write-downs. As a general rule, the Group applies the simplified approach permitted under IFRS 9 and measures the write-down on the basis of the credit losses expected over the life of the asset. This does not include receivables due from tenants due to the temporary cessation of rental payments as a result of the coronavirus pandemic and for which no contractual agreement had been reached with the tenant by the balance sheet date. The write-down for this receivable was measured based on the expected rent concessions to be granted.

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 was recognised in the balance sheet. This liability must be measured at the repayment amount.

Financial liabilities

Liabilities to banks / bank loans and overdrafts are reported at amortised cost. Discounts are deducted, which under IFRS 9 must be amortised over the term of the loan agreement and recognised annually as an expense.

Trade payables

Trade payables are recognised at their repayment amount.

Other liabilities

Other liabilities are recognised at amortised cost.

Cash and cash equivalents

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

Derivative financial instruments

Derivatives that qualify for hedge accounting in accordance with IFRS 9 are used to hedge interest rate risks. These are fixed-rate swaps to limit the interest rate risk of variable interest rate loans, which have terms extending to 2027. The interest rate hedges are recognised at fair value (recurring fair value measurement) under "Other assets" or "Other liabilities". Changes are recognised directly in equity, provided that the conditions of the underlying and hedge transaction are identical. The effectiveness of the hedging measures is verified regularly using the degree of harmony between the contract terms for the hedged item and the hedge ("critical term match"). If the effectiveness between the hedged item and the hedge does not exist, the hedge is measured as a derivative at fair value in profit or loss. Present value is calculated based on discounted cash flows using current market interest rates. The final maturities of the interest rate hedges and loan agreements are identical.

Investments accounted for using the equity method

Investments in associates and joint ventures are initially recognised at cost in the balance sheet and adjusted by changes in the Group's share of the equity of the associate / joint venture after the date of acquisition. At every reporting date, the Group reviews whether there are indications that the shares need to be impaired in relation to the amortised carrying amounts.

Deferred taxes

In accordance with IAS 12, deferred taxes are recognised for all differences between the tax accounts and the IFRS balance sheet, using the currently enacted tax rate. At present, deferred taxes are primarily formed on the differences between the IFRS carrying amounts of the properties and their carrying amounts for tax purposes. A uniform corporate tax rate of 15% plus the solidarity surcharge of 5.5% was used for German companies, and in some cases a rate of 16.45% for trade tax. For Hungarian taxes, a tax rate of 9% was taken, while for Polish taxes the rate was 19%, for Czech taxes it was 19% and for Austrian taxes it was 25%. In accordance with IAS 12.74, deferred tax assets on existing loss carryforwards are offset against deferred tax liabilities.

Other provisions

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

NOTES TO THE CONSOLIDATED BALANCE SHEET

7. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

	Goodwill		Software and software licenses		Operating and office equipment	
in € thousand	**2020**	2019	**2020**	2019	**2020**	2019
Costs as at 1 January	**53,867**	**53,867**	**105**	**72**	**799**	**440**
Addition from right-of-use assets (IFRS 16)	0	0	0	0	25	369
Additions	0	0	0	33	13	4
Disposals	0	0	0	0	0	-14
as at 31 December	**53,867**	**53,867**	**105**	**105**	**837**	**799**
Depreciation as at 1 January	**-140**	**-140**	**-80**	**-63**	**-375**	**-227**
Additions	-2,008	0	-12	-17	-132	-152
Disposals	0	0	0	0	0	4
as at 31 December	**-2,148**	**-140**	**-92**	**-80**	**-507**	**-375**
Carrying amount at 1 January	53,727	53,727	25	9	424	213
CARRYING AMOUNT AT 31 DECEMBER	**51,719**	**53,727**	**13**	**25**	**330**	**424**

The goodwill arose from deferred tax liabilities for the real estate assets that had to be recognised at the time of the initial consolidation (31 March 2017) of Olympia Brno. The depreciation of the Olympia Brno property resulted in a reversal of the deferred tax liabilities recognised for Olympia Brno to €51,719 thousand in the year under review. Goodwill was adjusted to the amount of deferred tax liabilities through depreciation of €2,008 thousand.

As at the reporting date, operating and office equipment included right-of-use assets under leases amounting to €195 thousand. These result mainly from the rental of office space and the leasing of cars.

8. INVESTMENT PROPERTIES

in € thousand	**2020**	2019
Carrying amount at 1 January	**3,822,786**	**3,891,700**
Addition from right-of-use assets (IFRS 16)	0	322
Additions	0	0
Disposals	-490	0
Recognised construction measures	15,053	19,324
Unrealised changes in fair value	-400,204	-88,560
CARRYING AMOUNT AT 31 DECEMBER	**3,437,145**	**3,822,786**

The addition from right-of-use assets (IFRS 16) in the previous year resulted from the capitalisation of a leasehold. The annual ground rent of €10 thousand payable for this is charged to a tenant in the same amount. As at the reporting date, the right of use is still included in the amount of €322 thousand in investment properties. The disposal in the financial year relates to a leasehold property for Forum Wetzlar.

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

The fair values of the properties in the period under review as at 31 December 2020 were determined by appraisers from Jones Lang LaSalle GmbH (JLL) in accordance with the guidelines of the Royal Institution of Chartered Surveyors (RICS). As in previous years, the discounted cashflow method (DCF) was used. The remuneration fixed contractually for the appraisal reports prior to preparation of the appraisals is independent of the measurement gain / loss.

This method entails the calculation of the present value of future cash flows from the property in question as at the valuation date. In addition, the net income from the property in question is determined over a detailed planning period of (usually) ten years and a discount rate applied. A residual value is forecast for the end of the ten-year detailed planning phase by capitalising the stabilised cash flows of the last budgeted year using an interest rate (the capitalisation interest rate). In a second step, the residual value is discounted back to the measurement date.

JLL applied the equated yield model in order to arrive at the discount and capitalisation interest rates. The capitalisation interest rate was derived for each property individually from initial rates of return from comparable transactions. At the same time, such determinants of value as inflation and changes in rent and costs were implicitly taken into account in the capitalisation interest rate. The risk profile specific to each property was also adjusted by reference to the relevant individual indicators. Examples of such indicators include the quality of the property's location and position, market trends and developments in the competitive environment. JLL likewise derived the discount interest rates from comparable transactions, albeit making adjustments for projected increases in rent and costs, since these had been explicitly shown in the relevant cash flow. JLL applied the same methods in valuing domestic and foreign real properties.

The following overview shows the key assumptions used by JLL to determine the market values:

Valuation parameters in %	31.12.2020	31.12.2019
Rate of rent increases	1.00	1.24
Cost ratio	12.00	10.42
Discount rate	6.07	5.92
Capitalisation interest rate	5.25	5.11

The government-imposed nationwide store closures and other protective measures to contain the coronavirus pandemic are having a massive impact on customer footfall in the shopping centers as well as on tenants' revenues and thus their economic performance. There is still a high degree of uncertainty about the further course of the pandemic and what impact it will have on bricks-and-mortar retailing. The repercussions of the pandemic are expected to continue into financial year 2021.

The valuation as at 31 December 2020 takes future repercussions as well as increased uncertainty into account by means of a risk surcharge on the discount rates derived from comparable transactions, the extension of post-rental periods to a uniform 6 months (previously 6 months for anchor tenants and 3 months for all other leases), lower rates of rent increases and the application of lower market rents. Furthermore, the 2021 valuation did not include revenue from turnover rent, as well as lower market rents and longer lease periods. In addition, JLL pointed out in its expert opinion that, in this exceptional situation, comparable transactions had only taken place to a limited extent and that the valuation was therefore subject to a higher degree of uncertainty. Nor can it be ruled out that, in view of the dynamics of the coronavirus crisis observed in 2020, the overall situation will have to be reassessed in the short term and corresponding adjustments will have to be made to the valuations.

A 25 or 100 bp change in a material parameter (sensitivity analysis) of real estate appraisals would have the following pre-tax impact on measurement gains / losses (including the share attributable to at-equity consolidated companies):

Sensitivity analysis – Valuation parameters	Basis	Change in parameter	in € million	in %
		+ 0.25 percentage points	161.9	4.5
Rate of rent increases	1.00	– 0.25 percentage points	-105.7	-3.0
		+ 1.00 percentage points	-40.7	-1.1
Cost ratio	12.00	– 1.00 percentage points	41.2	1.1
		+ 0.25 percentage points	-67.8	-1.9
Discount rate	6.07	– 0.25 percentage points	72.2	2.0
		+ 0.25 percentage points	-103.4	-2.9
Capitalisation interest rate	5.25	– 0.25 percentage points	118.6	3.3

Over the forecast period, rents were assumed to increase on average over the long term at 1.00% (previous year: 1.24%). On average, management and administrative costs at 12.00% (previous year: 10.42%) were deducted from the forecast rents. This resulted in an average net income of 88.00% (previous year: 89.58%). Actual management and administrative costs (excluding write-downs) amounted to 12.6% of rental income in the year under review (previous year: 12.2%). The appraisal showed that, for financial year 2020, the real property portfolio had an initial yield before deduction of transaction costs of 5.73% compared with the previous year's 5.43%, and an initial rate of return net of transaction costs (net initial yield) of 5.41%, the figure for the previous year having been 5.12%.

Outstanding tenant incentives granted and still to be distributed over the term of the rental agreements amounting to €5,277 thousand (previous year: €3,935 thousand) were deducted from the appraisal value. These are reported under other current assets.

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 2020:

IFRS 13 hierarchy levels in € thousand	Level 1	Level 2	Level 3
Investment properties	0	0	3,437,145

The properties are secured by mortgages. There are land charges in the amount of €1,541,428 thousand (previous year: €1,512,347 thousand). The rental income of the properties valued in accordance with IAS 40 was €224,104 thousand (previous year: €231,487 thousand). Directly associated operating expenses (excluding write-downs) amounted to €28,288 thousand (previous year: €28,301 thousand).

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

in € thousand	2020	2019
Carrying amount at 1 January	**511,493**	**531,044**
Distributions and capital repayments received	-15,494	-23,896
Share of profit / loss	-51,482	4,345
CARRYING AMOUNT AT 31 DECEMBER	**444,517**	**511,493**

Joint ventures in which Deutsche EuroShop AG has a majority of the voting rights together with third parties are included in the consolidated financial statements in accordance with the equity method. They are important for the Group as a whole and operate shopping centers.

The joint ventures material to the overall Group posted the following asset and liability items and income items for the reporting year. The values do not correspond to the share attributable to the Group, but the total amounts:

	Allee-Center Magdeburg KG, Hamburg		Immobilienkommanditgesellschaft FEZ Harburg, Hamburg		Stadt-Galerie Passau KG, Hamburg	
in € thousand	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Non-current assets	219,760	245,871	227,266	263,888	159,340	173,350
Current assets	5,204	3,698	8,749	5,279	4,842	4,598
thereof cash and cash equivalents	3,319	2,721	4,939	4,502	2,654	3,319
Non-current liabilities	0	0	67,279	117,356	0	0
thereof financial liabilities	0	0	67,279	117,356	0	0
Current liabilities	1,230	1,081	53,780	4,355	965	544
thereof financial liabilities	0	0	50,709	2,581	0	0
Revenue [1]	16,315	16,473	14,166	14,821	9,390	9,766
Net interest income	0	0	-3,611	-3,663	7	0
EBT (excl. measurement gains / losses)	11,960	13,684	5,746	8,949	6,450	8,589
Measurement gains / losses	-27,025	-7,636	-37,534	-10,581	-15,362	-9,971
Taxes on income and earnings	0	0	0	0	0	0
Net loss / profit for the year	-15,065	6,048	-31,788	-1,632	-8,912	-1,382
Other income	0	0	0	0	0	0
TOTAL PROFIT	**-15,065**	**6,048**	**-31,788**	**-1,632**	**-8,912**	**-1,382**

[1] The disclosure within NOI was changed in the year under review and the previous year's figures have been adjusted for easier comparability. The previous year's figures for revenue were adjusted accordingly. Please refer to the information in the notes to the consolidated financial statements under section "4. New accounting standards and changes in presentation".

in € thousand	Saarpark Center Neunkirchen KG, Hamburg		EKZ Eins Errichtungs- und Betriebs Ges. m.b.H. & Co OG, Vienna[2]		Einkaufs-Center Arkaden Pécs KG, Hamburg	
	31.12.2020	31.12.2019	**31.12.2020**	31.12.2019	**31.12.2020**	31.12.2019
Non-current assets	177,270	199,760	207,880	228,891	98,000	110,000
Current assets	6,989	3,021	3,538	4,328	5,854	3,833
thereof cash and cash equivalents	4,405	2,064	1,957	3,520	3,614	2,639
Non-current liabilities	58,813	52,875	90,433	91,553	36,146	35,312
thereof financial liabilities	58,812	51,625	47,129	47,684	26,850	27,450
Current liabilities	2,703	4,485	3,255	2,464	2,666	2,210
thereof financial liabilities	-25	3,423	516	504	600	600
Revenue[1]	11,649	12,427	11,580	13,522	8,418	8,349
Net interest income	-741	-517	-1,992	-1,998	-897	-890
EBT (excl. measurement gains / losses)	6,652	9,968	7,066	10,226	5,129	5,801
Measurement gains / losses	-26,776	-20,945	-21,063	-1,218	-12,131	3,628
Taxes on income and earnings	0	0	0	0	-1,620	-1,114
Net loss / profit for the year	-20,124	-10,977	-13,997	9,008	-8,622	8,315
Other income	0	0	0	0	0	0
TOTAL PROFIT	**-20,124**	**-10,977**	**-13,997**	**9,008**	**-8,622**	**8,315**

[1] The disclosure within NOI was changed in the year under review and the previous year's figures have been adjusted for easier comparability. The previous year's figures for revenue were adjusted accordingly. Please refer to the information in the notes to the consolidated financial statements under section "4. New accounting standards and changes in presentation".

[2] Includes the figures for the immaterial joint venture CAK City Arkaden Klagenfurt KG, Hamburg. The equity method valuation amounted to €924 thousand (previous year: €965 thousand) and the net loss for the year €21 thousand (previous year: €35 thousand).

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

in € thousand	Allee-Center Magdeburg KG, Hamburg	Immobilien-kommandit-gesellschaft FEZ Harburg, Hamburg	Stadt-Galerie Passau KG, Hamburg	Saarpark Center Neunkirchen KG, Hamburg	EKZ Eins Errichtungs- und Betriebs Ges. m.b.H. & Co OG, Vienna	Einkaufs-Center Arkaden Pécs KG, Hamburg
Equity method valuation as at 01.01.2020	**124,244**	**73,728**	**133,053**	**72,711**	**69,601**	**38,156**
Share of profit / loss	-7,533	-15,894	-6,684	-10,062	-6,999	-4,310
of which EBT (excl. measurement gains / losses)	5,980	2,873	4,838	3,326	3,533	2,565
of which measurement gains / losses	-13,513	-18,767	-11,522	-13,388	-10,532	-6,066
Deposits / withdrawals	-4,844	-356	-3,956	-1,277	-3,737	-1,324
EQUITY METHOD VALUATION AS AT 31.12.2020	**111,867**	**57,478**	**122,413**	**61,372**	**58,865**	**32,522**

10. TRADE RECEIVABLES

in € thousand	2020	2019
Trade receivables as at 31.12.	**40,957**	**9,901**
Write-downs as at 01.01.	**-2,484**	**-1,721**
Utilisation	908	455
Change in write-downs for expected losses	-19,559	-1,218
Write-downs as at 31.12.	**-21,135**	**-2,484**
	19,822	**7,417**

Receivables result primarily from rental invoices and services for which charges are passed on. The trade receivables recognised at the reporting date are partially protected by means of guarantees, cash security deposits and letters of comfort.

As a result of the coronavirus pandemic, some tenants did not make their payments in full in the year under review, which led to a significant increase in receivables. The measurement of receivables as of 31 December 2020 and the derecognition of receivables during the year resulted in total expenses of €29,218 thousand (previous year: €1,674 thousand).

This expense includes the derecognition of €8,564 thousand in receivables from tenants with whom the Group reached written agreements in 2020 by means of addenda on rental concessions to be granted. In addition, further receivables of €886 thousand were derecognised with an effect on income.

If no written agreement had been reached with the tenants by the reporting date regarding the receivables that are outstanding due to the coronavirus, these receivables were written down to the expected settlement amount. The settlement amount was estimated based on insights from discussions with the tenant concerned, experience gained through comparable negotiations already concluded and industry expectations. Although we consider this estimator to be a reliable measure of value, it cannot be ruled out that the actual settlement amount will deviate from it. Based on this estimate, write-downs of €14,714 thousand were recognised in financial year 2020. In addition, individual write-downs of €5,054 thousand were recognised for receivables at risk of default, taking into account recoverable collateral.

At the time the consolidated financial statements were prepared, only around 50% of the receivables had been settled due to ongoing negotiations with tenants and uncertainty at the beginning of the year as to how long the renewed lockdown would last in the individual countries. Taking into account the collateral provided and the current status of negotiations with tenants, we continue to consider the valuation of the receivables to be appropriate, but also refer to section "38. Events after the reporting date".

11. OTHER CURRENT ASSETS

in € thousand	31.12.2020	31.12.2019
Other receivables from tenants	2,180	3,453
Other current assets	15,625	11,193
	17,805	**14,646**

Other receivables from tenants mainly comprise receivables for heating and ancillary costs. Other current assets primarily consist of cash security deposits received as collateral, prepaid marketing costs for centers, accrued rental incentives and tax receivables.

Receivables in € thousand	Total	Up to 1 year	Over 1 year
Trade receivables	19,822 (7,417)	19,822 (7,417)	0 (0)
Other assets	17,805 (14,646)	17,805 (14,646)	0 (0)
(PREVIOUS YEAR'S FIGURES)	**37,627 (22,063)**	**37,627 (22,063)**	**0 (0)**

Trade receivables (after write-downs) were mainly overdue as of the reporting date due to the coronavirus pandemic. As in the previous year, other assets were not overdue as of the reporting date.

12. CASH AND CASH EQUIVALENTS

in € thousand	31.12.2020	31.12.2019
Short-term deposits / time deposits	0	470
Current accounts	266,029	147,616
Cash	1	1
	266,030	**148,087**

Cash and cash equivalents include funds from the short-term credit line of €30,000 thousand used beyond the reporting date. This was repaid at the beginning of January 2021.

13. EQUITY AND RESERVES

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

The share capital is €61,783,594, comprised of 61,783,594 no-par-value registered shares. All shares have been issued in full and have been fully paid up.

The notional value of each share is €1.00.

According to Article 5 of the Articles of Association, the Executive Board is authorised, with the Supervisory Board's approval, to increase the share capital by up to a total of €11,680,999 through individual or multiple issues of new no-par-value registered shares against cash and / or non-cash contributions before 27 June 2022 **(Authorised capital 2017)**. As at 31 December 2020, no use had been made of this authorisation.

In addition, the Executive Board was authorised by a resolution of the Annual General Meeting held on 28 June 2018 to acquire treasury shares in the Company constituting up to 10% of the share capital available on the entry into force or – if this is lower – on exercise of the authorisation by 27 June 2023. As at 31 December 2020, no use had been made of this authorisation.

The Executive Board and Supervisory Board will propose to the Annual General Meeting on 18 June 2021 that a dividend of 4% of the share capital, corresponding to a total dividend of €2.471.343,76 or €0.04 per share, be distributed from the unappropriated surplus for 2020 in accordance with section 254 (1) of the German Stock Corporation Act (AktG) and that the remaining amount of €41,312 thousand be carried forward to the new accounts.

The previous year's unappropriated surplus of €34,629 thousand was carried forward in full in accordance with the resolution of the Annual General Meeting on 16 June 2020.

The capital reserves contain amounts in accordance with section 272 (2) nos. 1, 2 and 4 of the Handelsgesetzbuch (HGB – German Commercial Code). In addition, the capital reserves include costs of capital increases and their corresponding deferred tax assets.

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

Other total profit is divided into the following components:

2020 in € thousand	Before taxes	Taxes	Net
Cash flow hedges	6,921	-1,531	5,390

2019 in € thousand	Before taxes	Taxes	Net
Cash flow hedges	487	-78	409

14. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

	31.12.2020		31.12.2019	
in € thousand	Non-current	Current	Non-current	Current
Bank loans and overdrafts	1,359,612	181,816	1,433,373	78,974

Bank loans and overdrafts relate to loans raised to finance property acquisitions and investment projects. Land charges on Company properties totalling €1,541,428 thousand (previous year: €1,512,347 thousand) serve as collateral.

Short-term bank loans and liabilities also include two loans of €136,535 thousand in total that will mature in mid-2021, the refinancing of which has already been concluded in the amount of €65,837 thousand and the second of €70,698 thousand was in the final stages of negotiations at the time the consolidated financial statements were being prepared. Furthermore, the current portion includes the short-term draw-down of the credit line (€30,000 thousand) and the scheduled repayment portion of the long-term loans for 2021 as well as accrued interest and repayments that were settled at the beginning of 2021.

Discounts are amortised over the term of the loan. In the year under review, €28 thousand (previous year: €29 thousand) was recognised as an expense in the income statement. A total of €43,716 thousand (previous year: €49,256 thousand) was recognised in financial gains / losses as interest expense for bank loans and overdrafts.

14 of the 20 loan agreements currently contain arrangements regarding covenants. There are a total of 25 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 were met in the 2020 financial year. In the case of one loan of €57.5 million, there is sufficient evidence that an individual loan condition may not be met in 2021 which, depending on the extent of failure to meet the condition, may trigger an annual special repayment of 0.5% to 1.0% of the loan amount or a prohibition on distribution for the Group company (cash sweep). The Group company concerned has sufficient cash and cash equivalents to meet this condition. For the other loans, the loan conditions will also be met in 2021 according to current planning. With regard to planning uncertainties related to the coronavirus pandemic, please refer to section "38. Events after the reporting date".

Non-current and current financial liabilities arose from the following changes affecting liquidity and not affecting liquidity:

in € thousand	2020	2019
Carrying amount at 1 January	**1,512,347**	**1,522,393**
Changes affecting liquidity	29,034	-10,526
Changes not affecting liquidity		
Change in carrying amount under the effective interest rate method	47	480
CARRYING AMOUNT AT 31 DECEMBER	**1,541,428**	**1,512,347**

15. OTHER NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

	31.12.2020		31.12.2019	
in € thousand	Non-current	Current	Non-current	Current
Interest rate swaps	26,138	0	33,059	0
Rental deposits	0	3,608	0	3,286
Other liabilities to tenants	0	7,491	0	8,979
Value added tax	0	2,364	0	1,870
Debtors with credit balances	0	3,047	0	1,334
Lease liabilities	475	44	502	82
Other	238	727	302	1,285
	26,851	**17,281**	**33,863**	**16,836**

In connection with borrowing, interest rate hedges (interest rate swaps) were concluded to hedge against higher capital market interest rates. Their present value totalled €26,138 thousand as at the reporting date (previous year: €33,059 thousand).

Other liabilities to tenants mainly comprise liabilities for heating and ancillary costs as well as prepaid rent.

Liabilities in € thousand	Total	Current	Non-current
Financial liabilities	1,541,428 (1,512,347)	181,816 (78,974)	1,359,612 (1,433,373)
Trade payables	3,303 (5,805)	3,303 (5,805)	0 (0)
Tax liabilities	456 (1,401)	456 (1,401)	0 (0)
Other liabilities	44,132 (50,699)	17,281 (16,836)	26,851 (33,863)
(PREVIOUS YEAR'S FIGURES)	**1,589,319 (1,570,252)**	**202,856 (103,016)**	**1,386,463 (1,467,236)**

16. DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are the result of tax effects of temporary differences and tax loss carryforwards:

in € thousand	31.12.2020 Deferred tax assets	31.12.2020 Deferred tax liabilities	31.12.2019 Deferred tax assets	31.12.2019 Deferred tax liabilities
Investment properties	0	284,469	0	328,564
Investments accounted for using the equity method	0	48,799	0	58,711
Other liabilities				
Interest swaps (not recognised in profit or loss)	5,857	0	7,388	0
Trade tax loss carryforwards	1,301	0	0	0
Other	1,132	0	1,132	0
Deferred taxes before netting	**8,290**	**333,268**	**8,520**	**387,275**
Balance	-8,290	-8,290	-8,520	-8,520
DEFERRED TAXES AFTER NETTING	**0**	**324,978**	**0**	**378,755**

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.

As at the reporting date, there were taxable temporary differences of €5,752 thousand (previous year: €7,301 thousand) between the net assets of Group companies recognised in the consolidated financial statements and the tax basis of the shares in these Group companies (outside basis differences) for which no deferred taxes were recognised since the differences are not expected to be reversed in the foreseeable future.

17. RIGHT TO REDEEM OF LIMITED PARTNERS

in € thousand	2020	2019
Settlement claim as at 01.01.	**351,905**	**343,648**
Earnings contributions	13,501	18,443
Share of measurement gains / losses	-46,367	5,628
Outflows	-7,514	-15,814
SETTLEMENT CLAIM AS AT 31.12.	**311,525**	**351,905**

The right to redeem of limited partners includes the equity interests of third-party providers in the companies Main-Taunus-Zentrum KG, Forum Wetzlar KG and Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, which are to be reported in accordance with IAS 32 as debt capital.

18. OTHER PROVISIONS

in € thousand	As at 01.01.2020	Utilisation	Reversal	Addition	As at 31.12.2020
Maintenance and construction work already performed but not yet invoiced	2,433	1,309	567	1,107	1,664
Fees	134	124	10	109	109
Other	5,553	3,799	347	5,133	6,540
	8,120	**5,232**	**924**	**6,349**	**8,313**

As in the previous year, all provisions have a term of up to one year.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

19. REVENUE

in € thousand	2020	2019
Minimum rental income	215,582	223,305
Allocable property tax and insurance	5,704	5,546
Turnover rent	950	2,157
Other	1,868	479
	224,104	**231,487**
of which directly attributable rental income in accordance with IAS 40 Investment Properties	224,104	231,487

In contrast to the previous year, the costs of building insurance and property tax passed on are no longer shown netted against property operating costs and are included in the minimum rental income. The previous year's figure has been adjusted. Please refer to the information in the notes to the consolidated financial statements under section "4. New accounting standards and changes in presentation".

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

The rental income reported here derives from operating leases and relates to rental income from investment properties with long-term leases. The future minimum leasing payments from non-terminable rental agreements classified as investment properties have the following maturities:

in € thousand	2020	2019
Maturity within 1 year	196,624	214,984
Maturity from 1 year to 5 years	499,681	534,810
Maturity after 5 years	180,965	161,189
	877,270	**910,983**

20. PROPERTY OPERATING COSTS

in € thousand	2020	2019
Operating costs that cannot be passed on	6,419	4,792
Real property tax	5,366	5,324
Center marketing	2,755	3,137
Building insurance	1,437	1,602
Maintenance and repairs	1,382	1,658
Other	1,222	975
	18,581	**17,488**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	18,581	17,488

In contrast to the previous year, the costs that are transferred for building insurance and property tax are no longer shown netted against the property operating costs. In addition, expenses from the disposal of financial assets and write-downs are reported separately in the consolidated income statement. The previous year's figure has been adjusted. Please refer to the information in the notes to the consolidated financial statements under section "4. New accounting standards and changes in presentation".

Ancillary costs which cannot be fully allocated are essentially operating costs which cannot be completely passed on to tenants as well as heating and ancillary costs in arrears for preceding years.

21. PROPERTY MANAGEMENT COSTS

in € thousand	2020	2019
Center management / agency agreement costs	9,707	10,813
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	9,707	10,813

Center management / agency agreement costs depend to a large extent on the rental income generated.

22. WRITE-DOWNS AND DISPOSALS OF FINANCIAL ASSETS

in € thousand	2020	2019
Write-downs	19,768	1,423
Disposals of financial assets	9,450	251
	29,218	**1,674**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	29,218	1,674

Please refer to the information in the notes to the consolidated financial statements under section "10. Trade receivables").

23. OTHER OPERATING INCOME

in € thousand	2020	2019
Income from the reversal of provisions	924	529
Exchange rate gains	0	66
Other	1,476	1,320
	2,400	**1,915**

Other operating income primarily consists of income from damages and receivables already value-adjusted in previous years.

24. OTHER OPERATING EXPENSES

in € thousand	2020	2019
Personnel expenses	2,032	2,055
Legal, consulting and audit expenses	1,561	1,177
Exchange rate losses	851	228
Financing costs	557	146
Appraisal costs	476	287
Marketing costs	470	552
Supervisory Board compensation	263	312
Fees and contributions	220	187
Write-downs	144	169
Other	1,185	845
	7,759	**5,958**

Legal, consulting and audit expenses include €392 thousand in expenses for the auditing of Group companies (previous year: €312 thousand). Personnel expenses include social security contributions and expenses for pensions and other benefits amounting to €222 thousand (previous year: €227 thousand), of which €146 thousand (previous year: €143 thousand) is attributable to pension expenses.

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

in € thousand	2020	2019
Profit / loss from joint ventures	-51,493	4,328
Profit / loss from associates	11	17
PROFIT / LOSS FROM EQUITY-ACCOUNTED ASSOCIATES	**-51,482**	**4,345**

The profit / loss of equity-accounted companies includes a measurement loss before deferred taxes of €-73,786 thousand (previous year: €-25,854 thousand). EBT (excl. measurement gains / losses) for equity-accounted companies amounted to €22,304 thousand (previous year €30,757 thousand).

26. MEASUREMENT GAINS / LOSSES

in € thousand	2020	2019
Unrealised changes in fair value	-400,204	-88,560
Profit / loss attributable to limited partners	46,367	-5,628
Goodwill write-down	-2,008	0
	-355,845	**-94,188**

27. TAXES ON INCOME AND EARNINGS

in € thousand	2020	2019
Current tax expense	-4,267	-4,546
Domestic deferred tax income	46,545	75,596
International deferred tax income / expense	8,763	-1,631
	51,041	**69,419**

The deferred tax income mainly results from the depreciation of the real estate assets in the year under review. In the previous year, deferred tax expense included income from the reversal of deferred trade tax of €73,410 thousand. This reversal was the result of a corporate restructuring of individual investments completed during the previous year, which will enable the extended trade tax reduction to be used to a greater extent than before.

Tax reconciliation

Income taxes in the amount of €51,041 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	2020	2019
Consolidated profit before income tax	**-302,758**	**42,672**
Theoretical income tax 32.28%	**97,730**	**-13,775**
Tax rate differences for foreign Group companies	-6,498	3,999
Tax rate differences for domestic Group companies	-38,658	-1,988
Tax-free income / non-deductible expenses	-140	-408
Tax effect from investments accounted for under the equity-accounted method	-1,391	1,342
Aperiodic tax expense / income	-2	6,839
Reversal of deferred trade tax	0	73,410
CURRENT INCOME TAX	**51,041**	**69,419**

Ignoring tax expenses/income for other periods and the reversal of deferred trade tax, the effective income tax rate in financial year 2020 was 16.8%.

28. EARNINGS PER SHARE

in € thousand	2020	2019
Group shareholders' portion of profits / losses (€ thousand)	-251,717	112,091
Weighted number of no-par-value shares issued	61,783,594	61,783,594
UNDILUTED AND DILUTED EARNINGS PER SHARE (€)	**-4.07**	**1.81**

Basic earnings per share are determined by dividing the net income for the period to which shareholders of Deutsche EuroShop AG are entitled by the weighted average number of shares outstanding within the reporting period. There is no potential dilution as at the reporting date, e.g. through convertible bonds or share options, with the result that diluted earnings correspond to undiluted earnings.

SEGMENT REPORTING

Segment reporting by Deutsche EuroShop AG is carried out on the basis of internal reports that are used by the Executive Board to manage the Group. Internal reports distinguish between shopping centers in Germany ("domestic") and other European countries ("abroad").

As the Group's main decision-making body, the Deutsche EuroShop AG Executive Board first and foremost assesses the performance of the segments based on revenue, EBIT and EBT excluding measurement gains / losses. The measurement principles for segment reporting correspond to those of the Group.

In order to assess the contribution of the segments to the individual performance indicators as well as to the Group's success, the income, expenditure, assets and liabilities of the joint ventures are included in internal reporting in proportion to the Group's share therein. Similarly, for subsidiaries in which the Group is not the sole shareholder, income, expenditure, assets and liabilities are likewise only consolidated proportionately according to the corresponding Group share. This results in the segments being divided as follows:

Breakdown by geographical segment

in € thousand	Domestic	Abroad	Total	Reconciliation	01.01 – 31.12.2020
Revenue	**197,880**	**40,511**	**238,391**	**-14,287**	**224,104**
EBIT	**142,793**	**32,537**	**175,330**	**-14,091**	**161,239**
Profit / losses of joint ventures and associates	0	0	0	-51,482	-51,482
Interest income	13	2	15	532	547
Interest expense	-36,364	-7,054	-43,418	-298	-43,716
EBT (EXCL. MEASUREMENT GAINS / LOSSES)	**106,530**	**25,485**	**132,015**	**-4,425**	**127,590**

					31.12.2020
Investment properties	2,900,461	680,092	3,580,553	-143,408	3,437,145
Additions and recognised construction measures for investment properties	16,860	1,223	18,083	-3,030	15,053
Goodwill	0	0	0	51,719	51,719
Investments accounted for using the equity method	0	0	0	444,517	444,517
Other segment assets	182,872	34,746	217,618	86,382	304,000
SEGMENT ASSETS	**3,083,333**	**714,838**	**3,798,171**	**439,210**	**4,237,381**
SEGMENT LIABILITIES	**1,271,512**	**329,576**	**1,601,088**	**633,047**	**2,234,135**

in € thousand	Domestic	Abroad	Total	Reconciliation	01.01. – 31.12.2019
Revenue [1]	**201,917**	**44,369**	**246,286**	**-14,799**	**231,487**
EBIT	**172,556**	**40,774**	**213,330**	**-15,861**	**197,469**
Profit / losses of joint ventures and associates	0	0	0	4,345	4,345
Interest income	9	7	16	2,729	2,745
Interest expense	-41,983	-7,133	-49,116	-140	-49,256
EBT (EXCL. MEASUREMENT GAINS / LOSSES)	**130,932**	**33,647**	**164,579**	**-1,448**	**163,131**
					31.12.2019
Investment properties	3,246,262	743,828	3,990,090	-167,304	3,822,786
Additions and recognised construction measures for investment properties	19,659	2,228	21,887	-2,563	19,324
Goodwill	0	0	0	53,727	53,727
Investments accounted for using the equity method	0	0	0	511,493	511,493
Other segment assets	69,690	29,872	99,562	71,037	170,599
SEGMENT ASSETS	**3,315,952**	**773,700**	**4,089,652**	**468,953**	**4,558,605**
SEGMENT LIABILITIES	**1,242,809**	**334,008**	**1,576,817**	**732,215**	**2,309,032**

[1] The disclosure within NOI was changed in the year under review and the previous year's figures for segment sales have been adjusted for easier comparability. Please refer to the information in the notes to the consolidated financial statements under section "4. New accounting standards and changes in presentation".

The adjustment of the proportionate consolidation of the joint ventures and subsidiaries in which the Group does not own a 100% stake is carried out in the reconciliation column. Deferred tax liabilities are considered by the Executive Board of Deutsche EuroShop AG in a cross-segment manner and are therefore included in the reconciliation column of the segment liabilities. Accordingly, the goodwill from the acquisition of Olympia Brno was allocated to the reconciliation column of the segment assets. The reconciliation column also contains the companies that are not allocated to either of the two segments (Deutsche EuroShop AG, DES Management GmbH, DES Beteiligungs GmbH & Co. KG). These do not generate any revenue and are included in the reconciliation column after intra-Group eliminations with their EBIT of €-4,882 thousand (previous year: €-4,046 thousand) and EBT (excl. measurement gains / losses) of €-5,193 thousand (previous year: €-1,319 thousand) as well as in the segment assets with €86,260 thousand (previous year: €70,435 thousand) and in the segment liabilities with €2,178 thousand (previous year: €3,971 thousand).

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

OTHER DISCLOSURES

29. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

in € thousand	Measurement category in accordance with IFRS 9	Carrying amounts 31.12.2020	Amount stated in line with IFRS 9: Amortised cost	Fair value recognised in income	Fair value recognised in equity	Fair value 31.12.2020
Financial assets						
Trade receivables	AC	19,822	19,822			19,822
Other assets	AC	6,036	6,036			6,036
Cash and cash equivalents	AC	266,030	266,030			266,030
Financial liabilities						
Financial liabilities [2]	FLAC	1,541,428	1,541,428			1,566,203
Right to redeem of limited partners	FLAC	311,525	311,525			311,525
Trade payables	FLAC	3,303	3,303			3,303
Other liabilities	FLAC	13,671	13,671			13,671
Interest rate hedges not recognised in profit or loss [2]	n.a.	26,138			26,138	26,138

in € thousand	Measurement category in accordance with IFRS 9	Carrying amounts 31.12.2019	Amount stated in line with IFRS 9: Amortised cost	Fair value recognised in income	Fair value recognised in equity	Fair value 31.12.2019
Financial assets						
Trade receivables	AC	7,417	7,417			7,417
Other assets	AC	7,080	7,080			7,080
Cash and cash equivalents	AC	148,087	148,087			148,087
Financial liabilities						
Financial liabilities [2]	FLAC	1,512,347	1,512,347			1,584,376
Right to redeem of limited partners	FLAC	351,905	351,905			351,905
Trade payables	FLAC	5,805	5,805			5,805
Other liabilities	FLAC	12,813	12,813			12,813
Interest rate hedges not recognised in profit or loss [2]	n.a.	33,059			33,059	33,059

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

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

Carrying amounts, valuations and fair values according to measurement category

With the exception of derivative financial instruments and other financial investments measured at fair value, financial assets and liabilities are measured at amortised cost. Due to the predominantly short-term nature of trade receivables, other assets and liabilities and cash and cash equivalents, the carrying amounts as at the reporting date do not deviate significantly from the fair values.

The fair values of financial liabilities measured at amortised cost correspond to the cash values of debt-related payments based on current interest rate yield curves (Level 2 in accordance with IFRS 13).

The derivative financial instruments measured at fair value are interest rate hedges. Here the fair value is equivalent to the cash value of future net payments expected to be received from hedging transactions (Level 2 in accordance with IFRS 13) based on current yield curves.

Risk management

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

Market risks

Liquidity risk

The liquidity of the Deutsche EuroShop Group is continuously monitored and planned. The subsidiaries regularly have sufficient cash to be able to pay for their current commitments.

A short-term credit line of €150,000 thousand may be used if required. As at 31 December 2020, €30,000 of the credit line had been used. The credit line is partially secured.

The contractually agreed future interest and principle repayments of the original financial liabilities and derivative financial instruments are as follows as at 31 December 2020:

In € thousand	Carrying amount 31.12.2020	Cash flows 2021	Cash flows 2022 to 2025	Cash flows from 2026
Bank loans and overdrafts	1,541,428	219,953	625,259	872,270

The amounts relate to all contractual commitments existing as at the reporting date. The variable interest payments from interest rate hedges were determined on the basis of the most recently defined interest rates prior to 31 December 2020. The majority of the trade payables and other financial liabilities reported at the end of the financial year will fall due in 2021.

Credit and default risk

The Group is exposed to significant default risks in respect of trade receivables that, for reasons related to the coronavirus pandemic, had not been settled in full by the time the financial statements were prepared (please also refer to section "10. Trade receivables").

Write-downs on trade receivables are determined on the basis of the credit losses expected over the term. Unless the reasons for doing so can be refuted in individual cases, receivables that are more than 90 days overdue, taking into account the collateral provided by the tenant and valuable collateral, are written down fully. In addition, if information exists that points to an increased risk of default for a tenant, checks are made to decide whether receivables that are less than 90 days overdue should also be written down. In addition, receivables for which it is expected that a written agreement regarding rent concessions will still be reached, the write-down was measured on the basis of the expected amount of the assistance. During the year under review, write-downs of rent receivables in the amount of €29,218 thousand (previous year: €1,674 thousand) were recognised under expenditure.

The maximum default risk in relation to trade receivables and other assets totalled €37,627 thousand as at the reporting date (previous year: €22,063 thousand).

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

With respect to the measurement risk of investment properties, please refer to the sensitivity analysis in section "8. Investment properties".

Interest rate risk
A sensitivity analysis was implemented to determine the effect of potential interest rate changes. Based on the financial assets and liabilities subject to interest rate risk as at the reporting date, this shows the effect of a change on the Group's equity. As at the reporting date, interest rate risks existed only for credit borrowed and the associated interest rate hedges. An increase in the market interest rate of 100 basis points would lead to an increase in equity (before taxes) of €6,340 thousand (previous year: €9,483 thousand). The vast majority of loan liabilities have fixed interest terms. As at the reporting date, loans totalling €107,400 thousand (previous year: €109,400 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	31.12.2020	31.12.2019
Equity	2,314,771	2,601,478
Equity ratio (%)	54.6%	57.1%
Net financial debt	1,275,398	1,364,260

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

Net financial debt is determined from the financial liabilities as at the reporting date less cash and cash equivalents.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement has been prepared in accordance with IAS 7 and is broken down into operating cash flow, cash flow from operating activities, cash flow from investing activities, and cash flow from financing activities.

Cash flow from operating activities is derived from consolidated profit using the indirect method. Net cash flow from operating activities, cash flow from investment activities and cash flow from financing activities are calculated using the direct method.

Cash and cash equivalents comprise cash and cash equivalents that may be converted into cash at any time. As in the previous year, the financial resources fund as at the reporting date corresponded to the cash and cash equivalents (see section "12. Cash and cash equivalents").

31. OTHER FINANCIAL OBLIGATIONS

There are other financial obligations of €79.6 million arising from service contracts.

There are financial obligations of €17.6 million which will arise in 2021 in connection with investment measures in our shopping centers.

32. NUMBER OF EMPLOYEES

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

33. AUDITOR'S FEES

The total fees invoiced by the auditor for the consolidated financial statements for financial year 2020 amounted to €392 thousand (previous year: €312 thousand). Of this amount, €388 thousand (previous year: €307 thousand) related to auditing services. Other audit-related and consultancy services were also provided by the auditor in the amount of €4 thousand (previous year: €5 thousand).

34. DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Declaration of Conformity with the German Corporate Governance Code required by section 161 of the Aktiengesetz (AktG – German Public Companies Act) has been issued jointly by the Supervisory Board and the Executive Board, and has been made available to shareholders on the Deutsche Euroshop website under Investor Relations > Corporate Governance > Declaration of Conformity:
https://www.deutsche-euroshop.de/Investor-Relations/Corporate-Governance/Declaration-of-Conformity

35. RELATED PARTIES FOR THE PURPOSES OF IAS 24

Deutsche EuroShop's subsidiaries, joint ventures and associates as well as the members of its Executive Board and Supervisory Board and their close family members are regarded as related parties for the purposes of IAS 24. The remuneration of the Supervisory Board and the Executive Board is described in section "37. Supervisory Board and Executive Board" and also in the remuneration report portion of the combined management report.

In his position as a member of the Supervisory Board of Deutsche EuroShop, Mr Alexander Otto is considered a related party within the meaning of IAS 24. Thus, the ECE Group and Curatax, both of which are controlled by Mr Alexander Otto, are also considered related parties. Fees for service contracts with these two companies totalled €19,209 thousand (previous year: €17,716 thousand). This amount was partially offset by income from leases and mall marketing with the ECE Group in the amount of €8,214 thousand (previous year: €7,627 thousand). Receivables from the ECE Group came to €4,456 thousand, while liabilities were €965 thousand.

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

36. VOTING RIGHTS NOTICES

In line with section 160 (1) no. 8 AktG, we give notice that the following investments and changes to voting rights have been registered to Deutsche EuroShop AG in conformity with the duty of disclosure in accordance with section 33 of the Wertpapierhandelsgesetz (WpHG – Securities Trading Act). The disclosures were taken from the latest notice by those subject to reporting requirements. It should be noted that the number of voting rights might have since changed within the respective thresholds, with no reporting obligation arising:

Shareholder	Shareholding report as at	Event … (in %)	New voting share (in %)	of which held as treasury shares (in %)	of which indirectly attributable (in %)
Johannes Schorr	08.02.2016	… exceeds threshold (3)	3.37	1.12	2.25
AROSA Vermögensverwaltungs-gesellschaft m.b.H., Hamburg	15.12.2017	… exceeds threshold (15)	15.05	0.00	15.05
State Street Corporation, Boston, MA, United States of America	11.03.2019	… exceeds threshold (5)	5.02	0.00	5.02
DWS Investment GmbH, Frankfurt	29.04.2020	… falls below threshold (3)	2.60	0.00	2.60
Alexander Otto	01.10.2020	… exceeds threshold (20)	20.02	0.57	19.45
AXA S.A., Paris, France	24.11.2020	… exceeds threshold (3)	3.03	0.00	3.03
BlackRock, Inc., Wilmington, DE, United States of America	22.12.2020	… falls below threshold (3)	2.64	0.00	2.64 [1]
PGGM Coöperatie U.A., Zeist, Netherlands	11.01.2021	… exceeds threshold (5)	5.14	0.00	5.14
The Goldman Sachs Group, Inc., Wilmington, DE, United States of America	01.02.2021	… falls below threshold (3)	0.01	0.00	0.01 [2]

1 We were also notified by BlackRock, Inc. of a securities lending transaction (0.62%) and contracts for differences (0.0001%).
2 In addition, we were notified of a securities lending transaction (1.57%), a SWAP (0.13%) and contracts for differences (2.31%) by The Goldman Sachs Group, Inc.

All voting rights notices received by Deutsche EuroShop AG can be found on the website of Deutsche EuroShop AG under Investor Relations > Share > Significant voting interests.

37. THE SUPERVISORY BOARD AND EXECUTIVE BOARD

Supervisory Board

The Supervisory Board of Deutsche EuroShop AG is composed of nine members. As at 31 December 2020, the following members with membership of other statutory supervisory boards and membership of comparable supervisory bodies of business enterprises in Germany or other countries made up the Supervisory Board:

Reiner Strecker, Wuppertal, Chairman
Personally liable partner, Vorwerk & Co. KG, Wuppertal

- akf Bank GmbH & Co. KG, Wuppertal
- Carl Kühne KG (GmbH & Co.), Hamburg (Chair, since 01.12.2020)

Karin Dohm, Kronberg im Taunus, Deputy Chairwoman
Member of the Executive Board, Hornbach AG and Hornbach Management AG, Bornheim near Landau / Palatinate (since 01.01.2021)

- Deutsche Bank Europe GmbH, Frankfurt am Main (Chair, until 30.04.2020)
- Deutsche Bank Luxembourg S.A., Luxembourg (until 27.04.2020)
- CECONOMY AG, Düsseldorf

Dr. Anja Disput, Frankfurt am Main
Partner at Disput Hübner Partnerschaft von Rechtsanwälten mbB, Frankfurt am Main (since 13.03.2020)

Henning Eggers, Halstenbek
Mitglied der Geschäftsführung,
CURA Vermögensverwaltung G.m.b.H., Hamburg

- Platinum AG, Hamburg (until 21 September 2020)
- ECE Group GmbH & Co. KG, Hamburg

Dr. Henning Kreke, Hagen / Westphalia
Managing partner, Jörn Kreke Holding KG,
und Kreke Immobilien KG, Hagen / Westphalia

- Douglas GmbH, Düsseldorf (Chair)
- Thalia Bücher GmbH, Hagen / Westphalia
- Encavis AG, Hamburg
- Axxum Holding GmbH, Wuppertal
- Noventic GmbH, Hamburg
- Perma-tec GmbH & Co. KG, Euerdorf
- Ferdinand Bilstein GmbH & Co. KG, Ennepetal
- Püschmann GmbH & Co. KG, Wuppertal
- Con-Pro Industrie-Service GmbH & Co. KG, Peine

Alexander Otto, Hamburg
CEO, ECE Group Verwaltung GmbH, Hamburg

- SITE Centers Corp. Inc., Beechwood, USA
- Peek & Cloppenburg KG, Düsseldorf
- Verwaltungsgesellschaft Otto mbH, Hamburg

Claudia Plath, Hamburg
CFO, ECE Group Verwaltung GmbH, Hamburg

- CECONOMY AG, Düsseldorf
- MEC Metro-ECE Centermanagement GmbH & Co. KG, Düsseldorf

Klaus Striebich, Besigheim
Managing Director, RaRE Advise, Besigheim

- Unternehmensgruppe Dr. Eckert GmbH, Berlin
- Klier Hairgroup GmbH, Wolfsburg
- Sinn GmbH, Hagen
- The Food Chain Investor Holding SE, Hamburg (until 31.08.2020)

Roland Werner, Hamburg
Chairman of the Board of Management, Bijou Brigitte modische Accessoires AG, Hamburg

The remuneration of the members of the Supervisory Board totalled €263 thousand in the period under review (previous year: €312 thousand).

Executive Board

Wilhelm Wellner, Hamburg, CEO

Olaf Borkers, Hamburg, Member of the Executive Board

The remuneration of the Executive Board totalled €1,323 thousand (previous year: €1,352 thousand), which includes performance-related compensation in the amount of €637 thousand (previous year: €688 thousand).

The outgoing CEO, Claus-Matthias Böge, is to receive a total of €1,712 thousand under the Long-Term Incentive 2010, which covered the period to 30 June 2015. From 2016, this amount was paid at the start of each year in five equal instalments, finishing in 2020.

On 1 July 2018, the term of a new Long-Term Incentive (LTI 2018) commenced which did not result in a liability as at the reporting date.

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

38. EVENTS AFTER THE REPORTING DATE

In order to contain the coronavirus pandemic, the authorities continued to implement far-reaching safety and quarantine measures at the beginning of 2021, including the closure of retail stores that do not serve basic needs. There are only exceptions for food, drugstores, pharmacies, banking services and a limited number of other everyday products and services. The ongoing safety and quarantine measures in the various countries during the period are as follows:

For Germany, the decision was taken on 3 March 2021 to continue the extensive retail closures in place since 16 December 2020. The resolution further provides that retailers will only be allowed to reopen nationwide or regionally if a stable seven-day incidence rate of less than 50 new infections per 100,000 inhabitants has been achieved, however no earlier than 8 March. Retail purchases are possible by appointment with a three-day incidence rate of between 50 and 100. If the incidence rates exceed the limit of 100 following any steps of the re-opening strategy, an “emergency brake” will be applied, which calls for the rules regarding business closures as at 16 December 2020 to be reinstated. On 22 March 2021, it was decided that these rules should apply until at least 18 April 2021.

In Poland, measures requiring the closure of shops in shopping centers, which have been in force since 28 December 2020, were lifted again on 1 February 2021, subject to conditions such as wearing a mask and observing limits on the number of customers allowed per square metre; they were then reimposed regionally from 13 March and from 20 March 2021 nationwide. The closure measures will apply at least until 9 April 2021.

Widespread retail closures in the Czech Republic since 27 December 2020 became even stricter effective 1 March 2021, and the list of shops allowed to remain open has been shortened even further.

As of 8 February 2021 and subject to certain conditions, Austria has cancelled shop closures that had been in force since 26 December 2020.

Hungary closed its retail shops for the first time from 8 March 2021. Even prior to that, however, catering operations had only been possible to a limited extent (take-away) and retailers had to observe the applicable protective measures, such as restrictions on opening hours and mask requirements.

The closures, which extend well into 2021, have further exacerbated the economic situation of the tenants affected. For many tenants, the Christmas season was heavily impacted by the closures in late autumn and the renewed closures from mid-December 2020. The states’ support programmes were either unable to compensate for this or only to a limited extent.

Deutsche EuroShop is in continued dialogue with tenants via its service provider, ECE, in order to arrange support measures. Among other things, at the beginning of 2021 the affected tenants of the German shopping centers were made a regular offer under which half of the net rent excluding ancillary costs would be waived for the duration of the closure since mid-December 2020 and for all further closures in 2021.

While the federal government has suspended the requirement to file for bankruptcy in the event of pandemic-related insolvency and over-indebtedness in an effort to mitigate the effects of the coronavirus pandemic and has now extended this exemption to the end of April 2021, there is still a risk of further tenant insolvencies. More tenants have already filed for insolvency or announced branch closures in 2021. This may necessitate additional write-downs on the receivables reported as at the reporting date. Tenants’ losses and continued shop closures in individual countries may have an impact on the valuation of our shopping centers. Please refer to the sensitivity analysis in section “8. Investment properties”.

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

Hamburg, 25 March 2021

Deutsche EuroShop AG

The Executive Board

Wilhelm Wellner Olaf Borkers

SHAREHOLDINGS

List of shareholdings in accordance with section 313 (2) of the Handelsgesetzbuch (HGB – German Commercial Code) as at 31 December 2020:

Company name and domicile	Interest in equity
Fully consolidated companies:	
DES Verwaltung GmbH, Hamburg	100%
DES Management GmbH, Hamburg	100%
DES Shoppingcenter GmbH & Co. KG, Hamburg [1]	100%
DES Beteiligungs GmbH & Co. KG, Hamburg [1]	100%
A10 Center Wildau GmbH, Hamburg	100%
Main-Taunus-Zentrum KG, Hamburg	52.01%
Forum Wetzlar KG, Hamburg	65%
Objekt City-Point Kassel GmbH & Co. KG, Hamburg [1]	100%
Stadtgalerie Hameln GmbH & Co. KG, Hamburg [1]	100%
Altmarkt-Galerie Dresden GmbH & Co. KG, Hamburg [1]	100%
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Hamburg	74%
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Sp. kom., Warsaw, Poland	99.99%
CASPIA Investments Sp. z o.o., Warsaw, Poland	100%
City-Point Beteiligungs GmbH, Hamburg	100%
Olympia Brno s.r.o., Prague, Czech Republic	100%
Joint ventures:	
Allee-Center Magdeburg KG, Hamburg	50%
Stadt-Galerie Passau KG, Hamburg	75%
CAK City Arkaden Klagenfurt KG, Hamburg	50%
Saarpark Center Neunkirchen KG, Hamburg	50%
EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OG, Vienna, Austria	50%
Immobilienkommanditgesellschaft FEZ Harburg, Hamburg	50%
Einkaufs-Center Arkaden Pécs KG, Hamburg	50%
Associates:	
EKZ Vier Errichtungs- und Betriebs Ges.m.b.H., Vienna, Austria	50%

[1] For these companies, exemption from the disclosure obligation in accordance with section 264b HGB was made use of.

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 combined 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, 25 March 2021

Wilhelm Wellner   Olaf Borkers

INDEPENDENT AUDITOR'S REPORT

To Deutsche EuroShop AG, Hamburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT

Audit opinion

We have audited the consolidated financial statements of Deutsche EuroShop AG, Hamburg and its subsidiaries (the Group), comprising the consolidated balance sheet as at 31 December 2020, the consolidated income statement, the statement of comprehensive income, the statement of changes in equity, the consolidated cash flow statement for the financial year from 1 January 2020 to 31 December 2020 as well as the notes to the consolidated financial statements, including a summary of relevant accounting methods.

We have also audited the combined management report (Company management report and Group management report) of Deutsche EuroShop AG for the financial year from 1 January 2020 to 31 December 2020.

In accordance with the provisions of German law, we have not audited the content of the statements listed under "OTHER INFORMATION" in the combined management report.

In our opinion, based on the findings of our audit:

- the enclosed consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the supplementary provisions of German law required to be applied under section 315e (1) of the Handelsgesetzbuch (HGB – German Commercial Code) and give a true and fair view of the net assets and financial position of the Group as at 31 December 2020 as well as its results of operations for the financial year from 1 January 2020 to 31 December 2020 in accordance with these requirements; and
- the enclosed combined management report as a whole provides a suitable understanding of the Group's position. This combined management report is consistent with the consolidated financial statements in all material respects, complies with the provisions of German law and suitably presents the opportunities and risks of future development. Our opinion on the combined management report does not extend to the content of the statements listed under "OTHER INFORMATION" in the combined management report.

In accordance with section 322 (3) sentence 1 HGB, we hereby declare that our audit has not led to any reservations with respect to the regularity of the consolidated financial statements or combined management report.

BASIS FOR OPINION

We conducted our audit of the consolidated financial statements and combined management report in accordance with section 317 HGB and the EU Audit Regulation (No 537/2014; hereinafter "EU AR"), taking into account the German generally accepted standards for the auditing of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors). Our responsibility pursuant to these provisions and principles is described in more detail in the section "RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT" of our auditor's report.

We are independent from the Group companies in line with the provisions of European and German commercial and professional law and have fulfilled our other professional duties under German law in line with these requirements.

Furthermore, in accordance with article 10 (2) point f) EU AR, we hereby declare that we have not provided any prohibited non-audit services pursuant to article 5 (1) EU AR.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements and combined management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significant impact in our audit of the consolidated financial statements for the financial year from 1 January 2020 to 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

We identified the following as key audit matters:

1. Measurement of investment properties
2. Accounting of rental concessions granted in connection with the coronavirus pandemic and their effect on revenue recognition
3. Recognition and measurement of deferred taxes

1. MEASUREMENT OF INVESTMENT PROPERTIES

Matter

Deutsche EuroShop AG reported investment properties totalling €3,437.1 million in its consolidated financial statements as at 31 December 2020 and holds a participating interest in further material investment properties through its stakes in joint ventures and associates (€584.1 million). The shopping center properties held as investment property are measured at fair value in accordance with IAS 40. In financial year 2020, expenses from this measurement of €400.2 million were recognised in the income statement. In addition, the profit / loss of equity-accounted joint ventures and associates included a measurement loss of €73.8 million.

The respective fair value measurements of investment properties in accordance with IFRS 13 are determined on the basis of the discounted cash flow method by one of the external appraisers appointed by Deutsche EuroShop AG. They are level 3 measurements pursuant to IFRS 13 that are based on input factors not materially observable on the market. Forecasts about future cash flows from rental income and management, maintenance and administrative costs as well as the derivation of the capitalisation interest rate involve significant decisions based on personal judgement and estimates.

Due to the coronavirus pandemic, forecasting future cash flows is subject to elevated uncertainty. In particular, the medium to long-term effects of the pandemic on consumer shopping behaviour and the future growth of shopping centers are difficult to assess from today's perspective.

Due to the significance of the investment properties for the consolidated financial statements of Deutsche EuroShop AG in terms of their amount and the significant uncertainties associated with their measurement, this is a key audit matter of particular importance.

The disclosures provided by Deutsche EuroShop AG on the measurement of investment properties are included in sections "6. Significant accounting policies and valuation methods / Investment properties" and "8. Investment properties" of the notes to the consolidated financial statements.

Auditor's review

As part of our audit, we obtained evidence of the externally appointed appraiser's competence and independence.

We obtained an understanding of the selection and application of the methods, significant assumptions and data upon which the appraiser's valuation was based and tested the appraisals on a sample basis as to the appropriateness, consistency and proper implementation of the valuation methodology and the accuracy of the inputs (leased space and rental income). In addition, we conducted three center visits in financial year 2020. We furthermore acknowledged the projected values and parameters (rental income, future vacancy rates, management, maintenance and administrative costs and interest rates) used in the valuation and are satisfied with the suitability of the decisions based on personal judgement and estimates. We had the assumptions contained in the forecasts regarding the effects of the coronavirus pandemic on the future growth of the shopping centers explained to us by the Executive Board and the appraiser, compared them with published industry expectations and analyses, and verified their inclusion in the measurement.

In performing the audit, we consulted internal specialists in the field of real estate valuation.

2. ACCOUNTING OF RENTAL CONCESSIONS GRANTED IN CONNECTION WITH THE CORONAVIRUS PANDEMIC AND THEIR EFFECT ON REVENUE RECOGNITION

Matter

In accordance with IFRS 16.81, the Group recognises revenue from operating leases for shopping centers on a straight-line basis over the contractually agreed lease term. A prerequisite for the recognition of revenue is that the Group has a civil law claim to the rent under the lease.

In financial year 2020, due to the lockdown measures many tenants nationally and internationally did not meet their obligation to pay rents as contractually agreed. In some countries there are legal provisions, or legal provisions have been enacted, that provide for temporary deferral, suspension or reduction of rental payments.

In the preceding financial year, the Group conducted negotiations with tenants on debt waivers for the past, temporary rent deferrals and temporary rent reductions for the future, and in many cases accordingly concluded supplementary agreements to the lease.

Subsequent agreements result in the contract being accounted for as a new lease from the date of modification of the lease (IFRS 16.87); for revenue recognition purposes, the future adjusted lease payments are distributed on a straight-line basis over the lease term. This approach is not applicable with respect to the cessation or reduction of rental payments that have been made on the basis of an existing lease agreement or by law. In contrast, specific loss allowances for expected concessions yet to be granted in respect of rent receivables and debt waivers already incurred are recognised as an expense for the period in accordance with the impairment and derecognition rules of IFRS 9 (IFRS 9.2.1 b)i)). In financial year 2020, specific valuation losses of €14.7 million were recognised for expected rent concessions, and expenses of €8.6 million were recognised as a result of debt waivers in connection with coronavirus-related rent concessions.

Assessing whether the Group's civil law claim to the contractual rental payments continues to exist even in the officially ordered lockdown is fraught with complexity. In addition, the IFRS rules on accounting for debt waivers and lease concessions accord lessors discretion on the timing and amount of revenue. We believe this is a key audit matter of particular importance for these reasons.

Deutsche EuroShop AG's disclosures on accounting for the rental concessions granted in connection with the coronavirus pandemic and on revenue recognition are presented in sections "6. Significant accounting policies and valuation methods, receivables and other current assets", "10. Trade receivables" and "29. Financial instruments and risk management, credit and default risk" in the notes to the consolidated financial statements and in the combined management report in the section "Economic report / Results of operations of the Group".

Auditor's review

As part of our audit, we reviewed the Executive Board's assessment that the Group always had a civil law claim to rental payments, even during the lockdown periods in Germany, and evaluated whether revenue should be recognised in the amount of the contractually agreed rent. For the review, we held discussions with the Executive Board and consulted internal specialists. For a risk-oriented selection of contracts and for the current standard lease and for the previous standard lease versions, we also reviewed the contractual provisions, inter alia with regard to the existence of force majeure clauses.

We also looked at the process of negotiating supplements to the leases. As a first step, we obtained an overview of the supplementary agreements concluded and an understanding of what kind of agreements were concluded for the past and for the future. We also reviewed the resulting accounting effects and verified the complete and correct recognition of the supplementary agreements in the consolidated financial statements. In respect of the estimate of the specific loss allowances required for future expected rent concessions by the Company to its tenants, we obtained an understanding of the methodology underlying the estimate and the assumptions and data used in the estimate, and reviewed the reasonableness of the estimate.

In the case of the shopping centers located abroad, we worked together with the subdivision auditors to determine the different civil law bases for claims to rental payments during the lockdown periods and derived the accounting effects on the consolidated financial statements from this.

3. RECOGNITION AND MEASUREMENT OF DEFERRED TAXES

Matter

Deutsche EuroShop AG reported deferred tax liabilities totalling €325.0 million in its consolidated financial statements as at 31 December 2020. The recognition and measurement of deferred taxes in the consolidated financial statements of Deutsche EuroShop AG take account of complex tax matters in connection with property companies under the legal form of commercial partnerships.

The disclosures provided by Deutsche EuroShop AG on the determination and measurement of deferred taxes are included in sections "6. Significant accounting policies and valuation methods / Investment properties" and "16. Deferred tax liabilities" of the notes to the consolidated financial statements.

Auditor's review

We acknowledged the calculation of deferred taxes with respect to their compliance with IAS 12. We also analysed the confirmation letter of the tax consultant. We are satisfied with the competence and independence of the tax consultant assisting Deutsche EuroShop AG in the determination of deferred taxes. We also examined the determination method used to measure and report deferred taxes, whereby we compared the values used with the tax calculations of the company and the tax consultant by means of samples and verified the validity of the tax bases utilised. In auditing the deferred taxes, we consulted internal specialists in the field of deferred taxes.

OTHER INFORMATION

The Executive Board and Supervisory Board are responsible for other information. This includes:

- the separately published declaration on corporate governance referred to in the section "Declaration on corporate governance" of the combined management report,
- the Corporate Governance Report referred to in the "Declaration on corporate governance" section of the combined management report pursuant to No. 3.10 of the Deutscher Corporate Governance Kodex (DCGK – German Corporate Governance Code),
- the other sections of the annual report, with the exception of the audited consolidated financial statements and combined management report as well as our auditor's report,
- the responsibility statement in accordance with section 297 (2) sentence 4 HGB for the consolidated financial statements and responsibility statement in accordance with section 315 (1) sentence 5 HGB for the combined management report.

Our opinion on the consolidated financial statements and combined management report does not extend to the other information and we do not provide an opinion or any other form of audit conclusion in this regard.

In connection with our audit of the consolidated financial statements, we have a responsibility to read the other information and determine whether the other information

- contains material discrepancies with the consolidated financial statements, combined management report or the knowledge acquired through our own audit, or
- appears to be misstated in any other way.

If, on the basis of the work we have carried out, we conclude that this other information contains a material misstatement, we are obliged to report this. We have nothing to report in this regard.

RESPONSIBILITY OF THE LEGAL REPRESENTATIVES AND SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT

The legal representatives are responsible for preparing the consolidated financial statements in compliance with IFRS as adopted by the EU and the supplementary provisions of German law required to be applied under section 315e (1) HGB, and for ensuring that the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Further, the legal representatives are responsible for any internal control they deem relevant to preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. In addition, they are responsible for recognising the ability to continue as a going concern on the going concern basis of accounting, unless there is an intent to liquidate the Group or discontinue business operations or there is no realistic alternative to these options.

Furthermore, the legal representatives are responsible for preparing a combined management report that as a whole provides a suitable understanding of the Group's position, is consistent with the consolidated financial statements in all material respects, complies with the provisions of German law and suitably presents the opportunities and risks of future development. The legal representatives are also responsible for any precautions and measures (systems) they deem necessary to enable the combined management report to be prepared in accordance with the applicable provisions of German law, and to enable sufficient and appropriate evidence to be provided for the statements in the combined management report.

The supervisory board is responsible for monitoring the Group's accounting process for the preparation of the consolidated financial statements and combined management report.

RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT

Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatements, whether due to fraud or error, and whether the combined management report as a whole provides a suitable understanding of the Group's position, is consistent with the consolidated financial statements and the findings of the audit in all material respects, complies with the provisions of German law, and suitably presents the opportunities and risks of future development; and to provide an auditor's report containing our opinion on the consolidated financial statements and combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit performed in accordance with section 317 HGB and the EU AR, taking into account the German generally accepted standards for the auditing of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW), will always detect a material misstatement. These can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and combined management report.

As part of our audit, we exercise professional judgement and maintain professional scepticism. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and combined management report (whether due to fraud or error), design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of failing to detect a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and precautions and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems;
- evaluate the appropriateness of accounting policies used and the reasonableness of estimates and related disclosures made by the legal representatives;
- conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, conclude whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we determine that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and combined management report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and evaluate whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the net assets, financial position and results of operations of the Group in compliance with IFRS as adopted by the EU and the supplementary provisions of German law required to be applied under section 315e (1) HGB;
- obtain sufficient and appropriate audit evidence for the accounting information of the companies or business activities within the Group in order to express an opinion on the consolidated financial statements and combined management report. We are responsible for providing guidance on, monitoring and performing the audit of the consolidated financial statements. We bear sole responsibility for our opinion;
- evaluate the consistency of the combined management report with the consolidated financial statements, its legal counterpart and the understanding it provides of the Group's position;
- perform audit procedures for the forward-looking statements made by the legal representatives in the combined management report. On the basis of sufficient and appropriate audit evidence, we acknowledge in particular the significant underlying assumptions of the forward-looking statements made by the legal representatives and evaluate the appropriate derivation of the forward-looking statements based on these assumptions. We do not express a separate opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

We communicate with those responsible for monitoring regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any deficiencies in internal control that we identify during our audit.

We provide those responsible for monitoring with a statement that we have fulfilled the relevant independence requirements and communicate with them regarding all relationships and other matters which might reasonably be considered to have an effect on our independence as well as the associated precautions taken.

From the matters communicated with those responsible for monitoring, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current reporting period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER APPLICABLE LEGAL REQUIREMENTS

Note on the audit of the electronic reproductions of the consolidated financial statements and the combined management report prepared for disclosure purposes in accordance with section 317 (3b) HGB

Audit opinion

In accordance with section 317 (3b) HGB, we have performed a reasonable assurance audit to determine whether the reproductions of the consolidated financial statements and the combined management report (hereinafter also referred to as "ESEF documents") contained in the attached file [DESAG_KA20_ESEF.zip: 62965c0308ca5c579ff79fcc152f13844b3ed7d325c5e66f522a9f199395cdb4] and prepared for disclosure purposes comply in all material respects with the electronic reporting format ("ESEF format") requirements of section 328 (1) HGB. In accordance with German legal requirements, this audit extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into ESEF format and therefore neither to the information contained in these reproductions nor to any other information contained in the aforementioned file.

In our opinion, the reproductions of the consolidated financial statements and the combined management report contained in the aforementioned attached file and prepared for the purpose of disclosure comply in all material respects with the electronic reporting format requirements of section 328 (1) HGB. Other than this opinion and our opinions on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from 1 January 2020 to 31 December 2020 included in the "Report on the audit for the consolidated financial statements and combined management report" above, we do not express any opinion on the information included in these reproductions or on the other information included in the aforementioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the consolidated financial statements and the combined management report contained in the aforementioned attached file in accordance with section 317 (3b) HGB, taking into account the draft IDW Auditing Standard: Audit of electronic reproductions of financial statements and management reports prepared for disclosure purposes in accordance with section 317 (3b) HGB (IDW EPS 410). Our responsibility thereunder is further described in the section "Auditor's responsibility for the audit of the ESEF documents". Our auditing practice meets the requirements of the quality assurance system of the IDW quality assurance standard: Requirements for quality assurance in auditing practice (IDW QS 1) were applied.

Responsibility of the Executive Board and Supervisory Board for the ESEF documents

The Executive Board is responsible for the preparation of the ESEF documents containing the electronic reproductions of the consolidated financial statements and the combined management report in accordance with section 328 (1) sentence 4 no. 1 HGB and for the marking up of the consolidated financial statements in accordance with section 328 (1) sentence 4 no. 2 HGB.

Furthermore, the Company's management is responsible for such internal controls as management determines is necessary to enable the preparation of ESEF documents that are free from material non-compliance, whether due to fraud or error, with the electronic reporting format requirements of section 328 (1) HGB.

The Executive Board of the Company is also responsible for submitting the ESEF documents together with the auditor's report and the attached audited consolidated financial statements and audited combined management report and other documents to be disclosed to the operator of the German Federal Official Gazette.

The Supervisory Board is responsible for overseeing the preparation of the ESEF documents as part of the financial reporting process.

Auditor's responsibility for the audit of the ESEF documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance, whether due to fraud or error, with the requirements of section 328 (1) HGB. As part of our audit, we exercise professional judgement and maintain professional scepticism. We also:

- identify and assess the risks of material non-compliance with the requirements of section 328 (1) HGB, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- obtain an understanding of internal controls relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents complies with the requirements of Delegated Regulation (EU) 2019/815, as amended as at the reporting date, on the technical specifications for that file.
- assess whether the ESEF documents provide a consistent XHTML representation of the audited consolidated financial statements and the audited combined management report.
- assess whether the marking up of ESEF documents with inline XBRL technology (iXBRL) provides an adequate and complete machine-readable XBRL copy of the XHTML representation.

Other disclosures according to article 10 EU AR

We were elected as auditor by the Annual General Meeting on 16 June 2020. We were appointed by the Chair of the Audit Committee on 16 August 2020. We have audited the consolidated financial statements of Deutsche EuroShop AG on a continuous basis since the 2005 financial year.

We hereby declare that the opinion in this auditor's report is consistent with the supplementary report issued to the Audit Committee in accordance with article 11 EU AR (audit report).

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Christoph Hyckel.

Hamburg, 7 April 2021

BDO AG
Wirtschaftsprüfungsgesellschaft

(signed) Oleski	(signed) Hyckel
Auditor	Auditor

EPRA REPORTING

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

The currently valid version[1] of the EPRA Best Practice Recommendations (hereinafter "BPR") was used to determine the key figures. The current revised version of the BPR was published in October 2019. A key change is the introduction of three net asset value metrics, replacing the previous key figures EPRA NAV and EPRA NNNAV.

OVERVIEW OF EPRA KEY FIGURES

	31.12.2020		31.12.2019		Change	
	in € thousand	per share in €	in € thousand	per share in €	+/- in € thousand	in %
EPRA earnings	124,536	2.02	158,260	2.56	-33,724	-21.3
EPRA NRV	2,540,009	41.11	2,868,630	46.43	-328,621	-11.5
EPRA NTA	2,309,711	37.38	2,613,365	42.30	-303,654	-11.6
EPRA NDV	1,934,235	31.31	2,139,458	34.63	-205,223	-9.6
EPRA NAV	2,309,724	37.38	2,613,390	42.30	-303,666	-11.6
EPRA NNNAV	1,934,235	31.31	2,139,458	34.63	-205,223	-9.6

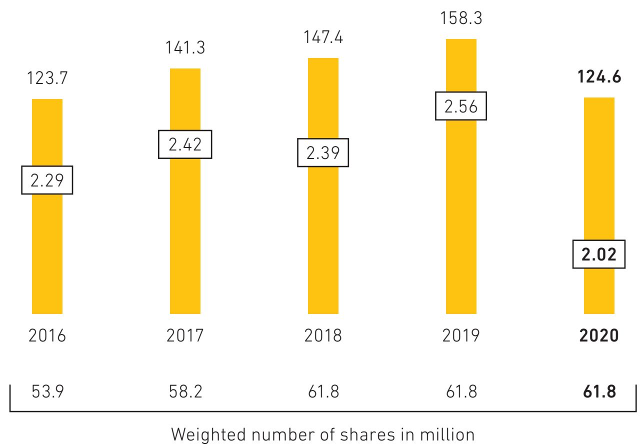
	31.12.2020	31.12.2019	Change
	in %	in %	in % points
EPRA net initial yield (EPRA NIY)	5.3	5.1	0.2
EPRA "topped-up" net initial yield	5.4	5.1	0.3
EPRA cost ratio (incl. direct vacancy costs)	27.3	13.4	13.9
EPRA cost ratio (excl. direct vacancy costs)	26.6	13.0	13.6
EPRA vacancy rate	4.6	2.4	2.2

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

EPRA EARNINGS

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

EPRA EARNINGS
in € million / in € per share



EPRA EARNINGS

	31.12.2020			31.12.2019			Change	
	in € thousand	in € thousand	per share in €	in € thousand	in € thousand	per share in €	per share in €	in %
Consolidated profit		-251,717	-4.07		112,091	1.81	-5.88	-324.9
Measurement gains / losses investment properties	353,837			94,188				
Measurement gains / losses investment properties (at equity)	73,786			25,854				
Measurement gains / losses investment properties[1]		427,623	6.92		120,042	1.94	4.98	256.7
Measurement gains / losses derivative financial instruments	0			0				
Measurement gains / losses derivative financial instruments (at equity)	-88			-350				
Measurement gains / losses derivative financial instruments[1]		-88	0.00		-350	0.00	0.00	–
Goodwill write-down		2,008	0.03		0	0.00	0.03	–
Deferred taxes on adjustments[1]		-53,290	-0.86		-73,523	-1.19	0.33	-27.7
EPRA EARNINGS[2]		**124,536**	**2.02**		**158,260**	**2.56**	**-0.54**	**-21.1**
Weighted number of no-par-value shares issued			61,783,594			61,783,594		

1 Including the share attributable to equity-accounted joint ventures and associates
2 EPRA earnings include a one-off tax refund in the prior-year period, including interest accrued for previous years. Without this tax refund, EPRA earnings would have totalled €149.3 million or €2.41 per share.

NET ASSET VALUE – CHANGES IN EPRA KEY FIGURES

The revised BPR introduced the following three new net asset value metrics to replace the previous key figures EPRA NAV and EPRA NNNAV:

EPRA net reinstatement value (EPRA NRV):
The EPRA NRV determines the long-term net asset value that would be required to rebuild the entity in this form. This approach excludes sales of assets and consequently does not include deferred taxes. The ancillary acquisition costs needed to rebuild the entity are added back at their appraisal value.

EPRA net tangible assets (EPRA NTA):
In the case of Deutsche EuroShop, the EPRA NTA is comparable to the EPRA NAV used previously and represents the net asset value based on a long-term business model. To do so, Group equity is adjusted for assets and liabilities that are unlikely to be realised if held over the long term. In contrast to the EPRA NAV, the EPRA NTA does not take account of intangible assets and provides three options for the recognition or non-recognition of deferred taxes. As with the EPRA NAV, Deutsche EuroShop does not include deferred taxes when calculating the EPRA NTA because Deutsche EuroShop's business model is geared towards generating long-term rental income rather than selling shopping centres for short-term profit.

EPRA net disposal value (EPRA NDV):
The EPRA NDV indicates the net asset value that would result if the assets and liabilities were not held to maturity. The EPRA NDV thus also factors in assets and liabilities measured at fair value as at the reporting date, which are unlikely to be realised taking a long-term view. In addition, it is assumed that the deferred taxes from the balance sheet and from the fair value measurement of the financial liabilities will be realised and will therefore have to be deducted.

For comparison purposes, the three new EPRA key figures are compared with the key figures used previously.

EPRA NET ASSET VALUE METRIC AS AT 31.12.2020

	new EPRA key figures			previous EPRA key figures	
in € thousand	EPRA NTA	EPRA NRV	EPRA NDV	EPRA NAV	EPRA NNNAV
Equity	2,003,246	2,003,246	2,003,246	2,003,246	2,003,246
Derivative financial instruments measured at fair value[1]	26,138	26,138		26,138	
Deferred taxes on investment properties and derivative financial instruments[1]	332,059	332,059		332,059	
Goodwill as a result of deferred taxes	-51,719	-51,719	-51,719	-51,719	-51,719
Intangible assets	-13				
Difference between non-accounted financial liabilities measured at fair value and their carrying amount[1]			-21,677		-21,677
Deferred taxes on difference between non-accounted financial liabilities measured at fair value and their carrying amount[1]			4,385		4,385
Less ancillary acquisition costs[1]		230,285			
	2,309,711	**2,540,009**	**1,934,235**	**2,309,724**	**1,934,235**
Number of no-par-value shares issued as at the reporting date	61,783,594	61,783,594	61,783,594	61,783,594	61,783,594
per share in €	37.38	41.11	31.31	37.38	31.31

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

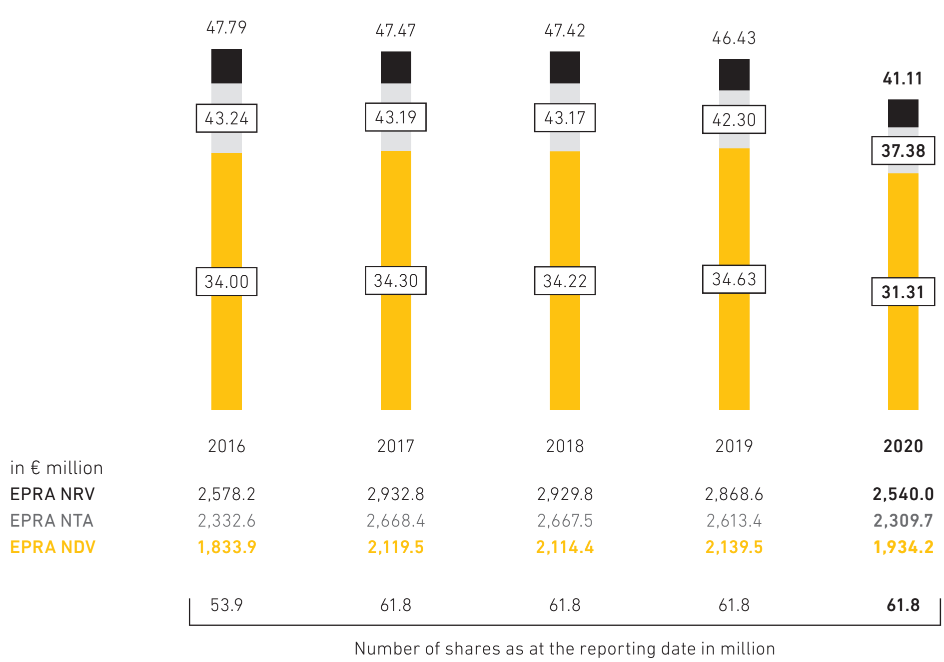
EPRA NET ASSET VALUE METRIC AS AT 31.12.2019

	new EPRA key figures			previous EPRA key figures	
in € thousand	EPRA NTA	EPRA NRV	EPRA NDV	EPRA NAV	EPRA NNNAV
Equity	2,249,573	2,249,573	2,249,573	2,249,573	2,249,573
Derivative financial instruments measured at fair value[1]	33,726	33,726		33,726	
Deferred taxes on investment properties and derivative financial instruments[1]	383,818	383,818		383,818	
Goodwill as a result of deferred taxes	-53,727	-53,727	-53,727	-53,727	-53,727
Intangible assets	-25				
Difference between non-accounted financial liabilities measured at fair value and their carrying amount[1]			-70,834		-70,834
Deferred taxes on difference between non-accounted financial liabilities measured at fair value and their carrying amount[1]			14,446		14,446
Less ancillary acquisition costs[1]		255,240			
	2,613,365	**2,868,630**	**2,139,458**	**2,613,390**	**2,139,458**
Number of no-par-value shares issued as at the reporting date	61,783,594	61,783,594	61,783,594	61,783,594	61,783,594
per share in €	42.30	46.43	34.63	42.30	34.63

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

EPRA NRV / NTA / NDV

per share in € / in € million



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

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

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

	31.12.2020		31.12.2019	
	in € thousand	in € thousand	in € thousand	in € thousand
Market value investment properties	3,437,145		3,822,786	
Market value investment properties (at equity)	584,591		654,206	
Market value investment properties		4,021,736		4,476,992
Less expanded space[1]		-5,560		-5,560
Less ancillary acquisition costs[1]		230,285		255,240
Market value investment properties (gross)		**4,246,461**		**4,726,672**
Annualised rental income[1]		254,342		263,249
Non-allocable property expenses[1]		-27,452		-22,041
Annualised net rental income		**226,890**		**241,208**
Rental incentives and other rental adjustments[1]		631		742
Annualised "topped-up" net rental income		**227,521**		**241,950**
EPRA net initial yield (EPRA NIY)		**5.3%**		**5.1%**
EPRA "topped-up" net initial yield		**5.4%**		**5.1%**

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

EPRA VACANCY RATE

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

EPRA VACANCY RATE

	31.12.2020	31.12.2019
	in € thousand	in € thousand
Market rent for vacancy [1]	11,169	6,143
Total market rent [1]	243,640	253,419
EPRA vacancy rate	**4.6%**	**2.4%**

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

EPRA COST RATIO

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

EPRA COST RATIO

	31.12.2020	31.12.2019
	in € thousand	in € thousand
Operating and administrative costs for property [1, 2]	34,612	33,936
Write-downs and derecognition of receivables [1]	34,231	1,900
Other operating expenses [1] excluding financing costs	7,586	6,158
Other revenue from cost allocations and reimbursement [1, 2]	-6,737	-6,573
EPRA costs (incl. direct vacancy costs)	**69,692**	**35,421**
Direct vacancy costs [1]	-1,691	-904
EPRA costs (excl. direct vacancy costs)	**68,001**	**34,517**
Rental revenue (excluding cost allocations and reimbursements) [1, 2]	255,465	265,073
EPRA cost ratio (incl. direct vacancy costs) [3]	**27.3%**	**13.4%**
EPRA cost ratio (excl. direct vacancy costs) [4]	**26.6%**	**13.0%**

1 Including the share attributable to equity-accounted joint ventures and associates
2 The disclosure of non-allocable real property tax and insurance was changed in the reporting year and the prior-year figures have been adjusted for easier comparability. Please refer to the information in the notes to the consolidated financial statements under section "4. New accounting standards and changes in presentation".
3 The EPRA cost ratio (incl. direct vacancy costs) excluding write-downs and derecognition of receivables would be 13.9% (previous year: 12.6%).
4 The EPRA cost ratio (excl. direct vacancy costs) excluding write-downs and derecognition of receivables would be 13.2% (previous year: 12.3%).

INVESTMENTS IN REAL ESTATE ASSETS

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

EPRA INVESTMENTS IN REAL ESTATE ASSETS

	31.12.2020			31.12.2019		
in € thousand	Group	at equity	Total	Group	at equity	Total
Acquisitions	0	0	0	0	0	0
Developments, new construction	0	0	0	0	0	0
Portfolio properties (like-for-like portfolio)	15,053	4,170	19,223	19,324	3,099	22,423
Other	0	0	0	0	0	0
EPRA investments in real estate assets	**15,053**	**4,170**	**19,223**	**19,324**	**3,099**	**22,423**

The increase in investments in portfolio properties was the result of investments in the center infrastructure and in new rental areas, as well as in the "At-your-service" and "Mall Beautification" investment programmes started in financial year 2018 and continued during this financial year, which will further boost the attractiveness of the shopping centers.

REPORT OF THE SUPER-VISORY BOARD

DEAR SHAREHOLDERS,

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

COLLABORATION BETWEEN THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

During financial year 2020, the Supervisory Board performed the duties incumbent on it according to the law and the Articles of Association and closely oversaw the performance of Deutsche EuroShop AG. The Executive Board coordinated the strategic orientation of the Company with the Supervisory Board, and discussed the status of implementing the strategy with us at regular intervals. The Supervisory Board monitored and advised the Executive Board on its management of the business, and the Executive Board informed us regularly, promptly and in detail of business developments.

As the Chairman of the Supervisory Board, I was kept up to date in timely fashion by the Executive Board on all important events of significance for assessing the Company's situation, development and its management. I was also given ongoing, detailed briefings between meetings of the Supervisory Board and its committees in regular conference calls with the Executive Board. In 2020, the Executive Committee was kept continuously informed about current developments and notified in advance about intended, more far-reaching decisions of the Executive Board.

FOCUS OF ADVISORY ACTIVITIES

We conducted detailed examinations of our Company's net assets, financial position, results of operations and risk management at our regular meetings. In this context, we also checked that the formal conditions for implementing an efficient system of monitoring our Company were met and that the means of supervision at our disposal were effective.

We were informed on an ongoing basis of all significant factors affecting the business. We considered the development of the portfolio properties, specifically their sales and frequency trends, the accounts receivable and occupancy rates, and the Company's liquidity position. Last year, we were also provided with prompt and continuous information about the payment patterns of our tenants. There were extensive and ongoing discussions at the meetings held last year concerning the review and adjustment of Company strategy and the impact of the coronavirus pandemic and the government-mandated protective measures on our tenants and on our Company. Within this context, we also held regular consultations focussing on liquidity planning for different scenarios. The coronavirus pandemic has accelerated the growth of online retail due to the imposed lockdown measures. The ongoing integration of online and offline retail thus constituted a central component of consultations, and the further integration of our shopping centers into the rapidly developing omni-channel distribution network was once again assessed as strategically important for the positioning of our center portfolio. The development status of the corresponding digitalisation programme ("Digital Mall") was discussed.

Regular discussions were conducted with the Executive Board regarding trends on the capital, credit, real estate and retail markets and the impact of these on the Company's current and medium-term situation. The Executive Board and Supervisory Board examined various refinancing options. We received regular reports detailing the turnover trends of our tenants and banks' lending policies. The Executive Board and Supervisory Board also held regular discussions on how the Company was valued by the stock market and its participants and made peer group comparisons. We also devoted a lot of attention last year to the expected and implemented legislative changes that affect our Company. These included, in particular, those changes to mitigate the impact of the pandemic. In accordance with the requirements of the new Corporate Governance Code and ARUG II (Act Implementing the Second Shareholders' Rights Directive), we examined the creation of a new system of Executive Board remuneration.

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

MEETINGS / TELEPHONE AND VIDEO CONFERENCES

Financial year 2020 saw four regular meetings plus one special meeting due to the special challenges posed by the Covid-19 pandemic. Although it was possible to hold the September meeting in person, the other meetings took place as telephone or video conferences. The Executive Committee met for one regular and four extraordinary meetings by conference call. The Audit Committee held four regular and two extraordinary meetings by conference call.

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

Supervisory Board	Member since	Appointment ends	Plenary	Executive Committee	Audit Committee	Total
Reiner Strecker (Chairman)	2012	2022 Annual General Meeting	5/5	5/5	6/6	100%
Karin Dohm (Deputy Chairwoman)	2012	2022 Annual General Meeting	5/5	5/5	6/6	100%
Dr Anja Disput	2019	2024 Annual General Meeting	5/5	–	–	100%
Henning Eggers	2019	2024 Annual General Meeting	5/5	5/5	6/6	100%
Dr Henning Kreke	2013	2023 Annual General Meeting	5/5	–	–	100%
Alexander Otto	2002	2023 Annual General Meeting	5/5	–	1/1	100%
Claudia Plath	2019	2024 Annual General Meeting	5/5	–	–	100%
Klaus Striebich	2012	2022 Annual General Meeting	5/5	–	–	100%
Roland Werner	2015	2025 Annual General Meeting	5/5	–	–	100%

April conference calls

We held an extraordinary conference call on **3 April 2020** to address the new circumstances during the first lockdown and the government-mandated closure of stores in our shopping centers beginning from mid-March 2020. The Executive Board explained the situation and outlined its assessment of the impact on our Company. The focus here was on the expected loss of rent due to the threat of tenant insolvencies, possible new legal regulations and the payment patterns of tenants. We discussed the liquidity situation and liquidity planning in various risk scenarios. Given the very dynamic developments in March 2020, we took advantage of this conference call to approve and adopt the 2019 annual financial statements in accordance with section 172 of the German Stock Corporation Act and approve the 2019 consolidated financial statements, which had originally been scheduled for 24 April 2020. The Executive Board provided us with the financial, accounting and tax aspects of the 2019 annual financial statements for this purpose. In addition, the auditors explained the results of their audit of the annual financial statements and referred to their supplementary audit in view of the significant change in circumstances in recent weeks.

In the first regular conference call on **24 April 2020**, the Executive Board reported on current developments, including in particular on the lockdown measures taken by governments in the various countries, the interim insolvencies, visitor number trends, retail sales of our tenants and scope of rental payments. The Executive Board additionally provided information on the loans maturing over the next few years and the refinancing that had been arranged in the meantime. We devoted a lot of attention to updated liquidity planning on the part of the Executive Board as well as its scenario assumptions. The Executive Board reported in this context on postponing a substantial portion of the planned investments for the current financial year. We unanimously approved the proposed investment in the A10 Center to accommodate a major tenant. We discussed and approved the proposal by the Executive Committee to nominate Roland Werner for re-election as a member of the Supervisory Board at the Annual General Meeting. Finally, the agenda for the Annual General Meeting was unanimously adopted. To avoid risks, we decided – also unanimously – to hold a virtual Annual General Meeting as proposed by the Executive Board.

June conference call

After the virtual Annual General Meeting on **16 June 2020** had re-elected Roland Werner to the Supervisory Board, as proposed by the management, the Supervisory Board constituted itself in the subsequent conference call on the same day. As a result, the distribution of responsibilities on the Supervisory Board and in the committees remained unchanged. The Executive Board reported to us on current developments with regard to official pandemic-related regulations, visitor frequencies, retail sales and rental payments, as well as amounts outstanding. With the Executive Board we discussed the liquidity situation and a current projection, which was prepared on the basis of very simplified assumptions due to the high degree of uncertainty about how the pandemic will unfold. It was not possible to make a reliable forecast regarding the 2020 financial figures given the inability to estimate how the coronavirus pandemic will evolve or its impact on rental income and impairments in particular.

September meeting

Our **25 September 2020** meeting was held at the Rhein-Neckar-Zentrum. We dealt in depth with the Company's strategy and the measures derived from this. One of the mail focal points was the measures intended by the Executive Board to mitigate risks from events such as the coronavirus pandemic and to safeguard liquidity. It was again not possible to make a reliable forecast regarding the 2020 financial figures given the inability to estimate how the coronavirus pandemic will unfold and its impact on rental income and impairments in particular. The Executive Board reported to us on current developments in our portfolio and anticipated legal changes in the environment of our business activities. The Executive Committee – in the absence of the Executive Board – notified the Supervisory Board of the status of the measures to amend the Executive Board remuneration structure in accordance with ARUG II and the German Corporate Governance Code.

November video conference

In a video conference on **27 November 2020**, the Executive Board again reported to us on the current situation at the Company's shopping centers. The Executive Board explained its projections for financial year 2020 and also presented its assumptions and planning for the years 2021 through to 2025. Both the projection and planning for subsequent years were subject to considerable uncertainties given the inability to estimate how the coronavirus pandemic will unfold. This outlook was exacerbated by the significant increase in the number of infections since the autumn and the associated lockdown measures in all of the Company's markets. It was still not possible to make a reliable forecast regarding the 2020 financial figures. Together we discussed the current analysis of the financial covenants in the loan agreements and authorised the Capital Market Committee to vote on refinancing for the Phoenix-Center in Hamburg-Harburg. Finally, the Executive Board reported on the status of plans to extend portfolio financing for City-Arkaden in Wuppertal, City-Galerie in Wolfsburg and the Billstedt-Center in Hamburg. Without the Executive Board being present, the Executive Committee notified us of the interim results regarding the change to the Executive Board remuneration system.

COMMITTEES

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

During the reporting period, the Executive Committee convened via a conference call in response to the pandemic on 17 March (extraordinary), 23 March (extraordinary), 30 March, 11 May (extraordinary) and 21 December 2020 (extraordinary). The Audit Committee met via a conference call in response to the pandemic on 19 March (extraordinary), 30 March and 3 April 2020 (extraordinary). In the extraordinary telephone conferences on 17 March (Executive Committee) and 19 March 2020 (Audit Committee), we held an intensive dialogue with the Executive Board on the possible ramifications of the coronavirus pandemic and the related uncertainties for the further development of our Company. The discussion also addressed the planned dividend for the 2019 financial year and thus the Executive Board's proposal for the appropriation of profits for the 2019 annual financial statements. We reached the decision with the Executive Board to suspend the dividend payment due to the high level of uncertainty regarding the scope and duration of the pandemic. In the presence of the auditors and the Executive Board, the Audit Committee discussed the financial statements and the combined management report for Deutsche EuroShop AG and the Group in conference calls on 30 March and again on 3 April 2020 due to the rapidly changing coronavirus situation.

The Audit Committee also discussed the quarterly statements and the half-year financial report with the Executive Board in conference calls on 11 May, 12 August and 11 November 2020; at all of these calls the Executive Board reported on the current situation in our shopping centers and the associated operational and financial implications in these conferences as well.

The Audit Committee issued the audit mandate to the auditor elected by the Annual General Meeting, monitored the services provided by the auditor and discussed the controls on the quality of the audit.

CORPORATE GOVERNANCE

In February 2020 and February 2021, together with the Executive Board, we issued updated declarations of conformity in relation to the recommendations of the Government Commission pursuant to section 161 of the Aktiengesetz (German Public Companies Act – AktG) and made this permanently available on the Deutsche EuroShop AG website. A separate report on the implementation of the German Corporate Governance Code (DCGK) is included in this Annual Report. The members of the Supervisory Board and the Executive Board declared in writing at the beginning of 2021 that no conflicts of interest had arisen during financial year 2020.

We have published a matrix of the powers of the members of the Supervisory Board in the "Declaration on Corporate Governance" in order to demonstrate transparency in this area as well. We regularly review the composition profile of the Supervisory Board and will adjust it if necessary.

The Supervisory Board decided in 2017 that the Chairman of the Supervisory Board can conduct talks with investors on topics of relevance to the Supervisory Board in accordance with the recommendations of the DCGK and the "Principles for Dialogue between Investor and Supervisory Board". No investor requested a meeting in 2020.

Since the new election of the Supervisory Board on 12 June 2019, five of the total of nine members of the Supervisory Board have been independent.

FINANCIAL STATEMENTS OF DEUTSCHE EUROSHOP AG AND THE GROUP FOR THE PERIOD ENDING 31 DECEMBER 2020

At the Audit Committee meeting on 1 April 2021 and the regular Supervisory Board meeting on 9 April 2021, 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 2020, as well as the combined management report and Group management report for financial year 2020. The impact of the coronavirus pandemic on the future performance of Deutsche EuroShop AG, as explained in the supplementary report in the combined management report, were also discussed with the Executive Board. The auditor explained to us all matters which he regarded as being of particular significance for his audit of the consolidated financial statements, doing so in a manner that was easy to follow. The Supervisory Board shares the auditor's assessment of the importance of these matters for the consolidated financial statements. You can find details of these matters in the auditor's report.

The documents relating to the financial statements, the auditor's reports and the Executive Board's proposal for the utilisation of the unappropriated surplus were presented to us in good time. The auditor appointed by the Annual General Meeting on 16 June 2020 – 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 1 April 2021 and the regular Supervisory Board meeting on 9 April 2021 and explained the main findings.

The Supervisory Board has come to the conclusion that there are no objections to be raised against the annual financial statements or the audit conducted by the auditor. The combined management report meets statutory requirements in the opinion of the Supervisory Board. The Supervisory Board agrees with the statements in the management report on the further growth of the Company. The Supervisory Board has issued its agreement with the result of the audit of the annual financial statements and approved the annual financial statements of Deutsche EuroShop AG and the consolidated financial statements of the Deutsche EuroShop Group; the annual financial statements are therefore approved. In addition, the Supervisory Board endorsed the Executive Board's proposal for the appropriation of profits only to pay a dividend amounting to 4% of share capital (equivalent to a total dividend of €2,471,343.76 or €0.04 per share) from the unappropriated surplus remaining after allocation to other retained earnings in accordance with section 254 (1) of the German Stock Corporation Act (AktG) and to carry forward the remaining amount of the unappropriated surplus of €41,311,535.80 to the new accounts. Notwithstanding the recent suspension of or limits on dividend payments due to the coronavirus, we intend to continue our dividend policy focused on continuity once this exceptional situation has stabilised.

The impact of the coronavirus poses a particular challenge in day-to-day work. At the beginning of the pandemic, the hygiene and distancing regulations were new to all of us. However, we managed very quickly to develop and implement secure operating concepts for the shopping centers and company administration. Together with the Executive Board, we are making intensive efforts in this extraordinary and ongoing pandemic situation to find the best possible solutions for all stakeholders of Deutsche EuroShop AG to address the challenges within our sphere of influence so together we can overcome the difficulties posed by the crisis and put ourselves on the right track.

The Supervisory Board would like to thank the Executive Board and all employees of Deutsche EuroShop AG for their reliability, hard work, dedication and commitment in light of these exceptional circumstances for all of us.

Hamburg, 9 April 2021

R. Strecker

Reiner Strecker, Chairman

CORPORATE GOVERNANCE 2020

AND DECLARATION ON CORPORATE GOVERNANCE

Deutsche EuroShop is a transparent company that operates in accordance with a strategy geared towards long-term success. This focus on constancy is a key aspect of our corporate culture. Based on the legal and company-specific conditions governing management of a listed company, we strive to promote the trust of investors, creditors, employees, business partners and the public in the management and supervision of our Company. This goal is consistent with the requirements of a demanding corporate governance system. In conformity with principle 22 of the Deutscher Corporate Governance Kodex (German Corporate Governance Code) as well as section 289f (1) of the Handelsgesetzbuch (HGB – German Commercial Code), this declaration contains a report by the Executive Board, also on behalf of the Supervisory Board, on corporate governance.

OBJECTIVES AND STRATEGY

The management focuses on investments in high-quality shopping centers in city centers and established locations offering the potential for stable, long-term value growth. A key investment target is the generation of high surplus liquidity from 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 of investment. Indexed and turnover-linked commercial rents form the basis to achieve the high earnings targets.

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

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

DIVERSIFIED SHOPPING CENTER PORTFOLIO

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 (1a) 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 fundamental 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 continuously monitor the market and make portfolio adjustments through acquisitions and sales when economically attractive opportunities arise. Rapid decision-making chains as well as considerable flexibility regarding potential investments and financing structures allow Deutsche EuroShop to react to very wide-ranging competitive situations. At the same time, the Group's management focuses on optimising the value of the existing portfolio of properties.

TAILORED RENT STRUCTURE

One key component of the rental model is a tailored rent structure. While individual owners in city centers are often concerned with achieving the highest possible rents for their property (which results in a monostructured retail offering), we ensure an attractive sector mix and long-term optimisation of our rental income through combined costing. Rental partners pay sector-specific and turnover-linked rent that is regularly hedged through indexed minimum rents during the rental period.

THE SHOPPING EXPERIENCE CONCEPT

We have outsourced center management to an experienced external partner, Hamburg-based ECE Marketplaces GmbH & Co. KG (formerly ECE Projektmanagement GmbH & Co. KG) (ECE). ECE has been designing, planning, building, letting and managing shopping centers since 1965. The Company is currently the European market leader, with around 200 shopping centers under management. We consider professional center management to be the key to the success of a shopping center. In addition to guaranteeing standard opening hours and a consistently friendly, bright, safe and clean shopping environment, the center management can make use of unusual displays, promotions and exhibitions to turn shopping into an experience. As a long-term average, between 500,000 and 600,000 people visit our 21 centers on average every day and are captivated 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 lively marketplaces where there is always something new and spectacular on offer. In addition, we are constantly adding new products and services that are being developed as part of the ongoing integration of bricks-and-mortar retailing and online shopping sites, for example Digital Mall, and that further enhance the shopping experience and level of service for our customers. Some of these include Click & Collect and shop delivery services.

WORKING METHODS OF THE EXECUTIVE AND SUPERVISORY BOARDS

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

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

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

The Supervisory Board and its committees also discuss other topical issues with the Executive Board as required. Transactions requiring the approval of the Supervisory Board are discussed and resolved upon at the scheduled meetings. Online retailing, its impact on footfall and sales in centers and the countermeasures taken to combine the strategic advantages of our shopping centers with the opportunities afforded by e-commerce are becoming increasingly important in reporting to the Executive Board. In financial year 2020, discussions and decisions were focused on the short-term and expected medium-term impacts of the COVID-19 pandemic. In addition, legal changes within our Company are discussed between the Executive Board and the Supervisory Board at an early stage and any changes that are potentially required to meet legal requirements are prepared.

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

CORPORATE GOVERNANCE 2020

The Government Commission for the German Corporate Governance Code adopted a fundamentally amended German Corporate Governance Code on 16 December 2019, which came into force on 20 March 2020.

THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

The Supervisory and Executive Boards performed their statutory duties in financial year 2020 in accordance with the applicable laws and the Articles of Association. The strategic orientation of the Company was coordinated between the Executive Board and the Supervisory Board, and the progress of strategy implementation was discussed at regular intervals. The Supervisory Board was informed regularly, promptly and in detail of business developments and the risk situation by the Executive Board. Detailed information on the main areas of focus of its activities in financial year 2020 can be found in its report in the Annual Report 2020 of Deutsche EuroShop AG.

In financial year 2020, there were no advisory or other contracts for work or services in existence between members of the Supervisory Board and the Company.

COMPOSITION AND DIVERSITY

Supervisory Board

In 2015, the Supervisory Board added a diversity concept to the goals specified in 2012 for its composition, both of which were confirmed in 2017 and last updated in 2019. The Supervisory Board gears 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 for the Supervisory Board to 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, law and business management. It is intended that the proportion of women on the Supervisory Board is at least 30%. The upper age limit for members of the Supervisory Board is 70. The Supervisory Board also takes the view that professional qualifications and skills should be the key criteria for its members. For that reason, no rule has been adopted as to the length of time for which members may serve on the board.

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

The current competence matrix is as follows:

	Reiner Strecker	Karin Dohm	Dr Anja Disput	Henning Eggers	Dr Henning Kreke	Alexander Otto	Claudia Plath	Klaus Striebich	Roland Werner
Retail sector	x				x	x		x	x
Real estate			x			x	x	x	
Business management	x			x	x	x	x	x	x
Accounting	x	x		x	x		x		x
Funding		x		x			x		
Capital market	x	x		x	x	x			x
Law		x	x						
Corporate governance	x	x	x	x	x	x	x		

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

Roland Werner's mandate period ended at the virtual Annual General Meeting on 16 June 2020. The Annual General Meeting re-elected Roland Werner as a member of the Supervisory Board at the proposal of the Board of Directors.

Based on its own assessment, the Supervisory Board continues to have an adequate number of independent members. Five of the nine Supervisory Board members are independent. These are Reiner Strecker, Karin Dohm, Dr. Anja Disput, Roland Werner and Klaus Striebich.

The length of service on the Supervisory Board ranges from 1.5 to 18.5 years, the average being almost 7 years (as of 31 December 2020).

Last name	Function	Since	Until the AGM, which will decide on ...	AGM in	Membership (years) on the Supervisory Board as of December 2020
Reiner Strecker	Chairman	13.07.2012	2021	2022	8.5
Karin Dohm	Deputy Chairwoman and Financial Expert	13.07.2012	2021	2022	8.5
Klaus Striebich		13.07.2012	2021	2022	8.5
Alexander Otto		18.06.2002	2022	2023	18.5
Dr Henning Kreke		20.06.2013	2022	2023	7.5
Henning Eggers		12.06.2019	2023	2024	1.5
Dr Anja Disput		12.06.2019	2023	2024	1.5
Claudia Plath		12.06.2019	2023	2024	1.5
Roland Werner		18.06.2015	2024	2025	5.5
Durchschnitt:					**6.8**

The Supervisory Board assesses its effectiveness and that of its committees (self-assessment) every two years on the basis of a questionnaire. The members of the Supervisory Board have the opportunity to express criticism, make suggestions and propose improvements. The efficiency review has potential implications, which are discussed on the Supervisory Board and, where necessary, implemented in the Supervisory Board's work. The last self-assessment took place in January 2021.

No deductible is provided for the D&O insurance policy of the Supervisory Board. 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 supervises and advises the Executive Board in its management activities in accordance with the provisions of German company law and its rules of procedure. It appoints members of the Executive Board, and significant business transacted by the Executive Board is subject to its approval. The Supervisory Board is composed of nine members, who are elected by the Annual General Meeting.

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

The members of the Supervisory Board are:

- **Reiner Strecker,** Chairman
- **Karin Dohm,** Deputy Chairwoman
- **Dr Anja Disput**
- **Henning Eggers**
- **Dr Henning Kreke**
- **Alexander Otto**
- **Claudia Plath**
- **Klaus Striebich**
- **Roland Werner**

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

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

Mr Eggers, Dr Kreke and Mr Strecker are members of the **Capital Market Committee**. The Capital Market Committee is chaired by Mr Eggers. The position of Deputy Chairman is held by Mr Strecker. The Supervisory Board's powers relating to the utilisation of approved capital and conditional capital were transferred to the committee for decision-making and processing. In addition, decisions on the approval of the Supervisory Board for loan agreements are also delegated to this committee in individual cases if these meet the criteria of a transaction requiring approval.

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 and planning, and the establishment, implementation and monitoring of risk management.

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

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

As of 31 December 2020, the Executive Board of Deutsche EuroShop AG comprised two members.

Wilhelm Wellner
Born 8 March 1967
First appointed: 2015
Appointed until: 30 June 2025

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

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

Olaf Borkers joined Deutsche EuroShop AG in 2005 as a member of the Executive Board. He is also a Managing Director and Director at various companies in the Deutsche EuroShop Group, and is responsible for ESG issues (environmental, social and governance) on the Executive Board.

Together with the Executive Board, the Supervisory Board ensures long-term succession planning. The Supervisory Board devotes particular attention to the deferred end of the terms of office of the two Executive Board members in combination with their respective experience and areas of expertise. Discussions and negotiations for potentially extending terms of office begin at least one year before the end of the current term of office, so that internal and external successors can be appointed.

Quota of women

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

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

The quota of women on the two-member Executive Board as of 31 December 2020 was 0%.

In March 2021, Mr Wellner's term in office on the Executive Board, which ends on 31 December 2021, was extended until 30 June 2025 in view of his performance and qualifications. Continuity and experience gained with the business model are also important to the Company's success, in particular during difficult periods. The expansion of the Executive Board to three members is neither appropriate nor reasonable due to the low number of employees and to the specifics of a holding company.

The quota of women in the first management level below the Executive Board, which consists of two people, also stood at 0% on 31 December 2020.

SHAREHOLDINGS

Executive Board

As of 31 December 2020, the Executive Board held a total of 8,500 shares, less than 1% of Deutsche EuroShop AG's share capital.

Supervisory Board

As of 31 December 2020, the Supervisory Board held a total of 12,421,462 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 2020 in accordance with section 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act):

Name / Firma	Name of financial instrument	Type of transaction	Date	Price (€)	Number	Total volume (€)	Place
Klaus Striebich	Share*	Purchase	25.09.2020	9.537	3,000	28,611.00	Tradegate
Claudia Plath	Share*	Purchase	28.09.2020	10.04	1,000	10,040.00	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co.	Share*	Purchase	28.09.2020	10.00	2,031	20,310.00	CBOE EUROPE – BXE DARK ORDER BOOK
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co.	Share*	Purchase	28.09.2020	9.9681	11,325	112,889.22	CBOE EUROPE – BXE PERIODIC
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co.	Share*	Purchase	28.09.2020	10.00	9,703	97,030.00	Posit Dark
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co.	Share*	Purchase	28.09.2020	9.9973	3,388	33,871.00	UBS MTF
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co.	Share*	Purchase	28.09.2020	10.00	50,000	500,000.00	CBOE Europe – LIS Service
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co.	Share*	Purchase	28.09.2020	10.00	1,474	14,740.00	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co.	Share*	Purchase	28.09.2020	9.9325	50,000	496,625.00	Liquidnet Systems
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co.	Share*	Purchase	28.09.2020	9.9906	6,416	64,099.70	CXE DARK

* ISIN: DE0007480204

Name / Firma	Name of financial instrument	Type of transaction	Date	Price (€)	Number	Total volume (€)	Place
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co.	Share*	Purchase	28.09.2020	9.9427	37,266	370,524.67	Turquoise Plato
Claudia Plath	Share*	Purchase	29.09.2020	10.01	3,000	30,030.00	Xetra
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co.	Share*	Purchase	30.09.2020	10.4923573	55,000	577,079.65	Outside a trading venue
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co.	Share*	Purchase	01.10.2020	10.786717	108,047	1,165,472.39	Outside a trading venue
Kommanditgesellschaft CURA Vermögensverwaltung G.m.b.H. & Co.	Share*	Purchase	02.10.2020	10.850239	6,561	71,188.42	Outside a trading venue
Claudia Plath	Share*	Sell	23.10.2020	12.07	2,000	24,140.00	Xetra

* ISIN: DE0007480204

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. The COVID-19 Mitigation Act allowed companies to hold a virtual Annual General Meeting in financial year 2020 to avoid the risk of infections. In this context, the rights of shareholders were partially restricted. Our Company also held a virtual Annual General Meeting in June 2020. In doing so, the management endeavoured to ensure maximum transparency: In the run-up to the Annual General Meeting, the speech of the Executive Board was published on the Internet three days before the end of the period for submitting questions, and at the Annual General Meeting all questions were answered in detail by the management.

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 at physical and virtual conferences 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 streamed on 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.

COMPLIANCE MANAGEMENT

The Executive Board has set up a compliance management system suitable for a holding company and gives appropriate consideration to legal and corporate governance requirements at a key affiliated service provider. In financial year 2019, the compliance management system and the internal control system (ICS) were adapted in particular to the requirements of ARUG II (Act on the Implementation of the Shareholders' Rights Directive), which came into force on 1 January 2020. The Company set up a whistleblower system for the collection of anonymous internal and external information in the first quarter of 2018.

ACCOUNTING AND AUDITS

The Deutsche EuroShop Group prepares its financial statements according to International Financial Reporting Standards (IFRS) 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 preparation of the financial statements. The Chairwoman of the Audit Committee commissions the auditor of the annual financial statements, as elected by the Annual General Meeting. The stricter requirements for auditor independence are met in this process.

At the Annual General Meeting on 16 June 2020, BDO AG Wirtschaftsprüfungsgesellschaft was elected as the statutory auditor for the consolidated financial statements for financial year 2020. BDO AG Wirtschaftsprüfungsgesellschaft audited the annual and consolidated financial statements of Deutsche EuroShop AG from 2005 to 2020 without interruption. The responsible auditors within the audit company changed several times during the above-mentioned period. The current auditor, Christoph Hyckel, audited the annual financial statements of our Company for the seventh time in this function in 2020. For the auditor and co-signatory Olaf Oleski, this is the first audit of our Company's annual financial statements. BDO also provided other consultancy services for our Company in financial year 2020 in the amount of €4 thousand.

OUTLOOK

The composition of the Supervisory Board changed significantly with the election of three new members in June 2019. 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 February 2021, 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 2021 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 16 December 2019), subject to a limited number of exceptions as indicated below.

The consolidated financial statements are published within 120 days of the end of the financial year (Code section F.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.

The required adjustment to the remuneration system of the Executive Board on the basis of ARUG II has not yet been completed (Code sections G.1 to G.5).

The recommendations contained in sections G.1 to G.5 of the German Corporate Governance Code relate to a remuneration system of the Executive Board as defined by the Act Implementing the Second Shareholder Rights Directive (ARUG II). The current remuneration system of the Company's Executive Board does not meet these recommendations in full.

The Supervisory Board intends to present a remuneration system for the Executive Board to the Annual General Meeting on 18 June 2021, thus within the implementation deadline specified by ARUG II.

Hamburg, 16 February 2021

The Executive Board and the Supervisory Board
Deutsche EuroShop AG

LEGAL

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DISCLAIMER

Information on wording: Wherever any terms indicating the male gender only (he, him, etc.) have, in the interests of simplicity, been used in this Annual Report, such references should be construed as referring equally to the female gender. **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 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 2020, Quarterly Statement 9M 2020 and Interim Report H1 2020 (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.

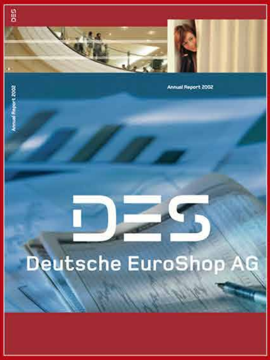
Convenience Translation – the German version is the only binding version

Altmarkt-Galerie Dresden

20 YEARS

Deutsche EuroShop

2001



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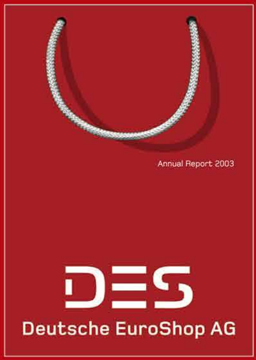

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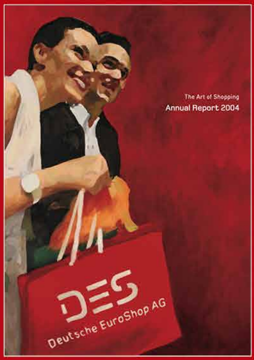

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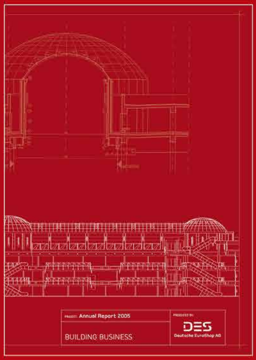
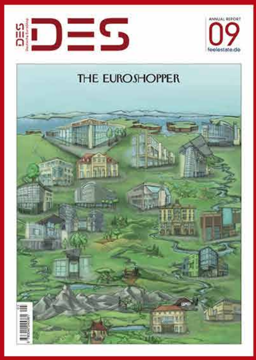


2005

2006

2007

2008



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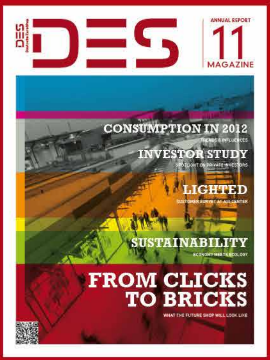
2010



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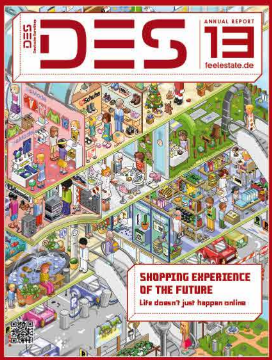

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2014

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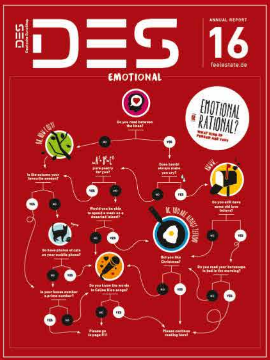

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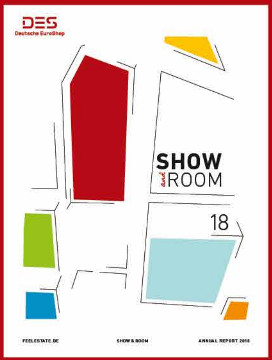
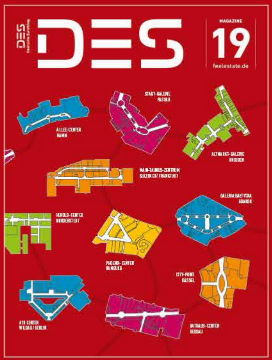


2018



2019

2020