Deutsche EuroShop

ANNUAL REPORT ´21

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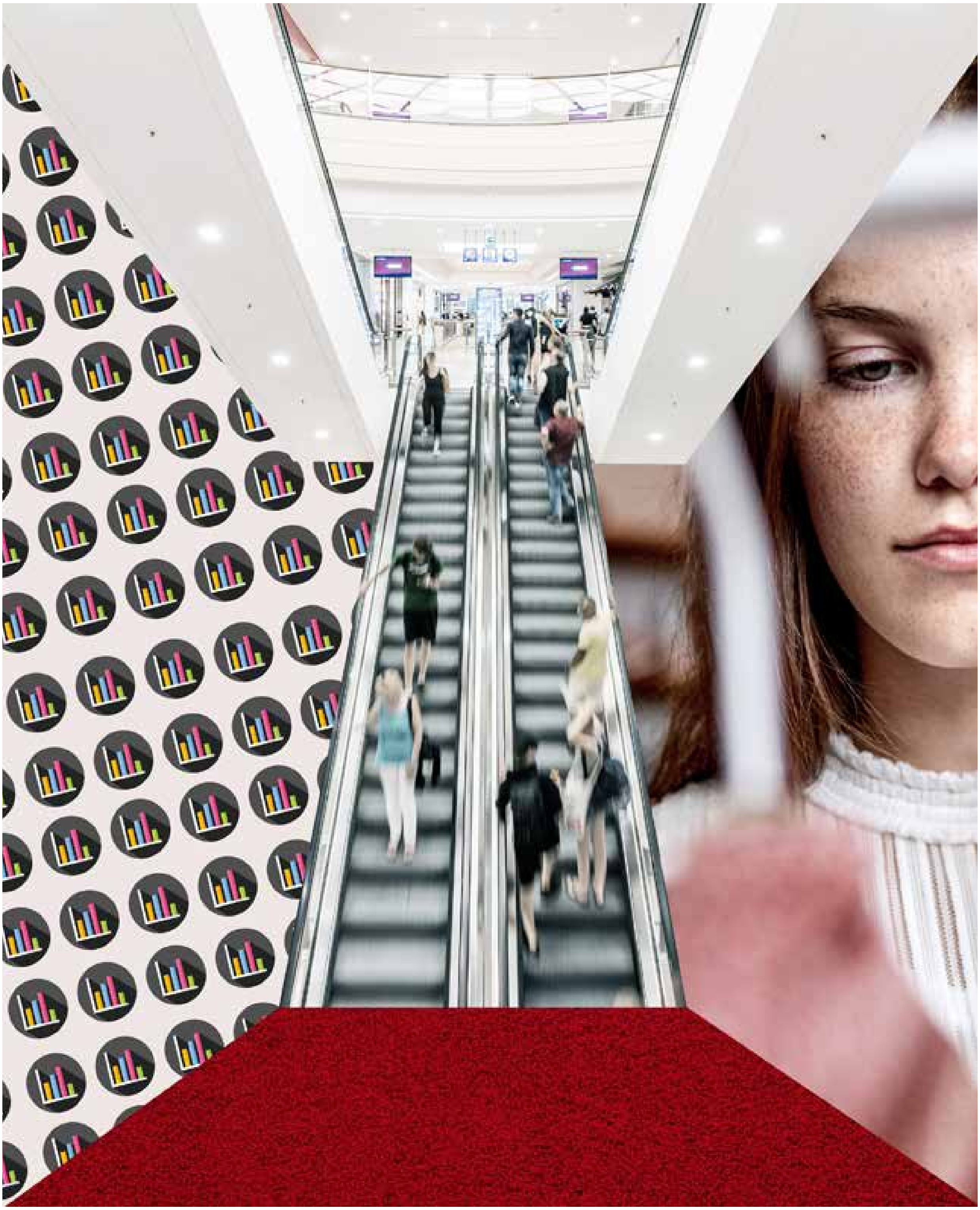


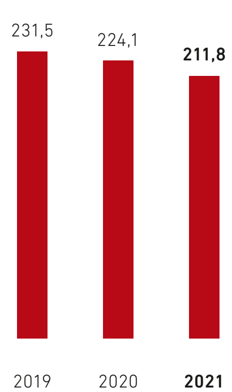
RETAILTAINMENT

KEYFIGURES

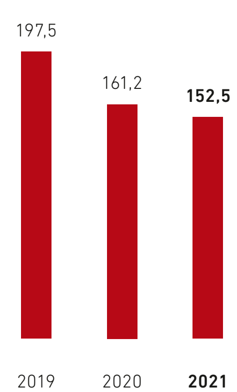
in € millions / per share in €	2021	2020	+/-
Revenue	211,8	224,1	-5 %
EBIT	152,5	161,2	-5 %
Net finance costs (excluding measurement gains / losses [1])	-26,9	-33,6	20 %
EBT (excluding measurement gains / losses [1])	125,6	127,6	-2 %
Measurement gains / losses [1]	-54,7	-429,6	87 %
Consolidated profit	59,9	-251,7	
FFO	1,98	2,00	-1 %
Earnings	0,97	-4,07	
EPRA Earnings	1,97	2,02	-2 %
Equity [2]	2.377,8	2.314,8	3 %
Liabilities	1.901,0	1.922,6	-1 %
Total assets	4.278,8	4.237,4	1 %
Equity ratio in % [2]	55,6	54,6	
Loan to value (LTV) in %	30,5	32,9	
LTV ratio ("look-through") in % [4]	33,3	35,8	
Cash and cash equivalents	328,8	266,0	24 %
Net tangible assets (EPRA)	2.374,5	2.309,7	3 %
Net tangible assets per share in € (EPRA)	38,43	37,38	3 %
Dividend per share in €	1,00 [3]	0,04	

[1] Including the share attributable to equity-accounted joint ventures and associates
[2] incl. non controlling interests
[3] proposal
[4] Ratio of net financial liabilities to long-term assets, calculated on the basis of the group share

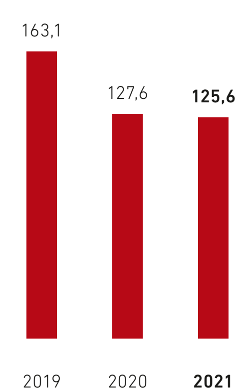
REVENUE
in € million



EBIT
in € million

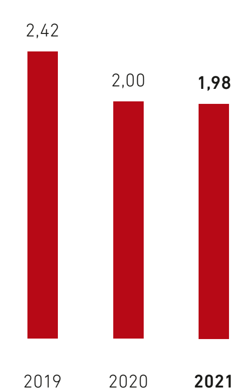


EBT *
in € million



* excluding measurement gains / losses

FFO per share
in €



CONTENTS

COMBINED MANAGEMENT REPORT

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

The remuneration report is no longer part of the combined management report. It will be published together with the note on the formal audit on the website of Deutsche EuroShop AG no later than the date of publication of the invitation to the Annual General Meeting.

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.

These 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 statements.

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

Objectives and strategy

The management focuses on investments in high-quality shopping centers in city centers and established locations offering 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 revenue-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 term (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.

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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. It continuously monitors the market and makes 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 (ECE), based in Hamburg. The ECE Group has been designing, planning, building, letting and managing shopping centers since 1965. The Company is currently the European market leader, with some 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 marketplaces 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 Group 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 ancillary cost 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 performance is periodically (quarterly) compared against these targets and current projections. In addition, the value drivers behind the management indicators, such as rental income, visitor numbers, re-letting 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 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

According to calculations by the Federal Statistical Office, gross domestic product (GDP) rose by 2.7% in the year under review despite the ongoing pandemic situation and increasing supply and materials bottlenecks. Despite this recovery, this did not compensate for the massive slump in GDP in the previous year (–5.0%), meaning that GDP in 2021 was still 2.0% lower than in the pre-coronavirus year 2019.

In 2021, economic output increased again year on year in almost all sectors. Only construction, which actually made gains in 2020, suffered a slight decline of -0.4% due to bottlenecks in capacity and materials. Compared with 2019, no sector of the economy has yet been able to return to pre-crisis levels, with the exception of construction and information and communications, which also recorded growth during the pandemic. In particular, the economic sectors of other services (including sports, culture and entertainment) and trade, transport and hospitality continued to be affected by the coronavirus protection and closure measures, with price-adjusted gross value added in these sectors falling by 9.9% and 2.3%, respectively, compared with 2019.

Private consumer spending stabilised in 2021 at the low level of the previous year. The reduction in VAT in the first half of 2020 meant that purchases of durable goods were brought forward, and this expenditure was therefore absent in 2021. By contrast, private consumer spending on non-durable consumer goods increased, and more was spent on travel again. As in 2020, the uncertain pandemic situation led to a significantly higher household savings rate (15%) than in the pre-crisis period. Alongside exports, government fiscal consumption expenditure was again a key growth driver in 2021, rising by 3.4% in price-adjusted terms. The reasons for the increase in government spending included the procurement and supply of vaccines, the free rapid antigen tests introduced in spring 2021, and the operation of testing and vaccination centers.

The steps to open the economy in the early summer of 2021 revived demand for new employees, reducing the numbers of unemployed to an annual average of 2.6 million. This equated to unemployment of 5.7% (previous year: 5.9%). Following the previous peak of 6 million on short-time work in April 2020, the annual average number of short-time workers fell from 2.94 million to 1.85 million.

Consumer prices in Germany jumped by 3.1% versus 2020. This was due, among other things, to base effects such as the temporary reduction in VAT rates and the drop in the price of mineral oil products in the second half of 2020. However, supply bottlenecks also triggered significant price increases in the year under review. Energy products rose by 10.4%, goods by 4.3%, food by 3.2% and services by 2.1%.

Real employee pay decreased by 0.1% in the year under review, according to the German Federal Statistical Office. Whereas in 2020 it was mainly the increased use of short-time work that contributed to the negative trend for nominal and real wages, in 2021 high inflation eroded the increase in nominal wages.

According to provisional calculations by the German Federal Statistical Office, German retail sales (including online sales) posted nominal growth of 2.9% and real growth of 0.7% versus 2020. Once again, online sales were the main contributor to the positive sales trend in retail, growing by around one fifth. Online retailing, which had already seen steady and strong growth in the past, received another boost in the second year of the coronavirus pandemic as consumers shifted to this shopping option. 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.

Besides online retail, 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. However, plans pursued for years for designer outlet centers in Wuppertal and recently in Remscheid, in the catchment area of our Wuppertal shopping center, were abandoned again.

Retail sector

According to calculations by JLL, a consultancy firm in the real estate sector, an upward trend was observed again in 2021 in the conclusion of contracts for retail space in Germany following the coronavirus-induced slump of the previous year. A total of 434,600 sqm were leased in 952 transactions, equating to an increase of 13% year on year. However, the 2019 pre-crisis level of 499,900 sqm has not yet been recouped despite the significant revival. In 2021, demand was particularly strong for space of more than 1,000 sqm, which accounted for 53% of take-up. However, the German Retail Association (HDE) sees inner-city retailers as major victims of the after-effects of the coronavirus crisis and estimates that around 16,100 (4.7%) of 344,300 stores and branches in Germany were permanently closed in 2021.

HDE reports that online sales increased year on year to about €86.7 billion, an increase of approximately 19.2%. This equated to roughly a 14.7% share of total retail sales in 2021, which according to the HDE statistics came to €587.8 billion. Bricks-and-mortar retail sales in Germany fell by 0.7% in nominal terms in 2021, with bricks-and-mortar fashion retail, which is important for shopping centers, suffering a further 9% drop in sales due to the coronavirus.

Brick-and-mortar food retailers were not affected by lockdown measures and saw a slight increase in sales of 0.8% in 2021. Stationary non-food retail posted a 2.1% decline in sales.

Real estate market

According to JLL, the investment market for real estate in Germany had a record year at €111.1 billion (previous year: €81.5 billion). The 36% increase compared with 2020 shows the lack of returns-generating alternatives to real estate. Here, the office and residential asset classes continued to dominate, accounting for some 73% of the transaction volume. Retail real estate accounted for 8% of the volume (previous year: 13%). With over 70% of the invested capital, the focus of retail properties was on specialist stores, supermarkets, discounters and food-anchored retail parks.

According to calculations by real estate broker CBRE, investments in German shopping centers totalled around €0.93 billion in 2021 (previous year: €1.5 billion), representing a further decline of 38% compared with the already low level of the previous year. JLL noted continued buyer restraint in the shopping center sub-segment, as these – like department stores and downtown commercial properties – suffered substantially from pandemic-related restrictions. The share of shopping centers in the investment volume for retail properties was therefore only 9.8% in 2021.

JLL observed a decline or unchanged prime yields in the individual sectors. At the top shopping centers in Germany, top returns continued to average 4.85% at the end of the year (previous year: 4.85%).

Share price performance

After closing the year (Xetra) 2020 at €18.45, the Deutsche EuroShop share started the first weeks of 2021 with no clear trend, moving in a range of around €16 to €19. The DES share then performed erratically again, before entering a modest recovery phase from the beginning of June at prices around €20. The high for the year was reached on 13 August 2021 at €21.30. As the year progressed, the share price fell again – in line with the peer group – and reached its lowest levels in the reporting year on 3 and 13 December 2021, at €14.00 in each case. On 30 December 2021, the share exited trading with a year-end price of €14.64. Taking into account the dividend of €0.04 per share paid on 23 June 2021, this corresponded to a performance of –20.5% (previous year: –30.2%). The SDAX rose by 11.2% over the same period. Deutsche EuroShop's market capitalisation stood at €0.9 billion at the end of 2021.

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

Key consolidated figures

in € million	**01.01.– 31.12.2021**	01.01.– 31.12.2020	+/-
Revenue	211.8	224.1	–5.5%
EBIT	152.5	161.2	–5.4%
EBT (excluding measurement gains / losses [1])	125.6	127.6	–1.6%
EPRA [2] earnings	122.0	124.5	–2.1%
FFO	122.3	123.3	–0.9%
Equity ratio in % [3]	55.6	54.6	
LTV ratio in % [4]	30.5	32.9	
LTV ratio (pro rata) in % [4]	33.3	35.8	

in €	**01.01.– 31.12.2021**	01.01.– 31.12.2020	+/-
EPRA [2] earnings per share	1.97	2.02	–2.5%
FFO per share	1.98	2.00	–1.0%
EPRA [2] NTA per share	38.43	37.38	2.8%
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). The LTV ratio (pro rata) is calculated on the basis of the Group's share in the subsidiaries and joint ventures.

The coronavirus pandemic also had a significant negative impact on the Deutsche EuroShop Group in financial year 2021. The first five months in particular were massively impacted by the store closures ordered by the authorities. When businesses were reopened in early summer, the situation had improved significantly. People were coming back to cities to socialise and enjoy themselves, and were eager to take advantage of the varied shopping experiences offered by the bricks-and-mortar retail trade and to eat out at local cafés and restaurants. But this period was also still heavily affected by restrictions that had a negative impact on the Group's business model. In 2021, masks had to be worn at all times in the majority of the Deutsche EuroShop Group's shopping centers and various access restrictions were in place, which were also tightened further as the number of infections increased from autumn onwards – for example, 2G (vaccinated or recovered) and 2G+ (vaccinated or recovered and tested) in the retail and food and beverages sectors.

Footfall at our shopping centers reflected the course of the pandemic in 2021. While visitor numbers were still at 36% of pre-coronavirus levels in the first quarter of 2021 and improved to 75%, especially from the second and third quarters, they dropped again to 69% in the fourth quarter. Overall, customer traffic in 2021 was 59% of pre-coronavirus levels. Over the year, revenue from our tenants grew faster than customer footfall, averaging 69% of pre-crisis levels over 2021 as a whole. Shopping centers with fewer restrictions had an advantage here. In particular, the elimination of the mask mandate in some of the Group's centers during the year had a positive impact on these sites, and customer footfall and tenant revenue jumped on the back of pent-up demand as restrictions were eased further.

To manage the negative impact and aftermath of the lockdown on bricks-and-mortar retail, the Group proactively proposed partnership-based solutions and reached agreements with the majority of its tenants. In addition, the significant improvement in government assistance programmes afforded retailers some relief, which is helping to safeguard the Group's properties. The Deutsche EuroShop Group itself has been granted €2 million for financial year 2021 under the third round of the bridging assistance programme. The occupancy rate was 94.3% as at the reporting date, compared with 95.4% at the end of 2020.

The Group's key financial figures reflect the impact of the pandemic and store closures in the first five months of the financial year and their aftermath. Revenue and EBIT came in at €211.8 million (–5.5%) and €152.5 million (–5.4%) respectively, down on the same period in the previous year, which itself had been affected – albeit to a lesser extent – by the business closures during the first lockdown. Earnings before taxes and measurement gains/losses (EBT before measurement) fell by 1.6% to €125.6 million. EPRA earnings and FFO adjusted for measurement and non-recurring effects were €122.0 million and €122.3 million respectively, down 2.1% and 0.9% on the previous year. By contrast, the collection ratio, which describes the ratio of rent paid to rent due, improved to 94.8% from 89.6% in 2020.

Due to the great uncertainty in financial year 2021 regarding the extent and duration of the substantial impact of the coronavirus pandemic on tenants' business and thus on the Group's business outlook, it was not possible to estimate this development until the infection situation eased temporarily in the summer of 2021 as part of the publication of the half-year financial statements, with a target range for FFO per share of €1.70 to €1.90 for 2021. With FFO per share of €1.98, this range was exceeded. The main reasons for this were lower defaults coupled with smaller declines in rents than previously forecast.

RESULTS OF OPERATIONS OF THE GROUP

RESULT OF OPERATIONS

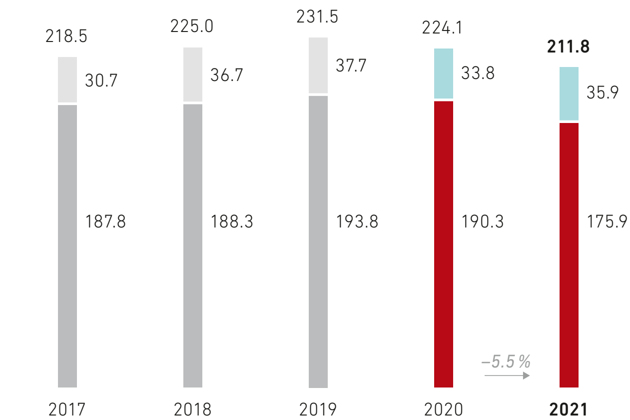
in € thousand	01.01. – 31.12.2021		01.01. – 31.12.2020		Change +/-	Change in %
Revenue		211,752		224,104	–12,352	–5.5
Operating and administrative costs for property		–32,547		–28,288	–4,259	–15.1
Write-downs and derecognition		–25,029		–29,218	4,189	14.3
NOI		**154,176**		**166,598**	**–12,422**	**–7.5**
Other operating income		6,265		2,400	3,865	161.0
Other operating expenses		–7,940		–7,759	–181	–2.3
EBIT		**152,501**		**161,239**	**–8,738**	**–5.4**
At-equity profit / loss	*29,612*		*–51,482*			
Measurement gains / losses (at equity)	*–4,092*		*73,786*			
Deferred taxes (at equity)	*132*		*717*			
At-equity (operating) profit / loss		25,652		23,021	2,631	11.4
Interest expense		–39,188		–43,716	4,528	10.4
Profit / loss attributable to limited partners		–13,408		–13,501	93	0.7
Other financial gains / losses		7		547	–540	–98.7
Financial gains / losses (excl. measurement gains / losses)		**–26,937**		**–33,649**	**6,712**	**19.9**
EBT (excl. measurement gains / losses)		**125,564**		**127,590**	**–2,026**	**–1.6**
Measurement gains / losses	*–58,821*		*–355,845*			
Measurement gains / losses (at equity)	*4,092*		*–73,786*			
Measurement gains/losses (including at-equity profit/loss)		–54,729		–429,631	374,902	87.3
Taxes on income and earnings		–3,293		–4,267	975	22.8
Deferred taxes	*–7,465*		*55,308*			
Deferred taxes (at equity)	*–132*		*–717*			
Deferred taxes (including at equity)		–7,597		54,591	–62,189	–113.9
CONSOLIDATED PROFIT		**59,945**		**–251,717**	**311,662**	**123.8**

Revenue affected by the coronavirus pandemic

Consolidated revenue was down 5.5% for the financial year, from €224.1 million to €211.8 million. This was due in particular to the rent concessions agreed with tenants, which generally provided for a 50% rent waiver for the closure periods. These were recognised directly in revenue as of the date specified in writing. Up to that point in time, revenues include the original rent owed, and rent concessions are booked under write-downs and derecognition of receivables.

The coronavirus pandemic also resulted in defaults by tenants who got into payment difficulties, partial losses of revenue-linked rent, longer re-letting periods, higher vacancy rates owing to the coronavirus pandemic and changes to rental conditions on average. These were additional factors that contributed to the decline in revenue and deterioration in earnings.

REVENUE*
in € million



Domestic Abroad

* 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 2017 to 2018 is therefore only possible to a limited extent.

REVENUE

in € thousand	01.01.– 31.12.2021	01.01.– 31.12.2020	Change +/-	Change in %
Main-Taunus-Zentrum, Sulzbach	34,442	35,715	–1,273	–3.6
Altmarkt-Galerie, Dresden	24,283	25,995	–1,712	–6.6
A10 Center, Wildau	18,317	21,984	–3,667	–16.7
Rhein-Neckar-Zentrum, Viernheim	17,044	17,757	–713	–4.0
Herold-Center, Norderstedt	11,794	12,633	–839	–6.6
Billstedt-Center, Hamburg	10,732	11,366	–634	–5.6
Allee-Center, Hamm	10,036	11,482	–1,446	–12.6
Forum, Wetzlar	9,522	9,786	–264	–2.7
City-Galerie, Wolfsburg	9,039	9,796	–757	–7.7
City-Arkaden, Wuppertal	8,601	9,419	–818	–8.7
City-Point, Kassel	7,465	8,741	–1,276	–14.6
Rathaus-Center, Dessau	7,442	7,990	–548	–6.9
Stadt-Galerie, Hameln	6,344	6,520	–176	–2.7
DES Verwaltung GmbH	837	1,153	–316	–27.4
Domestic	**175,898**	**190,337**	**–14,439**	**–7.6**
Galeria Baltycka, Gdansk	15,823	12,517	3,306	26.4
Olympia Center, Brno	20,031	21,250	–1,219	–5.7
Abroad	**35,854**	**33,767**	**2,087**	**6.2**
TOTAL	**211,752**	**224,104**	**–12,352**	**–5.5**

Center operating expenses up on previous year due to higher non-apportionable ancillary costs

Operating center expenses of €32.5 million in the reporting period (previous year: €28.3 million), which mainly comprised center management fees, non-apportionable ancillary costs, land taxes, building insurance and maintenance, increased year on year by 15.1%. Operating center expenses as a percentage of revenue increased from 12.6% to 15.4%. This was due to higher vacancy-related, non-apportionable ancillary costs, which could not be fully offset despite the timely introduction of targeted cost-cutting measures.

Coronavirus-related write-downs impacted the financial year once again

Write-downs and the derecognition of receivables weighed heavily on earnings in 2021 as well, at €25.0 million (previous year: €29.2 million). The extent of the write-downs depended on the respective status of negotiations with tenants regarding lockdown-related rent reductions as well as on tenant payment patterns.

Write-downs and the derecognition of receivables in the reporting period of €17.8 million took into account both the rental concessions already contractually agreed – insofar as they did not directly reduce revenue – and the further rental concessions expected on receivables outstanding as at the reporting date. In addition, receivables had to be derecognised or written down individually (€7.2 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 €6.3 million (previous year: €2.4 million), an increase on the previous year. A coronavirus subsidy of €2.0 million recognised in income and the reimbursement of a road expansion contribution paid in 2018 in the amount of €0.5 million had a positive impact.

Other operating expenses, which mainly comprised general administrative costs and personnel costs, were the same year on year at €7.9 million (€7.8 million).

EBIT lower than last year

At €152.5 million, earnings before interest and taxes (EBIT) were down on the previous year (€161.2 million), mainly as a result of the coronavirus-related decline in revenue and the derecognition and write-down of accumulated rental arrears.

Improvement in financial gains / losses excluding measurement effects

At €–26.9 million, financial losses (excluding measurement gains / losses) improved year on year (previous year: €–33.6 million). Although the at-equity profit (operating) was again negatively impacted by coronavirus-related write-downs on rent receivables and revenue arrears, the effect was lower than in the previous year. In addition, more favourable refinancing had a positive effect on the at-equity result. The interest expenses of Group companies were reduced by a further €4.5 million. Alongside scheduled repayments, the refinancing terms agreed at lower interest rates for the City-Arkaden Wuppertal, the Billstedt-Center and the City-Galerie Wolfsburg had a particularly positive effect here. The share of earnings attributable to limited partners decreased slightly (by €0.1 million).

INCOME STATEMENT OF THE JOINT VENTURES

in € thousand	01.01.– 31.12.2021	01.01.– 31.12.2020	Change +/-	Change in %
Allee-Center, Magdeburg	8,196	8,158	38	0.5
Phoenix-Center, Harburg	6,708	7,084	–376	–5.3
Stadt-Galerie, Passau	7,282	7,004	278	4.0
City-Arkaden, Klagenfurt	6,314	5,790	524	9.1
Saarpark-Center, Neunkirchen	5,845	5,824	21	0.4
Árkád, Pécs	4,229	4,209	20	0.5
Other	40	29	12	42.9
Revenue	**38,614**	**38,098**	**517**	**1.4**
Operating and administrative costs for property	–5,693	–6,324	630	10.0
Write-downs and derecognition of receivables	–3,833	–5,013	1,180	23.5
NOI	**29,088**	**26,761**	**2,327**	**8.7**
Other operating income	605	364	241	66.2
Other operating expenses	–699	–384	–315	–82.0
EBIT	**28,994**	**26,741**	**2,253**	**8.4**
Interest income	0	6	–6	–100.0
Interest expense	–3,172	–3,720	548	14.7
Other financial gains / losses	0	88	–88	–100.0
Financial gains / losses	**–3,172**	**–3,626**	**454**	**12.5**
Taxes on income and earnings	–170	–94	–76	–80.9
At-equity profit (excluding measurement gains / losses)	**25,652**	**23,021**	**2,631**	**11.4**
Measurement gains / losses	4,092	–73,786	77,878	105.5
Deferred taxes	–132	–717	585	81.6
SHARE OF PROFIT / LOSS	**29,612**	**–51,482**	**81,094**	**157.5**

EBT (excluding measurement gains / losses) down as a result of the pandemic

The improved net financial income (excluding measurement gains / losses) was not enough to offset the decline in EBIT, with the result that EBT (excluding measurement gains / losses) fell year on year from €127.6 million to €125.6 million (–1.6%).

Small net measurement loss in a changed market environment

As in the previous year, the coronavirus pandemic likewise had a negative impact on the measurement of the Group's real estate assets (IAS 40). The impact of the ongoing pandemic continued to be felt even after retail and gastronomy were reopened subject to restrictions and led to a further change in property values.

The measurement loss of €–54.7 million (previous year: €–427.6 million) resulted from the measurement of the Group's real estate assets (IAS 40) and in the previous year, at €2.0 million, from the goodwill write-down for Olympia Brno. The goodwill write-down for Olympia Brno was the result in the previous year 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 in 2020.

Measurement losses on real estate assets, after minority interests, broke down into €–58.8 million (previous year: €–353.8 million) from the measurement of the real estate assets reported by the Group and €4.1 million (previous year: €–73.8 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 –1.5% (previous year: –10.7%); individual measurement gains/losses ranged between –7.9% and 2.9%. With market yields largely unchanged over the course of the financial year due to a dearth of market transactions, adjusted market rents and longer post-rental periods had a particular strong impact here. The occupancy rate at the end of the year was 94.3% (–1.1 percentage points).

Increase in taxes on income and earnings, deferred taxes

Taxes on income and earnings fell to €3.3 million (previous year: €4.3 million) as a result of the decline in profit.

Deferred tax provisions, including the share included in the at-equity result, increased by €7.6 million in the year under review as a result of the write-downs of the tax balance sheet values and the decline in the fair values of real estate (previous year: reversal of €54.6 million).

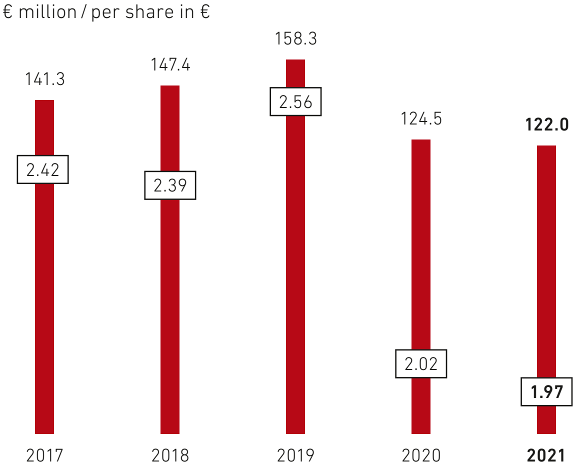
EPRA earnings down

EPRA earnings, which exclude measurement gains / losses, fell significantly to €122.0 million or €1.97 per share, due mainly to the decline in revenue.

At €59.9 million, consolidated profit increased markedly by €311.6 million compared with the same period in the previous year (€–251.7 million), which recorded a significantly higher measurement loss. Earnings per share were up accordingly from €–4.07 to €0.97, a rise of €5.04.

EPRA EARNINGS

in € million / per share in €



EPRA EARNINGS

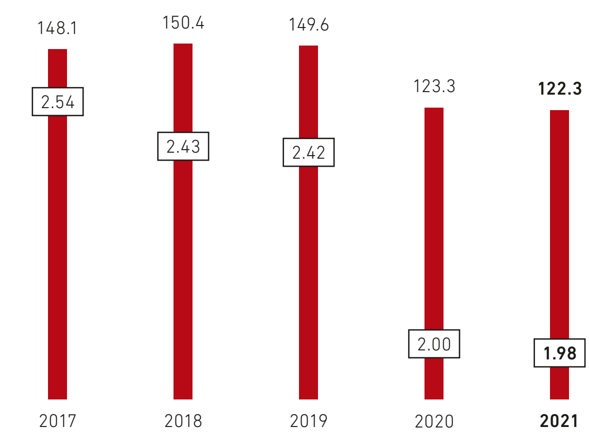
	01.01. – 31.12.2021		01.01. – 31.12.2020	
	in € thousand	per share in €	in € thousand	per share in €
Consolidated profit	59,945	0.97	–251,717	–4.07
Measurement gains / losses on investment properties [1]	54,729	0.89	427,623	6.92
Measurement gains / losses on derivative financial instruments [1]	0	0.00	–88	0.00
Goodwill write-down	0	0.00	2,008	0.03
Deferred taxes in respect of EPRA adjustments [2]	7,284	0.11	–53,290	–0.86
EPRA EARNINGS	**121,958**	**1.97**	**124,536**	**2.02**
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

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 as the basis for 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. In 2021, FFO declined from €123.3 million to €122.3 million or by €0.02 per share to €1.98. 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 94.8% in 2021 (previous year: 89.6%).

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



FUNDS FROM OPERATIONS

	01.01. – 31.12.2021		01.01. – 31.12.2020	
	in € thousand	per share in €	in € thousand	per share in €
Consolidated profit	59,945	0.97	–251,717	–4.07
Measurement gains / losses on investment properties [1]	54,729	0.89	427,623	6.92
Goodwill write-down	0	0.00	2,008	0.03
Deferred taxes [1]	7,597	0.12	–54,591	–0.88
FFO	**122,271**	**1.98**	**123,323**	**2.00**
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

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. – 31.12.2021	01.01. – 31.12.2020	Change +/-	Change in %
Revenue	**226,449**	**238,391**	**–11,942**	**–5.0**
Domestic	184,061	197,880	–13,819	–7.0
Abroad	42,388	40,511	1,877	4.6
EBIT	**166,459**	**175,330**	**–8,871**	**–5.1**
Domestic	132,798	142,793	–9,995	–7.0
Abroad	33,661	32,537	1,124	3.5
EBT (excl. measurement gains / losses)	**128,074**	**132,015**	**–3,941**	**–3.0**
Domestic	101,323	106,530	–5,207	–4.9
Abroad	26,751	25,485	1,266	5.0

As a global event, the coronavirus pandemic had a massive negative impact on all our shopping centers, which countries responded to differently in the form of restrictions and protective measures. Compared with the previous year, there were fewer closed days overall in our shopping centers abroad, while their number increased in Germany. Accordingly, revenue and thus EBIT and EBT (excluding measurement gains / losses) in the segments moved in opposite directions compared with the previous year.

In this context, it is also significant that in some of our foreign centers a suspension of the rental payment obligations during the closure periods was provided for by law. This meant that in the international segment, a higher proportion of the rent concessions had already impacted earnings in 2020, while in the domestic segment a portion was only included in earnings in 2021.

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 2021, the Deutsche EuroShop Group reported the following key financial data:

in € million	31.12.2021	31.12.2020	Change
Total assets	4,278.8	4,237.4	41.4
Equity (including third-party shareholders)	2,377.8	2,314.8	63.0
Equity ratio in %	55.6	54.6	1.0
Net financial liabilities	1,173.3	1,275.4	–102.1
Loan-to-value ratio (LTV ratio) in %	30.5	32.9	–2.4

At €2,377.8 million, the Group's economic equity capital, which comprises the equity of the Group shareholders (€2,062.9 million) and the equity attributable to third-party shareholders (€314.9 million), was up on the previous year due to the positive Group result (previous year: €2,314.8 million). The equity ratio increased year on year to 55.6% (previous year: 54.6%) and was thus still at a high level and on a firm footing.

FINANCIAL LIABILITIES

in € thousand	31.12.2021	31.12.2020	Change
Non-current bank loans and overdrafts	1,264,748	1,359,612	–94,864
Current bank loans and overdrafts	237,366	181,816	55,550
TOTAL	**1,502,114**	**1,541,428**	**–39,314**
Less cash and cash equivalents	328,839	266,030	62,809
Net financial liabilities	**1,173,275**	**1,275,398**	**–102,123**

Current and non-current financial liabilities decreased by €39.3 million from €1,541.4 million to €1,502.1 million in the reporting year as a result of scheduled repayments and the repayment of the €30 million short-term credit line drawn down beyond the last reporting date. Together with the rise in cash and cash equivalents by €62.8 million, net financial liabilities, at €1,173.3 million, were on balance €102.1 million lower than at the end of 2020 (€1,275.4 million).

The net financial liabilities existing at the end of the year are used exclusively to finance non-current assets. This brought the percentage of non-current assets financed with debt capital (LTV) at the reporting date to 30.5% (previous year: 32.9%). Based on the segment reporting approach, which takes into account the Group's pro-rata share in joint ventures and subsidiaries, the LTV ratio as at the reporting date was 33.3% (previous year: 35.8%).

The financing terms for consolidated borrowing as at 31 December 2021 were fixed at 2.09% p. a. (previous year: 2.18% p. a.) with an average residual maturity of 4.7 years (previous year: 5.1 years). The loans to Deutsche EuroShop are maintained as credit facilities with 22 banks and savings banks in Germany, Austria and the Czech Republic.

LOAN STRUCTURE

as at 31 December 2021

Interest rate lock-in	as % of loan	in € million	Average residual maturity (years)	Average interest rate (in %)
up to 1 year	15.8	237.5	1.0	3.21
1 to 5 years	31.5	473.1	3.3	2.51
5 to 10 years	52.7	791.5	7.6	1.96
TOTAL	**100.0**	**1,502.1**	**4.7**	**2.09**

Of the 20 loans across the Group, 14 are subject to credit covenants with the financing banks. There are a total of 29 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 or suspended by mutual agreement with the banks. Based on current planning and estimates, the loan conditions will be met in 2022. With regard to the uncertainties relating to the planning period as a result of the coronavirus pandemic and the Ukraine conflict, please refer to the report on events after the reporting date.

Scheduled repayments totalling €13.4 million will be made from current cash flow during financial year 2022. Over the period from 2023 to 2025, repayments will average €10.6 million per annum.

Four loans totalling €225.6 million are due for refinancing in financial year 2022, with one loan of €105.7 million already having been extended at the beginning of 2022. One loan of €209.1 million is then to be rolled over in 2023, and one loan of €58.7 million in 2025.

Investment analysis

In financial year 2021, investments continued to be made in modernising and positioning the existing portfolio and amounted to €18.7 million after €15.1 million in the previous year.

Liquidity analysis

in € thousand	01.01. – 31.12.2021	01.01. – 31.12.2020
Net cash flow from operating activities	130,266	111,088
Cash flow from investing activities	–18,791	–14,576
Cash flow from financing activities	–48,666	21,431
Net change in cash and cash equivalents	**62,809**	**117,943**
Cash and cash equivalents at beginning of period	266,030	148,087
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**328,839**	**266,030**

The Group's operating net cash flow of €130.3 million (previous year: €111.1 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 (€18.8 million; previous year: €15.1 million).

The cash flow from financing activities of €–48.7 million included the cash outflow from current repayments of financial liabilities of €46.3 million (including the short-term drawdown of the credit line of €30.0 million repaid in January 2021), the cash inflow from the assumption of financial liabilities of €6.7 million, the dividend payment to Group shareholders of €2.5 million (previous year: €0.0 million) and a payout to third-party shareholders of €6.5 million (previous year: €7.5 million).

Cash and cash equivalents rose by €62.8 million in the year under review to €328.8 million (previous year: €266.0 million).

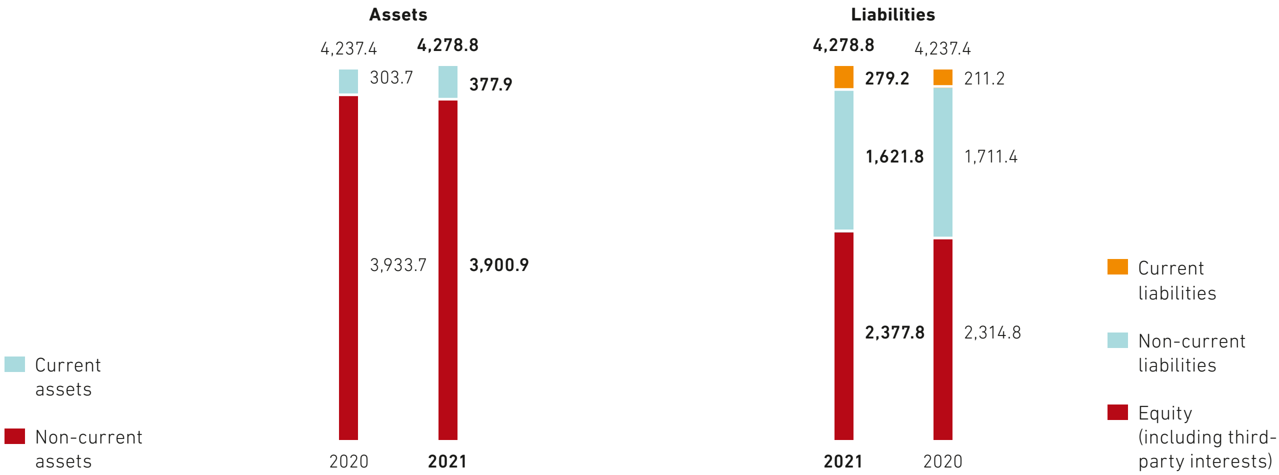
NET ASSETS OF THE GROUP

Total assets decline slightly

The Group's total assets increased by €41.4 million from €4,237.4 million to €4,278.8 million.

in € thousand	31.12.2021	31.12.2020	Change
Current assets	377,900	303,657	74,243
Non-current assets	3,900,890	3,933,724	–32,834
Current liabilities	279,230	211,169	68,061
Non-current liabilities	1,621,780	1,711,441	–89,661
Equity (including third-party interests)	2,377,780	2,314,771	63,009
TOTAL ASSETS	**4,278,790**	**4,237,381**	**41,409**

BALANCE SHEET STRUCTURE
in € million

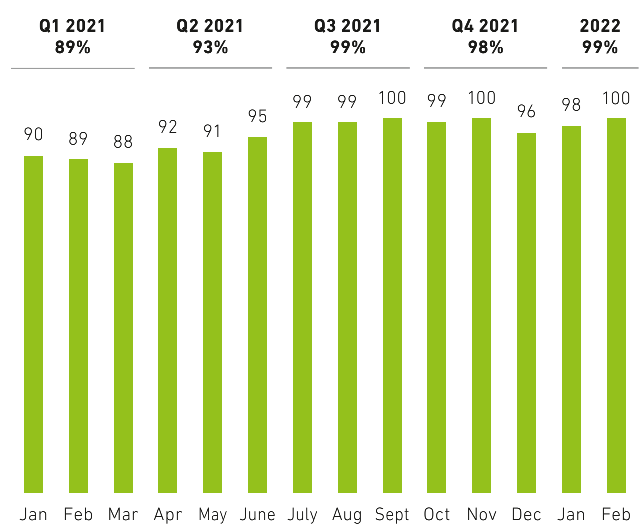


Current assets rise due to increase in cash and cash equivalents

At the end of the year, current assets amounted to €377.9 million, representing a €74.2 million rise versus the previous year (€303.7 million), which was mainly the result of a €62.8 million increase in cash and cash equivalents as at the reporting date (€328.8 million; previous year: €266.0 million).

The collection ratio, the ratio of incoming payments to rent and ancillary cost receivables from tenants, showed the following movements in each individual month in 2021 up to the end of February 2022 as a result of the coronavirus (adjustments from agreed rent reductions already taken into account):

COLLECTION RATIO
in %



The Group's receivables (after write-downs) increased accordingly by €3.0 million to €22.8 million (previous year: €19.8 million).

Other assets rose by €8.5 million from €17.8 million to €26.3 million, due in particular to rental concessions granted.

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

Non-current assets rose by €32.8 million from €3,933.7 million to €3,900.9 million in the year under review. At 91.2% (previous year: 92.8%), they are still the most significant category of total assets.

Investment properties fell by €43.6 million to €3,393.6 million, corresponding to a decline of –1.3%. While additions and the costs of investments in portfolio properties came to €18.7 million, revaluation of the property portfolio resulted in measurement losses of €62.3 million.

At-equity investments increased by €10.8 million, from €444.5 million to €455.3 million. The change is attributed to the share of profit / loss (€29.6 million) and the losses for the financial year (€18.8 million).

Current and non-current liabilities declining on the whole

The current liabilities of €279.2 million included four loans totalling €225.6 million expiring in mid-2022, of which refinancing of €105.7 million had already been extended by the time the consolidated financial statements were prepared.

Non-current liabilities fell from €1,711.4 million to €1,621.8 million, which constituted a decline of €89.6 million, owing to the reallocation of the loan maturing in mid-2022 to current liabilities, as well as to the balance from scheduled repayments and the raising of new long-term loans.

Equity (including third-party interests)

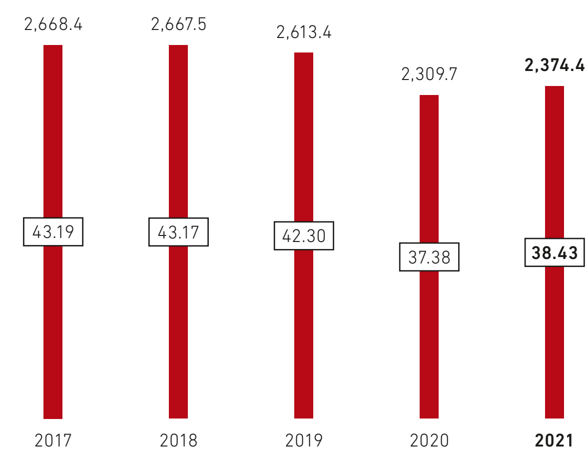
At €2,377.8 million as at the end of the reporting year, equity (including third-party shareholders) was up €63.0 million on the previous year (€2,314.8 million), mainly attributable to the consolidated profit. Redemption entitlements for third-party shareholders rose by €3.4 million, and the market values of swaps boosted equity by €2.1 million. The paid dividend reduced equity by €2.5 million.

Net tangible assets according to EPRA

Net tangible assets (NTA) stood at €2,374.4 million or €38.43 per share as at 31 December 2021, compared with €2,309.7 million or €37.38 per share in the previous year. Net tangible assets were therefore up by €1.05 per share (2.8%) year on year.

EPRA NET TANGIBLE ASSETS *

in € million / per share in €



* 2017 – 2018 EPRA NAV

EPRA NTA

	31.12.2021		31.12.2020	
	in € thousand	per share in €	in € thousand	per share in €
Equity	2,062,866	33.39	2,003,246	32.42
Derivative financial instruments measured at fair value [1]	23,398	0.38	26,138	0.42
Equity excluding derivative financial instruments	**2,086,264**	**33.77**	**2,029,384**	**32.84**
Deferred taxes on investment properties and derivative financial instruments [1]	339,937	5.50	332,059	5.38
Intangible assets	–32	0.00	–13	0.00
Goodwill as a result of deferred taxes	–51,719	–0.84	–51,719	–0.84
EPRA NTA	**2,374,450**	**38.43**	**2,309,711**	**37.38**
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

2022 started with a significant increase in the number of new coronavirus infections, which reached new highs in Germany in the spring. The protection measures and restrictions that had already been tightened at the end of 2021 (including the FFP2 mask mandate, 2G and 2G+) have therefore been retained, placing a significant burden on the retail and food and beverages sectors. Since mid-February 2022, these measures have been gradually relaxed, although it cannot be ruled out that a renewed increase in the number of infections, for example due to a new virus variant, will lead to regulations being tightened again.

At the beginning of January 2022, the German Federal Court of Justice (BGH) ruled that in the event of stores closing due to actions by the authorities to combat the COVID-19 pandemic, a claim by a tenant to adjust the rent due to disruption of business pursuant to Section 313 (1) of the Bürgerliches Gesetzbuch (BGB –German Civil Code) may be considered. The BGH stated that the applicability of Section 313 BGB will not automatically lead to a claim for an adjustment of the rent. Instead, the specific case would have to be assessed in full. As contract amendments have already been agreed with or offered to many tenants in connection with the coronavirus, or tenants have received coronavirus state support, the DES Group is not expecting any further material claims in this regard, although the possibility cannot be entirely ruled out.

The war in Ukraine, with Russian troops entering Ukrainian territory in February 2022, had no impact on the financial statements as at 31 December 2021. Besides the immense suffering of the people affected, the war will also have repercussions for the globally networked economy. Potential impacts on the Group's business performance are monitored on an ongoing basis. The current situation is very dynamic. The effects of the war cannot be assessed at present and will depend to a large extent on when the war can be brought to an end.

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 2022 (before the outbreak of the Ukraine war), forecasts that gross domestic product will grow by 3.6% in the current year. Economic performance in the first quarter will still be impacted by the coronavirus pandemic and the corresponding restrictions, and will pick up considerably as the rate of infections levels off and the restrictions are lifted.

The recovery in the labour market in 2021 despite economic weaknesses due to supply bottlenecks and coronavirus-related restrictions in the service sector is expected to continue. A further reduction in the unemployment rate from 5.7% to 5.1% is forecast. Rising employment and higher wages will enable strong growth in private consumption (projection: +6.0%).

The projection is subject to a high degree of uncertainty due to question marks concerning the further course of the pandemic. In particular, more extensive and longer-lasting containment measures may be required than anticipated. Furthermore, global infections may lead to international restrictions and supply shortages, which in turn could impact economic growth. Another significant uncertainty factor is the Ukraine war, which may also have a negative impact on economic growth.

Expected results of operations

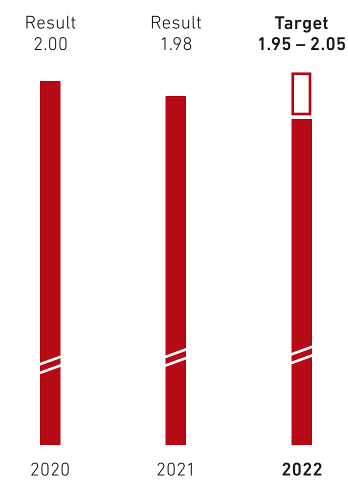
With the withdrawal of coronavirus protections in the second quarter of 2021, our tenants' operating figures – particularly customer footfall and tenant revenue – trended upwards, and collection ratios also improved. The increase in the number of infections in the autumn of 2021 and the protective measures prescribed in this context halted this trend. In particular, the introduction of 2G+ shortly before the Christmas shopping season, which is so essential for retailers, hit our tenants hard. Nevertheless, developments in the second and third quarters of 2021 showed that the bricks-and-mortar retail trade, also supported by the progressive networking of offline and online shopping, continues to offer a lot of appeal for consumers. People still want to go shopping as an experience where they can meet other people and touch and feel the merchandise. With regard to the pandemic, we are therefore confident that 2022 will be positive for our tenants given the relaxations announced for the first quarter and that we will thus achieve a much more stable and predictable rent level again. However, the impact of the Ukraine war on supply chains, energy supply and prices, as well as on the consumption behaviour of customers and therefore on the bricks-and-mortar retail trade, cannot be estimated at present.

We have recently seen a noticeably positive trend in our key operating figures, even if these are currently still well below pre-crisis levels in some cases. This may result in further insolvency-related rent reductions or losses for our tenants; moreover, it is uncertain to what extent ongoing immunisation will be sufficient to prevent a repeated increase in the number of infections in the autumn of 2022 and to ensure protection against possible new virus strains.

Against the backdrop of the pandemic situation, which has not yet been overcome, and the outbreak of the war in Ukraine, the bricks-and-mortar retail sector continues to face special challenges, resulting in increased uncertainty with regard to economic and business developments. Based on the current situation, we expect total funds from operations (FFO) of €1.95 to €2.05 per share for financial year 2022 (2021: €1.98). We are expecting slightly lower revenue (2021: 211.8 million), EBIT at the level of the previous year (2021: 152.5 million) and a slight increase in EBT (excluding measurement gains / losses) (2021: €125.6 million).

This assumes that the pandemic situation can be brought under lasting control without store closures or significant restrictions on center operations, that private consumer spending is not significantly affected by the war in Ukraine and continues to grow over the course of the year, and that tenant revenue and the collection ratio improve further as a result. These forecasts are also based on the assumption that the government coronavirus support programmes promised in Germany and most recently extended to 30 June 2022 will be granted to a significant proportion of our affected tenants and paid out promptly.

FFO PER SHARE
in €



Dividend policy

Since our Annual General Meeting last year and businesses were fully authorised to open in June 2021, we have continued to build our liquidity despite the significant negative fallout from the lockdowns as well as the impact of store closures. With the aim of returning to a reliable dividend policy and continuing to focus on securing the Company's liquidity, the Executive Board, together with the Supervisory Board, has decided to propose to the Annual General Meeting that a dividend of €1.00 per share be distributed.

RISK REPORT

PRINCIPLES GOVERNING THE RISK MANAGEMENT SYSTEM AND INTERNAL CONTROL SYSTEM

Deutsche EuroShop's strategy is geared towards maintaining and 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 Supervisory Board is notified regularly and, if necessary, immediately by the Executive Board about identified risks. 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 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.

In the Supervisory Board meetings, the Executive Board reports on significant risks. 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.

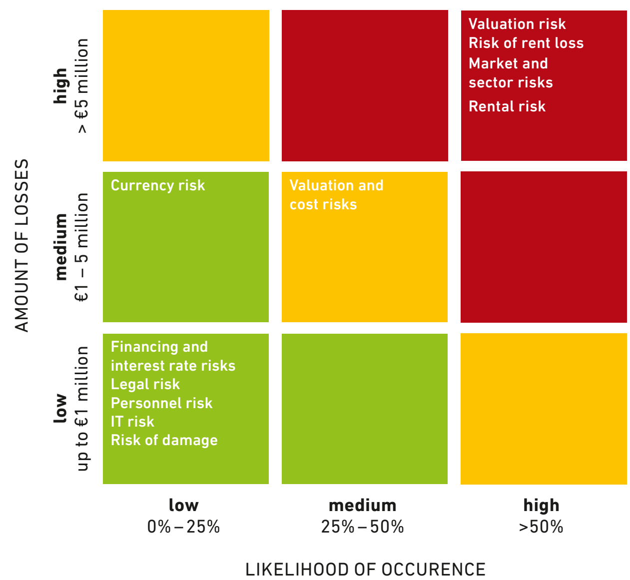
Advice on limitations

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.

RISK MATRIX



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. A consolidated view is taken. The impact of the coronavirus pandemic continues to be the main factor in the analysis and assessment of the individual risks faced by the Deutsche EuroShop Group. The factors that could influence the likelihood of occurrence and severity of the individual risks as well as the evaluation of the overall risk position due to the Ukraine conflict cannot be estimated at the moment. Individual risks and the overall risk position are monitored on an ongoing basis and reassessed regularly.

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 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. Due to the ongoing and possible downstream adverse effects of the coronavirus pandemic, the probability and extent of valuation risk continue to be considered 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 in the last two financial years, which affected the majority of our tenants, there are still restrictions that negatively impact bricks-and-mortar retail. For example, various access restrictions, such as 2G and 2G+ and a mask mandate, are considered necessary to contain the pandemic. 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 14.7% in 2021.

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 continue to be a strong draw for customers. Following the reopening of the stores, a rapid and significant recovery in customer footfall was observed in each of the last two financial years. Although visitor numbers still lagged behind the levels recorded prior to the 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 so far as implementation of their omni-channel concepts is concerned. If bricks-and-mortar retailers do not have an online presence or maintain only a very limited online offering, this means that during periods of pandemic-related store closures and restrictions 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 limited scope 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 step up the development or expansion of 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 3.1 million products were already available by the end of 2021, 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 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. To increase the appeal of the centers, the expansion of the entertainment offering is also being examined and driven forward; for example, an indoor skydive concept successfully opened in our Rhine-Neckar Center in 2021 and has since also improved the location's supraregional appeal. 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 continued to dominate 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, it may also be necessary in the future 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. Accordingly, we have set the loss amount and probability of occurrence of market and sector risks unchanged at high.

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. 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 early monitoring of upcoming regular or potentially expected unscheduled leasing. In addition, where enforceable on the market, we prefer to conclude medium and long-term leases with proportionately high minimum rent agreements.

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 has also increased, leading to higher vacancy rates. As a result, the vacancy rate rose from 2.9% at the end of 2019 to 5.7% at the end of 2021.

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 still to high.

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 restrictions and closure orders imposed by the authorities 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 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 write-downs are recognised on the balance sheet in individual cases. These totalled €25.0 million in financial year 2021 (previous year: 29.2 million) and, as in the previous year, were largely pandemic-related. 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. Accordingly, we have left the loss amount and probability of occurrence unchanged at high.

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 the burden passed on to tenants and / or to subsequent reimbursements to tenants. 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 going forward.

In connection with the implementation of the EU climate taxonomy requirements, increased investment needs may arise in future. The measures for this are successively and individually reviewed and evaluated as part of the maintenance cycles for the centers and subsequently included in the long-term planning for the centers. This ensures that the further development of the properties is cost-efficient and spread out over time, with the use of public subsidies where available.

Expenditure on maintenance and investment projects can turn out higher than budgeted on the based on 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. Coronavirus-related rent concessions regularly provide that tenants will continue to pay utilities during the closure period. If, however, tenancies are terminated more frequently, this can result in longer vacancy periods and renovation measures, resulting in an increase in the proportion of non-allocable ancillary costs and necessary investments. As in the previous year, we therefore classify the probability of budget overruns and additional costs as medium.

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 financial arrangement 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 ten 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 simultaneously function as 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 maturities 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 is currently negotiating extensions or refinancing for the four loans of €225.6 million expiring in 2022, of which refinancing of €105.7 million had already been extended at the time the financial statements were prepared.

Currency risk

Deutsche EuroShop AG's activities are limited exclusively to the European Union's 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 an extended 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 public authority-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 forecast any increased legal risk. 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 are becoming increasingly blurred. The coronavirus pandemic has ramped up 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 into a largely integrated omni-channel set-up. This has been evidenced 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 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, coupled with their conceptional adaptation with an emphasis on leisure, customer experience and meeting point aspects, and the increasing complementary importance of spaces 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, combined with 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.

ACQUISITION REPORTING

Deutsche EuroShop shares are traded on the Stock Exchange in Frankfurt am Main and other exchanges. As at 31 December 2021, 20.03% of shares were owned by Alexander Otto (previous year: 20.03%).

The share capital is €61,783,594, comprised of 61,783,594 no-par-value registered shares. The notional value of each share in the share capital 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 2021, 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 entry into force or – if this is lower – on exercise of the authorisation by 27 June 2023. As at 31 December 2021, no use had been made of this authorisation.

By resolution of the Annual General Meeting on 18 June 2021, the Executive Board was authorised, with the Supervisory Board's approval, to issue once or several times, until 17 June 2026, convertible bonds with a total nominal value of up to €200 million and a maximum term of 10 years and to provide the holders of the respective, equally privileged bonds with conversion rights to new no-par value shares in the Company up to a total of 10,000,000 shares (€ 10.0 million), as detailed in the terms and conditions for convertible bonds ("Bond conditions") ("Conditional capital 2021"). The convertible bonds may pay a variable rate of interest, in which case, as with a participating bond, the interest may be dependent in full or in part on the level of the Company's dividend. As at 31 December 2021, 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 combined declaration in accordance with Section 289f and Section 315d HGB on corporate governance and on the Corporate Governance Code is published on the Deutsche EuroShop website at **www.deutsche-euroshop.de / 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 Handelsgesetzbuch (HGB – German Commercial Code), in compliance with the Aktiengesetz (AktG – German Public Companies Act), while those of the consolidated financial statements were prepared according to IFRS rules.

RESULTS OF OPERATIONS OF DEUTSCHE EUROSHOP AG (HGB)

			Change	
in € thousand	**01.01.–31.12.2021**	01.01.–31.12.2020	+/-	in %
Other operating income	3,829	317	3,512	1,108
Personnel expenses	–1,997	–2,030	33	2
Depreciation/amortisation and other operating expenses	–4,658	–3,199	–1,459	–46
Investment income	41,533	38,059	3,474	9
Financial gains/losses	–3,931	–13,511	9,580	71
Taxes on income and earnings	–4,069	–1,382	–2,687	–194
Net profit	**30,707**	**18,254**	**12,453**	**68**
Profit brought forward	41,312	34,629	6,683	
Transfer to retained earnings	–10,200	–9,100	–1,100	
UNAPPROPRIATED SURPLUS	**61,819**	**43,783**	**18,036**	

For Deutsche EuroShop AG, financial year 2021 was once again overshadowed by the effects of the coronavirus pandemic. Compared with the previous year, earnings before taxes increased by €15.2 million to €34.8 million (previous year: €19.6 million). This was due to the write-down of €10.1 million on the investment in Saarpark Center Neunkirchen KG required in the previous year, which was recognised on the basis of an external appraisal report on the real estate of the investment and had a negative impact on financial gains/losses. The write-down was reversed in the year under review by €1.6 million due to the improvement in the real estate value of the investment.

In addition to the reversal of the investment in Saarpark Center Neunkirchen KG (€1.6 million), other operating income in the reporting year included a coronavirus subsidy of €2.0 million requested by Deutsche EuroShop AG. The coronavirus subsidy was applied for by Deutsche EuroShop AG for itself and its affiliated German companies and provides for a pro rata reimbursement of fixed costs. The transfer of the proportion of the subsidy attributable to affiliated companies was recognised under other operating expenses in the amount of €1.8 million.

A principal component of the Company's earnings was investment income, at €41.5 million (previous year: €38.1 million), which was up by €3.4 million year on year. However, due to coronavirus-related rent losses and necessary write-downs on receivables in the investments, this investment income remained below the pre-coronavirus level. In addition, in order to strengthen the liquidity of individual investments, a dividend affecting liquidity was waived or the potential dividend reduced.

In the previous year, financial gains/losses was negatively impacted by the write-down on the investment in Saarpark Center Neunkirchen KG. Furthermore, the interest expense decreased slightly due to scheduled repayments. Overall, financial gains/losses improved from €–13.5 million to €–3.9 million.

Taxes on income and earnings resulted in an expense of €4.1 million, compared with the figure of €1.4 million in the previous year. Of this amount, €3.6 million was attributable to the increase in deferred taxes (previous year: reversal of €0.1 million), and €0.5 million to taxes to be paid (previous year: €1.5 million). The decrease in taxes payable was due to a change in tax law in Poland, which led to a change in the tax liability during the year. Previously, Polish taxes had to be paid by Deutsche EuroShop AG for its Polish investment.

NET ASSETS OF DEUTSCHE EUROSHOP AG (HGB)

in € thousand	31.12.2021	31.12.2020	Change +/-
Financial investments	1,159,112	1,168,713	–9,601
Other non-current assets	104	145	–41
Receivables and other assets	3,439	457	2,982
Cash and bank balances	119,069	79,211	39,858
Assets	**1,281,724**	**1,248,526**	**33,198**
Equity	1,090,010	1,061,775	28,235
Provisions	1,966	1,899	67
Liabilities	105,201	103,862	1,339
Deferred tax liabilities	84,547	80,990	3,557
Liabilities	**1,281,724**	**1,248,526**	**33,198**

The decrease in financial assets resulted from the withdrawals from investees made in financial year 2021, reduced by the proportional net profits under commercial law.

The equity ratio of Deutsche EuroShop AG remained unchanged at 85.0%, a very healthy and high level.

FINANCIAL POSITION OF DEUTSCHE EUROSHOP AG (HGB)

in € thousand	01.01.–31.12.2021	01.01.–31.12.2020
Net profit	30,707	18,254
Undistributed share in entitlement to profits	0	–14,109
Cash distributions on investees recognised in equity	11,414	0
Measurement of investments not affecting liquidity	–1,637	10,084
Addition / reversal for deferred income taxes	3,557	–160
1. Free cash flow from operating activities	**44,041**	**14,069**
2. Outflows for new investments	**0**	**0**
3. Inflows from equity	**0**	**0**
Inflows / outflows from bank loans	–1,799	–1,777
4. Inflows / outflows from financing activities	**–1,799**	**–1,777**
5. Other cash changes in the balance sheet	**87**	**–2,108**
6. Dividend for the previous year	**–2,471**	**0**
Liquidity at the start of the year	**79,211**	**69,027**
Cash changes in liquidity (1st to 6th subtotal)	39,858	10,184
Liquidity at the end of the year	**119,069**	**79,211**

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 of €44.0 million was generated in the year under review, which, as in the previous year (€14.1 million), was significantly below the pre-coronavirus level. For the past financial year, there was a return on the equity paid in amounting to €1,369.0 million of 3.2% compared with 1.0% in the previous year. Free cash flow per share rose from €0.23 to €0.71.

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, liquidity ended the year at €119.1 million.

FORECAST FOR DEUTSCHE EUROSHOP AG (HGB)

Financial year 2022 will also be impacted by the pandemic. Management expects the following changes in the key performance indicators: Investment income of €36 million to €42 million and thus at a comparable level to 2021 (€41.5 million) and earnings before taxes adjusted for non-recurring effects in 2021 (write-ups and subsidies) at the level of the previous year, which should thus be between €28 million and €34 million (2021 excluding non-recurring effects: €32.9 million).

Hamburg, 30 March 2022

City Arkaden, Klagenfurt

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 forecast.

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

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

Assets

in € thousand	Note	31.12.2021	31.12.2020
ASSETS			
Non-current assets			
Intangible assets	7.	51,751	51,732
Property, plant and equipment	7.	244	330
Investment properties	8.	3,393,554	3,437,145
Investments accounted for using the equity method	9.	455,341	444,517
Non-current assets		**3,900,890**	**3,933,724**
Current assets			
Trade receivables	10.	22,763	19,822
Other current assets	11.	26,298	17,805
Cash and cash equivalents	12.	328,839	266,030
Current assets		**377,900**	**303,657**
TOTAL ASSETS		**4,278,790**	**4,237,381**

Liabilities

in € thousand	Note	31.12.2021	31.12.2020
EQUITY AND LIABILITIES			
Equity and reserves			
Subscribed capital		61,784	61,784
Capital reserves		1,217,560	1,217,560
Retained earnings		783,522	723,902
Total equity	13.	**2,062,866**	**2,003,246**
Non-current liabilities			
Financial liabilities	14.	1,264,748	1,359,612
Deferred tax liabilities	16.	333,037	324,978
Right of redemption of limited partners	17.	314,914	311,525
Other liabilities	15.	23,995	26,851
Non-current liabilities		**1,936,694**	**2,022,966**
Current liabilities			
Financial liabilities	14.	237,366	181,816
Trade payables	15.	5,345	3,303
Tax liabilities	15.	196	456
Other provisions	18.	10,120	8,313
Other liabilities	15.	26,203	17,281
Current liabilities		**279,230**	**211,169**
TOTAL EQUITY AND LIABILITIES		**4,278,790**	**4,237,381**

CONSOLIDATED INCOME STATEMENT

in € thousand	Note	01.01. – 31.12.2021	01.01. – 31.12.2020
Revenue	19.	211,752	224,104
Property operating costs	20.	–23,076	–18,581
Property management costs	21.	–9,471	–9,707
Write-downs and disposals of financial assets	10., 22.	–25,029	–29,218
Net operating income (NOI)		**154,176**	**166,598**
Other operating income	23.	6,265	2,400
Other operating expenses	24.	–7,940	–7,759
Earnings before interest and taxes (EBIT)		**152,501**	**161,239**
Share in the profit or loss of associates and joint ventures accounted for using the equity method	9., 25.	29,612	–51,482
Interest expense		–39,188	–43,716
Profit / loss attributable to limited partners	17.	–13,408	–13,501
Interest income		7	547
Financial gains / losses		**–22,977**	**–108,152**
Measurement gains / losses	26.	**–58,821**	**–355,845**
Earnings before tax (EBT)		**70,703**	**–302,758**
Taxes on income and earnings	27.	–10,758	51,041
CONSOLIDATED PROFIT		**59,945**	**–251,717**
Earnings per share (€), undiluted and diluted	28.	0.97	–4.07

STATEMENT OF COMPREHENSIVE INCOME

in € thousand	Note	01.01. – 31.12.2021	01.01. – 31.12.2020
Consolidated profit		**59,945**	**–251,717**
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.	2,740	6,921
Deferred taxes on changes in value offset directly against equity	13.	–594	–1,531
Total earnings recognised directly in equity		**2,146**	**5,390**
TOTAL PROFIT		**62,091**	**–246,327**
Share of Group shareholders		62,091	–246,327

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in € thousand	Note	Number of shares outstanding	Subscribed capital	Capital reserves	Other retained earnings	Statutory reserve	Cash flow hedge reserve	Total
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**
01.01.2021		**61,783,594**	**61,784**	**1,217,560**	**742,183**	**2,000**	**–20,281**	**2,003,246**
Total profit			0	0	59,945	0	2,146	62,091
Dividend payments	13.		0	0	–2,471	0	0	–2,471
31.12.2021		**61,783,594**	**61,784**	**1,217,560**	**799,657**	**2,000**	**–18,135**	**2,062,866**

CONSOLIDATED CASH FLOW STATEMENT

in € thousand	Note	01.01.–31.12.2021	01.01.–31.12.2020
Consolidated profit		**59,945**	**–251,717**
Income taxes	26.	10,758	–51,041
Financial gains / losses		22,977	108,152
Amortisation / depreciation of intangible assets and property, plant and equipment with a finite life	23.	171	144
Unrealised changes in fair value of investment property and other measurement gains / losses	25.	58,821	355,845
Distributions and capital repayments received	9.	18,788	15,494
Changes in trade receivables and other assets	10., 11.	–11,500	–15,920
Changes in current provisions	18.	1,807	193
Changes in liabilities	15.	10,901	–2,084
Cash flow from operating activities		**172,668**	**159,066**
Interest paid		–38,922	–43,669
Interest received		7	547
Income taxes paid	26.	–3,487	–4,856
Net cash flow from operating activities		**130,266**	**111,088**
Investments in investment properties	8.	–18,732	–15,053
Inflows from the disposal of investment properties		0	490
Investments in intangible assets and property, plant and equipment		–59	–13
Cash flow from investing activities		**–18,791**	**–14,576**
Assumption of financial liabilities	14., 28.	6,678	45,721
Repayment of financial liabilities	14.	–46,258	–16,687
Repayment of lease liabilities	15.	–98	–89
Payments to limited partners	17.	–6,517	–7,514
Payments to Group shareholders	13.	–2,471	0
Cash flow from financing activities		**–48,666**	**21,431**
Net change in cash and cash equivalents		**62,809**	**117,943**
Cash and cash equivalents at beginning of period	12.	**266,030**	**148,087**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	12.	**328,839**	**266,030**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR FINANCIAL YEAR 2021

PRINCIPLES UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL DISCLOSURES

The Group parent company is Deutsche EuroShop AG, Hamburg, Germany. The Company's head 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 2021 have been applied. The Executive Board prepared the consolidated financial statements as at 31 December 2021 on 25 March 2022 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").

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 2021, 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. / 31.12.2021	Domestic [1]	Abroad [1]	Total
Fully consolidated subsidiaries	11	4	**15**
Joint ventures included in the consolidated financial statements in accordance with the equity method	4	3	**7**
Associates included in the consolidated financial statements in accordance with the equity method	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 €693,992 thousand (previous year: €689,867 thousand) and current assets of €37,235 thousand (previous year: €30,842 thousand) as at the reporting date. Non-current liability items amounted to €209,412 thousand (previous year: €211,814 thousand) and current liability items totalled €9,208 thousand (previous year: €8,759 thousand). The Company generated revenue of €34,442 thousand (previous year: €35,714 thousand) and net profit (after earnings due to limited partners) of €9.968 thousand (previous year: €–26,335 thousand). A dividend of €3,215 thousand (previous year: €3,305 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 2021 the Group had no investees.

Shareholdings

The list of shareholdings as required by Section 313 (2) HGB is attached as a note 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 2021:

Amendments / standard	Date applied (EU)	Amendments	Impact on the net assets, financial position and results of operations or cash flow of Deutsche EuroShop AG
Interest Rate Benchmark Reform (amendment to IFRS 9, IAS 39, IFRS 7)	01.01.2021	Relief for the continuation of hedge accounting under the reform of the benchmark interest rate	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 as a result of rental concessions – the application of the exemption was extended until 30 June 2022.	As the Group has only 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
Classification of debt as current or non-current (Amendment to IAS 1)	01.01.2023	Clarification of the classification of liabilities as current and non-current	No material impact
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
Onerous Contracts — Cost of Fulfilling the Contract (amendment to IAS 37)	01.01.2022	The amendment specifies which costs should be considered when assessing whether a contract is onerous.	No impact

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

In addition to the adopted standards and interpretations, the IFRS Interpretations Committee issued a preliminary agenda decision in December 2021 in connection with the assessment of whether an entity is acting as a principal or an agent. With regard to the question of whether an entity has inventory risk for the services purchased and passed on, the decision no longer focuses on the probability of the risk occurring, but on the existence of the risk itself. If the final agenda decision expected in 2022 is identical to the draft, the Group would be classified as a principal with regard to the operating costs passed on, with the result that, in contrast to the previous treatment, the operating costs passed on must be shown unnetted in the income statement. The Group will implement the change in accounting policy when a final agenda decision is reached. The change in accounting policy will have no impact on the balance sheet or equity; it is solely a change in presentation in the income statement.

Changes in presentation

Since 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 increased by €5,704 thousand in the previous year.

Furthermore, since the previous year, write-downs and disposals of financial assets are reported separately in the consolidated income statement.

Both changes in presentation were made within net operating income (NOI) in the consolidated income statement.

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:

	31.12.2021		31.12.2020	
€1 =	Closing rate	Average rate	Closing rate	Average rate
Hungarian forint (HUF)	369.00	358.51	365.13	351.17
Polish zloty (PLN)	4.60	4.57	4.61	4.44
Czech koruna (CZK)	24.86	25.41	26.24	25.41

In addition, Deutsche EuroShop AG had a bank account in US dollars with a value of $446 thousand in the previous year, 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 and reduce revenue. 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 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.

Other 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 financial year 2021, as in the previous 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 2021 did not result in a need for write-downs (previous year: impairment loss 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.

Non-current assets held for sale

The classification of real estate as non-current assets held for sale requires that the real estate is available for sale in its present condition and that the sale is highly probable and expected to occur within 12 months. A sale is considered highly probable when the plan to sell has been decided, the necessary approvals have been obtained and the marketing process has begun.

Investment properties reported in the balance sheet under non-current assets held for sale must be measured at fair value in accordance with IAS 40.

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.

Government grants

To mitigate the effects of the coronavirus pandemic, the Group applied for bridging assistance III in the amount of €2 million in financial year 2021. The bridging assistance III applied for must be recognised in profit or loss as a government grant if there is reasonable assurance that the Group will comply with the conditions attached to the grant and that the grant will be received. The income from the grant is shown under other operating income and the receivable under other assets. The application was approved and paid in mid-February 2022. The final accounts of the assistance awarded must be submitted by 31 December 2022.

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 of redemption 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 are impaired in relation to the amortised carrying amounts.

Deferred taxes

In accordance with IAS 12, deferred taxes are recognised for all deductible temporary 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 23% (previous year: 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	2021	2020	2021	2020	2021	2020
Costs as at 1 January	**53,867**	**53,867**	**105**	**105**	**837**	**799**
Addition from right-of-use assets (IFRS 16)	0	0	0	0	45	25
Additions	0	0	37	0	11	13
Disposals	0	0	–7	0	–9	0
as at 31 December	**53,867**	**53,867**	**135**	**105**	**884**	**837**
Depreciation as at 1 January	**–2,148**	**–140**	**–92**	**–80**	**–507**	**–375**
Additions	0	–2,008	–29	–12	–142	–132
Disposals	0	0	18	0	9	0
as at 31 December	**–2,148**	**–2,148**	**–103**	**–92**	**–640**	**–507**
Carrying amount as at 1 January	51,719	53,727	13	25	330	424
CARRYING AMOUNT AS AT 31 DECEMBER	**51,719**	**51,719**	**32**	**13**	**244**	**330**

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 reduction in the real estate value of Olympia Brno resulted in a reversal of the deferred tax liabilities recognised for Olympia Brno in the previous year and a corresponding €2,008 thousand write-down of goodwill.

As at the reporting date, operating and office equipment included right-of-use assets under leases amounting to €142 thousand (previous year: €195 thousand). These result mainly from the rental of office space and the leasing of cars.

8. INVESTMENT PROPERTIES

in € thousand	2021	2020
Carrying amount as at 1 January	**3,437,145**	**3,822,786**
Additions	0	0
Disposals	0	–490
Recognised construction measures	18,732	15,053
Unrealised changes in fair value	–62,323	–400,204
CARRYING AMOUNT AS AT 31 DECEMBER	**3,393,554**	**3,437,145**

Investment properties continue to include a capitalised leasehold of €322 thousand. The annual ground rent of €10 thousand payable for this is charged to a tenant in the same amount. The disposal in the previous year related 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 2021 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 compensation 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 %	31.12.2021	31.12.2020
Rate of rent increases	1.34	1.00
Cost ratio	11.59	12.00
Discount rate	6.06	6.07
Capitalisation interest rate	5.24	5.25

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.

In the valuation as at 31 December 2021, the consequences of the pandemic were taken into account by, among other things, not recognising revenue-linked rents until July 2022, extending post-rental periods and reducing the probability of re-letting. In contrast to the previous year, the appraisal reports were prepared without reference to a "material valuation uncertainty". Transaction volumes and other relevant indications were again at a level that permits a corresponding valuation.

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	150.3	4.2
Rate of rent increases	1.34	−0.25% percentage points	−101.4	−2.9
		+1.00% percentage points	−42.9	−1.2
Cost ratio	11.59	−1.00% percentage points	40.0	1.1
		+0.25% percentage points	−70.0	−2.0
Discount rate	6.06	−0.25% percentage points	67.0	1.9
		+0.25% percentage points	−104.7	−2.9
Capitalisation interest rate	5.24	−0.25% percentage points	117.0	3.3

Over the forecast period, rents were assumed to increase on average over the long term at 1.34% (previous year: 1.00%). On average, management and administrative costs at 11.59% (previous year: 12.00%) were deducted from the forecast rents. This resulted in an average net income of 88.41% (previous year: 88.00 %). Actual management and administrative costs (excluding write-downs) amounted to 15.4% of rental income in the year under review (previous year: 12.6%). The appraisal showed that, for financial year 2021, the real property portfolio had an initial yield before deduction of transaction costs of 5.78%, compared with the prior-year figure of 5.73%, and an initial rate of return net of transaction costs (net initial yield) of 5.45%, following 5.41% in the previous year.

Outstanding tenant incentives granted and still to be distributed over the term of the rental agreements amounting to €13,267 thousand (previous year: €5,277 thousand) were deducted from the appraisal value. To the extent that these are rent-free periods, they are reported under trade accounts receivable. Other miscellaneous concessions, such as construction cost subsidies, 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 2021:

IFRS 13 hierarchy levels in € thousand	Level 1	Level 2	Level 3
Investment Properties	0	0	3,391,043

The properties are secured by mortgages. There were land charges in the amount of €1,502,114 thousand (previous year: €1,541,428 thousand). The rental income of the properties valued in accordance with IAS 40 was €211,752 thousand (previous year: €224,104 thousand). Directly associated operating expenses (excluding write-downs) amounted to €32,547 thousand (previous year: €28,288 thousand).

9. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

in € thousand	2021	2020
Carrying amount as at 1 January	**444,517**	**511,493**
Distributions and capital repayments received	–18,788	–15,494
Share of profit / loss	29,612	–51,482
CARRYING AMOUNT AS AT 31 DECEMBER	**455,341**	**444,517**

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	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020	**31.12.2021**	31.12.2020
Non-current assets	220,211	219,760	228,733	227,266	161,653	159,340
Current assets	7,606	5,204	7,868	8,749	4,883	4,842
thereof cash and cash equivalents	4,772	3,319	4,214	4,939	2,342	2,654
Non-current liabilities	0	0	113,710	67,279	0	0
thereof financial liabilities	0	0	113,710	67,279	0	0
Current liabilities	2,091	1,230	4,391	53,780	596	965
thereof financial liabilities	0	0	2,072	50,709	0	0
Revenue	16,391	16,315	13,416	14,166	9,709	9,390
Net interest income	0	0	–2,848	–3,611	0	7
EBT (excl. measurement gains / losses)	12,515	11,960	6,088	5,746	7,521	6,450
Measurement gains / losses	217	–27,025	1,461	–37,534	2,035	–15,362
Taxes on income and earnings	0	0	0	0	0	0
Net loss / profit for the year	12,732	–15,065	7,549	–31,788	9,556	–8,912
Other income	0	0	0	0	0	0
TOTAL PROFIT	**12,732**	**–15,065**	**7,549**	**–31,788**	**9,556**	**–8,912**

in € thousand	Saarpark Center Neunkirchen KG, Hamburg 31.12.2021	31.12.2020	EKZ Eins Errichtungs- und Betriebs Ges. m.b.H. & Co OG, Vienna[1] 31.12.2021	31.12.2020	Einkaufs-Center Arkaden Pécs KG, Hamburg 31.12.2021	31.12.2020
Non-current assets	180,029	177,270	211,423	207,880	98,000	98,000
Current assets	7,131	6,989	5,512	3,538	6,124	5,854
thereof cash and cash equivalents	5,042	4,405	4,032	1,957	5,210	3,614
Non-current liabilities	58,764	58,813	89,315	90,433	35,810	36,146
thereof financial liabilities	58,837	58,812	89,315	90,433	26,250	26,850
Current liabilities	2,680	2,703	2,422	3,255	1,684	2,666
thereof financial liabilities	–25	–25	567	516	600	600
Revenue	11,690	11,649	12,628	11,580	8,458	8,418
Net interest income	–677	–741	–1,963	–1,992	–832	–897
EBT (excl. measurement gains / losses)	8,077	6,652	8,569	7,066	5,108	5,129
Measurement gains / losses	82	–26,776	3,440	–21,063	–68	–12,131
Taxes on income and earnings	0	0	0	0	–600	–1,620
Net loss / profit for the year	8,159	–20,124	12,009	–13,997	4,440	–8,622
Other income	0	0	0	0	0	0
TOTAL PROFIT	**8,159**	**–20,124**	**12,009**	**–13,997**	**4,440**	**–8,622**

[1] Includes the figures for the immaterial joint venture CAK City Arkaden Klagenfurt KG, Hamburg. The equity method valuation amounted to €915 thousand (previous year: €924 thousand) and the net loss for the year €24 thousand (previous year: €21 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 01.01.2021	**111,867**	**57,478**	**122,413**	**61,372**	**58,865**	**32,522**
Share of profit / loss	6,366	3,775	7,167	4,079	6,005	2,220
of which EBT (excl. measurement gains / losses)	6,257	3,044	5,641	4,038	4,285	2,554
of which measurement gains / losses	109	731	1,526	41	1,720	–34
Deposits / withdrawals	–5,370	–2,002	–5,125	–2,593	–2,271	–1,427
EQUITY METHOD VALUATION AS AT 31.12.2021	**112,863**	**59,251**	**124,455**	**62,858**	**62,599**	**33,315**

10. TRADE RECEIVABLES

in € thousand	2021	2020
Trade receivables as at 31.12.	**39,494**	**40,957**
Write-downs as at 01.01.	**–21,135**	**–2,484**
Utilisation	12,209	908
Change in write-downs for expected losses	–7,805	–19,559
Write-downs as at 31.12.	**–16,731**	**–21,135**
	22,763	**19,822**

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 an increase in receivables. The measurement of receivables as at 31 December 2021 and the derecognition of receivables during the year resulted in total expenses of €25,029 thousand (previous year: €29,218 thousand).

11. OTHER CURRENT ASSETS

in € thousand	31.12.2021	31.12.2020
Deferred tenant incentives	11,220	5,277
Prepaid center marketing costs	4,198	5,106
Cash deposits	3,917	3,423
Coronavirus assistance	2,000	0
Other receivables from tenants	1,842	2,180
Other current assets	3,121	1,819
	26,298	**17,805**

Other receivables from tenants mainly comprise receivables for heating and ancillary costs.

Receivables in € thousand	Total	up to 1 year	over 1 year
Trade receivables	22,763 (19,822)	22,763 (19,822)	0 (0)
Other assets	26,298 (17,805)	26,298 (17,805)	0 (0)
(PREVIOUS YEAR'S FIGURES)	**49,061 (37,627)**	**49,061 (37,627)**	**0 (0)**

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

12. CASH AND CASH EQUIVALENTS

in € thousand	31.12.2021	31.12.2020
Current accounts	328,837	266,029
Cash	2	1
	328,839	**266,030**

As at 31 December 2020, cash and cash equivalents included 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 in the share capital 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 2021, 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 2021, no use had been made of this authorisation.

By resolution of the Annual General Meeting on 18 June 2021, the Executive Board was authorised, with the Supervisory Board's approval, to issue once or several times, until 17 June 2026, convertible bonds with a total nominal value of up to €200 million and a maximum term of 10 years and to grant the holders of the respective, equally privileged, bonds conversion rights to new no-par value shares in the Company up to a total of 10,000,000 shares (€10.0 million), as detailed in the terms and conditions for convertible bonds ("Bond conditions") **("Conditional capital 2021")**. The convertible bonds may pay a variable rate of interest, in which case, as with a participating bond, the interest may be dependent in full or in part on the level of the Company's dividend. As at 31 December 2021, no use had been made of this authorisation.

Deutsche EuroShop AG's previous-year unappropriated surplus of €43,783 thousand were used to pay a dividend of €0.04 per share, corresponding to a total dividend of €2,471 thousand, and the remaining amount of the unappropriated surplus of €41,312 thousand was carried forward to a new account.

The Executive Board and the Supervisory Board will propose to the Annual General Meeting on 23 June 2022 that Deutsche EuroShop AG's 2021 unappropriated surplus of €61,819 thousand be used to pay a dividend of €1.00 per eligible share and that the remaining amount of €35 thousand be carried forward to a new account.

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:

2021 in € thousand	before taxes	Taxes	Net
Cash flow hedges	2,740	–594	2,146

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

14. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

	31.12.2021		31.12.2020	
in € thousand	non-current	current	non-current	current
Bank loans and overdrafts	1,264,748	237,366	1,359,612	181,816

Bank loans and overdrafts relate to loans raised to finance property acquisitions and investment projects. Land charges on Company properties totalling €1,502,114 thousand (previous year: €1,541,428 thousand).

Current liabilities to banks include four loans expiring in mid-2022 totalling €225,586 thousand, of which refinancing in the amount of €105,700 thousand has already been concluded and the remaining financing is under negotiation. Furthermore, the current portion includes the scheduled repayment portion of the long-term loans for 2022, deferred interest and repayment obligations settled at the beginning of 2022, and in the previous year the short-term drawdown of the credit line (€30,000 thousand).

Discounts are amortised over the term of the loan. In the year under review, €27 thousand (previous year: €28 thousand) was recognised as an expense in the income statement. A total of €39,188 thousand (previous year: €43,716 thousand) was recognised in financial gains / losses as interest expense for bank loans and overdrafts.

Fourteen of the 20 loan agreements currently contain arrangements regarding covenants. There are a total of 29 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). All conditions were met or suspended by mutual agreement with the banks. Based on current planning and estimates, the loan conditions will be met in 2022. With regard to the uncertainties relating to the planning period as a result of the coronavirus pandemic and the Ukraine conflict, 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	2021	2020
Carrying amount as at 1 January	**1,541,428**	**1,512,347**
Changes affecting liquidity	–39,580	29,034
Changes not affecting liquidity		
Change in carrying amount under the effective interest rate method	266	47
CARRYING AMOUNT AS AT 31 DECEMBER	**1,502,114**	**1,541,428**

15. OTHER NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

	31.12.2021		31.12.2020	
in € thousand	non-current	current	non-current	current
Interest rate swaps	23,398	0	26,138	0
Rental deposits	0	4,669	0	3,608
Other liabilities to tenants	0	15,534	0	7,491
Value added tax	0	1,552	0	2,364
Debtors with credit balances	0	3,729	0	3,047
Lease liabilities	367	98	475	44
Other	230	621	238	727
	23,995	**26,203**	**26,851**	**17,281**

In connection with borrowing, interest rate hedges (interest rate swaps) were concluded to hedge against higher capital market interest rates. Their present value totalled €23,398 thousand as at the reporting date (previous year: €26,138 thousand).

Other liabilities to tenants mainly comprise liabilities for heating and ancillary costs, obligations from construction cost subsidies granted, as well as prepaid rent.

Liabilities in € thousand	Total	current	non-current
Financial liabilities	1,502,114 (1,541,428)	237,366 (181,816)	1,264,748 (1,359,612)
Trade payables	5,345 (3,303)	5,345 (3,303)	0 (0)
Tax liabilities	196 (456)	196 (456)	0 (0)
Other liabilities	50,198 (44,132)	26,203 (17,281)	23,995 (26,851)
(PREVIOUS YEAR'S FIGURES)	**1,557,853 (1,589,319)**	**269,110 (202,856)**	**1,288,743 (1,386,463)**

16. DEFERRED TAX LIABILITIES

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

	31.12.2021		31.12.2020	
in € thousand	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Investment properties	0	287,851	0	284,469
Investments accounted for using the equity method	0	52,569	0	48,799
Other liabilities				
Interest swaps (not recognised in profit or loss)	5,263	0	5,857	0
Corporation tax loss carryforwards	988	0	1,301	0
Other	1,132	0	1,132	0
Deferred taxes before netting	**7,383**	**340,420**	**8,290**	**333,268**
Balance	–7,383	–7,383	–8,290	–8,290
DEFERRED TAXES AFTER NETTING	**0**	**333,037**	**0**	**324,978**

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 €6,321 thousand (previous year: €5,752 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 OF REDEMPTION OF LIMITED PARTNERS

in € thousand	2021	2020
Settlement claim as at 01.01.	**311,525**	**351,905**
Earnings contributions	13,408	13,501
Share of measurement gains / losses	–3,502	–46,367
Outflows	–6,517	–7,514
SETTLEMENT CLAIM AS AT 31.12.	**314,914**	**311,525**

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 01.01.2021	Utilisation	Reversal	Addition	As at 31.12.2021
Maintenance and construction work already performed but not yet invoiced	1,664	988	517	2,240	2,399
Fees	109	89	10	796	806
Other	6,540	4,490	371	5,236	6,915
	8,313	**5,567**	**898**	**8,272**	**10,120**

Other provisions mainly include outstanding settlements for services received and personnel expenses.

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	2021	2020
Minimum rental income	203,117	215,582
Allocable property tax and insurance	5,684	5,704
Turnover rent	1,678	950
Other	1,273	1,868
	211,752	**224,104**
of which rental income directly attributable to investment properties in accordance with IAS 40	211,752	224,104

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	2021	2020
Maturity within 1 year	185,340	196,624
Maturity from 1 to 5 years	490,080	499,681
Maturity after 5 years	157,845	180,965
	833,265	**877,270**

20. PROPERTY OPERATING COSTS

in € thousand	2021	2020
Operating costs that cannot be passed on	8,613	6,419
Real property tax	5,455	5,366
Center marketing	3,861	2,755
Maintenance and repairs	1,630	1,382
Building insurance	1,557	1,437
Other	1,960	1,222
	23,076	**18,581**
of which operating expenses directly attributable to investment properties in accordance with IAS 40	23,076	18,581

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	2021	2020
Center management / agency agreement costs	**9,471**	**9,707**
of which operating expenses directly attributable to investment properties in accordance with IAS 40	9,471	9,707

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	2021	2020
Write-downs	9,217	19,768
Disposals of financial assets	15,812	9,450
	25,029	**29,218**
of which operating expenses directly attributable to investment properties in accordance with IAS 40	25,029	29,218

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

23. OTHER OPERATING INCOME

in € thousand	2021	2020
Coronavirus assistance	2,000	0
Reversals of write-downs	1,464	279
Income from the reversal of provisions	898	924
Other	1,903	1,197
	6,265	**2,400**

Other operating income primarily consists of income from damages, insurance compensation and other reimbursements.

24. OTHER OPERATING EXPENSES

in € thousand	2021	2020
Personnel expenses	1,997	2,032
Legal, consulting and audit expenses	1,841	1,561
Appraisal costs	620	476
Marketing costs	505	470
Supervisory Board compensation	263	263
Fees and contributions	198	220
Financing costs	171	557
Write-downs	171	144
Exchange rate losses	163	851
Other	2,011	1,185
	7,940	**7,759**

Legal, consulting and audit expenses includes €361 thousand in expenses for the auditing of Group companies (previous year: €392 thousand). Personnel expenses includes social security contributions and expenses for pensions and other benefits amounting to €234 thousand (previous year: €222 thousand), of which €146 thousand (previous year: €146 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	2021	2020
Profit / loss from joint ventures	29,600	–51,493
Profit / loss from associates	12	11
PROFIT / LOSS FROM EQUITY-ACCOUNTED ASSOCIATES	**29,612**	**–51,482**

The profit / loss of equity-accounted companies included a measurement loss before deferred taxes of €4,092 thousand (previous year: €–73,786 thousand). EBT (excl. measurement gains / losses) for equity-accounted companies amounted to €25,822 thousand (previous year: €23,115 thousand).

26. MEASUREMENT GAINS / LOSSES

in € thousand	2021	2020
Unrealised changes in fair value	–62,323	–400,204
Profit / loss attributable to limited partners	3,502	46,367
Goodwill write-down	0	–2,008
	–58,821	**–355,845**

27. TAXES ON INCOME AND EARNINGS

in € thousand	2021	2020
Current tax expense	–3,293	–4,267
Domestic deferred tax expense / income	–6,239	46,545
Foreign deferred tax expense / income	–1,226	8,763
	–10,758	**51,041**

Tax reconciliation

Income taxes in the amount of €10,758 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	2021	2020
Consolidated profit before income tax	**70,703**	**–302,758**
Theoretical income tax 32.28%	**–22,823**	**97,730**
Tax rate differences for foreign Group companies	4,069	–6,498
Tax rate differences for domestic Group companies	7,062	–38,658
Tax-free income / non-deductible expenses	446	–140
Tax effect from investments accounted for under the equity-accounted method	717	–1,391
Aperiodic tax expense / income	–229	–2
CURRENT INCOME TAX	**–10,758**	**51,041**

Excluding tax expense/income for other periods, the effective income tax rate in financial year 2021 was 15.2%.

28. EARNINGS PER SHARE

in € thousand	2021	2020
Group shareholders' portion of profits / losses (€ thousand)	59,945	–251,717
Weighted number of no-par-value shares issued	61,783,594	61,783,594
UNDILUTED AND DILUTED EARNINGS PER SHARE (€)	**0.97**	**–4.07**

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.

To assess the contribution of the segments to the individual performance indicators as well as to the Group's performance, the income, expenditure, assets and liabilities of the joint ventures are included in internal reporting in proportion to the Group's share in them. Similarly, for subsidiaries in which the Group is not the sole shareholder, income, expenditure, assets and liabilities are only consolidated in proportion 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 – 31.12.2021
Revenue	**184,061**	**42,388**	**226,449**	**–14,697**	**211,752**
EBIT	**132,798**	**33,661**	**166,459**	**–13,958**	**152,501**
Profit / losses of joint ventures and associates	0	0	0	29,612	29,612
Interest income	5	1	6	1	7
Interest expense	–31,481	–6,912	–38,393	–795	–39,188
EBT (EXCL. MEASUREMENT GAINS / LOSSES)	**101,323**	**26,751**	**128,074**	**–2,510**	**125,564**

					31.12.2021
Investment properties	2,866,680	677,468	3,544,148	–150,594	3,393,554
Additions and recognised construction measures for investment properties	14,524	3,800	18,325	407	18,732
Goodwill	0	0	0	51,719	51,719
Investments accounted for using the equity method	0	0	0	455,341	455,341
Other segment assets	212,456	42,218	254,674	123,502	378,176
SEGMENT ASSETS	**3,079,136**	**719,686**	**3,798,822**	**479,968**	**4,278,790**
SEGMENT LIABILITIES	**1,243,136**	**326,180**	**1,569,316**	**646,608**	**2,215,924**

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**

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 cross-segmentally and are therefore included in the reconciliation column for 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 were included in the reconciliation column after intra-Group eliminations with their EBIT of €–4,434 thousand (previous year: €–4,882 thousand) and EBT (excl. measurement gains / losses) of €–4,434 thousand (previous year: €–5,193 thousand) as well as in the segment assets with €123,030 thousand (previous year: €86,260 thousand) and in the segment liabilities with €2,207 thousand (previous year: €2,178 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	Wertansatz nach IFRS 9				
		Carrying amounts 31.12.2021	Amortised cost	Fair value recognised in income	Fair value recognised in equity	Fair value 31.12.2021
Financial assets						
Trade receivables	AC	22,763	22,763			22,763
Other assets	AC	6,247	6,247			6,247
Cash and cash equivalents	AC	328,839	328,839			328,839
Financial liabilities						
Financial liabilities [2]	FLAC	1,502,114	1,502,114			1,522,818
Right of redemption of limited partners	FLAC	314,914	314,914			314,914
Trade payables	FLAC	5,345	5,345			5,345
Other liabilities	FLAC	22,715	22,715			22,715
Interest rate hedges not recognised in profit or loss [2]	n.a.	23,398			23,398	23,398

in € thousand	Measurement category in accordance with IFRS 9	Wertansatz nach IFRS 9				
		Carrying amounts 31.12.2020	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 of redemption 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

[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 2021, this credit line had not been used. The credit line is partially secured.

The contractually agreed future interest and principle repayments of the original financial liabilities and derivative financial instruments are as follows as at 31 December 2021:

in € thousand	Carrying amount 31.12.2021	Cash flows 2021	Cash flows 2022–2025	Cash flows from 2026
Bank loans and overdrafts	1,502,114	269,860	556,924	822,805

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 2021. The majority of the trade payables and other financial liabilities reported at the end of the financial year will fall due in 2022.

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 in full. In addition, if information exists that points to an increased risk of default for a tenant, checks are made to decide whether receivables that are less than 90 days overdue should also be written down. During the year under review, write-downs of rent receivables in the amount of €25,029 thousand (previous year: €29,218 thousand) were recognised under expenditure.

The maximum default risk in relation to trade receivables and other assets totalled €49,061 thousand as at the reporting date (previous year: €37,627 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 €5,218 thousand (previous year: €6,340 thousand). The vast majority of loan liabilities have fixed interest terms. As at the reporting date, loans totalling €104,900 thousand (previous year: €107,400 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	31.12.2021	31.12.2020
Equity	2,377,780	2,314,771
Equity ratio in %	55.6	54.6
Net financial debt	1,173,275	1,275,398

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 €70.4 million arising from service contracts.

There are financial obligations of €6.1 million which will arise in 2022 in connection with investment measures in our shopping centers.

32. HEADCOUNT

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 2021 amounted to €365 thousand (previous year: €392 thousand). Of this amount, €361 thousand (previous year: €388 thousand) related to auditing services. Other audit-related services were also provided by the auditor in the amount of €4 thousand (previous year: €4 thousand).

34. DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

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

www.deutsche-euroshop.de/Investor-Relations/Corporate-Governance/Declaration-of-Conformity.com/

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 compensation of the Supervisory Board and Executive Board is described in section "37. Supervisory Board and Executive Board" and also in the compensation report portion of the combined management report.

In his position as a member of the Supervisory Board of Deutsche EuroShop AG, Alexander Otto is considered a related party within the meaning of IAS 24. Thus, the ECE Group and Curatax GmbH Steuerberatungsgesellschaft, both of which are controlled by Alexander Otto, are also considered related parties. Fees for service contracts with these two companies totalled €19,205 thousand (previous year: €19,209 thousand). This was partially offset by income from leases and mall marketing with the ECE Group in the amount of €7,673 thousand (previous year: €8,214 thousand). Receivables from the ECE Group came to €5,494 thousand (previous year. €4,456 thousand), while liabilities amounted to €1,321 thousand (previous year: €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
Alexander Otto	01.10.2020	… exceeds threshold (20)	20.02	0.57	19.45
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 [1]
AXA S.A., Paris, France	01.04.2021	… falls below threshold (3)	2.90	0.00	2.90 [2]
BlackRock, Inc., Wilmington, DE, United States of America	17.09.2021	… exceeds threshold (3)	3.59	0.00	3.59 [3]

1 In addition, we were notified by The Goldman Sachs Group, Inc. of one securities loan (1.57%), one swap (0.13%) and one CFD (2.31%).
2 In addition, we were notified by AXA S.A of a securities lending transaction (0.05%) in relation to this.
3 We were also notified by BlackRock, Inc. of a securities lending transaction (0.64%) in relation to this.

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. The Supervisory Board included the following members with membership of other statutory supervisory boards and membership of comparable supervisory bodies of business enterprises in Germany or other countries:

Reiner Strecker, Wuppertal, Chair
Personally liable partner, Vorwerk & Co. KG, Wuppertal (until 31 December 2021); management consultant, Hamburg (since 1 January 2022)

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

Karin Dohm, Kronberg im Taunus, Deputy Chair
Member of the Executive Board, Hornbach AG and Hornbach Management AG, Bornheim near Landau / Palatinate

- Hornbach Immobilien AG, Bornheim (since 1 April 2021; Chair since 17 September 2021)
- CECONOMY AG, Düsseldorf

Dr. Anja Disput, Bad Soden am Taunus
Partner at Disput Hübner Partnerschaft von Rechtsanwälten mbB, Frankfurt am Main

Henning Eggers, Halstenbek
Member of Management, CURA Vermögensverwaltung G.m.b.H, Hamburg

- ECE Group GmbH & Co. KG, Hamburg

Dr Henning Kreke, Hagen / Westphalia
Managing partner, Jörn Kreke Holding KG and 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
- Slyrs Destillerie GmbH & Co. KG, Schliersee (since 1 May 2021)

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 (since 3 September 2021)

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

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

Executive Board

Wilhelm Wellner, Hamburg, CEO

Olaf Borkers, Hamburg, Member of the Executive Board

The compensation of the Executive Board excluding pension expenses totalled €1,127 thousand (previous year: €1,180 thousand), which included performance-related compensation in the amount of €585 thousand (previous year: €637 thousand).

The term of a long-term incentive (LTI 2018), which ended on 31 December 2021, and under which no payment obligation arose, began on 1 July 2018.

We refer to the notes on the compensation of the Executive Board and Supervisory Board in the separate compensation report published on the Company's website.

38. EVENTS AFTER THE REPORTING DATE

2022 started with a significant increase in the number of new coronavirus infections, which reached new highs in Germany in the spring. The protection measures and restrictions that had already been tightened at the end of 2021 (including the FFP2 mask mandate, 2G and 2G+) have therefore been retained, placing a significant burden on the retail and food and beverages sectors. Since mid-February 2022, these measures have been gradually relaxed, although it cannot be ruled out that a renewed increase in the number of infections, for example due to a new virus variant, will lead to regulations being tightened again.

At the beginning of January 2022, the German Federal Court of Justice (BGH) ruled that in the event of stores closing due to actions by the authorities to combat the COVID-19 pandemic, a claim by a tenant to adjust the rent due to disruption of business pursuant to Section 313 (1) of the Bürgerliches Gesetzbuch (BGB – German Civil Code) may be considered. The BGH stated that the applicability of Section 313 BGB will not automatically lead to a claim for an adjustment of the rent. Instead, the specific case would have to be assessed in full. As contract amendments have already been agreed with or offered to many tenants in connection with the coronavirus, or they have received coronavirus state support, the DES Group is not expecting any further material claims in this regard, although the possibility cannot be entirely ruled out.

The war in Ukraine, with Russian troops entering Ukrainian territory in February 2022, had no impact on the financial statements as at 31 December 2021. Besides the immense suffering of the people affected, the war will also have repercussions for the globally networked economy. Potential impacts on the Group's business performance are monitored on an ongoing basis. The current situation is very dynamic. The effects of the war cannot be assessed at present and will depend to a large extent on when the war can be brought to an end.

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

Hamburg, 30 March 2022

Deutsche EuroShop AG

The Executive Board

Wilhelm Wellner   Olaf Borkers

INFORMATION ON SHAREHOLDINGS

Shareholdings in accordance with Section 313 (2) of the Handelsgesetzbuch (HGB – German Commercial Code) as at 31 December 2021:

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, use was made of the exemption from the disclosure obligation in accordance with Section 264b HGB.

RESPONSIBILITY STATEMENT BY THE EXECUTIVE BOARD

We declare that, to the best of our knowledge, and 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 that the combined management report presents the course of business including business performance and the situation of the Group in a way that is true and fair and describes the material opportunities and risks relating to the likely development of the Group.

Hamburg, 30 March 2022

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. Dezember 2021, the consolidated income statement, the statement of comprehensive income, the statement of changes in equity, the consolidated cash flow statement for the financial year from 1. Januar 2021 to 31. Dezember 2021 as well as the notes to the consolidated financial statements, including a summary of relevant accounting methods.

We have also audited the combined management report (Company management report and Group management report) of Deutsche EuroShop AG for the financial year from 1. Januar 2021 to 31. Dezember 2021. In accordance with the provisions of German law, we have not audited the content of the statements listed under "OTHER INFORMATION" in the combined management report.

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

- the enclosed consolidated financial statements comply in all material respects with IFRS as adopted by the EU and the supplementary provisions of German law required to be applied under Section 315e (1) HGB and give a true and fair view of the net assets and financial position of the Group as at 31. Dezember 2021 as well as its results of operations for the financial year from 1. Januar 2021 to 31. Dezember 2021 in accordance with these requirements; and
- the enclosed combined management report as a whole provides a suitable understanding of the Group's position. This combined management report is consistent with the consolidated financial statements in all material respects, complies with the provisions of German law and suitably presents the opportunities and risks of future development. Our opinion on the combined management report does not extend to the content of the statements listed under "OTHER INFORMATION" in the combined management report.

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

BASIS FOR OPINION

We conducted our audit of the consolidated financial statements and combined management report in accordance with Section 317 HGB and the EU Audit Regulation (No 537/2014; hereinafter "EU AR"), taking into account the German generally accepted standards for the auditing of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility pursuant to these provisions and principles is described in more detail in the "RESPONSIBILITY OF THE AUDITOR FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT" section of our auditor's report. We are independent from the Group companies in line with the provisions of European and German commercial and professional law and have fulfilled our other professional duties under German law in line with these requirements.

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

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

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgement, were of most significant impact in our audit of the consolidated financial statements for the financial year from 1. Januar 2021 to 31. Dezember 2021. 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 €3,393.6 million in its consolidated financial statements as at 31. Dezember 2021 and held a participating interest in further material investment properties through its stakes in joint ventures and associates (€590.4 million). The shopping center properties held as investment property are measured at fair value in accordance with IAS 40. In financial year 2021, expenses from this measurement of €62.3 million were recognised in the income statement. In addition, the profit / loss of equity-accounted joint ventures and associates included a measurement effect of €4.1 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 significant input factors not 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 2021. In addition, we acknowledged the projected values and parameters (rental income, future vacancy rates, management, maintenance and administrative costs and interest rates) used in the valuation and are satisfied with the suitability of the decisions based on personal judgement and estimates. 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 years 2020 and 2021, 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 past 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 concluded corresponding supplementary agreements to the lease. Supplementary agreements result in the contract being accounted for as a new lease from the date of the 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 suspension or reduction of rental payments made on the basis of an existing lease 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 2021, specific loss allowances were made and expenses were recognised as a result of debt waivers in connection with coronavirus-related rent concessions. The measurement of receivables as at 31 December 2021 and the derecognition of receivables during the year mainly due to the coronavirus pandemic resulted in total expenses of €25.0 million.

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 assessed 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 €333.0 million in its consolidated financial statements as at 31. Dezember 2021. 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 / Deferred taxes" 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 "Declaration on corporate governance" section of the combined management report;
- 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.

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 the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

- identify and assess the risks of material misstatement of the consolidated financial statements and combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and precautions and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems;
- evaluate the appropriateness of accounting policies used and the reasonableness of estimates and related disclosures made by the legal representatives;
- conclude on the appropriateness of the legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and combined management report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view of the net assets, financial position and results of operations of the Group in compliance with IFRS as adopted by the EU and the supplementary provisions of German law required to be applied under Section 315e (1) HGB;
- obtain sufficient and appropriate audit evidence for the accounting information of the companies or business activities within the Group in order to express an opinion on the consolidated financial statements and combined management report. We are responsible for providing guidance on, monitoring and performing the audit of the consolidated financial statements. We bear sole responsibility for our opinion;
- evaluate the consistency of the combined management report with the consolidated financial statements, its legal counterpart and the understanding it provides of the Group's position;
- perform audit procedures for the forward-looking statements made by the legal representatives in the combined management report. On the basis of sufficient and appropriate audit evidence, we acknowledge in particular the significant underlying assumptions of the forward-looking statements made by the legal representatives and evaluate the appropriate derivation of the forward-looking statements based on these assumptions. We do not express a separate opinion on the forward-looking statements or the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the forward-looking statements.

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

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

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

OTHER APPLICABLE LEGAL REQUIREMENTS

Report on the audit of the electronic reproductions of the consolidated financial statements and the combined management report prepared for the purpose of disclosure in accordance with Section 317 (3a) HGB

Audit opinion

In accordance with Section 317 (3a) 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 file [SHA 256-Hashwert: Hashwert bitte hier reinkopieren] 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 the 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 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 2021 to 31 December 2021 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 file in accordance with Section 317 (3a) HGB, taking into account the IDW Auditing Standard: Audit of electronic reproductions of financial statements and management reports prepared for disclosure purposes in accordance with Section 317 (3a) HGB (IDW PS 410 (10.2021)). 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).

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 are 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 Supervisory Board is responsible for overseeing the process of preparing 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 controls;
- 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, with regard to 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 the ESEF documents with inline XBRL technology (iXBRL), in accordance with Articles 4 and 6 of Delegated Regulation (EU) 2019/815, as amended as at the reporting date, 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 18 June 2021. We were appointed by the Chair of the Audit Committee of the Supervisory Board on 25 July 2021. We have audited the consolidated financial statements of Deutsche EuroShop AG over a continuous period since the 2005 financial year.

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

RESPONSIBLE AUDITOR

The auditor responsible for the audit is Olaf Oleski.

Hamburg, 7 April 2022

BDO AG
Wirtschaftsprüfungsgesellschaft

sig. Reese	sig. Oleski
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 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 2020. 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

	31.12.2021		31.12.2020		Change	
	in € thousand	per share in €	in € thousand	per share in €	+/– in € thousand	in %
EPRA earnings	121,958	1.97	124,536	2.02	–2,578	–2.1
EPRA NRV	2,601,155	42.10	2,540,009	41.11	61,146	2.4
EPRA NTA	2,374,450	38.43	2,309,711	37.38	64,739	2.8
EPRA NDV	1,999,963	32.37	1,934,235	31.31	65,728	3.4

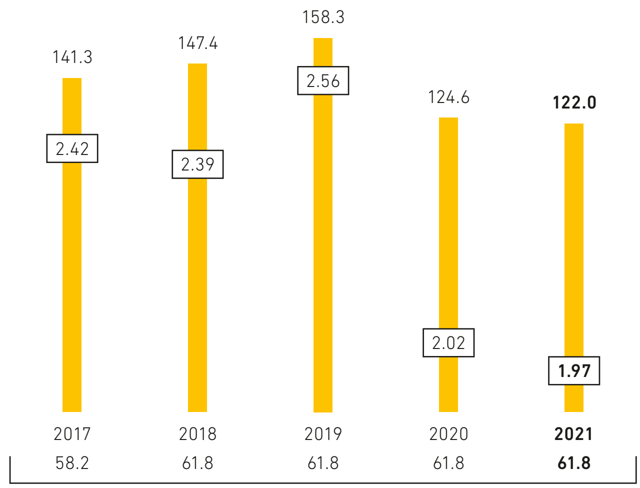
	31.12.2021	31.12.2020	Change
	in %	in %	in % points
EPRA net initial yield (EPRA NIY)	5.1	5.3	–0.2
EPRA "topped-up" net initial yield	5.1	5.4	–0.3
EPRA cost ratio (incl. direct vacancy costs)	28.2	27.3	0.9
EPRA cost ratio (excl. direct vacancy costs)	27.3	26.6	0.7
EPRA vacancy rate	5.7	4.6	1.1

[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.

EPRA EARNINGS
in € million/per share in €



Weighted number of no-par-value shares issued in million

EPRA EARNINGS

	31.12.2021			31.12.2020			Change	
	in € thousand	in € thousand	per share in €	in € thousand	in € thousand	per share in €	per share in €	in %
Consolidated profit		59,945	0.97		–251,717	–4.07	–5.88	—
Measurement gains / losses on investment properties	58,821			353,837				
Measurement gains / losses investment properties (at equity)	–4,092			73,786				
Measurement gains / losses on investment properties [1]		54,729	0.89		427,623	6.92	–6.03	–87.1
Measurement gains / losses on derivative financial instruments [1]		0	0.00		–88	0.00	0.00	—
Goodwill write-down		0	0.00		2,008	0.03	–0.03	–100.0
Deferred taxes on adjustments [1]		7,284	0.11		–53,290	–0.86	0.97	—
EPRA EARNINGS		**121,958**	**1.97**		**124,536**	**2.02**	**–0.05**	**–2.5**
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

NET ASSET VALUE

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 NRV

	31.12.2021		31.12.2020	
	in € thousand	per share in €	in € thousand	per share in €
Equity	2,062,866	33.39	2,003,246	32.42
Derivative financial instruments measured at fair value[1]	23,398	0.38	26,138	0.42
Deferred taxes on investment properties and derivative financial instruments[1]	339,937	5.50	332,059	5.38
Goodwill as a result of deferred taxes	–51,719	–0.84	–51,719	–0.84
Less ancillary acquisition costs[1]	226,673	3.67	230,285	3.73
EPRA NRV	**2,601,155**	**42.10**	**2,540,009**	**41.11**
Number of no-par-value shares issued as at the reporting date		61,783,594		61,783,594

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

EPRA net tangible assets (EPRA NTA):

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

EPRA NTA

	31.12.2021		31.12.2020	
	in € thousand	per share in €	in € thousand	per share in €
EPRA NRV	2,601,155	42.10	2,540,009	41.11
Ancillary acquisition costs[1]	–226,673	–3.67	–230,285	–3.73
Intangible assets	–32	0.00	–13	0.00
EPRA NTA	**2,374,450**	**38.43**	**2,309,711**	**37.38**
Number of no-par-value shares issued as at the reporting date		61,783,594		61,783,594

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

EPRA net 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.

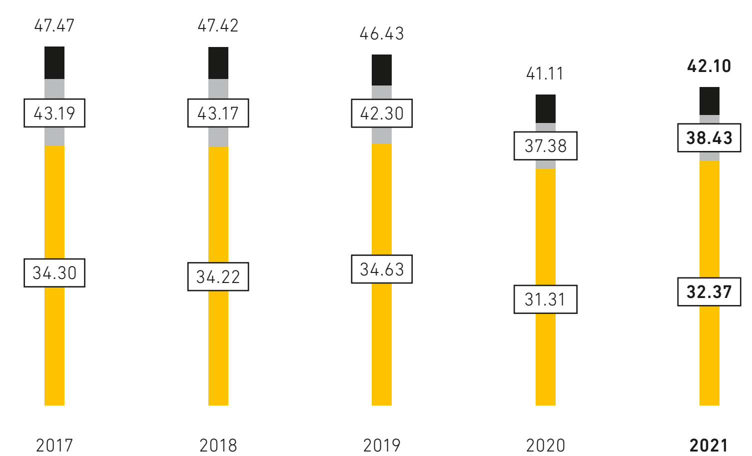
EPRA NDV

	31.12.2021		31.12.2020	
	in € thousand	per share in €	in € thousand	per share in €
EPRA NRV	2,601,155	42.10	2,540,009	41.11
Ancillary acquisition costs [1]	–226,673	–3.67	–230,285	–3.73
Derivative financial instruments measured at fair value [1]	–23,398	–0.38	–26,138	–0.42
Difference between non-accounted financial liabilities measured at fair value and their carrying amount [1]	–15,346	–0.25	–21,677	–0.34
Deferred taxes on difference between non-accounted financial liabilities measured at fair value and their carrying amount [1]	4,162	0.07	4,385	0.07
Deferred taxes on investment properties and derivative financial instruments [1]	–339,937	–5.50	–332,059	–5.38
EPRA NDV	**1,999,963**	**32.37**	**1,934,235**	**31.31**
Number of no-par-value shares issued as at the reporting date		61,783,594		61,783,594

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

EPRA NRV / NTA / NDV

per share in € / in € million



in € million	2017	2018	2019	2020	2021
EPRA NRV	2,932.8	2,929.8	2,868.6	2,540.0	**2,601.2**
EPRA NTA	2,668.4	2,667.5	2,613.4	2,309.7	**2,374.4**
EPRA NDV	2,119.5	2,114.4	2,139.5	1,934.2	**2,000.0**
	61.8	61.8	61.8	61.8	**61.8**

Number of no-par-value shares issued as at the reporting date 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

in € thousand	31.12.2021		31.12.2020	
Market value of investment properties	3,393,554		3,437,145	
Market value of investment properties (at equity)	590,441		584,591	
Market value of investment properties		3,983,995		4,021,736
Less expanded space [1]		–10,960		–5,560
Less ancillary acquisition costs [1]		226,673		230,285
Market value of investment properties (gross)		**4,199,708**		**4,246,461**
Annualised rental income [1]		244,107		254,342
Non-allocable property expenses [1]		–28,843		–27,452
Annualised net rental income		**215,264**		**226,890**
Rental incentives and other rental adjustments [1]		1,015		631
Annualised "topped-up" net rental income		**216,279**		**227,521**
EPRA net initial yield (EPRA NIY)		**5.1%**		**5.3%**
EPRA "topped-up" net initial yield		**5.1%**		**5.4%**

[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

in € thousand	31.12.2021	31.12.2020
Market rent for vacancy [1]	13,727	11,169
Total market rent [1]	239,970	243,640
EPRA vacancy rate	**5.7%**	**4.6%**

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

The increase in the EPRA vacancy rate is due to coronavirus-related tenant defaults and longer re-letting periods.

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. Costs are not capitalised.

EPRA COST RATIO

in € thousand	31.12.2021	31.12.2020
Operating and administrative costs for property[1]	38,240	34,612
Write-downs and derecognition of receivables[1]	28,862	34,231
Other operating expenses[1] excluding financing costs	8,404	7,586
Other revenue from cost allocations and reimbursement[1]	–6,763	–6,737
EPRA costs (incl. direct vacancy costs)	**68,743**	**69,692**
Direct vacancy costs[1]	–2,230	–1,691
EPRA costs (excl. direct vacancy costs)	**66,513**	**68,001**
Rental revenue (excluding cost allocations and reimbursements)[1]	243,603	255,465
EPRA cost ratio (incl. direct vacancy costs)[2]	**28.2 %**	**27.3 %**
EPRA cost ratio (excl. direct vacancy costs)[3]	**27.3 %**	**26.6 %**

1 Including the share attributable to equity-accounted joint ventures and associates
2 The EPRA cost ratio (incl. direct vacancy costs) excluding write-downs and derecognition of receivables would be 16.4% (previous year: 13.9%).
3 The EPRA cost ratio (excl. direct vacancy costs) excluding write-downs and derecognition of receivables would be 15.5% (previous year: 13.2%).

INVESTMENTS IN REAL ESTATE ASSETS

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

EPRA INVESTMENTS IN REAL ESTATE ASSETS

	31.12.2021			31.12.2020		
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)	18,732	1,758	20,490	15,053	4,170	19,223
Other	0	0	0	0	0	0
EPRA investments in real estate assets[1]	**18,732**	**1,758**	**20,490**	**15,053**	**4,170**	**19,223**

1 Investments in 2021 and 2020 were reflected almost entirely in cash in the year in question.

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 "Mail Beautification" investment programmes started in financial year 2018 and continued during this financial year, which will further boost the attractiveness of the shopping centers. Interest was not capitalised within the scope of the investments.

REPORT OF THE SUPERVISORY 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 2021, 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 about business developments.

As the Chair 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 and 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 2021, 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 performance of the portfolio properties, specifically their sales and visitor number trends, the accounts receivable and occupancy rates, and the Company's liquidity position. Last year, we were again 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 strategy of the Company as well as the impact of the continuing 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 ongoing coronavirus pandemic continued to accelerate the growth of online retail due to the imposed lockdown measures. The ongoing integration of online and offline retail thus remained 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.

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 devoted a lot of attention again 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 finalised a new system of Executive Board remuneration and then put it to the Annual General Meeting for approval.

The Chair of the Supervisory Board and the Executive Committee of the Supervisory Board also discussed other topical issues with the Executive Board as required. During regular conference calls, the Executive Board informed the Executive Committee about current developments relating to the pandemic and their impact. 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 2021 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 the 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	Capital Market Committee
Reiner Strecker (Chair)	2012	Annual General Meeting 2022	4/4	12/12	4/4	1/1
Karin Dohm (Deputy Chair)	2012	Annual General Meeting 2022	4/4	11/12	4/4	–
Dr Anja Disput	2019	Annual General Meeting 2024	4/4	–	–	–
Henning Eggers	2019	Annual General Meeting 2024	4/4	11/12	4/4	1/1
Dr Henning Kreke	2013	Annual General Meeting 2023	4/4	–	–	1/1
Alexander Otto	2002	Annual General Meeting 2023	4/4	1/1 [1]	–	1/1 [1]
Claudia Plath	2019	Annual General Meeting 2024	4/4	–	–	–
Klaus Striebich	2012	Annual General Meeting 2022	4/4	–	–	–
Roland Werner	2015	Annual General Meeting 2025	3/4	–	–	–

1 invited to a meeting as a guest

April conference

During the first regular video conference on **9 April 2021**, the Executive Board and the auditor's representatives explained the annual financial statements 2020 for the Company and the Group as well as the audit procedures and results. We then finally approved and adopted the annual financial statements of the Company. We also approved the consolidated financial statements. The conference moved on to a report by the Executive Board on current developments, including, in particular, the lockdown measures taken by governments in the various countries, the interim insolvencies, the visitor number trends, the retail sales of our tenants and the scope of rental payments. The Executive Board additionally provided information on maturing loans, the covenants for key financial figures in the loan agreements 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. As Chair, I presented the new compensation system developed by the Executive Committee for the Executive Board to the Supervisory Board. The Supervisory Board unanimously approved the compensation system. Finally, the agenda for the Annual General Meeting was also adopted unanimously. To avoid risks and in line with the legal and pandemic situation, we again resolved to hold a virtual Annual General Meeting at the suggestion of the Executive Board.

June conference call

Following the virtual Annual General Meeting on **18 June 2021**, the Supervisory Board held a meeting by telephone. The Executive Board reported to us on current developments with regard to official pandemic-related regulations, visitor numbers, 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 against a backdrop of high uncertainty about how the pandemic would continue to unfold. The Executive Board explained the credit situation and credit markets for shopping centers. In the process, it also reported to us on its work on credit alternatives and ways of supplementing credit. In addition, the Executive Board explained to us the current status of its activities in selling properties that are not required for shopping center operations. At this time, it was not possible to make a reliable forecast regarding the 2021 financial figures given the inability to estimate how the coronavirus pandemic would continue to evolve or its impact, especially on rental income and impairments.

September meeting

Our meeting on **24 September 2021** was held at the Galeria Baltycka in Gdansk, Poland. We dealt in depth with the Company's strategy and the measures derived from this. One of the main focal points was the composition of the portfolio and future forecasts for shopping center markets nationally and internationally. We instructed the Executive Board to develop various options to take the Company forward based on lessons learned during the pandemic and to present these to us at the April 2022 meeting. The Executive Board reported to us both on the refinancing carried out in 2021 and on the status of the negotiations for refinancing in 2022. Current developments relating to our center portfolio were also presented to us. With the Executive Board absent, we discussed the future composition of the Supervisory Board as three mandates will expire at the Annual General Meeting in June 2022. We used our stay in Gdansk to visit our Galeria Baltycka and two rival shopping centers.

November video conference

In a video conference on **26 November 2021**, 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 2021 and also presented its assumptions and planning for the years 2022 through to 2026. Both the projection and the planning for subsequent years were subject to considerable uncertainties given that it remained difficult to estimate the further course of the coronavirus pandemic. As in the previous year, this was particularly true in view of the renewed jump in the number of infections since autumn. The Executive Board submitted to us for approval the term sheets negotiated with banks and savings banks for refinancing for the Altmarkt-Galerie Dresden (€107.4 million from 1 April 2022) and for our Company (€52.9 million from 1 July 2022). We approved these unanimously. In addition, the Executive Board explained to us its intended process for developing strategy alternatives, which we unanimously endorsed.

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 held a meeting by video conference on 1 April and, due to the pandemic, it also held eleven extraordinary meetings by conference call or video conference on 15 January, 29 January, 12 February, 26 February, 12 March, 19 March (together with the Capital Market Committee and Alexander Otto as a guest), 23 April, 10 May, 21 May, 9 June and 10 August 2021 to discuss the current pandemic situation and the impact on our shopping centers and their financing. The Audit Committee held four regular meetings by conference call or video conference on 1 April, 10 May, 10 August and 10 November 2021 to receive reports from the Executive Board and auditor on the annual financial statements 2020 and to discuss the interim reports 2021 with the Executive Board. The current coronavirus situation was also reported on and discussed. The Capital Market Committee held an extraordinary meeting by conference call on 19 March 2021 (together with the Executive Committee and Alexander Otto as a guest) to discuss the proposal submitted by the Executive Board for a statutory minimum dividend and the framework data for new conditional and authorised capital. We reached the decision with the Executive Board to limit the dividend proposal to the statutory minimum due to the continuing high level of uncertainty regarding the scope and duration of the pandemic.

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 2021 and February 2022, together with the Executive Board, we issued an updated declaration of conformity in relation to the recommendations of the Government Commission pursuant to Section 161 of the Aktiengesetz (AktG – German Public Companies Act) and made this permanently available on the Deutsche EuroShop AG website. A separate report on the implementation of the Deutscher Corporate Governance Kodex (DCGK – German Corporate Governance Code) is included in this Annual Report. The members of the Supervisory Board and Executive Board declared in writing at the beginning of 2022 that no conflicts of interest had arisen during financial year 2021.

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 Chair 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 such talks were conducted in financial year 2021.

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 2021

At the Audit Committee meeting on 1 April 2022 and at the regular Supervisory Board meeting on 21 April 2022, 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 2021, as well as the combined management report and Group management report for financial year 2021. The impact of the ongoing coronavirus pandemic on the future performance of Deutsche EuroShop AG, as explained, was 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 18 June 2021 – 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 2022 and the regular Supervisory Board meeting on 21 April 2022 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 net income, according to which a partial amount of €61,783,594.00 of the unappropriated surplus of €61,818,600.14 for financial year 2021 is to be used to pay a dividend of €1.00 per no-par-value share carrying dividend rights, and the remaining partial amount of €35,006.14 is to be carried forward to new account.

The impact of the coronavirus remains a particular challenge in day-to-day work. The end of the pandemic hoped for in spring 2021 has not materialised after a brief improvement in the situation. In late autumn 2021, infection numbers increased again due to new variants of the virus, reaching new highs in the winter of 2021. The sound operating concepts for the shopping centers and company administration have proven their worth to date. Together with the Executive Board, we are continuing to make every effort in this extraordinary and ongoing pandemic situation to find the best possible solutions for all stakeholders of Deutsche EuroShop AG so that 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, 21 April 2022

R. Strecker

Reiner Strecker, Chairman

Main-Taunus-Zentrum

CORPORATE GOVERNANCE 2021

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 inner cities 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 must 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 term (average fixed interest period) at over five years.

As a result of the recognised and anticipated long-term impact of the coronavirus pandemic on our portfolio, management will review the strategy in financial year 2022 and make adjustments as necessary.

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 inner cities 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 (ECE; formerly ECE Projektmanagement GmbH & Co. KG). 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 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 Executive Board reporting. In financial year 2021, like in the previous year, 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 2021

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 2021 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 the Supervisory Board's activities in financial year 2021 can be found in the 2021 Annual Report of Deutsche EuroShop AG.

In financial year 2021, there were no advisory or other contracts for work or services in existence between members of the Supervisory Board and the Company.

REMUNERATION SYSTEM AND REMUNERATION REPORT

The applicable remuneration system for the members of the Executive Board in accordance with Section 87a (1) and (2) sentence 1 of the Aktiengesetz (AktG – German Public Companies Act), which was approved by the Annual General Meeting on 18 June 2021, and the resolution adopted by the Annual General Meeting on 18 June 2021 in accordance with Section 113 (3) AktG on the confirmation of remuneration and on the remuneration system for the members of the Supervisory Board are available to the public on the Deutsche EuroShop AG website at www.deutsche-euroshop.de. The remuneration report for financial year 2021 and the auditor's report pursuant to Section 162 AktG will be made available to the public at the same Internet address.

The remuneration report for financial year 2021 and the auditor's report in accordance with Section 162 AktG also form part of the 2021 Annual Report of Deutsche EuroShop AG. This is also available at the above Internet address.

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. Hennig 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. Twenty-one of these are located in shopping centers of Deutsche EuroShop AG.

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 2.5 to 19.5 years, the average being almost eight years (as at 31 December 2021).

Name	Function	Since	Until the AGM, which will decide on...	AGM in	Membership (years) on the Supervisory Board as of December 2021
Reiner Strecker	Chairman	13.07.2012	2021	2022	9.5
Karin Dohm	Deputy Chairwoman and Financial Expert	13.07.2012	2021	2022	9.5
Klaus Striebich		13.07.2012	2021	2022	9.5
Alexander Otto		18.06.2002	2022	2023	19.5
Dr Henning Kreke		20.06.2013	2022	2023	8.5
Henning Eggers		12.06.2019	2023	2024	2.5
Dr Anja Disput		12.06.2019	2023	2024	2.5
Claudia Plath		12.06.2019	2023	2024	2.5
Roland Werner		18.06.2015	2024	2025	6.5
Average:					**7.8**

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,** Chair
- **Karin Dohm,** Deputy Chair
- **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 preparing 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 Chair as well as Mr Eggers as second Financial Expert and Mr Strecker. 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.

Ms Dohm qualifies as a financial expert in both accounting and auditing through her education (tax consultant since 2002 and auditor since 2005) and her professional activities. Her professional activities at Deloitte & Touche included the annual audit of listed companies from 1997 [GU1] to 2011. From 2011 to 2019, she held various roles in the Deutsche Bank Group, including responsibility for accounting at the Group and at the transaction bank. Since 2021, she has been Chief Financial Officer of a listed group.

Mr Eggers qualifies as a financial expert in both accounting and auditing through his education (tax consultant since 1999) and his professional activities as an employee and tax consultant at PKF Fasselt Schlage Wirtschaftsprüfungsgesellschaft (1995-2000). Since 2013, Mr Eggers has been a member of the management board of KG CURA Vermögensverwaltung G.m.b.H & Co., where he is responsible for accounting and finance.

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 2021, 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 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 2021 was 0%.

In March 2021, Mr Wellner's term in office on the Executive Board, which was due to end 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 also consists of two people, also stood at 0% on 31 December 2021.

SHAREHOLDINGS

Executive Board

As at 31 December 2021, the Executive Board held a total of 8,500 shares, less than 1% of Deutsche EuroShop AG's share capital.

Supervisory Board

As at 31 December 2021, the Supervisory Board held a total of 12,421,462 shares, and hence more than 1% of Deutsche EuroShop AG'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

No securities transactions by members of the Executive Board or of the Supervisory Board or by certain persons related to members of the executive bodies were notified to Deutsche EuroShop AG during financial year 2021 in accordance with Section 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act).

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 again in financial year 2021 to avoid the risk of infections. In this context, the rights of shareholders were partially restricted. Our Company again held a virtual Annual General Meeting in June 2021. 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.

A key item on the agenda of this Annual General Meeting in June 2021 was the resolution on the approval of the remuneration system for the members of the Executive Board. The shareholders approved the new remuneration system with a majority of 93.45% of the votes cast.

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 directly. 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 18 June 2021, BDO AG Wirtschaftsprüfungsgesellschaft was elected as the statutory auditor and Group auditor for financial year 2021. BDO AG Wirtschaftsprüfungsgesellschaft has audited the annual and consolidated financial statements of Deutsche EuroShop AG from 2005 to 2021 without interruption. The responsible auditors within the audit company have changed several times during the above-mentioned period. With the 2021 annual financial statements, the auditor Olaf Oleski performed his second audit of the annual financial statements of our Company and served as lead auditor for the first time. BDO also provided other consultancy services for our Company in financial year 2021 in the amount of €4,000.

OUTLOOK

The terms of office of Reiner Strecker, Karin Dohm and Klaus Striebich will end at the Annual General Meeting on 23 June 2022.

DECLARATION OF CONFORMITY

In February 2022, 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 2022 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 last 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 are published in advance.

Hamburg, 15 February 2022

The Executive Board and the Supervisory Board
Deutsche EuroShop AG

REMUNERATION FINANCIAL YEAR 2021

This compensation report outlines the components and the operating principles of the remuneration logic as well as the individual remuneration amounts for the Executive Board and Supervisory Board. Detailed information on the remuneration systems for the members of the Executive Board and Supervisory Board of Deutsche EuroShop AG is available on the Company's website: **www.deutsche-euroshop.com/remuneration**

GUIDELINES AND PRINCIPLES OF THE REMUNERATION SYSTEM FOR THE MEMBERS OF THE EXECUTIVE BOARD OF DEUTSCHE EUROSHOP AG

Deutsche EuroShop AG's business strategy aims to make investments in high-quality shopping centers in inner cities and established locations offering the potential for stable, long-term value growth and enabling the generation of high surplus liquidity from leases in shopping centers. The strategic targets are geared to consolidating the Company's successful positioning among its European competitors and increasing the value of the Company for its shareholders over the long term. The success of this development is measured on the basis of performance criteria and taken into appropriate account in the remuneration paid to the Executive Board. The remuneration thus provides the Executive Board with an effective incentive to implement the business strategy and achieve success. For this reason, the remuneration consists primarily of variable components that reward the achievement of set targets and reduce the remuneration paid in the event of non-achievement. This establishes a direct correlation between corporate success and remuneration.

REMUNERATION OF THE MEMBERS OF THE EXECUTIVE BOARD

Essential features of the new remuneration system adopted in 2021

In 2021, Deutsche EuroShop AG developed a remuneration system for the members of the Executive Board in accordance with Section 87a AktG, which was resolved by the Supervisory Board on 9 April 2021 at the recommendation of the Executive Committee and approved by the Annual General Meeting on 18 June 2021 with an approval rate of 99.54%. It is based on the strategic alignment of the Company and complies with the regulatory requirements of the Aktiengesetz (AktG – German Public Companies Act) and the recommendations of the Deutscher Corporate Governance Kodex (DCGK – German Corporate Governance Code).

The following overview presents the basic components of the remuneration system and their design:

Fixed (non-performance-related) components

Basic annual remuneration	• Fixed basic annual remuneration, paid monthly in twelve equal instalments
Ancillary benefits	• Car for business and private use • Accident insurance / D&O insurance • Allowance for health and long-term care insurance
Company pension scheme	• Defined contribution plan in the form of a fixed annual amount to a provident fund • Alternative: Conclusion of old-age pension insurance

Variable (performance-related) components

Short-term incentive (STI)	
Plan type	• Annual target bonus plan
Cap	• 150% of target amount
Erfolgsziele	• Financial performance target: - funds from operations (FFO) per share • Personal criteria-based multiplier (0.8 – 1.2): - 50% ESG target (e.g. certification of centers) - 25% personal target (e.g. capital market communication rating) - 25% individual special projects / strategy implementation
Long-term incentive (LTI)	
Plan type	• Performance cash plan (annual rolling)
Cap	• 150% of target amount
Erfolgsziele	• Total shareholder return (TSR; 75%): - 2/3 absolute TSR - 1/3 relative TSR compared to relevant competitors • Loan-to-value ratio (LTV; 25%): - Absolute LTV - Multiplier depending on relative LTV compared to relevant competitors (0.8 – 1.2)
Performance period	• Four years
Payout	• Due in cash upon adoption of the annual financial statements for the last financial year of the respective tranche, thus four years after issue.

Further contractual regulations

Maximum remuneration per Executive Board member	• €1,100,000 p. a.
Share Ownership Guidelines	• Obligation to acquire and hold shares in Deutsche EuroShop AG amounting to at least 100% of the gross basic annual remuneration • Regular holding obligation for entire period of service and two years beyond • Build-up of one-third of the STI and 100% of the LTI payout amount
Clawback	• Possibility of reclaiming variable remuneration (STI as well as LTI) in certain cases
Severance cap	• Limited to two years' remuneration (basic annual remuneration plus contributions to company pension plan, STI and LTI), but not exceeding the remaining term of the employment contract

The target total remuneration of the Executive Board members is defined as the sum of the basic annual remuneration, ancillary benefits, company pension plan, and STI and LTI (in each case assuming 100% target achievement). The basic annual remuneration corresponds to between 40% and 50% of the target total remuneration. The STI accounts for around 20% – 25% and the LTI for around 25% – 30% of the target total remuneration. The company pension plan accounts for around 5% and ancillary benefits for around 2% – 4% of the target total remuneration. The significant share of the variable remuneration components in the target total remuneration and the higher weighting of the LTI compared with the STI underscore the "pay for performance" approach and the way that remuneration is geared to the long-term and sustainable success of Deutsche EuroShop AG.

As required by Section 87a (1) sentence 2 no. 1 AktG, the Supervisory Board has set an individual cap on remuneration. The amount of this maximum remuneration per Executive Board member is therefore €1,100,000 for each financial year. This maximum remuneration additionally limits the combined payout of all remuneration components granted for a financial year (basic annual remuneration, ancillary benefits, company pension plan, and STI and LTI) regardless of when they are paid out.

The remuneration system will be applicable to new or extended Executive Board memberships and will therefore be applied for the first time with the extension of the Executive Board contract for Mr Wellner from 1 January 2022. For 2022, Mr Wellner will receive fixed basic annual remuneration of €390,000; the target values are €190,000 for the STI and €215,000 for the LTI. The current term of Mr Borkers' Executive Board contract runs until 30 September 2022.

Remuneration practice in financial year 2021

In financial year 2021, the remuneration of the Executive Board members was still based on the provisions defined in the individual contracts when they were concluded. The remuneration agreed in these Executive Board contracts is made up of non-performance-related (fixed) and performance-related (variable) components. The fixed remuneration comprises the basic remuneration as well as ancillary benefits and, in some cases, a company pension plan. The variable remuneration reflects the performance during a financial year as well as the long-term development of the Company. Short-term variable remuneration (bonus) and long-term variable remuneration (long-term incentive) are therefore applied depending on performance.

In determining the target remuneration, the Supervisory Board took into account the size, complexity and structure of Deutsche EuroShop AG. Additional consideration was given to the economic and financial situation of the Company, the structure and level of Executive Board remuneration in comparable companies, the areas of responsibility of the individual Executive Board members, and the internal remuneration environment.

Fixed remuneration

The members of the Executive Board receive basic annual remuneration for their work based on the position, duties and area of responsibility of the respective Board member.

The fixed remuneration components include other ancillary benefits, primarily a car for business and private use and accident insurance. The Executive Board members also receive an allowance for health and long-term care insurance amounting to 50% of the amounts payable by them, but not exceeding 50% of the contributions to statutory health and long-term care insurance. In addition, a standard D&O insurance policy has been taken out for the members of the Executive Board.

Company pension plan

A defined contribution plan was agreed for Mr Wellner with effect from 1 July 2018. In this context, the Company will make a vested contribution of €50,000 per year to a provident fund until 2029. This contribution will be disbursed even if the appointment as a member of the Executive Board ends before the age of 62, unless Mr Wellner has not accepted an offer to extend his appointment on comparable terms. The obligation to pay contributions will also end in the event of Mr Wellner's death or occupational disability. As soon as Mr Wellner reaches the contractual age limit of 62 years and leaves the service of Deutsche EuroShop AG, the resulting pension amount will be granted either as a lifelong pension or as a lump-sum payment. The Company has committed to providing a company pension for Mr Borkers, for which it has been making contributions of €3,000 per year to a pension fund for the benefit of Mr Borkers since 1 July 2010. These contributions will continue to be paid until Mr Borkers leaves the Company or until 31 December 2029 at the latest. As at 31 December 2021, the present value of the pension commitment for Mr Wellner was €175,000, while for Mr Borkers it was €47,000.

Variable remuneration

The variable remuneration components are based both on the achievement of annual targets and on the long-term performance of the Company. The short-term variable remuneration component and the long-term variable remuneration component incentivise the performance of Executive Board members from different perspectives, over different performance periods and taking account of different performance criteria.

The performance criteria used as the basis for variable remuneration in financial year 2021 and their relevance to strategy are shown in the table below:

Performance criteria	Bonus	LTI	Relevance to strategy
Earnings before taxes (excluding measurement gains / losses)	x		Mapping of long-term operating success, which is reflected in the Company's ability to invest and pay dividends
Share price		x	Sustainable growth and increasing the value of the Company

Bonus

The bonus is based on a weighted average of the Group EBT (excluding measurement gains / losses) of the current and the two preceding financial years, whereby the EBT of the current financial year is weighted at 60%, the EBT of the previous financial year at 30% and the EBT of the financial year before that at 10%.

	Year	Weighting
current financial year	2021	60%
previous financial year	2020	30%
financial year before that	2019	10%

The amount of the bonus is calculated for Mr Wellner as 0.25% of the weighted EBT and for Mr Borkers as 0.2% of the weighted EBT, whereby the payouts are limited to €423,000 (€300,000).

	Payout factor	Cap in EUR k
Wilhelm Wellner	0.25%	423
Olaf Borkers	0.20%	300

In addition, the Supervisory Board can adjust the bonus on a case-by-case basis. To this end, the Supervisory Board assesses the Company's earnings and net assets and, in the event of deterioration, will make a corresponding adjustment to the bonus at its own discretion.

Long-Term Incentive Plan

The long-term incentive focuses on the long-term development of the enterprise value of Deutsche EuroShop AG. The currently applicable long-term variable remuneration was approved by the Annual General Meeting in July 2018 and expired at the end of the performance period on 31 December 2021.

The amount of the long-term variable remuneration is based on the development of the market capitalisation of Deutsche EuroShop AG over the performance period from 1 July 2018 to 31 December 2021. Individual payout factors have been defined for the Executive Board members, through which they participate proportionately in the increase in market capitalisation. For an increase in market capitalisation of up to €500 million, the payout factor is 0.10% for Mr Wellner and 0.05% for Mr Borkers. If the increase exceeds the value of €500 million, this share is additionally remunerated at 0.05% for Mr Wellner and 0.025% for Mr Borkers.

Market capitalisation is calculated by multiplying the volume-weighted average share price of the Company over the last twenty trading days by the number of Company shares issued.

Benefits in the event of premature termination of the employment contract

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 severance payment 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 basic annual remunerations 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 are applicable.

Application of the performance criteria and achievement of objectives

Bonus

For the bonus for financial year 2021, the weighted EBT is €129.9 million.

in EUR mn	EBT	Weighting	Weighted EBT
2021	125.6	60%	75.3
2020	127.6	30%	38.3
2019	163.1	10%	16.3
			129.9

This results in the following payout amounts for the Executive Board members:

in EUR k	Weighted EBT in EUR mn	Payout factor	Amount paid out
Wilhelm Wellner	129.9	0.25%	324.8
Olaf Borkers	129.9	0.20%	259.8

Long Term Incentive Plan

The long-term variable remuneration is determined by comparing the market capitalisation of the years 2018 and 2021. Using 1 July 2018 and 31 December 2021 as a basis, the average share price of the past twenty trading days is calculated and then multiplied by the number of shares issued in the financial years in question. The resulting market capitalisation values for the years 2018 and 2021 are compared with each other to reflect the development over the performance period.

On 31 December 2021, the market capitalisation of the Company stood at €890.4 million, which constitutes a reduction of €972.0 million versus the figure as at 1 July 2018. There will therefore be no payout from the LTI 2018.

in EUR mn	Market capitalisation
2018	1,862.4
2021	890.4
Change	–972.0

Long-Term Incentive 2018	Payout factor	Additional payout factor	Change	Amount paid out
Increase in market capitalisation	≤ €500 mn	> €500 mn		
Wilhelm Wellner	0.10%	0.050%	EUR –972.0 mn	€0
Olaf Borkers	0.05%	0.025%		€0

Malus and clawback rules

The applicable service contracts of the Executive Board members do not contain any specific malus and clawback rules. In financial year 2021, the Supervisory Board did not make use of the option to withhold variable remuneration components for the members of the Executive Board.

Remuneration granted and owed to members of the Executive Board

The table below shows the remuneration granted and owed in financial year 2021 for the active and former members of the Executive Board. For the active members of the Executive Board, the remuneration granted is hereinafter understood to mean the remuneration whose relevant performance period was completed in financial year 2021. Thus, for the variable remuneration components, the bonus 2021 and the Long-Term Incentive Plan with the performance period July 2018 – December 2021 are shown as remuneration granted. Pension expenses are not part of the remuneration granted.

Table 1: Remuneration granted and owed

	Wilhelm Wellner				Olaf Borkers				Claus-Matthias Böge (retired 2015)			
Remuneration granted and owed	2021	2021	2020	2020	2021	2021	2020	2020	2021	2021	2020	2020
	EUR k	Share	EUR k	Share	EUR k	Share	EUR k	Share	EUR k	Share	EUR k	Share
Fixed remuneration	282	45%	282	43%	236	47%	236	44%	-	-	-	-
Ancillary benefit	21	3%	22	3%	3	1%	3	1%	-	-	-	-
Fixed income	303	48%	304	46%	239	48%	236	45%	-	-	-	-
Bonus 2021 (2020)	325	52%	354	54%	260	52%	283	55%	-	-	-	-
Long-Term Incentive Plan 2018	-	-	-	-	-	-	-	-	-	-	-	-
Long-Term Incentive Plan 2010	-	-	-	-	-	-	-	-	-	-	342 [1]	90%
Pension payment	-	-	-	-	-	-	-	-	36	100%	36	10%
Total remuneration	**628**	**100%**	**658**	**100%**	**499**	**100%**	**522**	**100%**	**36**	**100%**	**378**	**100%**

[1] The former CEO Claus-Matthias Böge, who left the company in 2015, was granted remuneration under the Long-term Incentive Plan 2010 for the last time in 2020. The amount of this long-term variable remuneration was based on the positive change in the market capitalisation of the Company over a performance period of five years from 1 July 2010 to 31 December 2015. Mr Böge received a 0.2% share in any positive development of market capitalisation up to €500 million and an additional 0.1% share in any increase in market capitalisation exceeding this amount. Payouts under the LTI are made in arrears in five equal annual instalments, starting on 1 January 2016.

The following pension expense was recorded for the active members of the Executive Board:

Table 2: Pension expense

In EUR	Wilhelm Wellner		Olaf Borkers [1]	
	2021	2020	2021	2020
Pension expense	50	50	3	3

[1] Pension expense for Mr Borkers is also included in Table 1 under the item "Ancillary benefits".

No maximum remuneration has been agreed in the Executive Board contracts on which the remuneration is based.

REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

In accordance with Article 8 (4) of the Articles of Association, the Chair of the Supervisory Board receives annual remuneration of €50,000, the Vice Chair receives €37,500, and all other members of the Supervisory Board receive fixed remuneration of €25,000.

Members of the Supervisory Board who join or leave the Supervisory Board in the course of a financial year receive pro rata remuneration for the corresponding financial year.

In accordance with Article 8 (5) of the Articles of Association, members of the Supervisory Board are reimbursed for cash expenses incurred during performance of their duties. In addition, any sales tax incurred is reimbursed if the Supervisory Board members are entitled to invoice the Company separately for the sales tax.

The remuneration granted and owed to the Supervisory Board is constituted as follows:

Remuneration granted / owed to the Supervisory Board	2021			2020		
	Fixed remuneration		Total remuneration	Fixed remuneration		Total remuneration
	TEUR	%	TEUR	TEUR	%	TEUR
Reiner Strecker	50	100	50	50	100	50
Karin Dohm	37.5	100	37.5	37.5	100	37.5
Dr Anja Disput	25	100	25	25	100	25
Henning Eggers	25	100	25	25	100	25
Dr Henning Kreke	25	100	25	25	100	25
Alexander Otto	25	100	25	25	100	25
Claudia Plath	25	100	25	25	100	25
Klaus Striebich	25	100	25	25	100	25
Roland Werner	25	100	25	25	100	25

Information on the relative trend of the remuneration of the Executive Board, the remuneration of other employees, and the development of the Company's earnings

The table below shows the trend for the members of the executive bodies in comparison with the development of the earnings of Deutsche EuroShop AG and the average remuneration of all employees in Germany on a full-time equivalent basis during the period 2017 to 2021.

The development of Deutsche EuroShop AG's earnings is shown on the basis of earnings before taxes.

	Change 2017 – 2018	Change 2018 – 2019	Change 2019 – 2020	Change 2020 – 2021
Remuneration of members of Executive Board				
Wilhelm Wellner	6.6%	5.3%	-7.5%	-4.6%
Olaf Borkers	1.3%	2.5%	4.8%	-4.4%
Claus-Matthias Böge[1]	0.0%	8.8%	1.6%	-90.5%
Remuneration of members of Supervisory Board[2]				
Reiner Strecker	0.0%	0.0%	-19.0%	0.0%
Karin Dohm	0.0%	0.0%	-19.0%	0.0%
Dr Anja Disput[3]	-	-	-[7]	0.0%
Henning Eggers[3]	-	-	-[7]	0.0%
Dr Henning Kreke	0.0%	0.0%	-19.0%	0.0%
Alexander Otto	0.0%	0.0%	-19.0%	0.0%
Claudia Plath[3]	-	-	-[7]	0.0%
Klaus Striebich	0.0%	0.0%	-19.0%	0.0%
Roland Werner	0.0%	0.0%	-19.0%	0.0%
Beate Bell[4]	0.0%	-[7]	-	-
Thomas Armbrust[4]	0.0%	-[7]	-	-
Manuel Better[4]	0.0%	-[7]	-	-
Earnings indicators				
Earnings before taxes of the Company[5]	-7.5%	42.4%	-73.6%	68.2%
Group operating profit before measurement gains / losses and taxes[6]	5.0%	1.4%	-21.8%	-1.6%
Remuneration of employees				
Employees in Germany	3.7%	3.4%	2.2%	0.5%

1 On the Executive Board until 30 June 2015, grant under company pension plan since 2019, grant under LTI until 2020.
2 Until 2019, the remuneration of the Supervisory Board members was paid with input tax included. From 2020 onwards, the remuneration was paid with input tax excluded due to ECJ rulings. Remuneration in accordance with the Articles of Association remained unchanged over the period under review.
3 On the Supervisory Board since 12 June 2019
4 On the Supervisory Board until 12 June 2019
5 Separate financial statements of Deutsche EuroShop AG (HGB)
6 Voluntary additional information
7 No disclosure of changes due to joining or departure during the year.

INDEPENDENT AUDITOR'S REPORT

ON THE AUDIT OF THE COMPENSATION REPORT PURSUANT TO SECTION 162 (3) AKTG

To Deutsche EuroShop AG, Hamburg

Audit opinion

We have formally audited the compensation report of Deutsche EuroShop AG, Hamburg, for the financial year from 1 January 2021 to 31 December 2021 to determine whether the disclosures pursuant to Section 162 (1) and (2) of the Aktiengesetz (AktG – German Public Companies Act) have been made in the compensation report. In accordance with Section 162 (3) AktG, we have not audited the content of the compensation report.

In our opinion, the attached compensation report complies in all material respects with the dis-closures pursuant to Section 162 (1) and (2) AktG. Our audit opinion does not cover the content of the compensation report.

Basis for the audit opinion

We conducted our audit of the compensation report in accordance with Section 162 (3) AktG in consideration of IDW auditing standard: Audit of the compensation report pursuant to Sec-tion 162 (3) AktG (IDW PS 870 (08.2021)). Our responsibility under said provision and standard is further described in the "Responsibility of the auditor" section of our report. As auditing prac-tice, we applied the requirements of the IDW quality assurance standard: Requirements for quality assurance in auditing practice (IDW QS 1). We complied with the professional duties pursuant to the Wirtschaftsprüferordnung (WPO – German Public Accountant Act) and in ac-cordance with the professional statutes for auditors / chartered accountants, including the re-quirements regarding independence.

Responsibility of the Executive Board and Supervisory Board

The Executive Board and Supervisory Board are responsible for preparing the compensation re-port, including the related disclosures, in compliance with the requirements of Section 162 AktG. Further, they are responsible for any internal control they deem relevant to the prepara-tion of a compensation report, including related annexes, that is free from material misstate-ment, whether due to fraud or error.

Responsibility of the auditor

Our objective is to obtain reasonable assurance about whether the disclosures pursuant to Sec-tion 162 (1) and (2) AktG have been made in all material respects in the compensation report and to express an opinion thereon in an audit report.

We planned and performed our audit to obtain evidence about the formal completeness of the compensation report by comparing the disclosures made in the compensation report with the disclosures required by Section 162 (1) and (2) AktG. In accordance with Section 162 (3) (AktG), we have not audited the accuracy of the disclosures, the completeness of the individual disclo-sures or the fair presentation of the compensation report.

Dealing with misleading statements

In connection with our audit, we have a responsibility to read the compensation report in the light of knowledge obtained during the audit of the financial statements, and to remain vigilant for indications as to whether the compensation report contains misleading statements regarding the accuracy of the content of the disclosures, the completeness of the content of the individu-al disclosures, or the fair presentation of the compensation report.

If, on the basis of the work we have carried out, we conclude that there is indication of such a misleading statement, we are obliged to report this. We have nothing to report in this regard.

Hamburg, 7 April 2022

BDO AG
Wirtschaftsprüfungsgesellschaft

sig. Reese	sig. Oleski
Auditor	Auditor

LEGAL

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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, Quarterly Statement 9M and Interim Report H1 (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.

City-Point, Kassel

Deutsche EuroShop

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