DES
Deutsche EuroShop

Feel Estate

www.shoppingcenter.ag

Published by: Deutsche EuroShop AG, Hamburg
Address: Heegbarg 36, 22391 Hamburg, Germany
www.deutsche-euroshop.com

ANNUAL REPORT 2014
Deutsche EuroShop AG

Publication date: 29 April 2015
www.facebook.com/euroshop
www.twitter.com/DES_AG

The rolls conspiracy

Inflation is officially lower than it's been for years. For many, however, inflation is significantly higher. Katja Lüders is embarrassed at the counter. Every Sunday the lively Berliner jogs to her regular baker in Arkona-Kiez …

Complete article on page 12 >

The shopping center of the future: Technology gives the edge

The shopping center of the future will be urban and will offer good links to public transportation. It will change constantly and will serve as a meeting point, a place of social interaction. It will be a destination for events, …

Complete article on page 27 >

Editorial

Dear Readers,

This year's annual report, published in newspaper format, is entitled "Feel Estate". This refers to the interplay between real estate and emotions, which play a major role with shopping centers in particular. We observe this day in and day out at the 19 shopping centers in our portfolio. We want shopping in our centers to be an emotional experience for our customers – at every single visit. You, too, are invited to experience this special feeling.

"Feel Estate" not only provides you with the details of our very pleasing 2014 business year. We have also gathered a diverse mix of information on the topics of shopping and real estate which we hope you will enjoy.

This annual report is quite special to me, as I am taking leave of you and Deutsche EuroShop after 14 years. My successor, Wilhelm Wellner, came on board in February and is working hard to familiarise himself with his new duties so that he can take the helm as of July. I am confident that the company is in good hands with him and the Deutsche EuroShop team.

I hope you find the report enjoyable and informative and would like to thank you for your loyalty over the past years. I hope you will continue to support Deutsche EuroShop in future.

Best regards

Claus-Matthias Böge, CEO

Contents

Types of shoppers in 2015

How will we shop tomorrow?

The Internet is ubiquitous and just how significantly it changes our everyday lives is something we experience first-hand on a daily basis.

A quick look at our smartphones tells us whether or not our train is running on schedule, while scanning the QR code on a bottle of red wine helps us find out more about a vintner and lets us access coupons which we can then redeem at the check-out. We have been straddling these two worlds – both online and offline – for some time now. Our day-to-day communications and shopping activities are being shifted online …

Complete article on page 8 >

Beacons: A guiding light for customers

To date, smartphones have only been used in a retail context for e-commerce.

But now, beacon technology allows bricks-and-mortar shops to communicate digitally with their customers – before they walk through the doors.

As a customer passes the entrance to a shopping center, their smartphone vibrates in their pocket. The location function has recognised where they are and has automatically activated the mall app. A personal greeting appears on the screen: "Hello, Mr Smith, and welcome. The book you were recently looking for is back in stock. And why not drop into the men's outfitter on the first floor? A 10% discount on all your purchases is waiting for you." Mr Smith has seen the messages, but he is interested in something else today. It's his nephew's birthday tomorrow. Where's the toy shop? The mall app tells him: at the north end of the ground floor. The location of the shop appears as a blue dot on his smartphone, with a dotted line leading him directly to his destination. Few people look at the display boards at the information desk any more: indoor navigation is the mall app's most commonly used function.

Complete article on page 6 >

The Shopping Center Share

We want to promote the attractiveness of investing in Deutsche EuroShop to the financial community using open, timely and transparent investor relations based on continuity.

Deutsche EuroShop shares began the 2014 trading year at €31.83. At the end of January and beginning of February, the share lost some ground and fell to its lowest price of the year of €30.72 on 4 February 2014. After this, the share price stabilised within a corridor between €31.00 and €33.00 and then rose out of this corridor in late March. On 12 June 2014, the DES share reached its high for the year of €37.84 based on the Xetra closing price, which also represented a new all-time high.

Complete article on page 44 >

Further information

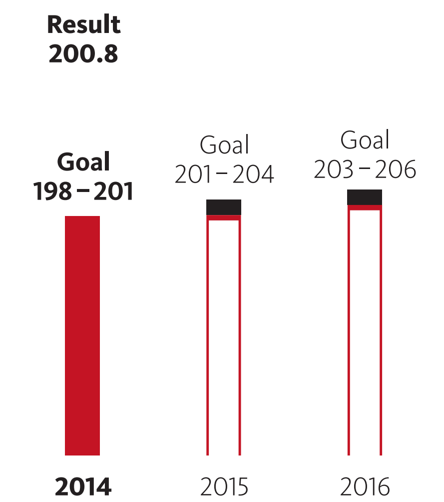
Deutsche EuroShop is Germany's only public company that invests solely in shopping centers in prime locations. You will find further information on **www.feelestate.de**

4 COUNTRIES
19 LOCATIONS

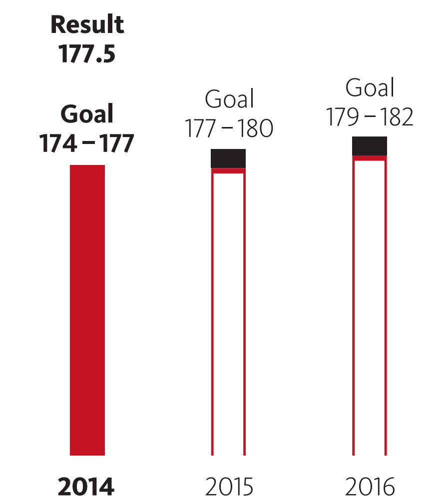
Deutsche EuroShop

www.shoppingcenter.ag

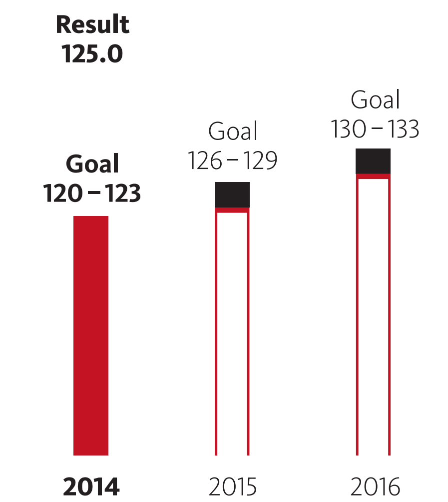
REVENUE in € millions



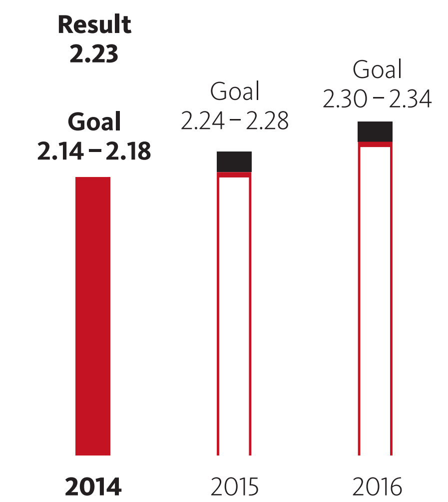
EBIT in € millions



EBT BEFORE VALUATION in € millions



FFO PER SHARE in €



Deutsche EuroShop Overview

Occupancy rate
99 %

Weighted maturity of rental contracts
6.4 years

Market value of the portfolio
3.7 € billion

Retail shops
approx. 2,350

Lettable space
approx. 930,300 m²

Shopping center
19

Countries
4

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

Highlights 2014

June
Annual General Meeting Page 49 >

Distribution of a dividend of €1.25 per share Page 46 >

July
Appointment of Wilhelm Wellner as member of the Executive Board with effect from 1 February 2015 Page 53 >

September
50th anniversary of Main-Taunus-Zentrum Page 30 >

and 10th anniversary of Phoenix-Center Page 32 >

October
Start of the construction works for the extension of Phoenix-Center Page 33 >

Key data

in € millions	2014	2013	Difference
Revenue	200.8	188.0	7%
EBIT	177.5	165.8	7%
Net finance costs	-39.8	-34.1	-17%
Measurement gains / losses	77.0	56.0	38%
EBT	214.7	187.6	14%
Consolidated profit	177.4	171.0	4%
FFO per share in €	2.23	2.08	7%
Earnings per share in € [1]	3.29	3.17	4%
Equity [2]	1,751.2	1,642.4	7%
Liabilities	1,741.0	1,752.5	-1%
Total assets	3,492.2	3,394.9	3%
Equity ratio in % [2]	50.1	48.4	
LTV-ratio in %	40	43	
Gearing in % [2]	99	107	
Cash and cash equivalents	58.3	40.8	43%
Net asset value (EPRA)	1,789.4	1,650.4	8%
Net asset value per share in € (EPRA)	33.17	30.59	8%
Dividend per share in €	1.30 [3]	1.25	4%

[1] undiluted [2] incl. non controlling interests [3] proposal

Our values

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

Our goals

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

Legal
Published by: Deutsche EuroShop AG, Heegbarg 36, 22391 Hamburg, Phone: +49 (0)40 - 41 35 79 0, Fax: +49 (0)40 - 41 35 79 29, www.deutsche-euroshop.com, ir@deutsche-euroshop.com
Editor in chief: Patrick Kiss. Editorial management: Nicolas Lissner. Editors responsible: Claus-Matthias Böge, Olaf Borkers, Kirsten Kaiser, Wilhelm Wellner.
Guest editors: Marco Atzberger, Ingmar Behrens, Jörg Brühl, Rolf Bürkl, Daniel Eckert and Holger Zschäpitz, David Huth, Dirk Kunde, Wilfried Reinhardt, Inga Schwarz, Dr. Ruth Vierbuchen.
Advertising management: Nicolas Lissner. Concept: Deutsche EuroShop AG. Art Direction: Whitepark GmbH & Co. Layout: Whitepark GmbH & Co. Illustration: Nadja Eckerich.
Pictures: Deutsche EuroShop, ECE, Uwe Hüttner, Christian Schmid, fotolia.com, istockphoto.com, Fatboy the Original BV (www.fatboy.com). Digital prepress: Albert Bauer Companies, Hamburg. Production: dierotationsdrucker, 73730 Esslingen.
Responsible for the editorial content: Deutsche EuroShop AG, Hamburg. You can find more information and the disclaimer on the last page.

Interview with the Executive Board

Time to buy

Deutsche EuroShop reported another very successful financial year. Claus-Matthias Böge has nonetheless decided not to renew his contract and will be leaving the company in mid-2015. We take a look with him back at the early days of Deutsche EuroShop. Meanwhile, Olaf Borkers gives us a run-down of the key figures for the financial year just closed. We go on to ask new Executive Board member Wilhelm Wellner what his plans are for the future of the company.

For the first time in its history, Deutsche EuroShop has three members on its Executive Board. The Executive Board is growing because the company is growing. Is that the right interpretation?

Claus-Matthias Böge: This is only a temporary arrangement. When I leave the company at the end of June 2015, we will return to the accustomed setup of two Executive Board members.

When you look back over the things you've achieved in the past 13 years or more, what are you most proud of?

Claus-Matthias Böge: When I joined the Executive Board of Deutsche EuroShop, a lot of things were new – and not just to me. Back in 2001, real estate companies in Germany were somewhat of an anomaly. I was interested in combining the multiple facets of the capital market with the shopping center business, where I had made my career up to that point. The fact that, under my leadership, the rather small and totally unknown DES evolved into a medium-sized MDAX company is something I'm of course pleased about, but not necessarily proud of. What makes me proud is that this was accomplished working with a team that has spent more than ten years building up this company. We were also lucky in that no one could have predicted how highly reliable dividends would be valued on the stock exchange.

What was the secret of your success?

Claus-Matthias Böge: The secret of our success shouldn't come as a surprise to anyone: adopting a long-term approach with a clear strategy focussing on high-quality shopping centers in prime locations.

And we always kept our feet on the ground, even if this was sometimes difficult because we didn't always just receive a pat on the back in return.

What would you have done differently, given what you know today?

Claus-Matthias Böge: With regard to our existing business model, actually very little. It would have been nice if REIT legislation had already existed in Germany when DES was founded. Then we wouldn't have had to deal with some of the tax issues we were faced with.

I would also have appreciated it if IFRS regulations had been less complex. Sometimes I had the feeling that I had been pushed to the limits of my understanding – in terms of both form and content. And I was aggravated by the many formalisms. My overriding objective has always been to provide shareholders with adequate and pertinent information to enable them to understand how much cash was really generated and will be generated in future. Thankfully, we managed to create this transparency in spite of IFRS.

What are your plans after you leave Deutsche EuroShop? You will have more time for shopping…

Claus-Matthias Böge: I don't have any concrete plans yet, just lots of ideas. I'm looking forward to perhaps starting out each day with a new plan. I rarely get bored. And when I do, I'm even able to enjoy it. It's possible I won't stay in Hamburg forever. But I probably won't need more time for shopping.

Shareholders are no doubt extremely grateful for everything you've done for Deutsche EuroShop.

» Our success is based on a long-term approach, combined with a clear focus on high-quality shopping centers in premium locations.

Let's turn our attention now to financial year 2014 and the growth we mentioned at the outset. Mr Borkers, how did the shopping centers and our company perform in 2014?

Olaf Borkers: The short answer is: as planned. If I may go into a bit more detail, allow me to provide a brief comparison of actual and target figures:

We budgeted revenue – that is, rental income – of €198 million to €201 million. At year-end, we had posted revenue of €200.8 million, up almost 7% on the prior year.

Earnings before interest and taxes (EBIT) were forecast at between €174 million and €177 million. Ultimately, they slightly exceeded this forecast range with €177.5 million. This is also a year-over-year increase of 7%.

When it comes to earnings before tax (EBT) excluding valuation gains/losses (incl. at-equity investments), we had planned for between €120 million and €123 million. We succeeded in topping this slightly with €125 million. The same applies to funds from operations, which came in at €2.23 per share, versus the budged range of €2.14 to €2.18.

The result: we met the forecast published in our last annual report in full, and Mr Böge can say he is leaving the company with a record result.

Lending rates continue to plummet. Could Deutsche EuroShop benefit from this?

Olaf Borkers: We have already been benefiting from this in terms of refinancing in recent years. Over the last five years, the average interest rate we have to pay has fallen by around 130 basis points; at year-end 2014 it stood at 3.76%. This means the weighted residual interest lock-in has remained almost unchanged at around six-and-a-half years.

We are currently negotiating new loan refinancing agreements for those maturing in 2015 and 2016. The old interest rate for the loans concerned is approximately 5% – we are a long way off this at the current time. Fortunately, this will result in a significant reduction in interest expense.

Mr Wellner, you are new to the Board of Deutsche EuroShop and will take over the helm in July 2015. Where do you think the opportunities and challenges will lie in your new role?

Wilhelm Wellner: I have now worked in the shopping center sector for ten years and it continues to fascinate me. At ECE, where I was employed from 2003 to 2012, I got to know the business from the inside out, especially from the perspective of developers and service providers. This is vital, since – as the saying goes – "retail is detail".

Now I can use the experience I have gained on the owner and proprietor side for the benefit of the investor Deutsche EuroShop. I perceive this as an opportunity of my new role.

A challenge is and remains the market for shopping centers, where the prices being paid by buyers are currently at a historically high level.

How do you plan to tackle this challenge? What are you planning for the future of Deutsche EuroShop?

Claus-Matthias Böge
CEO

After successfully qualifying as a bank clerk and completing a business administration degree, Mr Böge began his professional career in 1987 at the Dusseldorf-based Privatbankhaus Trinkaus & Burkhardt in Mergers & Acquisitions. His work, for which he was made a Prokurist (authorised signatory) in 1989, focused on advising small and medium-sized companies on buying and selling companies and equity interests. In 1990, Mr Böge was appointed to the management of KST Stahltechnik GmbH, a subsidiary of the Austrian industrial plant construction group VA Technologie AG, where he was responsible for the financial control, personnel, legal, tax and administration departments. In autumn 1993, Mr Böge moved to ECE Projektmanagement G.m.b.H. & Co. KG in Hamburg, the European market leader for the development, realisation, leasing and longterm management of shopping centers. It was here that he first became fascinated with the world of shopping centers. In addition to a series of management positions at subsidiaries in the ECE group, his work focused on concept planning, financing and ongoing profi tability optimisation of property investments. Mr Böge joined the Executive Board of Deutsche EuroShop AG in October 2001. He is married and has two children. ✖

Wilhelm Wellner
COO

Mr Wellner is a trained banker who earned a degree in business management from the University of Erlangen-Nuremberg and a Master of Arts (economics) degree from Wayne State University Detroit. He started his professional career at Siemens AG in 1996 as a specialist for international project and export finance. In 1999 Mr Wellner took a position as a senior officer in the area of corporate finance at Deutsche Lufthansa AG, where he was responsible for a variety of capital market transactions and supervised numerous M&A projects. In 2003 Mr Wellner switched to ECE Projektmanagement G.m.b.H. & Co. KG in Hamburg, Europe's market leader in the area of inner-city shopping centers. As the international holding company's Chief Financial Officer, he helped shape the expansion of this shopping center developer and was appointed Chief Investment Officer of the ECE Group in 2009. From 2012 to 2014 Mr Wellner served as Chief Financial Officer of the finance, human resources, legal affairs and organisation departments at Railpool GmbH, a Munich-based leasing company for rail vehicles. Mr Wellner joined the Executive Board of Deutsche EuroShop AG at the start of 2015. He is married and has two children. ✖

Is it time to buy?

Wilhelm Wellner: You have to accept the market. Not only are returns at historical lows; financing costs have also hit a new bottom. It thus also hinges on the relative return of a shopping center that is being offered. It has to pay off in the long run, however, as a low interest rate will not cure any structural problems facing a shopping center. It goes without saying that other criteria such as location, tenant mix, catchment area and size must fit with our portfolio.

In addition, this year we have already examined various options at home and abroad, but so far we have not found any centers that Deutsche EuroShop is actually prepared to add to its portfolio for the prices being asked.

Our shareholders can assume that we will stick to and refine our current strategy of targeting high-quality shopping centers and seizing attractive opportunities as and when they arise.

Are there other options alongside acquisitions to expand the successful portfolio?

Wilhelm Wellner: Yes, there are. The Phoenix-Center in Hamburg-Harburg has been undergoing a process of expansion and modernisation since September 2014 at a cost of around €30 million. The sales area of currently 26,500 m² is to be enlarged by just under 10% to 29,000 m² by spring 2016. The center will also receive a modern and very attractively designed food court with seating for around 300 people. This type of culinary offering is very much in vogue. This facility will therefore improve the quality of the overall shopping experience and the frequency of customer visits and – very importantly – will strengthen the on-site offering versus Internet shopping. After all, when you shop online, you can't meet with friends, shop together or grab a bite to eat. For City Point in Kassel, we are also currently looking into the option of integrating a food court.

An expansion we have had in the back of our mind for some time is Galeria Baltycka. The land is available, the plans have been drawn up, yet everything still depends on the building permits that need to be obtained. This naturally takes a lot of time. We hope we will be able to make a decision on the expansion in 2016. Then, the center in the Polish city of Danzig could house approx. 15,000 m² of additional rental space with some 70 new shops. This is a plan I'm especially excited about, since I've been involved with Galeria Baltycka from the development phase until market launch and feel I'm in a good position to continue the center's success story, also in face of its increasing competition.

If all three plans come to fruition, we're talking about investments totalling €80 million for Deutsche EuroShop.

» We will continue to pursue and carefully refine our current strategy.

Mr Wellner, you have a great deal of international expertise. Which other countries might you consider for a portfolio expansion?

Wilhelm Wellner: We will no doubt continue to focus our portfolio weighting on Germany, whose share currently accounts for around 90%. Nothing is set in stone, however.

I, personally, would, however, not be averse to taking a closer look at investments in other European countries alongside our existing markets of Poland and Austria. These countries should be stable politically as well as economically and contribute to the centers' long-term, stable development.

One last question: What is your operating forecast for 2015?

Olaf Borkers: We expect revenue to increase by up to 1.5% to between €201 million and €204 million. This albeit slight recovery in rental income can be attributed to the low level of inflation.

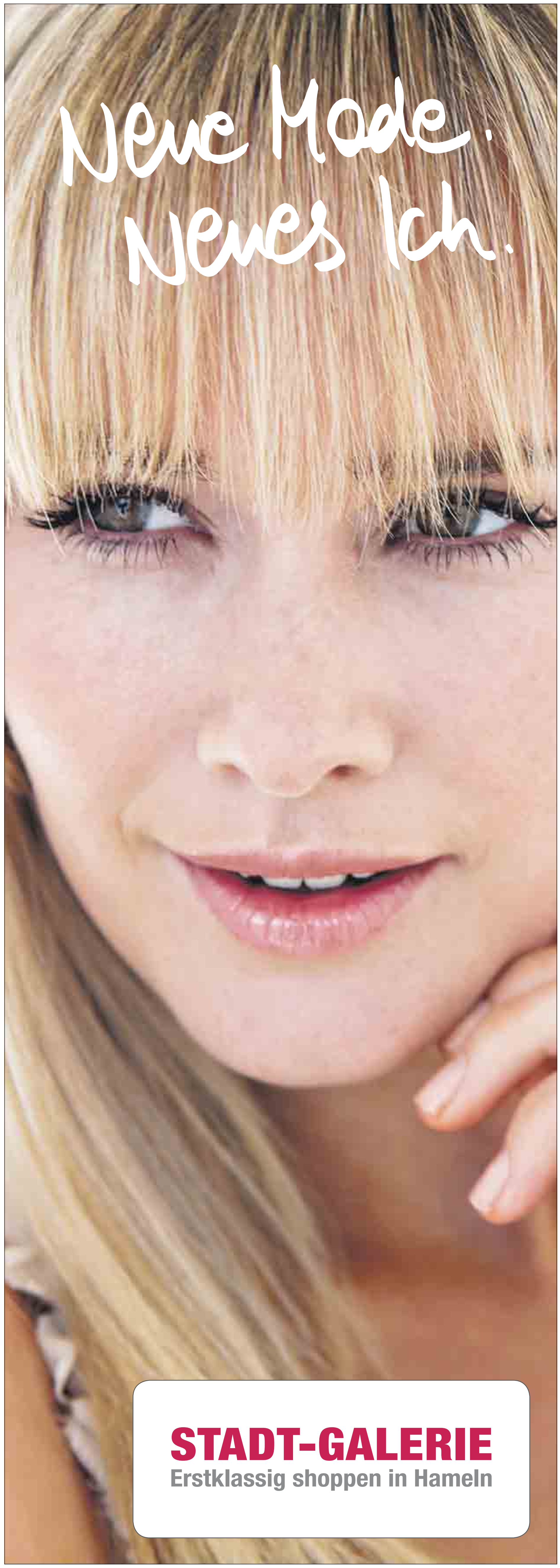
Building on this, we forecast earnings before interest and taxes to be between €177 million and €180 million, and earnings before tax excluding valuation gains/losses to be between €126 million and €129 million. This equates to an increase of 2%.

For FFO, we expect between €2.14 and €2.28 per share. As a result, the increased dividend to €1.35 per share that has been earmarked for the 2015 financial year will not pose any problems.

Thank you for talking to us. And, Mr Böge, all the best for the future. ✖

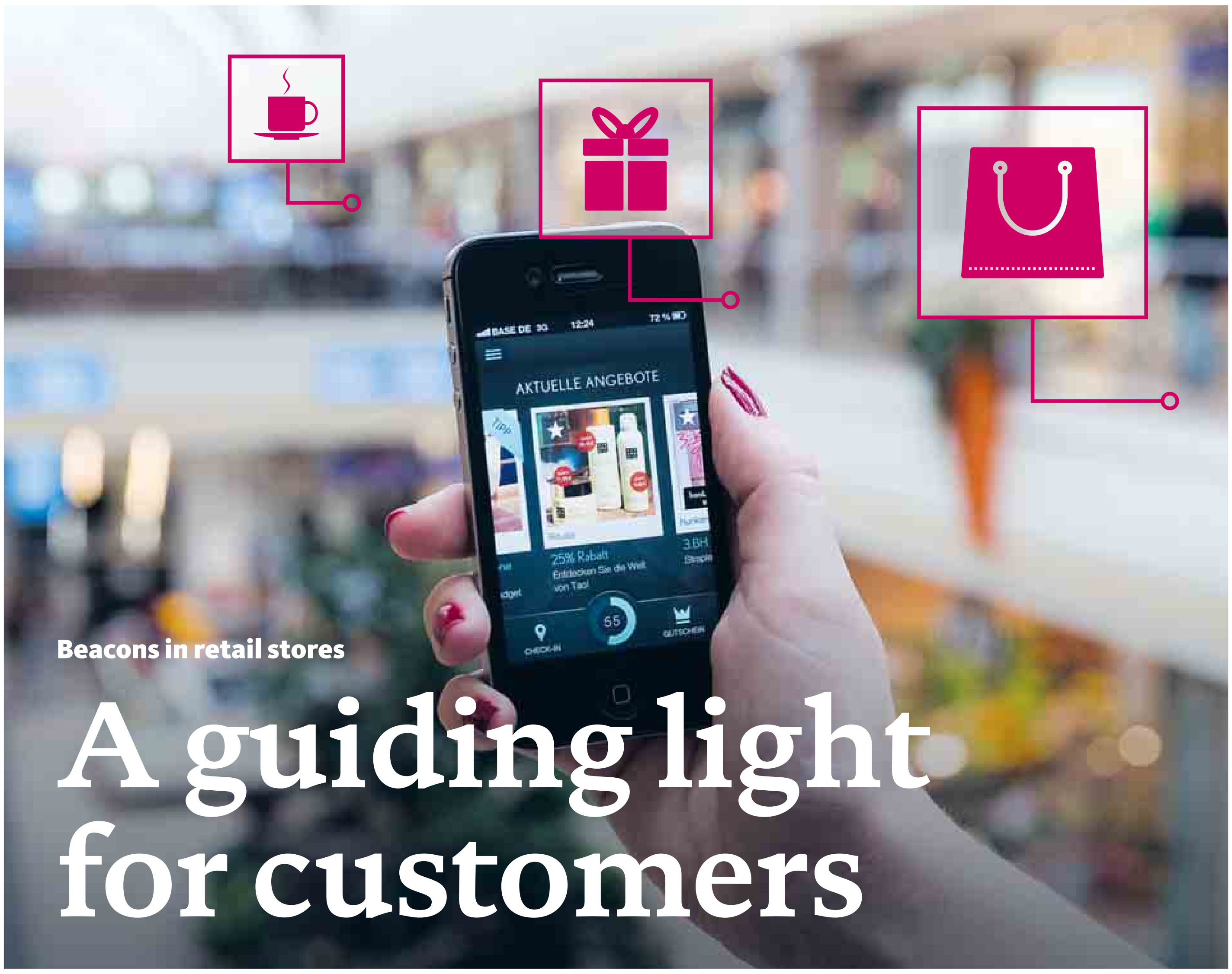
Olaf Borkers
Member of the Executive Board

After serving as a ships officer with the German Federal Navy, Mr Borkers qualified as a bank clerk with Deutsche Bank AG in 1990. He then studied business administration in Frankfurt/Main. From 1995, Mr Borkers worked as a credit analyst for Deutsche Bank AG in Frankfurt and Hamburg. In 1998, he joined RSE Grundbesitz und Beteiligungs-AG, Hamburg, as assistant to the Executive Board. In 1999, Mr Borkers was appointed to the Executive Board of TAG Tegernsee Immobilien und Beteiligungs-AG, Tegernsee and Hamburg, where he was responsible for finances and investor relations until September 2005. In addition, Mr Borkers held various Supervisory Board and management positions within the TAG Group. Olaf Borkers joined the Executive Board of Deutsche EuroShop AG in October 2005. He is married and has two children. ✖



Types of shoppers in 2015 – How will we shop tomorrow?
The Internet is ubiquitous and just how significantly it changes our everyday lives is something we experience first-hand on a daily basis: a quick look at our smartphones tells us whether or not our train is running on schedule …
Complete article on page 8 >

The rolls conspiracy
Inflation is officially lower than it's been for years. For many, however, inflation is significantly higher. Katja Lüders is embarrassed at the counter. Every Sunday the lively Berliner jogs to her regular baker in Arkona-Kiez …
Complete article on page 12 >



Beacons in retail stores

A guiding light for customers

To date, smartphones have only been used in a retail context for e-commerce. But now, beacon technology allows bricks-and-mortar shops to communicate digitally with their customers – before they walk through the doors.

As a customer passes the entrance to a shopping center, their smartphone vibrates in their pocket. The location function has recognised where they are and has automatically activated the mall app. A personal greeting appears on the screen: "Hello, Mr Smith, and welcome. The book you were recently looking for is back in stock. And why not drop into the men's outfitter on the first floor? A 10% discount on all your purchases is waiting for you." Mr Smith has seen the messages, but he is interested in something else today. It's his

» The indoor navigation is the mall app's most commonly used function.

nephew's birthday tomorrow. Where's the toy shop? The mall app tells him: at the north end of the ground-floor. The location of the shop appears as a blue dot on his smartphone, with a dotted line leading him directly to his destination. Few people look at the display boards at the information desk any more: indoor navigation is the mall app's most commonly used function.

» Buy a speciality coffee and get a free cookie today! «

» Get a 10% discount on the gift wrap of your choice today! «

» Buy a bag from the new collection and we'll send you a scarf today! «

From analysis to navigation
Although this scenario is still a vision of the future, the technology already exists. So-called "beacons" are digitalising bricks-and-mortar shops and are aiming to remove some of the disadvantages compared with online shopping. They allow retailers to communicate with customers before they have even entered the shop – or more precisely, encourage them to walk in. Beacons send signals to smartphones and tablets via Bluetooth, which has a number of possible uses, including:

- In-store navigation: helping customers in a shopping center or chain store get to where they want to go.
- In-store marketing: individualised offers. Advertising more products than there is room for on the shelves.
- Customer loyalty: enabling customers to collect points for walk-ins or by scanning barcodes on products.
- Payment function: turning smartphone into wallet.
- Entertainment: enabling customers to listen to music, watch films or read digital magazines while they wait.
- Analysis: tracking customers' movements on an anonymised basis; gathering information about new and returning customers.

Who comes out top?
Countless retailers are currently testing out this new technology. One of the first to use beacons in its stores was Apple. And, true to form, the US company placed its signature "i" in front of the name and refers to them as iBeacons. The proprietary Apple standard can be used by developers in the design of their own app. The crucial question, though, is: will consumers use retailer apps or will they prefer "meta-apps"? Apps such as shopkick, ShopNow, Yoints and Love to Shop (ECE) bundle a number of chains and shopping centers. But meta-apps are by no means guaranteed to succeed, as the example of ShopNow shows. After just a little over a year in business, the Berlin-based start-up filed for insolvency. The official reason: it couldn't gather enough trading partners on its platform. Whoever offers customers the biggest selection of partner companies is likely to make the running against its rivals. But it's not just about special offers and customer

Easy to Park

Another innovation currently undergoing testing at ECE's Future Labs is the contactless parking card with a built-in RFID (radio frequency identification) chip.

RFID parking will simplify the entire parking process for shopping center visitors in the future. Instead of rolling down their windows to take a ticket each time they drive into a shopping center's car park, regardless of whatever inclement weather might be raging outside, users of this new service will be able to simply drive into the car park without the need to take a ticket. Users will simply need to position the requisite RFID parking card behind the sun visor where it will automatically be identified by sensors located at the entries and exits. When an RFID user enters the center, the barrier is raised automatically and the corresponding parking fee is deducted automatically upon leaving – calculated precisely down to the minute. That means no more standing at pay machines or struggling to keep the right change on hand. Account balances can be checked online and topped up any time.

Overview

Shopping – not without my app
Shopping apps, long used in the US, are now also being successfully introduced in Germany.
Page 7 >

No magic bullet, but many go od solutions
While the population is shrinking, life expectancy is rising. At the same time, the number of single-person households is growing in the cities.
Page 10 >

2014 charts
These were the book, audio book and music bestseller lists for 2014 – presented by Thalia.de, Saturn and Media-Markt.
Page 15 + 17 >

Consumer spending in 2015 – is Europe on a growth trajectory?
GfK forecasts suggest that private household spending in Germany is set to increase by 1.5% in real terms in 2015.
Page 16 >

loyalty points. No one wants to use the technology solely as a way of targeting bargain hunters. It is also – some would say mainly – about providing better service. To use a stereotype as an example: men have to wait for their wives or girlfriends while they try on shoes or clothes. While they are waiting, they listlessly look at their smartphones. With a beacon, retailers can offer them music, films or magazines to stop them from getting bored and suggesting to their wives that it's time to leave the shop. As soon as the user is out of the beacon's range, the media stop playing.

» No one wants to use the technology solely as a way of targeting bargain hunters.

Don't shout at customers

As with many new technologies, there is a risk of overkill at the beginning. If every retailer in a shopping center uses beacons and advertises special offers, customers' smartphones will vibrate every time they pass a shop window, making them feel like they are being "shouted at" and, ultimately, driving them away. "We have to move from push marketing to pull marketing," says Torsten Jensen. With his company Asandoo, he advises retailers on the implementation of their beacon strategy. The ideal scenario is for customers to open the mall app and independently check what offers are available that day or where they can find the product they are looking for. Of course, it also makes sense to appeal to smartphone users' play instinct. Customers have to locate a certain product and scan the barcode on the packaging in order to receive points or a discount. The benefit is that customers have to pick up and handle the product to scan it.

Will it work? The proof of the pudding will be in the eating. There is no single, "correct" way to use beacons. The technology leaves scope for marketing professionals to express their creativity. But there is a snag: the name. "We advise our clients to avoid the word 'beacon'. It just confuses most consumers," says Jensen. With words such as "WLAN", "app" and "Bluetooth", there are already enough technical Anglicisms in the German language. So if, on top of all of that, the mall app asks users to also allow beacons access to their phones, many will refuse out of fear or uncertainty. Users do not care what the technology is called. But they need to know what is in it for them: be it customised offers, discounts, entertainment or simply convenience. Once they do, it's just a matter of tapping "OK" when the app asks their permission.

by Dirk Kunde

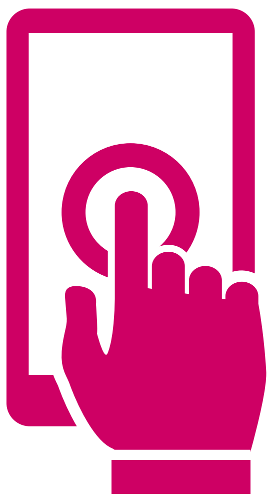
How do beacons work?

Beacons are mini-transmitters. They are about the size of a cigarette packet and run off a button cell battery. This means that beacons can be installed anywhere using an adhesive strip. The only time it is necessary to access a beacon is when its battery needs changing. The beacon's signal is based on the Bluetooth Low Energy standard (Version 4.0), which is supported by nearly all common smartphone and tablet models.

Bluetooth is set up to transmit data in the immediate vicinity: it is already familiar to users because of its deployment in headsets, keyboards and in-car hands-free systems. The beacon sends out its "hello, I'm here" signal at intervals of milliseconds. If a customer is within range and has a smartphone with a corresponding, active app, they receive a message. The message is not stored in the beacon itself, as it has no memory. Instead, the greeting or discount offer is carried either in the app or via the smartphone's Internet connection. If the store operator wants to send information that is as up-to-date as possible, perhaps changing depending on the time of the day, customers need to have a mobile data or WLAN connection.

Shopping – not without my app

Shopping apps, long used in the US, are now also being successfully introduced in Germany. What can the two most important apps do?



ECE's two Future Labs have successfully tested two new offerings which will now be finding their way into numerous other shopping centers. One of those is an expansion of malls' WLAN networks, the other is the new "Love to shop" app. During the test phase at both the Alstertal-Einkaufszentrum Hamburg and Limbecker Platz Essen, 25,000 visitors downloaded this app and made intense use of it. Interest from retailers, too, is also huge. More than 250 leasing partners have already used the medium to position their products and services.

By the end of 2014, some 30 ECE shopping centers had already been provided with this individualisable app, including a few centers from the portfolio of Deutsche EuroShop such as the Allee-Center Magdeburg, the Altmarkt-Galerie Dresden, the City-Arkaden Wuppertal, the Main-Taunus-Zentrum and the Rhein-Neckar-Zentrum. The app is available for iPhones and Android smartphones and can be downloaded from app stores at no charge under the name "Love to shop".

This app provides mall visitors with offers from retailers that are customised to reflect their own personal needs plus information about sales, events, news and services offered in the mall. With this app, customers only receive offers for product ranges that are of particular interest to them. A geo-fencing feature ensures that the information only actively appears on customers' smartphones when they are in the vicinity of the mall.

Using the app is doubly beneficial for customers: Not only is it a source of valuable information, but using the app interactively can earn them points which they can then redeem for shopping center vouchers. Customers can earn additional points by sharing special offers in social networks or for specifying their gender, age and personal interests to ensure that only offers which are actually of interest make it onto their smartphones. This is entirely anonymous and voluntary, and no personal data is collected.

Efforts are underway to establish America's most widely used shopping app, shopkick, in Germany. Since its German launch in October 2014, more than 530,000 users (as at 13 January 2015) have downloaded the app, much to the joy of the partner branches. Shopkick rewards its users for visiting a partner store, referred to as a walk-in, by awarding bonus points (kicks).

Shoppers in Berlin were particularly delighted to have shopkick as their mobile companion during Christmas shopping and generated the highest number of walk-ins, followed closely by shoppers in Hamburg and Munich. Kicks earned through walk-ins can be exchanged for rewards. Vouchers from Douglas, iTunes, MediaMarkt and Saturn were popular in December 2014.

Links

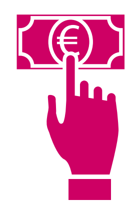
Love to Shop
www.app-love-to-shop.de

Shopkick
www.shopkick.de

Mall navigation system

One of Future Labs' popular, well-established offerings is its 3D store guide system.

Not only does it offer a search feature for shops and individual product groups on a large touchscreen, but it also offers visitors the option of having the route to the shops they are looking for displayed on their own smartphones as a 3D graphic. In future, this service will be enhanced by an indoor navigation feature linked to Google Maps. It will show the user's precise location and considerably simplify their navigation through the shopping center. The malls' floor plans plus shop information will gradually be added to Google Maps, as well. Experiments involving iBeacons are also underway. iBeacons are small transmitters spread throughout the malls, similar to satellites for a GPS system. The system needs these to determine a user's precise location, something that is not always possible with the standard signals used by Google Maps due to buildings' enclosed structures and multiple levels. iBeacons can help localise the malls' visitors and conveniently guide them to their target destinations.



Click & Collect

Anything that benefits customers and enhances their shopping experience is indispensable – both today and tomorrow.

The service currently being tested by ECE might just be one of those: the "Click & Collect" feature not only lets shoppers view products via the Love to Shop app, it also lets them purchase and pay for them immediately. The merchandise can then be picked up from the corresponding shop in the center, either on the same day or at a later point in time. This marks the first time that an app lets shoppers make round-the-clock purchases in shopping centers. More than 40 tenants are taking part in this pilot project including concepts such as Bang & Olufsen, Lloyd, Napapijri, Saturn, WMF and Wolford. The lack of networking between the retailers' inventory management systems complicated matters. Retailers' introduction of an iPad inventory management and POS system now allows the inventories of participating shops to be displayed in real time in the ECE app. The payment process was integrated into the app in cooperation with Paypal.

The Internet is ubiquitous and just how significantly it changes our everyday lives is something we experience first-hand on a daily basis: a quick look at our smartphones tells us whether or not our train is running on schedule, while scanning the QR code on a bottle of red wine helps us find out more about a vintner and lets us access coupons which we can then redeem at the check-out. We have been straddling these two worlds – both online and offline – for some time now. Our day-to-day communications and shopping activities are being shifted online and the Internet is becoming an integral part of our everyday lives.

Types of shoppers in 2025

How will we shop tomorrow?

So how will we shop tomorrow? What will people want in the future? What will their needs and desires be? How does communication need to be devised to ensure its success on the market? How can retailers appeal to shoppers' senses, how can their desire to shop be aroused? Will customers continue coming to peruse retailers' shelves or does online shopping's swift ascent herald the end of bricks-and-mortar retailing?

Trends, forecasts and expert opinions on the future are ten a penny. Yet past mistakes made by renowned experts show just how unreliable predictions of this nature generally are. In 1995, for instance, Bill Gates claimed that the Internet was just a passing fad.

Unlike trends and forecasts, scenarios do not predict any one, right future. EHI chose this approach because it describes other conceivable situations in the future based on an intermingling of the most important key factors. Consumers' values are just as much a part of this as their media usage, shopping behaviours and brand loyalty.

Scenarios are not a strategy, rather the result of a team effort. Working together with leading marketing experts from the areas of retailing, media, and service providers, EHI has come up with visions of the future which bring the living environments of tomorrow's consumers to life and has deduced what consequences these will have on retail communications between now and 2025.

» Cyber browsers, pleasure shoppers, brand victims, bargain hunters … consumer behaviour and living environments are becoming increasingly important.

While 2025 might sound like some far-off age of cyberspace where bricks-and-mortar stores can only be found in a museum, it is actually just eleven years away. And despite the fact that we all agree that digitalisation will dramatically change people's day-to-day lives, these eight alternate scenarios reveal that there is not just one – right – way to reach the customer of tomorrow. There will be critical consumers who couldn't care less about status-oriented brands. For them, only value for money will count. Others, value-oriented customers, will demand new business models because they would rather rent products than buy them. Still others, cyber window shoppers, begin and spend much of their shopping journey in the digital world before finally stepping foot into a store where they then seek out advice from digital information systems.

Sensual shoppers, on the other hand, love their brand and theatrical stagings on the sales floor. In this "Kiss me, touch me, seduce me" scenario, competitive prices leave these customers cold. They warm up to interactive shopping experiences, however, in bricks-and-mortar stores in particular but also online. Their shopping experience revolves around sensual stimuli – feeling, smelling and trying products out. Brand victims love their

by Marco Atzberger, Member of the Management Board, EHI Retail Institute

brand, regardless of whether that might be a store's own home brand or branded articles. To these customers, shopping isn't just a means of meeting their needs, it is actually a very fundamental part of how they plan their free time.

For retailers, this boils down to one core message: Come here for a shopping experience! Marketing activities aim to strengthen the brand image. The rule here is to think big. Creating a one-of-a-kind shopping experience and thus setting yourself apart from the competition is equally important.

Just like Breuninger's new department store in Dusseldorf. It offers a luxury shopping experience on each of its five storeys. In the Kö-Bogen shopping center, Breuninger uses exclusive flagship stores and culinary offerings to set the scene for its brand environment. Anybody who prefers a more private shopping experience with personal advice can take advantage of the special personal shopping service offered. Or at Bikini Berlin: This unusual shopping center next to Berlin Zoo features a spectacular rooftop landscape plus recreational and shopping experiences that aim to surprise and delight visitors each and every time they visit. Food and drink retailers also offer up some impressive examples: Edeka's Niemerszein shows a passion for detail: a historical merchant's shop from the collection of Bernhard Paul, the founder of the Roncalli Circus, lends the store a special flair. It takes you back in time to the corner grocer's shop. Or Eataly: This international retailer of gourmet Italian food celebrates its passion for food and indulgence with 23 restaurants and cafés, a coffee roaster and a brewery at the former Roma Ostiense train station terminal.

Your own point of sale is an ideal place to engender customer loyalty. Retailers can supplement the floor display by equipping shelves with "cool", state-of-the-art technologies to help set the scene for products in a new, exciting way and to make them desirable and worth buying. At Burberry's in London, mirrors on the sales floor transform into selling and entertainment screens which offer customers advice on product pairings or in the sense of "customers who purchased this also purchased …" What's more, these screens can be configured to run the latest making-of videos as soon as a customer approaches with a tagged product.

Emotional shop design transforms shopping into an experience which, in turn, engenders loyalty on the part of customers. Experience-based architecture and holistic interior design concepts create extraordinary shopping experiences which bring a brand's soul to life at every turn and allow shoppers to experience this brand through each and every sense. Retailers put their expertise to the test by orchestrating details in such a way that they trigger positive sensations at the subconscious level of sensual shoppers.

There are many different ways to reach customers yet despite this multitude of options, they all have one thing in common: To be successful, communication must be targeted toward the customer and systematically designed with the customer in mind. Instead of looking for the right communication mix for the brand, customers' living environments and consumer moods need to be taken into consideration in future. ✖

Demographic change

No magic bullet, but many go

While the population is shrinking, life expectancy is rising. At the same time, the number of single-person households is growing in the cities. This has consequences, including for the retail sector and shopping center industry.

Players wanting to succeed in the market have to adapt to this demographic change. However, the clichés about the typical senior citizen no longer apply. The new generation of seniors is fitter and leads an individual lifestyle. The trend towards one-stop shopping that feels like an experience is the biggest opportunity for shopping centers here – provided they learn to understand their elderly clients.

Prof. Dr. Tobias Just, economist at the University of Regensburg, says that demographic change is like a "glacial movement". Just is also the Academic and Managing Director of the IREBS Immobilienakademie, a German real estate business school.

The reason for the gradual shift is that after the Second World War, the annual birth rate rose sharply until the mid-1960s. Those born during that period when the birth rate was high – the baby boomers – will be pensioners in the decades ahead. The number of births per year fell again from the 1970s onwards.

Consequently, the Federal Statistical Office forecasts that the proportion of under-20s will fall from around 18.1% in 2013 to 15.7% in 2060. In the same period, the number of people aged 60 and over will jump from 27.1% to 39.2%. Meanwhile, the population will shrink from 80.3 million to 70.1 million inhabitants.

However, the "new old people" as the Generali Old-Age Survey calls them, are not like the seniors of earlier generations. Today's 65 – 85s are already more active and better off financially than ever before. Their life satisfaction is high and they like to socialise. In addition, the elderly value their independence more, according to the survey.

The follow-up study, published in the spring of 2014 under the heading "Der Ältesten Rat" ("Council of the Elders"), draws a similar conclusion. This time, the focus is on the 85 – 99s, who want to have just as active a social life.

The picture of old people in society is also changing because the age pyramid is getting wider at the top. That is why Tobias Just prefers to speak about the opportunities that demographic change brings, rather than the risks. He does not share the more pessimistic views of the subject, such as those described by journalist Frank Schirrmacher, who died last summer, in his book "Das Methusalem-Komplott" ("The Methuselah Conspiracy").

In his own book, "Demografie und Immobilien" ("Demographics and Real Estate"), Tobias Just describes how retail property operators can equip themselves to deal with shifts within the population. Service is one of the key factors here. Elderly customers value the advice and social element it can bring. They also want a delivery and assembly service, something that Swedish furniture retailer Ikea has recognised.

In addition, elderly people like to do their shopping close to home. Shops have to be within walking distance or well connected by public transport. On greenfield sites, parking spaces need to be in plentiful supply, and must be wide enough.

The layout of shops should also be senior-friendly with wide aisles and no goods on low shelves where they may be difficult to reach. They should provide somewhere for shoppers to sit down and take a break. All of these are ways to create a high-quality shopping experience and atmosphere.

Another trend emerging in the wake of demographic change is the rising number of single-person households in Germany. They already make up over a third of all households, according to a report by the Federal Statistical Office released in the summer. The changes in the make-up of the population will feed through into products.

» **Elderly people like to do their shopping close to home. Shops have to be within walking distance or well connected by public transport.**

Pack sizes will become smaller. Price and information labels will get bigger. And there will be greater emphasis on health aspects.

It should also be remembered that seniors have a lot of time at their disposal and are free to spend it as they wish. In this connection, online shopping sites will indirectly compete with bricks-and-mortar shops.

"In future, customers will no longer make a distinction between online and traditional shopping," says Michael Reink, head of the location and traffic policy division at the German Retail Federation (Handelsverband Deutschland, HDE). The lines are becoming blurred. Smartphones and tablets are no longer a mystery to today's

od solutions

seniors or, in particular, those of the future. They are generating much of the growth in this market segment, and their decision to buy online or visit a traditional shop will depend on what is offered.

This means that retail properties may no longer present themselves as a place to make a quick purchase but as a destination that offers an experience and where people are happy to spend their free time. Tobias Just describes this in terms of the "coffeehouse concept". "Retail property operators have to bring the idea of the shopping trip back to the fore," he says. High-quality eateries instead of the traditional food courts would be a solution in terms of what the elderly want and need.

However, as real estate assets have always been viewed as long-term investments, the market is already adapting to the slowly changing environment: "We are already seeing more and more companies and retailers reacting to an ageing customer base," says Iris Schöberl, Chair of the Commercial and Municipal Committee at the German Property Federation (Zentraler Immobilien Ausschuss, ZIA). Here, shopping centers in particular are setting a good example by offering customers the possibility of having all their purchases delivered promptly to their homes.

Shopping center project developers, too, are already looking at trends so that they can adapt their own work to the changed environment. One such developer says it is keeping a close eye on the way things are going and has carried out a number of consumer surveys. It underlines the point that the centers are a place for consumers and that they must therefore be right for the particular region and its inhabitants.

Another project developer asserts that a successful shopping center is a living entity that is constantly evolving as it adapts to changes in the market and its customer profiles. This includes consumer behaviour and the demographic profile, according to the developer. Consequently, the developer is continually monitoring both the market and consumer trends. Mall tracking and geotracking are used as analysis tools for this purpose.

The conclusion that managers in the project development industry have come to is that convenience shopping is right at the top of customers' wish lists. For instance, people attach importance to service and eco brands, and would like to see a wider range of sports and leisure facilities, such as gyms.

In addition, the ZIA is seeing that retailers rely on the support of politicians and local authorities – not only with regard to local supply but also with regard to product line licensing, special use permits for public spaces and shop opening times. "Only when all of these aspects are tailored to customers' needs will retailers be able to run their shops profitably in these regions," says Iris Schöberl.

Michael Reink, too, sees local authorities as important partners. While real estate property operators can design their own spaces, when it comes to public spaces, their hands are tied. This is where political and administrative intervention is needed.

Both Reink and economist Tobias Just believe that the German retail property sector still has some ground to make up. When existing shopping centers are renovated and new ones are built, the question that will inevitably have to be asked is how they can be made generation friendly and barrier free.

Age structure of the population in Germany 2013

based on the 2011 census, in thousands of people

© Federal Statistical Office, Wiesbaden 2014

However, despite all the proposed solutions and investments, Iris Schöber says: "Generally, there is no magic bullet when it comes to dealing with demographic change." And Tobias Just, too, believes that there is more than one answer. "A lot of people in many different companies will find a solution." ✖

by David Huth

Numbers with a spin

67%

Percentage of Germans who specify the lack of queues as the biggest advantage of online shopping over shopping in traditional stores: 67% (Source: Symphony EYC)

156 hrs.

Yearly amount of time lost by PC users in Germany due to long waits: 156 hours (Source: SanDisk)

2,500

Number of shops that will be opened by online retailers in Germany over the next five years: around 2,500. (Source: IFH Institut für Handelsforschung)

The rolls conspiracy

Inflation is officially lower than it's been for years. For many, however, inflation is significantly higher.

Katja Lüders* is embarrassed at the counter. Every Sunday the lively Berliner jogs to her regular baker in Arkona-Kiez, at the edge of the Mitte and Prenzlauer Berg districts. As always, she orders rolls for her family, and as always she has a five euro note ready. But this time, it isn't enough. She hears the saleswoman say, "Five euro twenty" – her whole grain rolls have gone up in price yet again. In fact, her usual order is a full 10% more. Katja feels that the inflation figures published on Friday are a joke. In June, inflation was one per cent, in May it was even lower, 0.9%, the lowest since 2010.

Every month the Federal Statistical Office announces the change in the consumer price index – what normal people call inflation. For months, the official inflation figure has been unbelievably low, so low that basically we'd have to say that prices are standing still, not "blowing up" (the original meaning of the Latin word "inflatio").

But for many people, their everyday experience is the same as Katja's. No change in prices? No way! Perceived inflation – not just at the baker's, in restaurants as well – is at least five times as high as the official average. Consumers are also seeing inflation at the checkout. Dairy products such as cheese and yoghurt have increased visibly in price. In fact, some prices have risen by double digits since mid-2013. If you're buying a new house or renovating your home, you'll also be looking at inflation well above 1.0%.

> » The figures from the Federal Statistical Office are pulling the wool over consumers' eyes professionally speaking

"The composition of the market basket of consumer goods is not reflecting the inflation that consumers are seeing. Bakery products are a case in point, with some of them having been subject to double-digit price increases for years," comments Manfred Rath, portfolio manager at KSW Asset Management in Nuremberg. Consumers are noticing this fact and are running into it almost daily.

"The figures from the Federal Statistical Office are pulling the wool over consumers' eyes, professionally speaking," criticizes asset manager Lothar Koch, who feels that the composition of the official market basket of consumer goods is hiding actual inflation in Germany. "What the statisticians are doing is a whitewash." Many people feel there's a conspiracy to hide the true level of inflation from the man in the street.

The discrepancy between personal experience and the official figures is real, not only because inflation is a political issue in Germany. The trend in consumer prices is a general factor in numerous national policy and business decisions. It's also immensely important for personal financial issues. It makes a huge difference for pensioners and investors if inflation is running at one per cent, or three or five per cent.

There are good reasons why many people in Germany are not seeing the official inflation figures reflected in reality. The Federal Statistical Office calculates around 300,000 prices every month. But given the huge number of prices in Germany, they'd have to be looking at billions, so this is at best just a sample.

"There isn't a single household in Germany that behaves in the way our weighting system works," explains Nadin Sewald, an inflation expert at the Federal Statistical Office. Instead, for the sake of simplicity, the agency works with an imaginary average household that heats with both oil and gas and whose members travel by both car and public transport.

This leads to a number of problems. One could be described as a rolls conspiracy, where the statisticians only collect the price of the most popular product in each category. The large number of other goods in the same category are simply overlooked. At the bakery, the product sold most is the standard roll, which goes by different names in different parts of the country. The price change for other kinds of roll isn't reflected in the calculation at all. However, bakers avoid raising prices of these key products, as customers pay particularly close attention to them and are unhappy if prices go up. Something to bear in mind: to qualify as "the most popular product", a product only needs a share of just 20%, which means that 80% of products can be overlooked in some circumstances. The restriction to key products may be understating the development of inflation as a whole.

The second problem is the way in which statisticians handle technological progress. What happens, for example, if the new smartphones can do many more things than the earlier models? Should they include the price increases anyway? Or take into account the fact that your mobile phone can now take photos and play videos?

"Adjustments for quality are essential," stresses Sewald, noting that it's essential to quantify the improvements made to any new generation of products brought out by dealers or manufacturers, and not to just include them in the price increase. Critics object that this simply conjures away actual price increases, as consumers ultimately have to pay the price anyway.

Vehicles are another example of just how complicated the situation is. Today, almost all cars have air conditioning as a standard feature. In earlier models, this wasn't part of the standard package. As a result, the Federal Statistical Office deducts the air conditioning unit from the price of the new models, albeit only by half.

Another example is the energy-saving washing machine, which is more expensive to buy but uses less electricity over its lifetime. Would it not make sense to look simply at the purchase price, without including the long-term energy savings for the household? The official answer is: no. As a result, any price increase between an old and a new washing machine is reduced before including it in the inflation calculation. In the following year, prices are then compared between the new generation of models.

There's another phenomenon that makes calculating inflation even more complicated. Psychologists have shown in studies that consumers are more aware of price increases than price decreases. As a result, "perceived inflation" is mostly higher than the figures that statisticians produce.

Conversely, economists from the Austrian School, who follow the economic theories of Friedrich August von Hayek and Ludwig von Mises, regard any increase in the money supply as inflation, arguing that more money means that its value in terms of products and services will inevitably decrease sooner or later. In this sense, any increase in the prices of real assets is also inflation. The Austrian School sees a surge in equity prices as indicaing a distortion in the financial system that should sound an alarm. However, the Federal Statistical Office's inflation index takes no account of either DAX stock market records or a boom in the real estate market.

» The inflation "perceived" by citizens is usually higher than the inflation measured by statisticians.

So, what's the true rate of inflation?

In America, economists have come up with an alternative measure. The Billion Prices Project, launched by top university MIT among other bodies, collects millions of prices on the internet every day in order to gain an impression of real-time inflation. In fact, the rate of inflation calculated with this technique is significantly higher than the official one. Recently, it was around 3% in the USA, compared with the official figure of 2%. However, even the creators of the Billion Prices Project wouldn't claim that they know the true inflation rate. Ultimately, everybody faces a personal rate of inflation, depending on their age, where they live, and how they shop.

"The consumer price index is useful in looking at the economy as a whole, but it has its limits when it comes to looking at personal price increases," as even Nadin Sewald admits. Even so, the website of the Federal Statistical Office has an inflation calculator that people like Katja Lüders can adjust to show that they spend more on food (for example) than the average German. The calculator still has a weakness – the rolls conspiracy. ✖

* The name has been changed

by Daniel Eckert and Holger Zschäpitz

Comparable figures?

How are German retail revenues performing? This is a question that the Federal Statistical Office regularly addresses in its publications. But do these figures constitute a suitable benchmark for the tenants of Deutsche EuroShop's shopping centers?

The Federal Statistical Office (Destatis) publishes monthly sales trends for retailers in Germany. When interpreting these figures, however, a few peculiarities should be kept in mind with regard to the methods used – particularly if these figures are intended to serve as benchmarks for comparing the trends of retailers in the shopping centers of Deutsche EuroShop.

One of these is that the figures published by Destatis only reflect retailers that have a legally independent head office in Germany and generate annual sales in excess of €250,000. By implication, this means that the German statistics not only neglect many small companies but also those reporting their sales in another country, including Amazon (which does so in Luxembourg).

To assess sales trends in Germany, Destatis takes a representative random sample of around 24,000 retail companies. Those companies are legally obligated to send their responses electronically to the Statistical Offices of their respective states. The sales figures they report in the survey are used to allocate them to a specific commercial sector based on the area in which the majority of their revenue was generated: If clothing accounts for 55% of sales, for instance, and shoes for 45%, all of that retailer's sales are attributed to the clothing merchandise group. Sales are not broken down into and attributed to their relevant commercial sectors. The same applies to the differentiation between over-the-counter and online retailing: If the lion's share of sales are generated through a bricks-and-mortar shop, they are allocated in full to that category. All of H&M's sales, for example, are allocated to over-the-counter retailing even though a considerable portion of those sales are generated online.

That means that the sales trends shown for over-the-counter retailing also include online sales. Yet exactly what percentage of those represent online sales is difficult to ascertain. Use of this method therefore means that the sales trends published by Destatis could either be overstated or understated. The sales figures reported to Deutsche EuroShop, on the other hand, are exclusively attributable to sales generated through over-the-counter retailing.

Apples should not be compared with oranges, however, and these statistics need to be assessed in detail to prevent benchmarks from being applied out of context.

GfK's sales figures, for instance, and their trends (both online and over-the-counter) deviate from those published by Destatis and are based on numerous other sources, one main source being the analyses of GfK's consumer panels. This permits a differentiation between the two sales channels (online and over-the-counter) while also enabling a differentiated assessment of individual stores. ✖

by Wilfried Reinhardt, GfK GeoMarketing

Satisfied customers, satisfied tenants

All sales generated by the Douglas perfumery, which is comprised of revenue contributions from around 430 bricks-and-mortar stores as well as the online shop at www.douglas.de, are allocated to over-the-counter retail.

Yet as a tenant in the shopping centers of Deutsche EuroShop, Douglas only reports those sales generated within the shops. That precludes any comparison with the figures from Destatis: The revenue Douglas generates online when customers are led to an Internet terminal where they can place orders for out-of-stock scents, which are then sent out by post, appear in Destatis's statistics but not in the sales report sent to Deutsche EuroShop.

Customers and tenants are both satisfied; that's multi-channelling at its best. ✖

"What I bought in 2014"

We asked: Which shopping desires did you fulfil in 2014? And we found out that appetites could hardly have been more different.


Claus-Matthias Böge, CEO, Deutsche EuroShop
"This year, I did something that I have wanted to do for a long time: I bought a Vespa scooter that means I can zip through city traffic just as fast as in a car but it means I no longer have to look for parking anymore."


Olaf Borkers, Member of the Executive Board, Deutsche EuroShop
"I bought Fat Boy table lamps. The lamps are battery operated so they don't have to be plugged in and they are water-proof which means they can be used outside. That means we can take outdoor living to a whole new level this summer!"


Birgit Schäfer, Secretary to the Executive Board, Deutsche EuroShop
"I went on a trip to Laos in 2014 where I bought a beautiful Buddha made of rosewood, which was exquisitely hand-carved. A wonderful reminder of a sensational trip."


Patrick Kiss, Head of Investor & Public Relations, Deutsche EuroShop
"I didn't just visit a lot of galleries, museums and trade shows in 2014, I also invested in art and sculptures from contemporary artists. I have similar investment criteria to those of the head of SØR, Dr Thomas Rusche: "You stand in front of a work of art and you're suddenly taken aback. Something happens inside you. This inner feeling of being struck by something is the only criterion of significance for the art collector."

Wilhelm Wellner, Member of the Executive Board, Deutsche EuroShop

"My purchase of the year is very compact but still packs a punch: with just one click, my Bose sound link speaker connects to my phone or iPad via Bluetooth. The small box turns into a concert machine that I can take with me anywhere."

Nicolas Lissner, Manager Investor & Public Relations, Deutsche EuroShop

"To keep myself from being bored when swimming laps in the pool, I bought a waterproof Sony Walkman. With storage space for more than 1,000 tracks, I have plenty of songs to listen to and good sound quality. Both in and out of the water!"

Kirsten Kaiser, Head of Accounting, Deutsche EuroShop

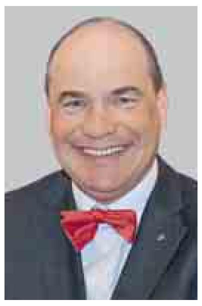
"After buying a new AV receiver, I set up a home network at my house and now have the best surround quality in 7.1. format. And I don't need a remote; all I need is my iPhone for operation."


Dr. Ruth Vierbuchen, Editor-in-Chief of the "Handelsimmobilien Report" (Retail Real Estate Report)
"My purchase of the year was a tailgate for my BMW Touring which is the weak point of this aficionado model and was unfortunately very susceptible to rust for this older series. After a long search, I finally found a tailgate at BMW in Munich. They had the last three tailgates for the E30 model in Germany – now they only have two."


Wilfried Reinhardt, Senior Consultant Retail and Real Estate Consulting at GfK Geomarketing
"I wanted to indulge myself for once, so I bought a made-to-measure suit with matching waistcoat from a tailor in Hafen City. Dark grey, from the finest material, a luxurious piece of clothing. I usually buy my clothes in boutiques or clothing stores. Since then, I have worn my stylish, one-of-a-kind three-piece suit on a variety of occasions – to business events, the theatre or concerts."


Dirk Kunde, journalist and blogger
"I bought a drum set – something I have dreamt about for a long time. Because I live in an apartment in an old building and appreciate the good relationship I have with my neighbours, I had to settle for eDrums but they sound totally realistic."


Inga Schwarz, Head of Research at Cushman & Wakefield in Germany
"My purchase of the year was my fairphone. It is manufactured at fair conditions but is no more expensive than other smart phones – on the contrary, in fact. The fairphone is an android mobile phone, a real eye-catcher and extremely stable. The advantage is that you can replace the battery without any problems, insert two SIM cards and use standard chargers. I am thrilled!"




Ingmar Behrens, Press Spokesman of the German Council of Shopping Centers
"At last I'm the proud possessor of an old tractor again – that was my 2014 buy! The 54-year-old air-cooled three-cylinder Deutz runs at a steady 19 km/h, and downhill at just under 22 km/h Taking it into town on Saturday is fun, relaxing and is well received by old and young alike. Who would smile and wave at the driver of a Harley Davidson? A lot of fun for under €4,000."


David Huth, managing partner of Redaktionsbüro Appelt & Huth
"My cat scratched my wallpaper non-stop so I bought her a new scratching post. Now my little furry friend leaves the wallpaper alone and is happy to sharpen her claws on her new toy. A totally worth-while investment."

2014 charts

presented by Thalia.de Entdecke neue Seiten.

Bestsellers non-fiction

01. **Darm mit Charme ("Charming Bowels")** Giulia Enders
02. **Der Fluch der bösen Tat ("The Curse of the Evil Deed")** Peter Scholl-Latour
03. **Das Hohe Haus ("The High House")** Roger Willemsen
04. **Anziehungskraft ("Allure")** Guido Maria Kretschmer
05. **Vermächtnis ("Legacy")** Heribert Schwan/Tilman Jens
06. **The Sleepwalkers** Christopher Clark
07. **Das Pubertier ("The Adolescent Animal"** Jan Weiler
08. **Eine Bluse macht noch keinen Sommer ("One Blouse Doesn't Make a Summer")** Guido Maria Kretschmer
09. **Vegan for Fit. Die Attila Hildmann 30-Tage-Challenge ("Vegan for Fitness. The Attila Hildmann 30-Day Challenge)** Attila Hildmann
10. **Weber's Big Book of Barbecue** Jamie Purviance

Bestsellers fiction

01. **The Life List** Lori Nelson Spielman
02. **Bretonisches Gold ("Breton Gold")** Jean-Luc Bannalec
03. **Die Analphabetin, die rechnen konnte ("The Illiterate Who Knew How to Count")** Jonas Jonasson
04. **Six Years** Harlan Coben
05. **Breaking News** Frank Schätzing
06. **Edge of Eternity** Ken Follett
07. **Stone Bruises** Simon Beckett
08. **Passenger 23** Sebastian Fitzek
09. **Die Lebenden und die Toten ("The Living and the Dead")** Nele Neuhaus
10. **Das Rosie Project** Graeme Simsion

presented by SATURN

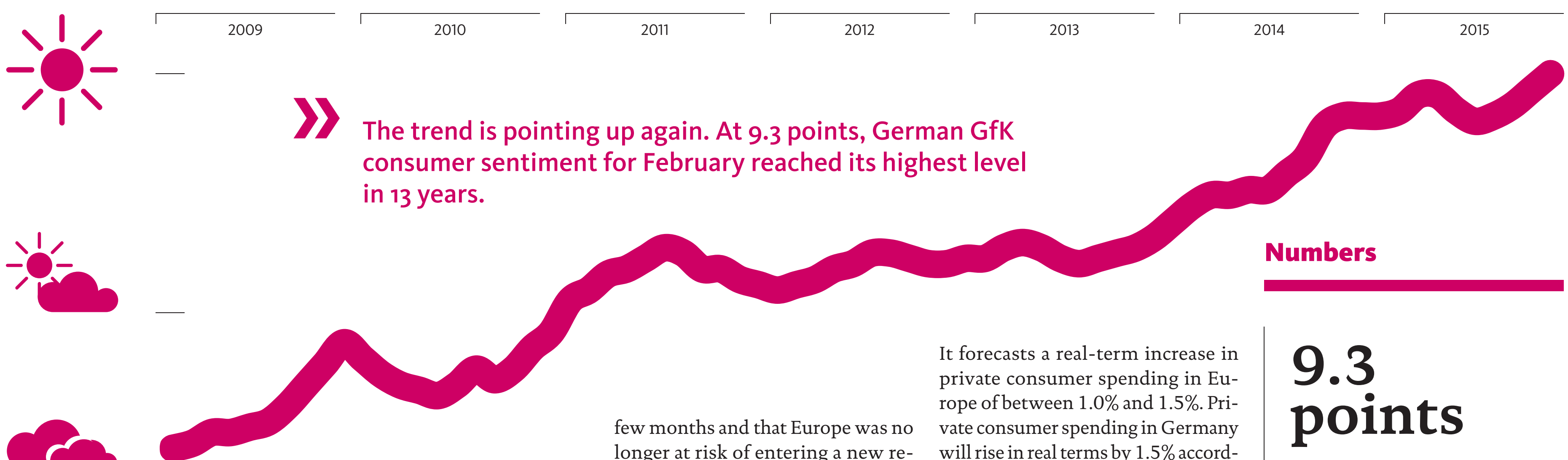
Bestsellers music albums
(19 December 2014 – 15 January 2015)

01. **Gipfelstürmer** Unheilig
02. **Rock or Bust** AD/DC
03. **Nichts ist für die Ewigkeit** Böhse Onkelz
04. **Dauernd jetzt** Herbert Grönemeyer
05. **Farbenspiel Live – Die Tournee** Helene Fischer
06. **The Endless River** Pink Floyd
07. **Sing my Song – The Christmas Concert** Various Artists
08. **Fairytales – Best Of 2006 – 2014** Sunrise Avenue
09. **x** Ed Sheran
10. **Schwarz blüht der Enzian** Heino

GfK forecasts suggest that private household spending in Germany is set to increase by 1.5% in real terms in 2015. It expects an increase of between 1.0% and 1.5% for the European Union as a whole. This means that private consumption in Germany is likely to grow just as vigorously as its gross domestic product. Retail businesses will benefit little from this increase in consumer spending.

Rolf Bürkl, Senior Research Consultant, Financial Services, GfK

Consumer spending in 2015 – is Europe on a growth trajectory?



Consumer climate in Germany
Source: GfK | European Commission

2014 got off to an extremely positive start. The European economy picked up considerably. Consumers became increasingly optimistic. Economic and income expectations reached record highs nearly everywhere between April and June. Consumer confidence returned, particularly in the crisis-struck countries of Italy, Greece, Spain and Portugal. Germany was considered the economic dynamo of Europe. The British enjoyed an economic upswing, the likes of which had not been seen for quite some time, and even consumers in Eastern Europe anticipated strong growth rates during the year.

Summer and autumn, however, brought renewed uncertainty, prompted by the war in Ukraine, Putin's comments concerning countries in Eastern Europe and the conflicts in the Middle East.

Economic conditions also deteriorated. The growth in gross domestic product in many countries was not nearly as substantial as forecast and some economies even found themselves on the brink of a recession. A few countries, mainly those in Southern Europe such as Spain, struggled with deflation. Even for the European Union as a whole, there was – and still is – the threat of a sustained negative price trend.

Consumer sentiment plummeted drastically, especially in the large economies and Eastern Europe. Economic expectations in Germany slumped more than ever before. By the end of the year, however, optimism had regained its foothold. In December in particular, it became evident that the economy had recovered over the course of the previous few months and that Europe was no longer at risk of entering a new recession. In fact, most European countries reported a substantial increase in gross domestic product for the third quarter. The impact on economic expectations was correspondingly positive. Consumers expected the next few months to bring further improvements in the economic situation and both income expectations and consumers' willingness to spend picked up again.

The GfK Consumer Confidence Index for the EU-28 was at 5.5 points at year's end, with the trend again pointing upward and the GfK Consumer Confidence Index reached 9.3 points in February, its highest level in Germany in 13 years. At 57.4 points, consumers' willingness to spend reached an eight-year-high in January.

If current conditions remain stable, the economy of Europe as a whole will experience substantial, renewed growth, which will also further boost the living conditions of consumers in many countries. Last year the labour market experienced its first turnaround since the start of the financial and economic crisis, with an increase in the number of people finding jobs. This trend will continue during the current year.

In light of that, GfK expects private consumption to significantly underpin the economy, both in Germany as well as in Europe as a whole. It forecasts a real-term increase in private consumer spending in Europe of between 1.0% and 1.5%. Private consumer spending in Germany will rise in real terms by 1.5% according to GfK calculations.

Retail to benefit little from good consumer sentiment

However, only some retail businesses are likely to benefit from this good consumer sentiment. Food retailers are only expected to grow by 0.5%. There are two reasons for this: First, the quantity of food purchased has been declining for years, due in part to demographic trends but also the fact that consumers have adopted a more deliberate shopping style. Second, prices will continue to remain very stable in 2015, which means that growth as a result of rising food costs is unlikely.

The situation looks a little brighter in the non-food segment. The market is expected to grow by 1.3% this year, up slightly on last year. Performance in the textile segment is likely to improve after unseasonable weather caused the market to collapse during the last third of 2014, the result of which was that growth at the end of the year was negative at -2%. The electronics segment, on the other hand, had a good year in 2014 and will find it hard to beat last year's good sales figures, generated partly in connection with the World Cup. ✖

by Rolf Bürkl

Numbers

9.3 points

The GfK Consumer Confidence Index for Germany reached its highest level in Germany in 13 years.

57.4 points

The propensity to buy in Germany reached an eight-year high at the start of 2015

0.5%

Anticipated growth for food and drink retailers. Reasons: demographic changes and consumers adopting a more deliberate shopping style.

1.3%

2015 is expected to be a better year for the non-food retail sector. 2014 saw periods of unfavourable weather that impacted on the textile sector in particular.

334 pages, bound
ISBN: 978-3-648-04897-9
Store price: €49.95

Was Frauen und Männer kaufen (What Women and Men Buy)

Successful gender marketing concepts from highly successful companies

This book offers a striking insight into how strongly gender-specific aspects are incorporated into marketing activities. Coming up with compelling marketing concepts depends not only on the customers' gender but also the gender with which the product, sector, brand or even seller is associated.

Diana Jaffé explains why that is true and how you can create a successful gender marketing campaign. Selected businesses reveal their insights, strategies and recipes for success when it comes to innovative gender marketing approaches in terms of product design, brand positioning, purchase environment and communication. The result is a wealth of information on how to put together a unique marketing mix that lets you create a distinct profile and set yourself apart from the competition without resorting to stereotypes.

2014 charts continued

presented by MediaMarkt

Bestsellers Blu-ray discs
(15 December 2014)

01. **How to Train Your Dragon 2**
02. **Frozen**
03. **The Hobbit: The Desolation of Smaug** Extende Edition
04. **Maleficent**
05. **Avatar**
06. **The Hobbit: The Desolation of Smaug**
07. **Iron Man 3**
08. **How to Train Your Dragon 1 & 2**
09. **Edge of Tomorrow – Live.Die. Repeat.**
10. **Gravity**

Bestsellers music albums
(12 December 2014)

01. **Rock or Bust** AD/DC
02. **Farbenspiel Live – Die Tournee** Helene Fischer
03. **Dauernd jetzt** Herbert Grönemeyer
04. **Sing meinen Song – Das Weihnachtskonzert** Diverse Interpreten
05. **The Endless River** Pink Floyd
06. **Crackstreet Boys 3** Trailerpark
07. **Fairytales – Best Of 2006 – 2014** Sunrise Avenue
08. **The One** Sasha
09. **Violetta – Musik meines Lebens** Filmmusik
10. **Alles auf Anfang 2014 – 2004** Silbermond

Bestsellers classical music
(December 2014)

01. **Du bist die Welt für mich** Jonas Wortmann
02. **Timeless – Brahms & Bruch Vilin Concertos** David Garrett
03. **Best Of Klassik 2014** (Echo Klassik)
04. **The Mozart Album** Lang Lang
05. **St. Petersburg** Cecilla Bartoll
06. **Pure Callas** Maria Callas
07. **Festl. Adventskonzert 2013** Dresdner Frauenkirche
08. **Lucia di Lammermoor** Diana Damrau
09. **Prayer** Sol Gabetta
10. **Meditation** Elina Garanĉa

Bestsellers audio books
(December 2014)

01. **Der Junge muss an die frische Luft ("The Boy Needs Some Fresh Air")** Hape Kerkeling
02. **Die Känguruh-Chroniken ("The Kangaroo Chronicles")** (Live & uncut) Marc-Uwe Kling
03. **Passenger 23** Sebastian Fitzek
04. **Das Känguru-Manifest ("The Kangaroo Manifesto")** Marc-Uwe Kling
05. **Die Känguruh Offenbarung ("The Kangaroo Epiphany")** (Live & uncut) Marc-Uwe Kling
06. **Darm mit Charme ("Charming Bowels")** Giulia Enders
07. **Wunderheiler ("Miracle Healer")** Eckart von Hirschhausen
08. **Edge of Eternity** Ken Follet
09. **Er ist wieder da ("He's Back Again")** Christoph Maria Herbst/ Timur Vermes
10. **One Plus One** Jojo Moyes

The shopping center of the future: Technology gives the edge
The shopping center of the future will be urban and will offer good links to public transportation. It will change constantly and will serve as a meeting point, a place of social interaction. It will be a destination for events, placing the emphasis … Complete article on page 27 >

Modern market places – 50 years of shopping centers
The Main-Taunus-Zentrum in the Rhine-Main Region, which was based on the American model, was the first shopping center to open its doors to customers in Germany in 1964. Its opening marked the start of the history of large … Complete article on page 28 >


A bird's eye view of the Allee-Center Magdeburg

Our shopping centers

Substance and growth

The success of company lies in our portfolio which consists of 19 unique shopping centers, 16 of which are located in Germany, with one each in Austria, Poland and Hungary. Together, they have more than 2,353 shops on an area covering 930,300 m².

	Domestic	International	Total
No. of centers	16	3	19
Leasable space in m²	809,300	121,000	930,300
No. of shops	1,910	443	2,353
Occupancy rate [1]	99%	99%	99%
Inhabitants in catchment area in millions	13.4	2.5	15.9

[1] including office space

Overview

Activities in the centres
In 2014, exciting events took place in Dessau, Wolfsburg and Klagenfurt page 26 >

Center anniversaries in 2014
We celebrated the 50th anniversary of the Main-Taunus Center and the 10th anniversary of the Phoenix-Center page 30/32 >

50 years of ECE
The art of securing a company's future page 34 >

Expansion plans
Phoenix-Center Hamburg and Galeria Bałtycka in flux page 33 >

Practical tenant examples
The focus is on Kabel Deutschland and the Tom Tailor Group page 24/25 >

The DES centers
Overview of all DES centers in Germany and abroad page 36 >

A particular highlight is our retail occupancy rate of 99% on average. This figure provides a simple and concise insight into the quality of our portfolio. We are particularly proud of the fact that we have been able to maintain this figure at a consistently high level since our company came into being. Our investments clearly focus on Germany with 91%.

The same secret for all 19 success stories: location, location, location
Real estate and location: a combination that always go hand-in-hand. And when you add retail into the equation, location is more than an attribute, it is simply the basis for success. Our tenants naturally want to be in the same place as their customers. They can be sure that each of our 19 shopping centers is a prime location for them.

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

Our portfolio also includes shopping centers in established out-of-town locations. These properties with their excellent transport links have offered customers a welcome change for many years and, in some cases, even replace city shopping sprees altogether. These centers often have an importance that extends well beyond the region .

» All 19 of our shopping centers offer prime locations. Our tenants naturally want to be in the same place as their customers.

On foot, with public transport or by car: always conveniently accessible
Whether in the city centre or at the city gates: we give special priority to transport links for each of our properties. In cities, we like to be close to public transport hubs. In Hameln and Passau, our centers, for example, are right next to the main bus station. Our properties in Norderstedt and Hamburg-Billstedt are directly above or adjacent to metro stations.

All our centers also have their own parking facilities that offer visitors and customers convenient and affordable parking, even in city centres, thereby ensuring optimum accessibility by car. Our out-of-town properties offer a huge number of free parking spaces. These particular locations are alongside motorways, making them very easy to reach, such as the A10 Center in Wildau on the A10 (Berliner Ring) or the Main-Taunus-Zentrum in Sulzbach on the A66. Parking spaces reserved for women and the disabled are offered as part of our service at all our shopping centers.

Successful together

Each of our 19 shopping centers has a unique tenant structure resulting from a long, intensive and ongoing process. This process focuses on identifying the needs of customers and supplementing the range of shops in each city centre. Our goal is always to work with retailers in the neighbourhood to make the entire location more attractive so that everyone can benefit from the increased appeal of the city centre as a whole.

The results are clear: the outcome is often an architectural gem, where even unique historical buildings can be lovingly integrated into the centre when possible, as is the case, for example, with the listed former Hameln Kreishaus building, which is now structurally part of the Stadt-Galerie in Hameln.

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

» We can offer every tenant the exact floor plan they need to make their concepts a reality in our centers – simply by shifting the internal walls.

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

Attractive and functional: beautiful on the outside, pleasant on the inside

When we design our locations, architecture always has a special impact: specific plot requirements are just as important as the functional specifications of our tenants. We also have a responsibility to the city and its residents that we are keen to fulfil. This includes integration into the urban landscape, combined with an exterior that meets modern architectural standards. To this end, we work very closely with the local authorities.

Everything is designed to make each visitor feel comfortable and want to keep coming back. Ongoing modernisation and optimisation ensure that our centers retain their value and remain competitive.

It goes without saying that our centers are designed for multi-generational use. Wide malls, escalators and lifts make it is possible to easily explore every corner of the center, even with pushchairs or wheelchairs. Play areas are provided for our smallest visitors. Massage chairs are available for a small fee, providing a relaxing break from shopping.

Environmentally sound: always part of the equation

All our German centers have been operating on certified green electricity since 2011. Our foreign properties are in the process of being switched to energy from renewable sources. We also want to continuously reduce the overall energy consumption of our properties and in so doing to cut CO_2 emissions. To achieve this aim, we use ultramodern technologies, such as heat exchangers and LED lighting systems. We constantly seek dialogue with our rental partners aimed at working together to reduce energy consumption in the individual shops.

Flexibility as a key factor in our success

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

Some tenants significantly expand their retail spaces so they can convert the shop from purely a retail area into a true experience arena. The idea is to give customers more opportunities to take the time to try out and experience the product on site. This also includes more intensive consultations. The role all these factors play is growing steadily, particularly in the age of increasing online shopping.

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

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

167 million people: just another year for us

Nearly 16 million people live in the catchment areas of our shopping centers, more than 13 million of them in Germany. Theoretically, this gives us access to 16% of the German population. A location's catchment area is a major factor for us when it comes to selecting an investment: this is ascertained on an annual basis according to standardised rules for all shopping centers and represents the number of potential customers for the location in question. In 2014 we welcomed a total of around 167 million visitors to our 19 properties.

Environment

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

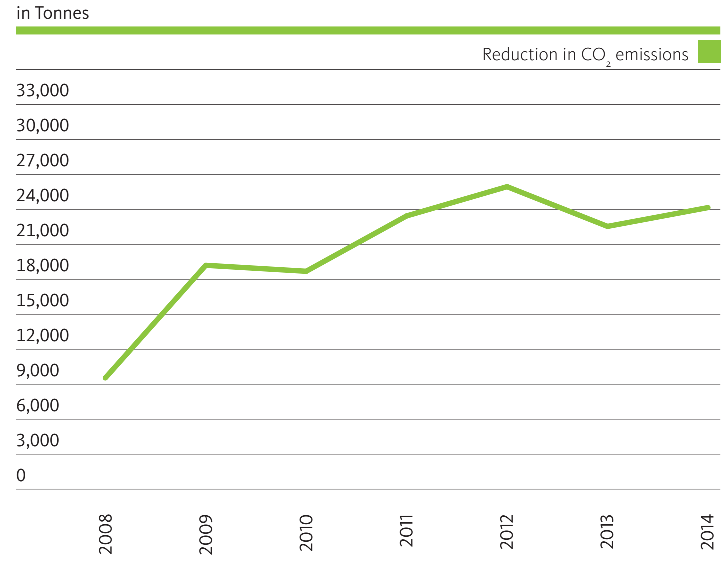
In 2014, all our German shopping centers had contracts with suppliers that use renewable energy sources, such as hydroelectric power, for their electricity needs. The "EnergieVision" organisation certified the green electricity for our centers in Germany with the renowned "ok-power" accreditation in 2014. We also plan to switch our centers in other countries over to green electricity wherever possible within the next few years.

The German centers used a total of around 68.1 million kWh of green electricity in 2014. This represented 100% of the electricity requirements in these shopping centers, Based on conservative calculations, this meant a reduction of around 24,080 tonnes in carbon dioxide emissions, which equates to the annual CO_2 emissions of around 1,100 two-person households. The use of heat exchangers and energy-saving light bulbs allows us to further reduce energy consumption in our shopping centers.

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

REDUCTION IN CO_2 EMISSIONS

in Tonnes



Our tenants – symbols of success

High-profile tenants

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

Phoenix-Center, Hamburg

Our partner for center management

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

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

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

www.ece.com

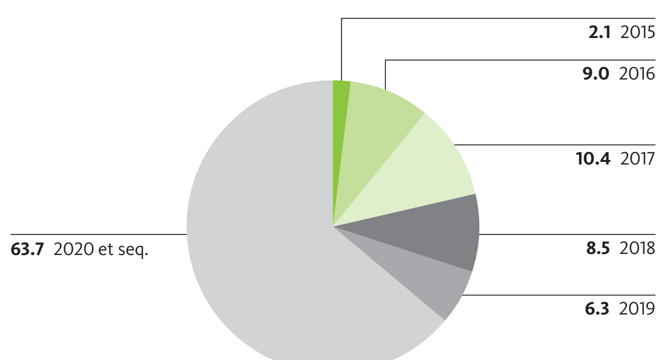
More than six years of security

The rental contracts that we sign with our tenants tend to have a standard term of ten years.

As at 31 December 2014 the weighted residual term of the rental agreements in our portfolio was 6.4 years, with 64% of our rental agreements being secured until at least 2020.

LONG-TERM RENTAL CONTRACTS

Long-term rental agreements, share in %



as at: 31 December 2014

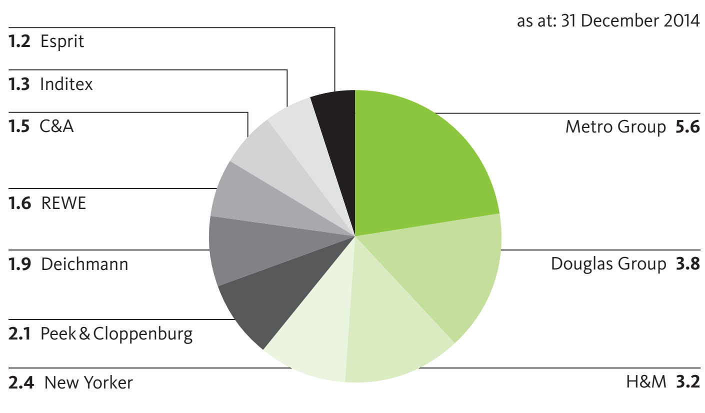
Our top 10 tenants

With a share of 5.6%, the Metro Group is our biggest tenant. It is one of the most important international retailers and is represented in a large number of our centers by its retail brands Media Markt and Saturn (consumer electronics), Real-SB-Warenhaus and Galeria Kaufhof Warenhaus. Behind this in second place is the Douglas Group, one of Europe's leading retailers, which, with its divisions Douglas perfumeries, Thalia bookshops and Appel-rathCüpper fashion stores, is a tenant of our centers and has a share of 3.8% in our overall rental volume.

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

THE TEN LARGEST TENANTS

share of rental income in %



Optimised rent calcu-lation

One of the core tasks of center management is putting together the right combination of shops to suit the property and the local area.

This mix of tenants and sectors is tailored exactly to each location and is constantly refined. It is the result of a careful analysis of each local retail market.

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

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

All sides benefit from this system: as the landlord, we are able to build a relationship of trust with our tenants for the long term; our tenants benefit from high visitor numbers achieved due to the varied mix; and our customers appreciate the very wide choice of shops. These range from different fashion concepts to accessories and health and beauty retailers, right through to professional services such as bank and post office branches. Visitors are also indulged with various food and drink options: cafés, fast-food restaurants and ice-cream parlours offer refreshment and nourishment while shopping and give the centers the typical character of a meeting place.

Uniform business hours

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

New LED technology for greater sustainability

Together with specialists from global conglomerate Philips, ECE experts have developed a new type of LED for use in shopping centers.

The new lights save significantly on electricity, as their strength can be adapted to the intensity of daylight thanks to an innovative dimmer function. They are used in all new building and conversion projects (for instance the Phoenix-Center Harburg) for basic lighting in the mall. The availability of two colours means that the lights can be adapted for different scenarios, e. g. a cool ambience during the day and a warm glow in the evening.

Aside from consuming less energy, these LED lights have other advantages, including lower maintenance costs as well as a longer lifespan and therefore fewer lights to dispose of.

Diversified and stylish

It's all in the mix: Our shopping centers have a forward-looking mix of tenants and industries.

Strong fashion expertise

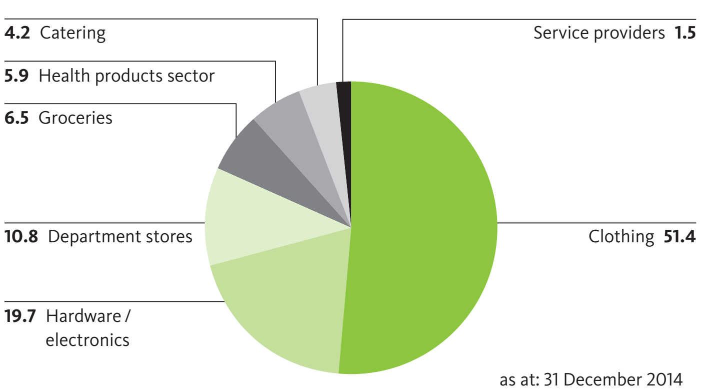
The fashion industry dominates our retail mix with slightly more than 50%.

The fashion expertise of our centers is confirmed time and again in customer surveys. It is one reason why customers are willing to travel sometimes long distances from the surrounding area to enjoy the wide selection and quality of the service.

The individual tenant mix provides each of our centers with a character all of its own. In our shopping centers, we always make sure that there is a healthy blend of regional and local traders as well as national and international chain stores. This contrasts starkly with the main shopping streets, where, according to studies in Germany, chain stores occupy over 90% of the retail space in some cases. The small-scale structure of our centers offers visitors something different each time and the opportunity to satisfy a vast range of consumer needs.

RETAIL MIX

in % of space



Offline shopping is and will remain strong

Retail has always involved change. And the Internet has without doubt accelerated the pace of this process in recent years.

We want to bring together the best of both worlds in our centers, offline and online, and showcase the strengths of our tenants. Atmosphere, services, fitting rooms, immediate availability of merchandise. It is not for nothing that more and more online retailers who used to conduct all of their business online are learning that pure branding mostly takes place offline and that direct and personal contact to customers is often the prerequisite for subsequent online purchases.

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

A strong community

In the center itself, the focus is always on service.

All centers have Service Points manned by friendly staff who can answer any questions about the center. For example, gift vouchers can be purchased at the Service Point and many of our centers also offer the ability to hire pushchairs. Customers can feel safe at all times thanks to the deployment of discreet security personnel. Baby changing rooms, customer toilets and cash machines complete the services. It goes without saying that the centers are always clean.

Every one of our tenants is automatically also a member of the marketing association of the center in question. This means that each tenant pays a share of the center's marketing costs and can play an active role in the marketing strategy committee. The marketing association plans events together with the center management making the shopping center into a lively marketplace: fashion shows, art exhibitions, country-themed weeks and informational events and promotions dealing with a whole range of topics offer visitors new experiences and insights. Local associations and municipal authorities are also involved in the plans and are given the opportunity to represent themselves in the center. The lavish center decorations for the Easter and Christmas periods are among the projects handled by the marketing associations.

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

Kabel Deutschland – more than out-of-the-box television

For twelve years now, Kabel Deutschland has stood for "out of the box" television and fast Internet and telephony via the cable network.

This listed company regularly has one of the highest rates of growth among telecommunications providers. A success story not only for the company but also for bricks-and-mortar retail. You would think that customers looking for Internet connections would simply order what they want online. After all, you only have to select the required speed of the data connection. However, it is clear that customers require considerably more.

Some eight years ago, Kabel Deutschland decided to set up its own chain of shops. Up to this point, the company had had a presence at specialist retailers and at MediaMarkt and Saturn. But the company believed in the appeal of the brand and a completely unique sales concept. Since it sells no physical products – the necessary hardware is delivered to the customer's home – Kabel Deutschland doesn't need a lot of room. The focus was to be on the customer: an exact analysis of customer needs, sound advisory services and the ability to demonstrate products and services. The latter, of course, applies primarily to TV products. Even though the vast majority of households today have HD-capable flatscreen TVs, not nearly everyone has seen true HD programming.

As is the case for almost all retailers, the location of the shops is particularly important for the Munich-based telecommunications provider. The technical availability of the products in the shops' catchment areas plays a role – and, of course, a highly frequented location. The sales concept also includes directly targeting specific customers, both inside and outside of the shops. As a result, the key factor is not always the surroundings but the number of passers-by. Kabel Deutschland goes to places where there's a lot happening, regardless of whether the neighbour is a supermarket, a textile giant or a competitor from the telecommunications industry.

The goal is a sensible mix of local retail areas and premium sites. As a result, those responsible turned to ECE and Deutsche EuroShop last year and opened a shop in the Billstedt-Center in Hamburg. Kabel Deutschland has an outside spot at the entrance and, for the very first time, is offering product-related accessories in addition to the original services. This has further enhanced the appeal of the products and services and increased sales.

There are currently 135 Kabel Deutschland shops. Bricks-and-mortar retail has since become the most successful sales channel for the provider's modern product range. However, the yellow brand will disappear by the end of the year and be replaced by the parent company Vodafone. With the stronger brand name and a consolidated retail landscape, the Munich company is convinced that it will be able to continue its success of the last few years, including that achieved in the centers of Deutsche EuroShop. ✖

Link

www.kabeldeutschland.de

Kabel Deutschland is a tenant in our Billstedt-Center, Hamburg.

The Tom Tailor Group, with its umbrella brands Tom Tailor and Bonita, can be found in numerous Deutsche EuroShop shopping centers.

The diverse brand world of the Tom Tailor Group

The Tom Tailor Group is an international fashion and lifestyle company offering stylish casual wear in the medium price range. In 2014, it generated €932.1 million in revenue. Its brands comprise Tom Tailor, Tom Tailor Denim and Tom Tailor Polo Team as well as Bonita and Bonita men. The product portfolio is complemented by a wide range of fashionable accessories.

The company revamped the brand identity of its Tom Tailor core brand in 2014 and lent it a more international profile. Since then, Tom Tailor has focused on its new brand promise: “Life is a game, play it, be confident, dress in style”. Its collections are aimed at customers aged between 0 and 40.

Bonita has been a part of the Tom Tailor Group since August 2012 and sells womenswear and menswear collections for the over-40 age group. The basis for its collections are high-quality items of clothing that can be mixed and matched to create new outfits. Colourful and stylish accessories round off the collections.

Germany still remains the key market for the Tom Tailor Group, which was founded in Hamburg in 1962. At the same time, the company is growing both domestically and internationally through its own branches, wholesalers and online channels. The Group currently generates a third of its revenue abroad, particularly in neighbouring European countries and South-East Europe.

The Tom Tailor Group sees itself as a trend manager and looks to customers and what they want when designing each of the year’s twelve collections. Its goal is to identify new and promising trends quickly, implement these trends in its own collections and offer them promptly to a broad consumer group.

Over the past few years, customers’ shopping habits have been changing at a growing pace. They do their shopping not only at bricks-and-mortar stores but also take advantage of online offers. The Tom Tailor Group has responded to this shift and now offers its merchandise both in high-end bricks-and-mortar stores in city centers and shopping centers as well as its own and third-party online shops. Pursuing this strategy enables the Tom Tailor Group to safeguard the growth potential offered by both sales channels.

Stop by one of our stores or visit us online: You can find Tom Tailor in the following Deutsche EuroShop centers: Allee-Center Hamm, Phoenix-Center Hamburg-Harburg, Rhein-Neckar-Zentrum and Arkad Pecs (Hungary). Bonita is tenant in the Altmarkt-Galerie Dresden, Herold-Center Norderstedt, Stadt-Galerie Passau, Main-Taunus-Zentrum and City-Arkaden Klagenfurt (Austria).

Links

www.tom-tailor.de
www.bonita.de

Activities in the centers 2014

Golden twenties in Dessau

Rathauscenter Dessau as the main sponsor of the 22nd Kurt Weill Festival

The 22nd Kurt Weill Festival was held in Dessau from 21 February to 21 March 2014. More than 50 concerts ranging from symphony orchestra to jazz were dedicated to the composer of the Threepenny Opera who was born in Dessau in 1900. The concerts were accompanied by a multi-faceted programme that included everything from tea dances to film screenings. Renowned ensembles and soloists from Germany and abroad performed many new cover versions live at a multitude of different venues. Radio was a special focus area in 2014 and the event featured an evening-long broadcast directly from the Kurt Weill Lounge which was set up in the Rathaus-Center specifically for this show. The center not only acted as the event's main sponsor, but also served as a partner venue for the festival.

Links

www.kurt-weill-fest.de
www.rathauscenter-dessau.de

Crazy about shopping in Wolfsburg

ShoppingStar outfit contest at City-Galerie Wolfsburg

The Shopping Star fashion contest thrilled participants on 14 and 15 March in the City-Galerie in Wolfsburg and the event received a great deal of praise from candidates, guests and Facebook users alike. The concept: candidates went on shopping sprees with the presenters, attended before/after makeovers and were invited to a "clothes swap". It featured numerous antics including handbag inspections and impromptu bursts into song. The colourful programme was extremely entertaining and put smiles on the faces of those lucky enough to win shopping vouchers. Visitors to the mall enthusiastically helped decide who would win the title of "Shopping Star" with votes being tallied on Facebook and on the basis of the applause received by each candidate. Not only were the three first-place winners each presented with a €300 voucher, but all nine candidates were able to take their outfits home as a gift.

Link

www.city-galerie-wolfsburg.de

Wind and weather in Klagenfurt

Sun, storms, snow, etc. befall City Arkaden

Sun, ice, storms and more befell the City Arkaden in Klagenfurt in early February 2014. At the special "Our weather – and how it works" hands-on exhibit, visitors had the opportunity to gain an insight into weather phenomena and climate change at ten different stations. The exhibit focused not only on conveying information but also allowing visitors to experience the various phenomena first-hand as they stood face-to-face with a self-generated tornado or watched lightning strike, for instance. Visitors even had the opportunity to present a weather forecast in a simulated weather studio while simultaneously learning how to read a weather map. School groups, in particular, were thrilled to take advantage of the free, individual tours.

Link

www.city-arkaden-klagenfurt.at

The shopping center of the future

Technology gives the edge

The shopping center of the future will be urban and will offer good links to public transportation.

It will change constantly and will serve as a meeting point, a place of social interaction. It will be a destination for events, placing the emphasis on service and performing a wide range of functions. And, crucially, it will be highly flexible.

These are the findings reached by international real estate services organisation Cushman & Wakefield (C&W) in its report entitled "Survival of the Fittest". The report summarises the results of an extensive survey conducted by Cushman & Wakefield among Europe's largest and most active shopping center investors. Together, the survey respondents own almost 1,500 shopping centers in Europe, equivalent to 20% of all European shopping centers.

The shopping center landscape is undergoing a phase of fundamental change. This is true not only in Germany, but in Europe and the rest of the world. The C&W study was designed to identify the reasons for this change and to show where the journey could lead in future. One key insight was that market participants named e-commerce as the most important driver behind this transformation. Yet it is just one of many factors. All players agreed that the change is being driven by a combination of e-commerce, macroeconomic flows, demographic changes, sustainability and increasing globalisation.

Lessors focus on the tenant mix

The C&W study shows that lessors throughout Europe have developed an extensive set of measures designed to position their centers successfully for the future. The current focus is on the tenant structure and ensuring a wide variety of food and drink offerings. Through these measures, lessors hope to increase both customer frequency and the time spent within the center. The desired expansion of services therefore also includes additional leisure facilities. Lessors are additionally keen to provide a more dynamic tenant mix.

» The shopping center landscape is undergoing a phase of fundamental change.

Increasing demands on center design and management

To position their shopping centers successfully, investors are not only looking for more attractive center designs but also proactive and flexible management. The study participants are well aware that, in future, shopping centers must be more than just palaces of consumption in order to survive. They expect managers of shopping centers to organise events and expand the services on offer, among other things. The accelerated roll-out of incentive programmes is also intended to improve customer loyalty, as is the implementation of multi-channel marketing strategies (the use of diverse channels, such as TV, Internet, newspapers, radio, etc.) and the analysis of extensive customer data (known as "big data").

Mobile technologies are indispensable

As the "Survival of the Fittest" study makes clear, mobile technologies are vital for future success. Many shopping centers already provide interactive screens, dedicated websites and apps, as well as free Wi-Fi. However, others are already looking further ahead and some UK shopping centers broke new ground in 2014 by introducing so-called "beacons": small transmitters that use Bluetooth Low Energy technology and are installed in shops or around the center. The transmitters can communicate with customers' smartphones as soon as they enter the vicinity. If a customer has installed a smartphone app for the shop or center, the program can scan his or her purchase history and send suitable offers. And it is almost certain that beacons will soon be followed by "wearables": portable computer systems that remain attached to the user's body during use. Wearables can be sewn into clothing or worn as a bracelet (e.g. sports watch) or glasses. These wearables will make it possible to record the customer's desired purchases and display corresponding product or service offers directly while shopping – embedded in social media.

Changing relationship between lessors and lessees

The survey results indicate that the relationship between lessors and lessees will change in future. The more dynamic tenant mix desired by owners is expected to result in more flexible and shorter lease agreements. Negotiations must also be conducted to determine how the costs associated with the expected service offerings are included in the lease calculation, and how to handle sales conducted online rather than in store.

Winners and losers

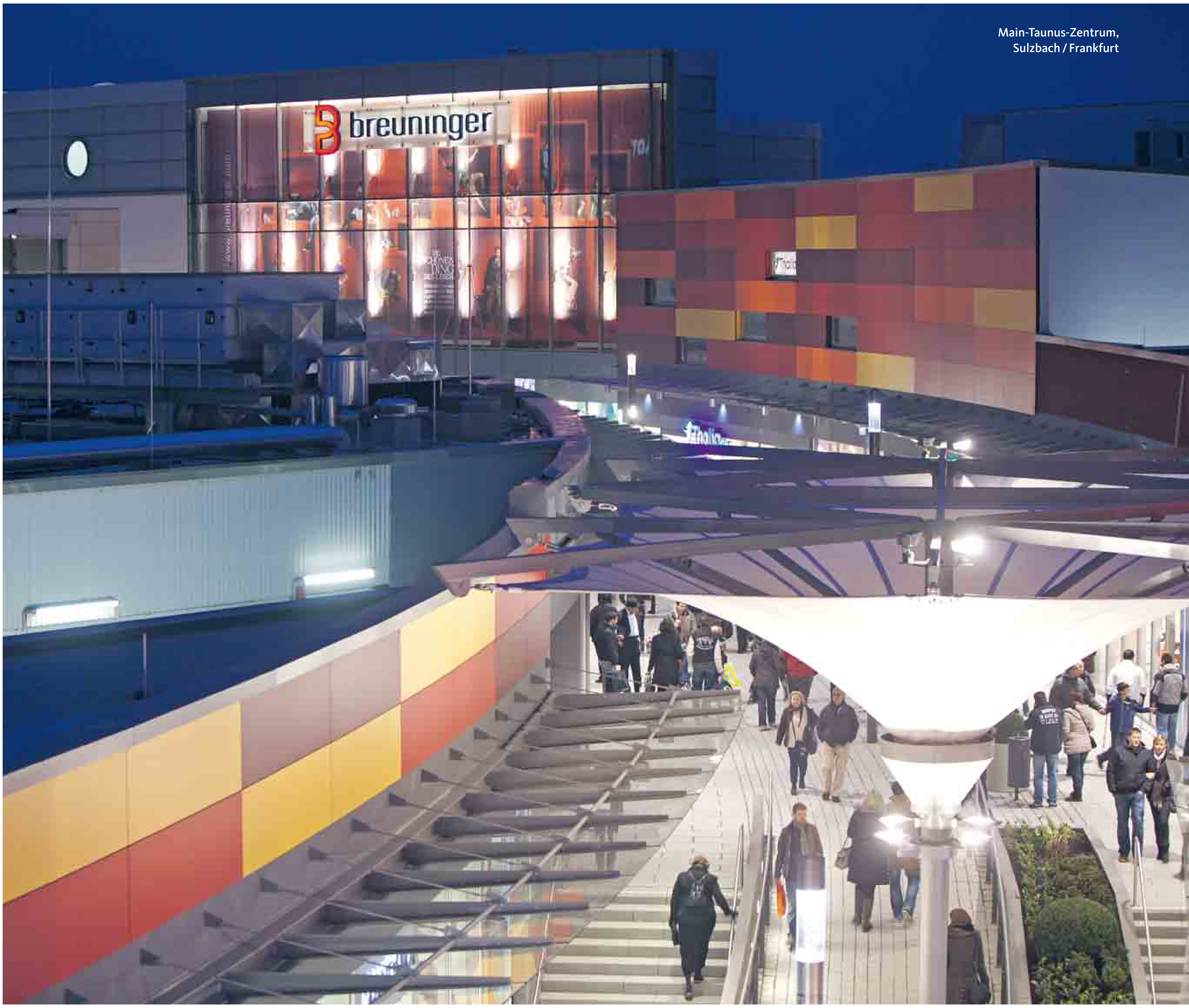
Given the many factors currently having an impact on shopping centers, it is hard for investors to identify the winners and losers of the future. The size of a center will not be a decisive factor in future. Large centers designed for the entire family and offering entertainment facilities will have their place, as will smaller, city-center galleries that address a particular consumer segment. It is, however, essential for a center to have a strong identity and a proper justification for its existence. We also know now that a forward-looking center must be innovative, and the center manager must bring to the table a very good grasp of consumer needs, retail, technology and real estate. In Germany, we are currently seeing some very good ideas in this area. Our study shows that German investors have seized the challenges posed by e-commerce and are already responding on a wide scale. They are therefore positioned ahead of market participants in France and the US, and are beaten only by center operators in the UK.

by Inga Schwarz,
Head of Research at Cushman & Wakefield in Germany

Trends and themes in the shopping center and retail property industry

Modern market places – 50 ye

The Main-Taunus-Zentrum in the Rhine-Main Region, which was based on the American model, was the first shopping center to open its doors to customers in Germany in 1964. Its opening marked the start of the history of large German shopping centers began.



Main-Taunus-Zentrum,
Sulzbach / Frankfurt

A good 50 years have passed, and there now are around 460 shopping centers (10,000 m^2 or more according to a standard definition from the EHI Retail Institute) that function as modern market places to meet a wide range of customer needs. In recent years, an increasing number of new shopping center projects have been developed in urban locations. This trend persists unabated, although the projects in the planning phase and the list of construction projects are becoming smaller due to the distinct shortage of potential development sites.

Integrated urban elements
The average size of a new shopping center is currently 38,000 m^2, with most falling in the range of 20,000 – 30,000 m^2.

People want shopping centers to be closely and comprehensively integrated into the respective city or district and conveniently linked to the existing retail landscape of the city.

The development of new shopping centers and thus new retail space is reaching a saturation point. Two main factors are responsible for this trend: First, retail spaces have grown faster than retail revenues in recent years and second, the ongoing boom in e-commerce has led to the biggest challenge in the short history of the industry.

Growth and shifts in revenue
It is expected that the retail sector will grow by up to 1.5% in 2015 and generate revenues of around €466.2 billion. Revenues in stationary retail, or bricks-and-mortar shops, are projected to decline by 1.0%. Growth will once again be driven by online retail, which is likely to rise 12% to €43.6 billion. Shopping centers account for an estimated 10% of total retail revenues. This clearly shows that the growth in distance selling is compensating for the decline in the stationary sector.

Well-managed shopping centers with established roots in the region

» Store opening hours in particular have faced growing competition from online shopping in recent years.

ars of shopping centers

often play a key role in attracting customers for local retailers as a whole. Shopping centers, however, only account for part of the stationary retail revenue and have to position themselves successfully, as do all retail stores in light of the growth of online shopping.

Fair competition conditions? 24/7 vs. restrictions

Increasing digitalisation will drive structural change in retail. The upheaval taking place in the retail sector is expected to continue. As a result, the sector will have to focus more on changing consumer habits to become more customer-oriented in every respect.

The call for fair competition conditions between the online, offline and multichannel sales channels is therefore the subject of intense discussions. It must be acknowledged that online and offline are two competing sales channels that currently still operate under completely different conditions.

There are many regulations that apply to opening and operating a stationary shop, including the initial permit process, fire safety requirements, workplace ordinances, building regulations, evidence of parking places and much more.

An online shop, on the other hand, can open right away without any restrictions or extensive additional costs and can then be operated 24 hours a day, seven days a week.

Store opening hours in particular are a key factor in the appeal for city centers. But in recent years they have come under increasing competition from online retailers that operate under much more competitive conditions, with logistics centers on "greenfield sites", often more than 100,000 m² in size, with no limits on the variety of goods in stock and offering no professional advice from trained staff paid according to the retail trade pay scale.

It remains to be seen how this disparity will be addressed by politicians and what the consequences will be for equal opportunity in the next few years.

Stationary retail can offer real emotions

In light of these factors, stationary retail will be particularly dependent on an appealing environment, attractive city centers, a broad range of services and leisure activities as well as convenient access. Shopping center operators will need to focus on different aspects: an attractive mix of tenants, more culinary offerings, convenience, service, experience and appealing architecture are considered the most important sources for optimising facilities.

One way to increase the amount of time visitors spend in shopping centers is to add more restaurants – this often results in a double-digit percentage increase. This can also be successfully achieved in combination with entertainment and exciting activities, but the aspect of "convenience" should not be underestimated: in today's world, it is simply a must to provide an adequate number of parking spots, free of charge if possible (at least for a certain amount of time). Locations that are easily accessible by car have proven particularly successful.

Efforts to improve the quality of service and the experience will intensify noticeably in the future. Currently, concepts such as four-star hotels are being successfully implemented and online services are being tested with customers in extensive "Future Labs" and developed for the market.

But stationary retail also needs to keep working on its image and offer customers shopping experiences that are not possible in the online world.

Online goes offline

More and more customers and retailers have come to expect WLAN throughout a shopping center as standard. In addition, pure online retailers such as Apple and Microsoft are opening large bricks-and-mortar stores with increasing frequency. This will be a growing trend as customers want to experience their "online brands" live. Shopping centers and city centres can be strengthened over the long run if traditional retailers are replaced by online retailers.

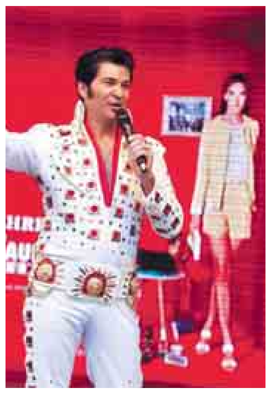
The importance of a well-functioning shopping center for the attractiveness of a city and its retail sector will continue to be high as urbanisation advances and demographics change. ✖

von Ingmar Behrens,
German Council of Shopping Centers e. V. (GCSC)

Center anniversaries in 2014

The Main-Taunus-Zentrum turns 50

It was the first of its kind in Europe – now Hessen's largest shopping center has proudly turned 50 and an entire region took part in the celebration.



Visitors were taken back in time to witness the mall's five decades of history. To thank its customers for their long-standing loyalty, the MTZ threw a huge party with many special attractions.

The music was a true blast from the past: a Nena look-alike brought back memories of the eighties. Representing the nineties, Freddy Mercury, Jamiroquai and others took to the stage where they were nearly indistinguishable from the original artists. The line-up even included Elvis as well as ABBA, Tina Turner, Lady Gaga and Udo Lindenberg.

Yet, the MTZ wasn't just a mecca for multitudes of music lovers: guests were captivated by many different contests, including several with the opportunity to win a shopping voucher worth €10,000. Our tenants also donated attractive prizes for other prize draws.

Of course the shops' employees had something to celebrate, as well: more than 1,000 of them gathered for an employee event under a huge tent which was erected specifically for this purpose. Matthias Borutta, the center's manager, thanked them all for their contributions to this shared, long-term success.

Many guests of honour and well-wishers celebrated alongside them, including Jerry Shefsky. Mr Shefsky had come from Canada back in the sixties looking for a site to construct Germany's first shopping center. He landed in Sulzbach after being turned down in Frankfurt.

A huge fireworks display brought the festivities to an end on 20 September 2014.

Link

www.main-taunus-zentrum.de


A10 Center, Wildau / Berlin

Shopping centers

Nothing will stay the same

Looking closely at recent reports from the motherland of shopping centers, what is noticeable is that many articles in the US media paint a largely bleak picture implying that the era of the shopping mall is at an end.

Green Street Advisors, for instance, forecasts that every seventh mall in the USA will become redundant over the next ten years, and the well-known retail consultant, Howard Davidowitz, even expects that half of all American malls will close in the next 15 to 20 years!

» The centers of the future will need to do a careful balancing act, fine-tuning their emphasis on the shopping experience and shopping outcome.

In our globalised world, it is however important to keep in mind that trends by no means take the same shape in all countries. Adequate consideration needs to be given to local factors. In this respect, the above statements from the USA with its extremely high mall density cannot necessarily be transferred to European cities and retail structures. Instead, it is essential to take consumer habits, retail structures and their history into account.

Tapping into basic consumer needs

The success of shopping centers is increasingly being driven by their ability to think beyond purely (and hopefully coherent) sales-related conditions (location, catchment area, purchasing power, population development, etc.) and tap into various basic consumer needs. The centers trigger a wide range of associations and, from the consumer perspective, serve different needs that relate to different goals, results and experiences.

In our view, the shopping center industry in Germany must and will focus its efforts more on the customer so that they can offer consumers what they really want in the modern online/offline world. It has less and less to do with merely selling products in the traditional sense: Germany's refrigerators and wardrobes are already full. The centers of the future will need to do a careful balancing act, fine-tuning their emphasis on the shopping experience and shopping outcome to suit what motivates customers to visit the shopping centers.

The four customer motivations

Focus group surveys have identified four key motivations for people to visit shopping centers. The motivations vary in terms of expectations of the shopping experience and the shopping outcome (dynamic change vs. stability, desire vs. control). The four motivations are inspiration, relaxation, efficiency and pragmatism. They are generally based on the following:

- Motivated by inspiration = being a part of something/being inspired, satisfying curiosity, seeing trends, diversion/entertainment/enticement.
- Motivated by relaxation = being pampered/feeling good, having a nice time in a safe and comfortable environment, relieving stress.
- Motivated by efficiency = smart shopping/proving something, finding the best deal, seeing everything, in the sense of being in control.
- Motivated by pragmatism = fulfilling obligations/making things easy. Shopping systematically and saving time/effortless, buying things, running errands.

The shopping centers of the future will therefore focus much more on what motivates their customers to come to their facilities and create customer loyalty by considering the social and emotional components. Depending on what motivates consumers in a particular catchment area to visit a shopping center and how their motivations are weighted, the centers will emphasise different aspects related to convenience, experience, surprise, luxury, discounting, entertainment, culinary offerings, sports, health, education, social interaction, networks, etc.

Food and restaurants

From a less "sophisticated" and completely practical perspective, because food is currently not particularly suited to online sales and is likely to remain that way, it offers shopping centers good potential to develop customer loyalty. Shopping centers that offer high quality and freshness will be able to increase fundamental frequencies. And, shopping centers with large enough catchment areas can accommodate the increasing importance of eating out, particularly if they also benefit from tertiary concentrations of employment in the surrounding area. Food courts and different kinds of eateries can help increase visitor numbers and encourage them to spend more time in the shopping center.

Centers with their own identity

Unlike virtual online retail, the activity of shopping or the overall experience in a shopping center takes place in buildings. In our opinion, the design and architecture of these buildings offer the potential to create customer loyalty, an aspect that was often underestimated in the past: through the open feel of the building, the experience of space, the choice of materials, and the interior and exterior look and feel. This is about much more than just pure functionality, which should be preserved at all costs. It will become increasingly important to give the center an identity, thereby creating added value for visitors.

Individuality and constant change

None of the aforementioned points are in any way novel. What will, however, make the difference are the individual identities/combinations of the shopping centers. The developer and thereafter the center management have to choreograph all of these elements in collaboration with the retailers and such (re)alignments obviously also need the approval of the owner.

The German shopping center industry is therefore faced with challenges and changes but is by no means starting from scratch. It is more of an ongoing process. Already in the last few years, a higher level of professionalism and a dedicated will to understand and implement the aforementioned aspects has been evident. The shopping center of the future is no mirage: we will all experience it – in lots of different ways!

A report from the GCSC ThinkTank

GCSC ThinkTank

The GCSC ThinkTank is an unaffiliated interdisciplinary group of experts who concern themselves with issues related to retail and retail properties, on a voluntary basis.

In its work the ThinkTank aims to develop hypotheses, analyse the themes of the future and identify ideas and opportunities for the industry. The observations and findings of the ThinkTank are presented to the members of the GCSC and professional circles and published in the form of specialist reports.


F. l. t. r.: Till Dunemann / ECE, Sebastian Müller / GfK, Rolf Pangel / Galeria Kaufhof, Kersten Peter / mfi, Olaf Petersen / Comfort, Rainer Pittroff / EHI

Joanna Fisher, Managing Director Center Management, ECE

“We’d also like to use innovations from the digital world in our shopping centers”

Interview with Joanna Fisher, Managing Director Center Management, ECE

Ms. Fisher, you have been serving as Managing Director of Center Management at ECE since mid-2014 – is stationary retail still fun in an era when e-commerce is booming?
But of course. Shopping centers are pretty much predestined to pit themselves against the Internet. The virtual world will never be capable of replacing the real world. People still want to get together, they want to eat and drink, plus they want a haptic experience when selecting merchandise. As a shopping center operator, we can set the stage for these experiences and create a pleasant atmosphere.

How do you accomplish that?
Architecture and gastronomy are vital factors. Our guests, the visitors to the malls, want to stroll through a top-quality environment that also offers areas for rest and relaxation. Quite often their goal isn’t just shopping, but spending part of their leisure time in a shopping center, meeting up with friends and discovering an extremely broad range of products and services. In this context, we’re experiencing a boom in gastronomy. A food court is now being integrated into nearly every new or modernised center. The Phoenix-Center in Deutsche EuroShop’s portfolio is a good example of this.

So is fast food the solution to e-commerce?
One of many, I’d say. Parallel to that, at our Future Labs we’re continuously testing new visitor services. If any of the concepts prove a success, we introduce them at all of the sites. We don’t consider the Internet our rival; instead we’d like to use innovations from the digital world in our centers, too. For example, if customers could see via their PC or smartphone whether a certain piece of merchandise is available at a store’s branch in a nearby shopping center, then they’re more likely to come to us rather than purchase the product online.

But isn’t tenants’ need for space declining because many of them are now selling more online?
No, because even typical online retailers have acknowledged the importance of a stationary presence. A brand image can only be built up in the real world, aided by top-quality shop interiors and compelling merchandise displays. Shopping centers offer just the right ambience for this.

Center anniversaries in 2014

The Phoenix-Center turns 10

The Harburg shopping magnet celebrated its first decade

The Phoenix-Center in Hamburg-Harburg opened on 29 September 2004. Since then, the 110 specialist shops, diverse range of culinary offerings and many service outlets have evolved into a popular meeting point for many people from the entire region.

The 10-year anniversary was celebrated in great style together with visitors and customers in September 2014. Of course there was a huge birthday cake as befitting the occasion and the proceeds from sales of the cake went to a good cause. The center’s management organised a dazzling entertainment programme and the tenants, too, had quite a bit to offer customers: a coupon booklet including all special offers was distributed to all households in the Süderelbe region.

A children’s area was set up for the mall’s younger guests where they had the chance to decorate muffins, colour, do crafts and play. Customers could enter a variety of contests for the chance to win fantastic prizes and the event was topped off with Sunday shopping.

Link

www.phoenix-center-harburg.de

Center promotions in 2015

Our shopping centers will once again feature many promotions in 2015. We look forward to your visit!

Month	Center	Date	Promotion
01	Phoenix-Center, Hamburg	08. – 17.01.2015	**Red-hot for the 2024 Olympic Games in Hamburg**
02	Herold-Center, Norderstedt	02. – 14.02.2015	**The century of the computer**
02	Stadt-Galerie, Passau	02. – 07.02.2015	**Wedding days**
03	Stadt-Galerie, Hameln	05. – 14.03.2015	**Mars: vision and mission**
04	Allee-Center, Hamm	23. – 25.04.2015	**Traffic safety days**
04/05	Altmarkt-Galerie, Dresden	23.04. – 16.05.2015	**Royal art mania**
05	Galeria Baltycka, Gdansk, Poland	14. – 24.05.2015	**Nostalgia on two wheels**
05	Main-Taunus-Zentrum, Sulzbach / Frankfurt	26. – 30.05.2015	**Culinaria**
06	Forum, Wetzlar	10. – 27.06.2015	**Mercedes-Benz: power, passion, pole position**
06/07	Árkád Pécs, Hungary	26.06. – 18.07.2015	**Pirate world**
07	City-Point, Kassel	09. – 18.07.2015	**The Beatles**
08	City Arkaden, Klagenfurt, Austria	07. – 29.08.2015	**The giants of the prehistoric age**
08	A10 Center, Wildau / Berlin	10. – 29.08.2015	**The throw of your life**
08	Allee-Center, Magdeburg	20. – 29.08.2015	**Allee-Center-Art**
09	City-Arkaden, Wuppertal	05. – 12.09.2015	**German parliament / Deutscher Bundestag**
09	City-Galerie, Wolfsburg	10. – 19.09.2015	**Terra Fauna – The world of reptiles**
09	Billstedt-Center, Hamburg	17. – 27.09.2015	**Autumn trends**
09/10	Rathaus-Center, Dessau	24.09. – 10.10.2015	**20th center anniversary**
11–01	Rhein-Neckar-Zentrum, Viernheim / Mannheim	16.11.2015 – 06.01.2016	**Winter Village**

Expansion plans

Possible expansion at the Galeria Baltycka Gdansk

Another chapter might yet be written in the success story of the Galeria Baltycka in Gdansk, Poland.

We are currently looking into an expansion which would provide around 15,000 m² in additional leasable space and some 70 new shops. According to the current plans, the new passageway might allow visitors to cross over from the current mall to the new part of the building from 2017 onward. A spectacular building-within-a-building construction featuring an enormous glass ceiling will bathe the center in sunshine and lend it a very welcoming atmosphere. Ever since its grand opening in early October 2007, the Galeria Baltycka has been one of northern Poland's most popular shopping destinations. With around 39,500 m² of leasable space, it presently offers more than 190 shops and a large food court and serves a catchment area of over one million people.

Link

www.galeriabaltycka.pl

A Food court for the Phoenix-Center Hamburg

Work on the expansion of the Phoenix-Center in Hamburg-Harburg is progressing swiftly.

The shopping gallery in the basement will gain some 2,500 m² in additional retail floor space by spring 2016, which will include a food court with twelve food vendors and seating for around 300 patrons. The expansion will cost approximately €30 million. Opened in 2004, the Phoenix-Center currently features around 110 specialist shops over some 26,500 m² of retail floor space on three levels. The center's anchor tenants include a consumer electronics store (MediaMarkt), clothing stores (C&A, H&M, Sinn Leffers) and a supermarket (REWE).

During the expansion work, the row of shops in the basement will be expanded to form a triangular mall which will lend it the same general floor plan as the rows of shops on both the ground floor and the top floor. The basement will also boast a new attraction – a modern food court served by twelve different food vendors and a common dining area with seating for around 300 patrons.

The Phoenix-Center is centrally located between the Harburg train station and the pedestrian zone. It attracts people from southern Hamburg and the surrounding areas. Around 680,000 people live in the catchment area. With the Harburg train and S-Bahn station and the central bus station located directly next to the center, it is extremely well connected to the public transportation network. Once the expansion has been completed, around 1,400 parking spaces will be available to visitors arriving by car.

Link

www.phoenix-center-harburg.de

ECE celebrates its 50th anniversary

The art of securing a company's future

The success of Hamburg's Otto family as well as its two companies, ECE and the Otto Group, is founded in a fruitful, multi-generational collaboration between family members and non-family managers. The past few years, in particular, have shown how traditional (family-owned) companies can start to flounder. The liquidation of Quelle, a large mail order company, just a few years ago showed in very clear terms that not even the big names are left unscathed by structural change. Successfully managing a family-owned company is not only a labour of love, it also calls for both business expertise and sound succession planning.


Stadt-Galerie, Passau

Alexander Otto, who will be joined by his employees on 22 January to celebrate the 50th anniversary of ECE, formerly known as the Einkaufs-Center-Entwicklungsgesellschaft, took over as CEO in 2000 from non-family manager Dr Heinrich Kraft. Prior to that, he had studied at Harvard University and gained experience in other companies, both as a financial analyst and director of financial planning in New York. He joined ECE in 1994, initially as a project manager working on the development of Schlosspark-Center in Schwerin, one of the shopping centers that this Hamburg-based shopping center specialist developed in the new eastern states following German reunification.

After switching to the Management Board, Alexander Otto took over the Leasing division and was then appointed Deputy Chairman under Heinrich Kraft who he succeeded as CEO on 1 July 2000. This youngest son of Werner Otto, founder of both Otto Versand and ECE, had taken over the helm of a company that was a major player on the real estate market and Germany's undisputed leader among shopping center developers. Continued internationalisation, which had already begun in Poland, Hungary and the Czech Republic in 1996 – 97 under the aegis of his predecessor, became the core element of his strategy. It was a logical step, particularly since the German retail market was expanding increasingly to Eastern Europe and shopping centers are preferred locations when taking the leap into foreign markets. Not only that, but the retail space network was also underdeveloped and outdated following years of a centrally planned economy.

As early as 17 August 2001, Alexander Otto opened the first ECE-developed shopping center outside Germany, the Galeria Dominikanska in the Polish city of Wroclaw. The grand opening of Galeria Lodzka followed one year later in Lodz, another Polish city. Today the number of shopping centers outside Germany either developed and/or managed by ECE has risen to 59. One of the countries currently in ECE's focus is Turkey. All in all, the company is active in 16 different countries and manages 196 shopping centers.

The Otto family owns other real estate companies in the USA and Canada which focus on retail and residential properties. Additionally, the family itself holds investments in US shopping center specialist DDR Corp. (Developers Diversified Reality) and Sonae Sierra Basil SA. ECE is undeniably one of today's major names on the European shopping center market, which is dominated by just a few extremely large players. Due to the fact that the structures of these businesses differ greatly and are thus difficult to compare, no definitive answer can be provided to the question of which is largest.

With 83 shopping centers in its portfolio worth a total of €33.6 billion, the French-Dutch REIT Unibail Rodamco can undoubtedly claim the title of being Europe's largest listed real estate company. ECE, on the other hand, which focuses mainly on the provision of services, can rightly claim its position as leader in terms of the absolute number of shopping centers under its management, namely 196 (with assets under management of €27 billion). With France's shopping center specialist Klépierre planning to take over Dutch-based Corio, this means that the market will soon have yet another heavyweight.

ECE's beginnings 50 years ago, on the other hand, seem pretty modest in comparison. Werner Otto, who had already founded the mail order company Otto Versand in 1949, built up the "Einkaufs-Center-Entwicklungsgesellschaft" (which translates to Shopping Center Development Company) in January 1965 with a dozen employees. His inspiration came from shopping centers in the USA and Canada. While the Franken-Center in Nuremberg-Langwasser, which opened in October 1969, might not have been Germany's first mall (the Main-Taunus-Center and Ruhr Park opened in 1964), it was ECE whose operations were most enduring and which allowed the company to advance and become Germany's market leader.

Between 1970 and 1973, Werner Otto and his team launched the Alstertal Einkaufszentrum in Hamburg, the Hessen-Center in Frankfurt, the Rhein-Center in Cologne, the Roland-Center in Bremen, the Leo-Center in Leonberg and the Allee-Center in Essen in quick succession. Suburban locations were preferred. In light of the 1974/75 oil crisis, ECE's decision to stop its expansion in autumn 1973 in order to consolidate its operations while also securing and optimising the existing centers proved to be a smart one. As a result, the company entered the crisis without undeveloped sites or half-completed properties and thus avoided the difficulties that would have arisen had this not been the case.

In 1974, at the age of 65, Werner Otto stepped down from the ECE Management Board and handed the reins over to Heinrich Kraft, an outside manager. In his capacity as Chairman of the Management Board, Kraft was in charge of pressing ahead with the company's consolidation and repositioning efforts, also in the areas of office space and logistics properties. The enormity of Kraft's role in ECE's development to become one of Germany's high-profile shopping-center and real-estate specialists is evident in the fact that he controlled the company's fate for a whole 26 years.

» Taking stock after 50 years: All in all, ECE is active in 16 countries and manages 196 shopping centers.

Kraft seized opportunities that arose during the oil crisis, such as in Frankfurt where office buildings were left vacant or still under construction. That was also how he landed the contract from DG Bank to fit out and lease the 41-storey City-Haus at Platz der Republik square. Additionally, ECE developed, realised and leased out the "Bürohaus an der Alten Oper" (office building by the old opera house) for DG Bank in the early 1980s. During this time, the company also served as general planner and project manager for the construction of the corporate headquarters of Otto Versand.

In the 1980s, this Hamburg-based company began eyeing inner-city sites for shopping center development projects as evidenced by the Löhr-Center in Koblenz which opened in 1984, the Allee-Center in Remscheid and the Saarpark-Center in Neunkirchen, just to name a few. ECE has also made a contribution toward inner-city development by transforming former warehouses into shopping centers such as the City-Points in Braunschweig and Bochum. Integrating the architecture of today's shopping centers into their urban environment is becoming increasingly important, a fact evidenced by the Potsdamer Platz Arkaden in Berlin, the restoration of Braunschweig Palace, which now houses a shopping center, as well as the open design of the Milaneo in Stuttgart which infuses an entire shopping quarter with life.

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

Book recommendations

Shopping Center Future

Prof. Dr. Bernd Falk / Momme T. Falk, Ph.D.

95 years of international shopping center history and 50 years of German shopping center history. The industry is facing radical changes. A tangible shift in consumer behaviour, challenges presented by e-commerce, a changed economic environment and the increasing importance of sustainability are all characteristics of this development.

In this book, 54 proven shopping center experts including Thomas Binder (Sierra Developments Germany), Manuel Jahn (GfK GeoMarketing), Dr Christof Glatzel (mfi), Helmut Koprian (KOPRIAN iQ), Alexander Otto (ECE) and R. Roger Weiss (mfi), take a look at the future of shopping centers.

Some of the topics and issues addressed by this forward-looking publication include:

- Shopping centers in the digital world – what now?
- Center types – winners and losers?
- What do innovative shopping centers of the future look like?
- Refurbishment – potential and limitations?
- Sustainability – already passé or state of the art?
- Anchor tenants of the future!

500 pages, bound
ISBN: 978-3-00-041102-1
Store price: €125.00

The Centers

4 countries – 19 locations

Complex one-offs, excellent transport links, shopping as an experience. These key phrases perfectly describe our shopping centers. They all have unique locations and offer an industry mix that is ideally tailored to the respective city. The customers and tenants of our centers value this as much as our shareholders do.

Germany

138.69
million visitors 2014

16
Center

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

Austria

5.70
million visitors 2014

1
Center

17 City Arkaden, Klagenfurt, Austria

Poland

9.80
million visitors 2014

1
Center

18 Galeria Bałtycka, Gdansk, Poland

Hungary

12.76
million visitors 2014

1
Center

19 Árkád, Pécs, Hungary

The centers in Germany

We introduce all 16 Deutsche EuroShop shopping centers in Germany and provide you with the key figures on each individual center.

All German centers from page 37 >

The centers abroad

Deutsche EuroShop operates three shopping centers in neighbouring countries. We present all the centers to you, including their key figures.

All foreign centers from page 42 >

Main-Taunus-Zentrum, Sulzbach / Frankfurt

The centers in Germany

In order of available leasable space

01 A10 Center, Wildau / Berlin

Address	Chausseestr. 1, 15745 Wildau
Web	www.a10center.de
Investment	100%
Leasable space	120,000 m²
Of which retail space	67,800 m²
Parking	4,000
No. of shops	200
Occupancy rate	100%
Catchment area	1.2 million residents
Purchased by DES	January 2010
Grand opening	1996
Restructuring / Modernisation	2010 – 2011
Anchor tenants	Bauhaus, C&A, H&M, Karstadt Sports, MediMax, Peek & Cloppenburg, real
Visitors 2014	7.03 million

03 Altmarkt-Galerie, Dresden

Address	Webergasse 1, 01067 Dresden
Web	www.altmarkt-galerie-dresden.de
Investment	100%
Leasable space	77,000 m²
Of which retail space	51,300 m²
Parking	500
No. of shops	200
Occupancy rate	97%
Catchment area	1.0 million residents
Purchased by DES	September 2000
Grand opening	2002
Expansion	2011
Anchor tenants	Apple, Hollister, H&M, Saturn, SinnLeffers, SportScheck, Zara
Visitors 2014	15.70 million

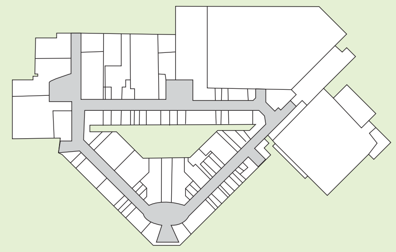
02 Main-Taunus-Zentrum, Sulzbach / Frankfurt

Address	Königsteiner Str., 65843 Sulzbach (Taunus)
Web	www.main-taunus-zentrum.de
Investment	52%
Leasable space	118,400 m²
Of which retail space	98,500 m² (plus C&A)
Parking	4,500
No. of shops	170
Occupancy rate	100%
Catchment area	2.2 million residents
Purchased by DES	September 2000
Grand opening	1964
Restructuring / Modernisation	2004
Expansion	2011
Anchor tenants	Apple, Breuninger, Galeria Kaufhof, H&M, Hollister, Karstadt, MediaMarkt, REWE
Visitors 2014	8.12 million

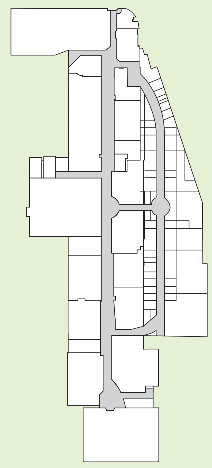
04 Rhein-Neckar-Zentrum, Viernheim / Mannheim

Address	Robert-Schumann-Str. 8a, 68519 Viernheim
Web	www.rhein-neckar-zentrum-viernheim.de
Investment	100%
Leasable space	64,300 m²
Of which retail space	60,000 m² (plus Karstadt and C&A)
Parking	3,800
No. of shops	110
Occupancy rate	100%
Catchment area	1.2 million residents
Purchased by DES	September 2000
Grand opening	1972
Restructuring / Expansion	2002
Anchor tenants	Engelhorn Active Town, Humanic, Peek & Cloppenburg, H&M, TK Maxx, Zara
Visitors 2014	7.66 million

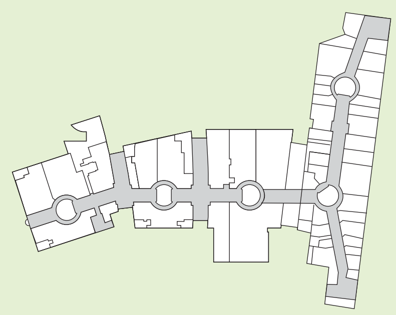
Center floor plans on this page



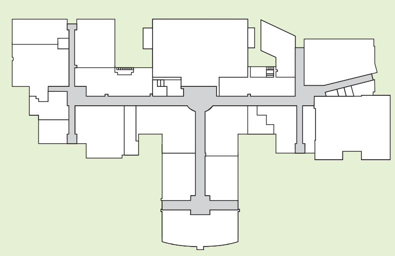
01 A10 Center, Wildau / Berlin



02 Main-Taunus-Zentrum, Sulzbach / Frankfurt



03 Altmarkt-Galerie, Dresden



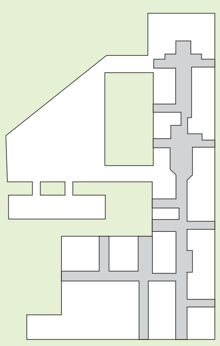
04 Rhein-Neckar-Zentrum, Viernheim / Mannheim

Floor space of all centers in 2014 in Germany

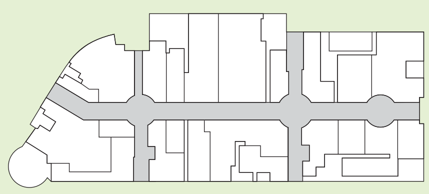
809,300 m²
overall

continuation ▸

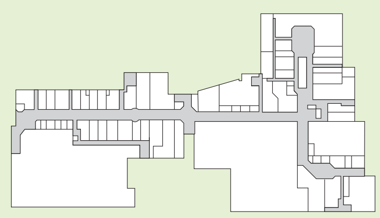
The Centers in Germany (continuation)



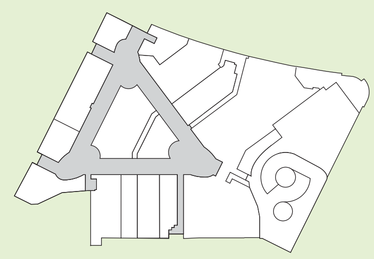
05 Herold-Center, Norderstedt



06 Allee-Center, Magdeburg



07 Billstedt-Center, Hamburg



08 Phoenix-Center, Hamburg

Stadt-Galerie, Passau

Number of visitors in 2014 in Germany

138.69 million
overall

Average number of visitors in 2014 in Germany per center

8.67 million

Number of stores in 2014 in the German DES centers

1,910
overall

05 Herold-Center, Norderstedt

Address	Berliner Allee 34–44, 22850 Norderstedt
Web	www.herold-center.de
Investment	100%
Leasable space	56,200 m²
Of which retail space	28,100 m² (plus Karstadt)
Parking	850
No. of shops	140
Occupancy rate	97%
Catchment area	0.5 million residents
Purchased by DES	January 2013
Grand opening	1971
Restructuring / Expansion	1995 and 2003
Anchor tenants	C&A, H&M, Peek & Cloppenburg, REWE
Visitors 2014	11.25 million

06 Allee-Center, Magdeburg

Address	Ernst-Reuter-Allee 11, 39104 Magdeburg
Web	www.allee-center-magdeburg.de
Investment	50%
Leasable space	51,300 m²
Of which retail space	36,000 m²
Parking	1,300
No. of shops	150
Occupancy rate	98%
Catchment area	0.7 million residents
Purchased by DES	October 2011
Grand opening	1998
Expansion	2006
Anchor tenants	H&M, Saturn, SinnLeffers, SportScheck, REWE
Visitors 2014	9.61 million

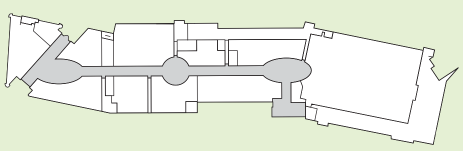
07 Billstedt-Center, Hamburg

Address	Möllner Landstr. 3, 22111 Hamburg
Web	www.billstedt-center.de
Investment	100%
Leasable space	42,800 m²
Of which retail space	30,000 m² (plus Karstadt)
Parking	1,500
No. of shops	110
Occupancy rate	100%
Catchment area	0.7 million residents
Purchased by DES	January 2011
Grand opening	1969 / 1977
Restructuring	1996
Anchor tenants	C&A, H&M, MediaMarkt, TK Maxx, Toom
Visitors 2014	10.13 million

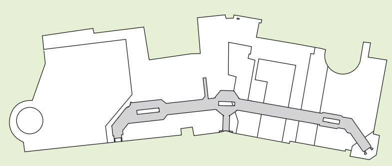
08 Phoenix-Center, Hamburg

Address	Hannoversche Str. 86, 21079 Hamburg
Web	www.phoenix-center-harburg.de
Investment	50%
Leasable space	39,200 m²
Of which retail space	30,600 m²
Parking	1,600
No. of shops	110
Occupancy rate	100%
Catchment area	0.6 million residents
Purchased by DES	August 2003
Grand opening	2004
Anchor tenants	C&A, H&M, Karstadt Sports, MediaMarkt, New Yorker, REWE, SinnLeffers
Visitors 2014	9.55 million

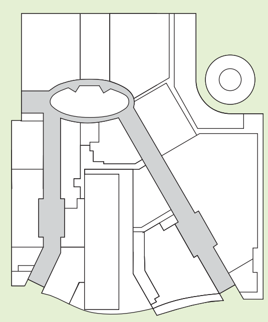
Center floor plans on this spread



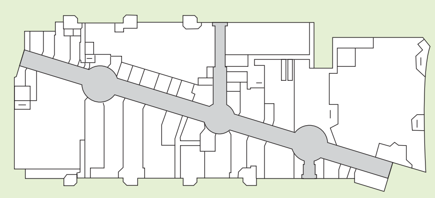
09 Forum, Wetzlar



10 Allee-Center, Hamm



11 City-Galerie, Wolfsburg



12 Rathaus-Center, Dessau

09 Forum, Wetzlar

Address	Am Forum 1, 35576 Wetzlar
Web	www.forum-wetzlar.de
Investment	65%
Leasable space	34,400 m²
Of which retail space	29,300 m²
Parking	1,700
No. of shops	110
Occupancy rate	99%
Catchment area	0.5 million residents
Purchased by DES	October 2003
Grand opening	2005
Anchor tenants	Kaufland, MediaMarkt, Sporthaus Kaps, Thalia
Visitors 2014	7.02 million

10 Allee-Center, Hamm

Address	Richard-Matthaei-Platz 1, 59065 Hamm
Web	www.allee-center-hamm.de
Investment	100%
Leasable space	33,900 m²
Of which retail space	28,000 m²
Parking	1,300
No. of shops	90
Occupancy rate	100%
Catchment area	1.0 million residents
Purchased by DES	April 2002
Grand opening	1992
Renovation / Restructuring	2003, 2009
Anchor tenants	C&A, H&M, Peek & Cloppenburg, REWE, Saturn
Visitors 2014	6.70 million

11 City-Galerie, Wolfsburg

Address	Porschestr. 45, 38440 Wolfsburg
Web	www.city-galerie-wolfsburg.de
Investment	100%
Leasable space	30,800 m²
Of which retail space	24,000 m²
Parking	800
No. of shops	100
Occupancy rate	100%
Catchment area	0.5 million residents
Purchased by DES	September 2000
Grand opening	2001
Restructuring	2011
Anchor tenants	Hempel, New Yorker, REWE, Saturn
Visitors 2014	7.65 million

12 Rathaus-Center, Dessau

Address	Kavalierstraße 49, 06844 Dessau-Roßlau
Web	www.rathauscenter-dessau.de
Investment	100%
Leasable space	30,400 m²
Of which retail space	20,400 m² (plus Karstadt)
Parking	850
No. of shops	90
Occupancy rate	99%
Catchment area	0.6 million residents
Purchased by DES	November 2005
Grand opening	1995
Anchor tenants	H&M, Modehaus Fischer, Thalia, TK Maxx
Visitors 2014	5.73 million

continuation ▸

Wie
ein goldenes
Zeitalter.
Nur in
diesem
Augenblick.
ALTMARKT
GALERIE
DRESDEN

The Centers in Germany (continuation)

13 City-Arkaden, Wuppertal

Address	Alte Freiheit 9, 42103 Wuppertal
Web	www.city-arkaden-wuppertal.de
Investment	100%
Leasable space	28,700 m²
Of which retail space	22,700 m²
Parking	650
No. of shops	80
Occupancy rate	100%
Catchment area	0.8 million residents
Purchased by DES	September 2000
Grand opening	2001
Restructuring	2011
Anchor tenants	Akzenta, H&M, Thalia, Zara
Visitors 2014	9.51 million

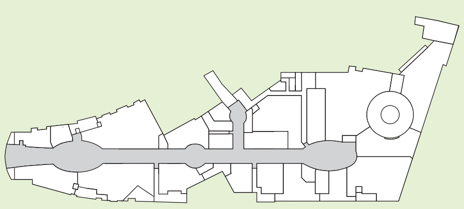
14 City-Point, Kassel

Address	Königsplatz 61, 34117 Kassel
Web	www.city-point-kassel.de
Investment	100%
Leasable space	28,300 m²
Of which retail space	22,800 m²
Parking	220
No. of shops	60
Occupancy rate	96%
Catchment area	0.8 million residents
Purchased by DES	September 2000
Grand opening	2002
Restructuring	2009
Anchor tenants	H&M, New Yorker, Saturn, Sport Voswinkel
Visitors 2014	9.43 million

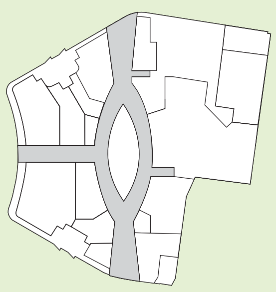
15 Stadt-Galerie, Passau

Address	Bahnhofstr. 1, 94032 Passau
Web	www.stadtgalerie-passau.de
Investment	75%
Leasable space	27,600 m²
Of which retail space	23,000 m²
Parking	500
No. of shops	90
Occupancy rate	100%
Catchment area	0.7 million residents
Purchased by DES	December 2006
Grand opening	2008
Anchor tenants	C&A, Esprit, Saturn, Thalia
Visitors 2014	7.87 million

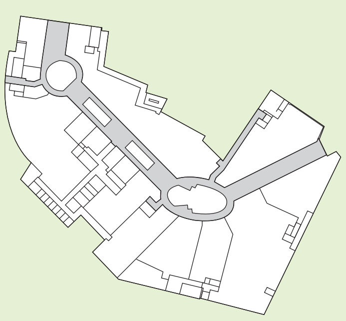
Center floor plans on this page



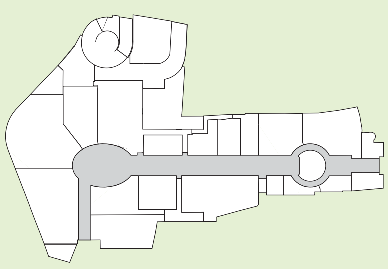
13 City-Arkaden, Wuppertal



14 City-Point, Kassel



15 Stadt-Galerie, Passau



16 Stadt-Galerie, Hameln

16 Stadt-Galerie, Hameln

Address	Pferdemarkt 1, 31785 Hameln
Web	www.stadt-galerie-hameln.de
Investment	100%
Leasable space	26,000 m²
Of which retail space	20,400 m²
Parking	500
No. of shops	100
Occupancy rate	99%
Catchment area	0.4 million residents
Purchased by DES	November 2005
Grand opening	2008
Anchor tenants	Müller Drogerie, New Yorker, real, Thalia
Visitors 2014	5.73 million

Number of parking spaces in 2014 in Germany

24,570
overall

City-Arkaden, Klagenfurt, Austria

The

Number of visitors in 2014 abroad

28.26 million
overall

Total floor space of all centers in 2014 abroad

121,000 m²
overall

centers abroad

Average number of visitors in 2014 abroad per center

9.42 million

Number of stores in 2014 in DES centers abroad

443
overall

17 Galeria Bałtycka, Gdansk, Poland

Address	al. Grunwaldzka 141, 80-264 Gdańsk, Poland
Web	www.galeriabaltycka.pl
Investment	74%
Leasable space	48,700 m²
Of which retail space	42,600 m²
Parking	1,050
No. of shops	193
Occupancy rate	100%
Catchment area	1.1 million residents
Purchased by DES	August 2006
Grand opening	2007
Anchor tenants	Carrefour, H&M, Peek & Cloppenburg, Saturn, Zara
Visitors 2014	9.80 million

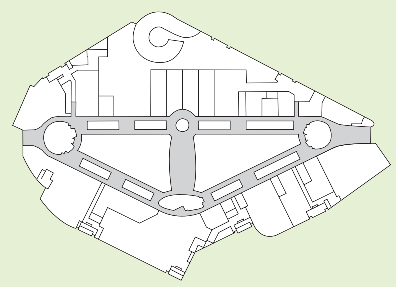
18 City Arkaden, Klagenfurt, Austria

Address	Heuplatz 5, 9020 Klagenfurt, Austria
Web	www.city-arkaden-klagenfurt.at
Investment	50%
Leasable space	36,900 m²
Of which retail space	31,500 m²
Parking	880
No. of shops	120
Occupancy rate	100%
Catchment area	0.4 million residents
Purchased by DES	August 2004
Grand opening	2006
Anchor tenants	C&A, Peek & Cloppenburg, Saturn, Zara, H&M
Visitors 2014	5.70 million

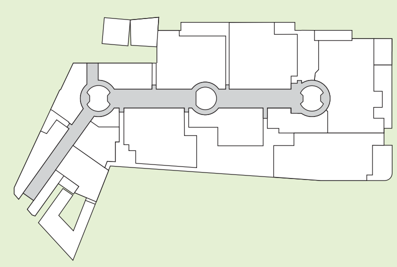
19 Árkád, Pécs, Hungary

Address	Bajcsy Zs. U. 11/1, 7622 Pecs, Hungary
Web	www.arkadpecs.hu
Investment	50%
Leasable space	35,400 m²
Of which retail space	29,200 m²
Parking	850
No. of shops	130
Occupancy rate	97%
Catchment area	1.0 million residents
Purchased by DES	November 2002
Grand opening	2004
Anchor tenants	C&A, H&M, MediaMarkt, Spar
Visitors 2014	12.76 million

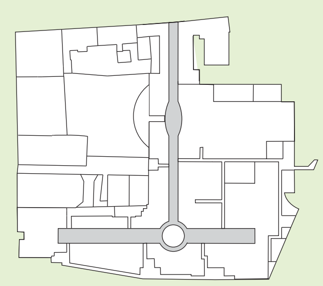
Center floor plans on this page



17 Galeria Bałtycka, Danzig, Poland



18 City Arkaden, Klagenfurt, Austria



19 Árkád, Pécs, Hungary

Deutsche EuroShop on tour

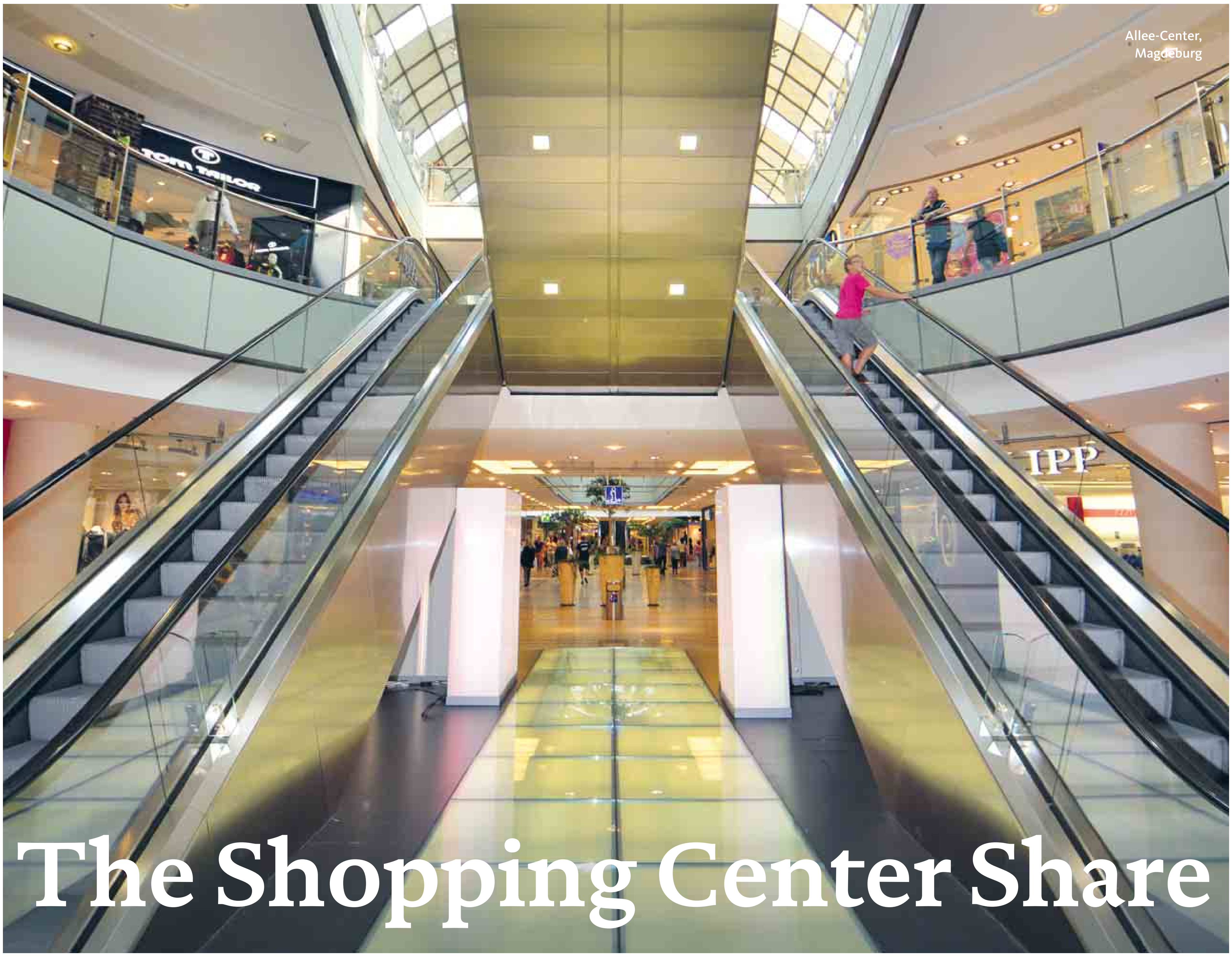
In 2014 Deutsche EuroShop's Executive Board and Investor Relations team sought direct contact with investors at 14 roadshows and 11 conferences.

Complete article on page 48 >

Marketing aimed at the shopping experience

In 2014 we placed advertisements in the trade press designed for highly specific target groups that were perfectly timed to coincide with the publication of our latest financial figures and referred to our motto for the year …

Complete article on page 49 >



Allee-Center, Magdeburg

The Shopping Center Share

We want to promote the attractiveness of investing in Deutsche EuroShop to the financial community using open, timely and transparent investor relations based on continuity.

Overview

Share price: yearly high right before the Annual General Meeting

Deutsche EuroShop shares began the 2014 trading year at €31.83. At the end of January and beginning of February, the share lost some ground and fell to its lowest price of the year of €30.72 on 4 February 2014. After this, the share price stabilised within a corridor between €31.00 and €33.00 and then rose out of this corridor in late March. On 12 June 2014, the DES share reached its high for the year of €37.84 based on the Xetra closing price, which also represented a new all-time high. In the second half-year, the share price fluctuated between €32.50 and €36.50, in line with the general stock market trend. At the end of the year the price was €36.20 and the share once again closed the year with a positive performance of +17.7% (incl. dividend) (2013: +4.5 %) In 2014 the market capitalisation of Deutsche EuroShop rose by €236 million to €1,953 million.

Better than the MDAX

The price of Deutsche EuroShop shares rose by 13.7%. Taking into account the dividend paid of €1.25 per share, the performance of Deutsche EuroShop shares amounted to 17.7% year on year (2013: 4.5%) Our share was thus below the European benchmark for listed real estate companies and the EPRA Index (+26.5%) and in the midrange of European peer-group companies. The benchmark index for medium-sized companies, the MDAX, only gained 2.2% during the reporting year.

Open-end real estate funds from Germany generated an average performance of +1.6% in the past year (2013: +1.1%) and had cash inflows of around €2.2 billion (2013: €3.4 billion).

Attendance at Annual General Meeting up slightly

The Annual General Meeting was held in Hamburg on 18 June 2014. Around 200 shareholders were in attendance at the Handwerkskammer, representing 60.8% (previous year: 56.7%) of the capital and approved all the items on the agenda.

Broad coverage of the shares

Our shares are now regularly followed by 21 analysts (as at 15 April 2015) from respected German and international institutions, and their recommendations introduce us to new groups of investors. Deutsche EuroShop is one of the best-covered property companies in Europe. Information on the recommendations can be found at www.deutsche-euroshop.de/analysen.

The analysts are neutral to positive on the prospects for the DES share (as at 15 April 2015).

Link

www.deutsche-euroshop.de/analysen

INVESTOR RELATIONS

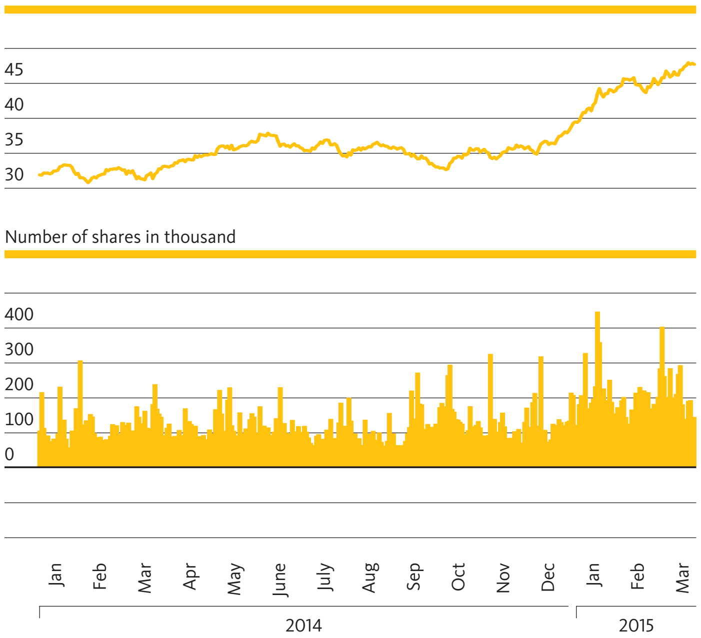
STOCK MARKET PERFORMANCE

in %	2014	2013
DES share	17.7	4.5
DAX	2.7	25.5
MDAX	2.2	39.1
TecDAX	17.5	40.9
EURO STOXX 50 (Europe)	1.2	17.6
Dow Jones (USA)	8.5	26.5
Nikkei (Japan)	7.1	56.7

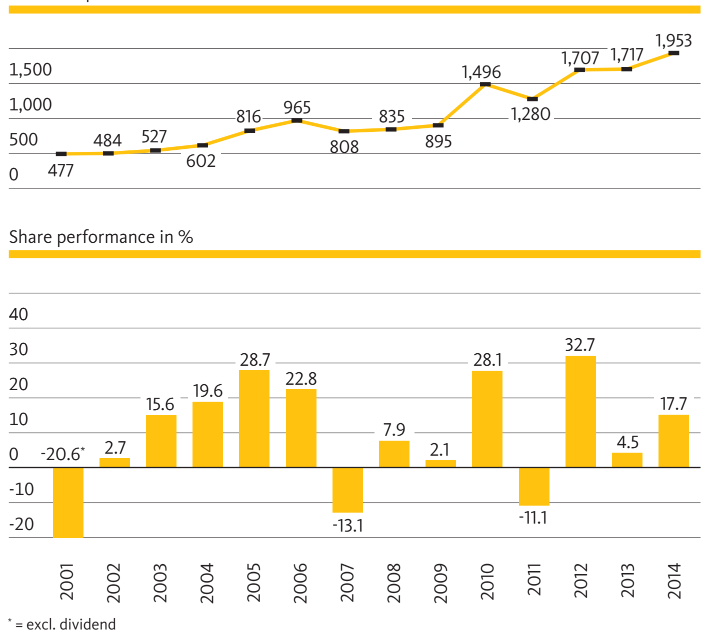
DEUTSCHE EUROSHOP SHARES – KEY FIGURES

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

TREND OF SHARE



SHARE PERFORMANCE AND MARKET CAPITALISATION SINCE THE IPO



Annual report among the best in the world

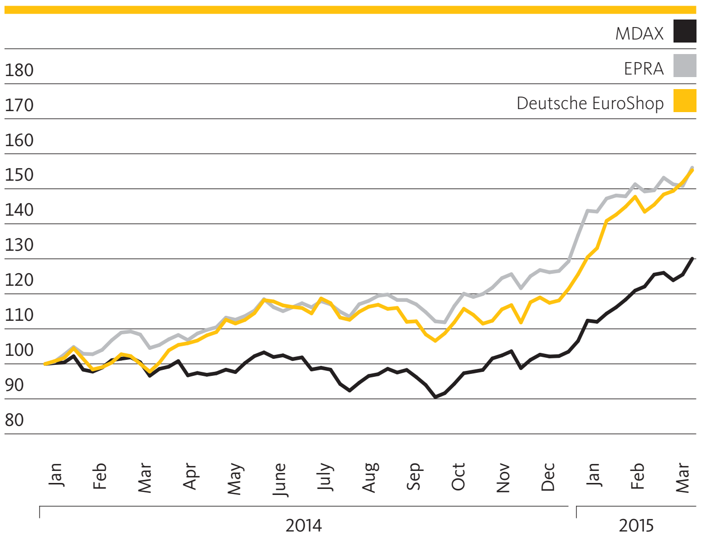
In the **"LACP 2013 Vision Awards Annual Competition"** run by the LACP (League of American Communications Professionals), the 2013 annual report was awarded platinum in the "Real Estate" category, with 99 out of a possible 100 points. It was also declared the seventh-best annual report in the world.

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

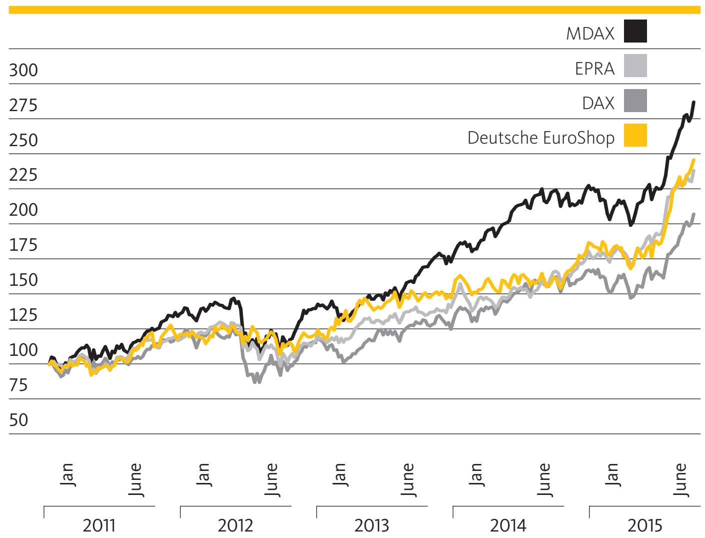
Link

www.deutsche-euroshop.de/irkommunikation

TREND OF SHARE, INDEXED – SINCE THE START OF 2014



TREND OF SHARES, INDEXED – FIVE YEAR OVERVIEW



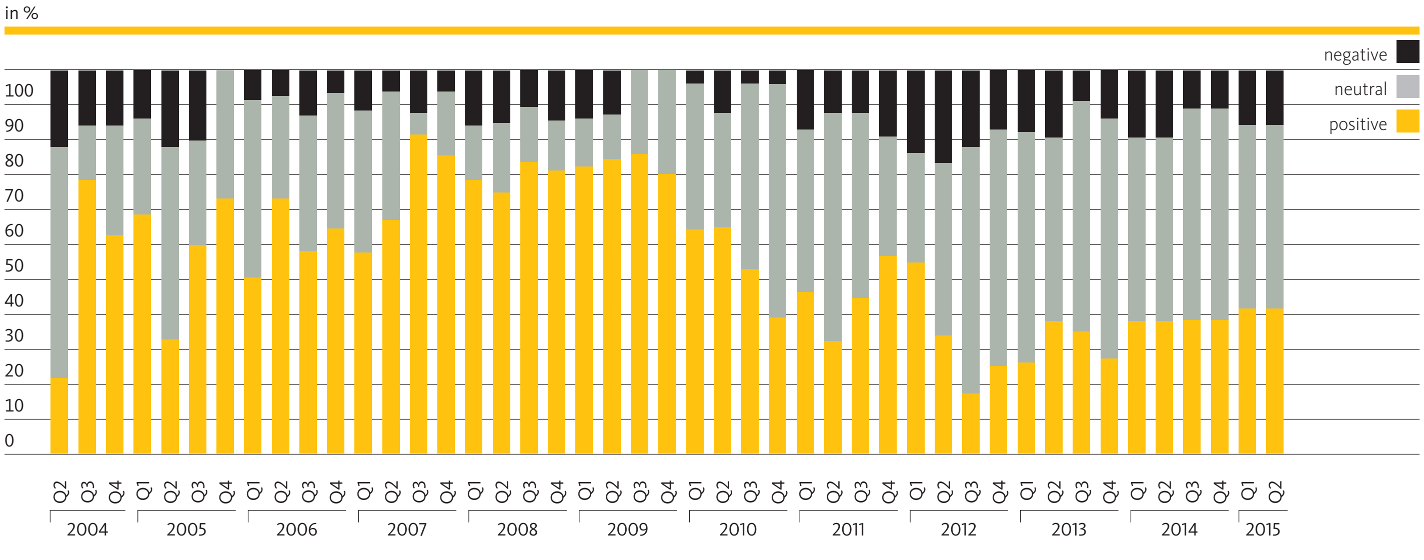
Would you like additional information?

Then visit us online or call us:

Patrick Kiss and **Nicolas Lissner**

Phone: +49 (0) 40 - 41 35 79 20 / -22
Fax: +49 (0) 40 - 41 35 79 29
E-Mail: ir@deutsche-euroshop.com

DIVERSITY OF ANALYST'S OPINION



Link

www.deutsche-euroshop.com/ir

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

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

Stable shareholder structure

The number of investors rose again slightly in 2014: Deutsche EuroShop now has around 9,750 shareholders (as at 15 April 2015, previous year: 9,300, +5%). The structural breakdown has barely changed: institutional investors hold around 55.6% (previous year: 53.7%) of the shares, and as in the previous year private investors hold around 24.3%. The Otto family's stake remains unchanged at 16.0%. While the shareholding of Gemeinnützige Hertie-Stiftung fell below the 3% mark due to disposals, BlackRock increased its previously reported stake in DES (3.0%) to 4.1%.

In a shareholder identification process, we have been able to analyse the international distribution of our shares. While German investors continue to hold a clear majority (around 64%) in Deutsche EuroShop, the shareholder structure is dominated by European investors overall, with Dutch, British and French investors leading the way. US investors represent around 8% of DES shares.

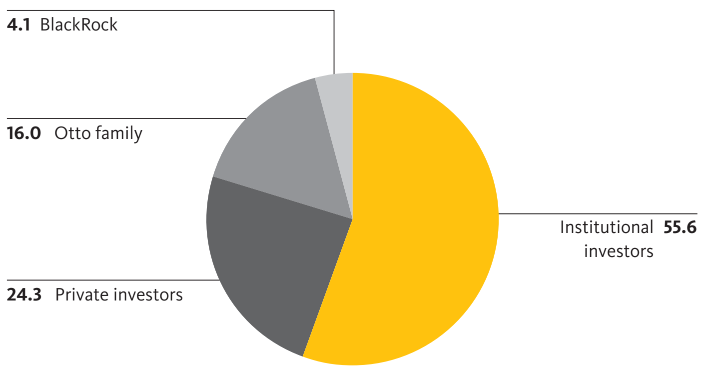
When the dividends are good, all is well

The Executive and Supervisory Boards will once again propose a €0.05 increase in the dividend payment (€1.30 per share) for the 2014 financial year to the Annual General Meeting on 18 June 2015 in Hamburg.

With our long-term strategy of a dividend policy based on continuity and a yield of 3.6 % (based on the 2014 year-end closing price of €36.20), we hope to cement further the confidence of our existing shareholders and attract new investors. Our intention to further increase the dividend by €0.05 per share each year until 2016 should also help to achieve this. As a result, €1.40 per share is to be paid out in 2017 for financial year 2016.

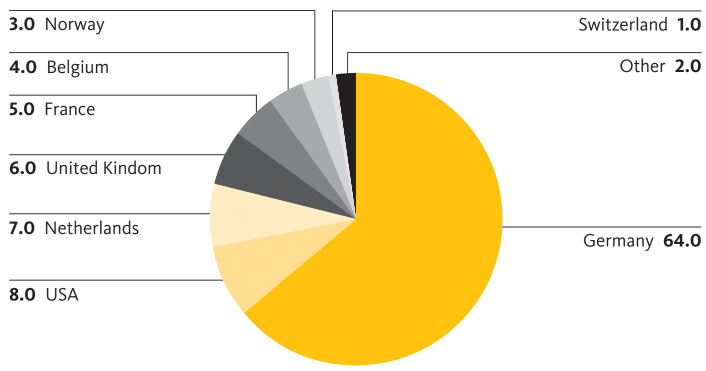
SHAREHOLDERS' STRUCTURE

in %



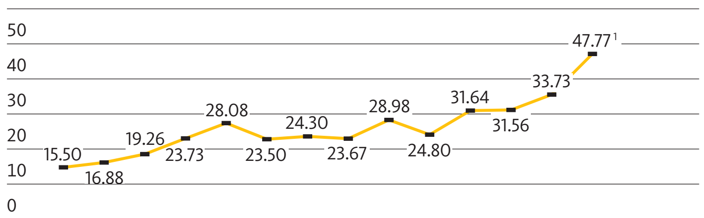
SHAREHOLDER'S STRUCTURE REGIONAL

in %



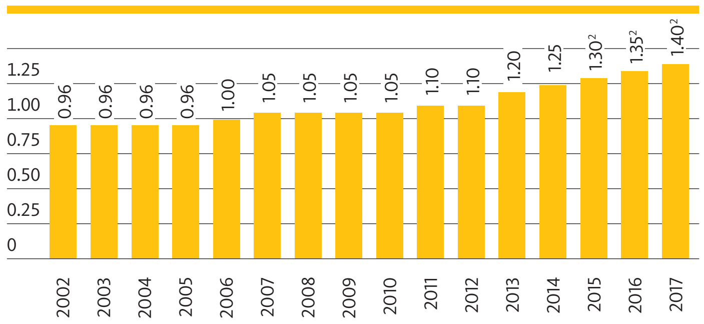
SHARE PRICE AND DIVIDEND SINCE IPO

Share price in €



¹ Price on 15 April 2015

Dividend¹ in €



¹ Dividend (paid for the previous year) ² proposal

Tax situation regarding the dividend

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

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

All share price information relates to Xetra	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Market capitalisation (basis: year-end closing price) (€ million)	1,953	1,717	1,707	1,280	1,496	895	835	808	965	816	602
Number of shares (year-end)	53,945,536	53,945,536	53,945,536	51,631,400	51,631,400	37,812,496	34,374,998	34,374,998	34,374,998	34,374,998	31,250,000
Weighted average number of shares	53,945,536	53,945,536	51,934,893	51,631,400	51,631,400	36,799,402	34,374,998	34,374,998	34,374,998	31,575,340	31,250,000
High €	37.84 (12.06.2014)	34.48 (20.05.2013)	32.03 (01.11.2012)	29.06 (01.06.2011)	28.98 (30.12.2010)	26.00 (06.01.2009)	28.40 (13.05.2008)	30.09 (23.04.2007)	29.12 (31.03.2006)	25.25 (27.07.2005)	19.44 (29.12.2004
Low €	30.72 (04.02.2014)	29.45 (24.06.2013)	23.72 (06.01.2012)	22.94 (23.11.2011)	21.72 (01.07.2010)	18.66 (06.03.2009)	18.50 (20.11.2008)	23.22 (20.08.2007)	23.89 (02.01.2006)	19.12 (05.01.2005)	16.45 (12.08.2004)
Year-end closing price (31.12.) €	36.20	31.83	31.64	24.80	28.98	23.67	24.30	23.50	28.08	23.73	19.26
Dividend per share (€)	1.30¹	1.25	1.20	1.10	1.10	1.05	1.05	1.05	1.05	1.00	0.96
Dividend yield (31.12.) %	3.6	3.9	3.8	4.4	3.8	4.4	4.3	4.5	3.7	4.2	5.0
Annual performance excl. / incl. dividend	13.7% / 17.7%	0.6% / 4.5%	27.6% / 32.7%	-14.4% / -11.1%	22.4% / 28.1%	-2,6% / 2,1%	3.4% / 7.9%	-16.3% / -13.1%	18.4% / 22.8%	23.2% / 28.7%	14.1% / 19.6%
Average daily trading volume (shares)	113,000 (incl. Multilateral Trading Facilities >250,400	112,400 (incl. Multilateral Trading Facilities >204,000)	129,400 (incl. Multilateral Trading Facilities >174,000)	125,400 (incl. Multilateral Trading Facilities >210,000)	116,084	113,008	143,297	144,361	93,744	76,786	36,698
EPS (€) (undiluted)	3.29	3.17	2.36	1.92	-0.17	0.93	2.00	2.74	2.92	1.55	0.89

¹ prosopoal

Good Arguments

10 reasons … to invest in Deutsche EuroShop shares

01. The only public company in Germany to invest solely in shopping centers

02. First-rate locations

03. Proven, conservative strategy

04. Stable cash flow with high levels of certainty for the long term

05. Shareholder-friendly dividend policy

06. Experienced management team

07. Excellent performance record

08. Centers almost fully let

09. Inflation-protected rental agreements

10. Solidity combined with growth potential

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

Amount	€100 million
Principal amount	€100,000.00 per Bond
Issue date	20.11.2012
Maturity date	20.11.2017
Coupon	1.75%
Price (31.12.2014)	117.75%
Interest payment date	Payable semi-annually in arrear on 21.05. and 21.11. in each year
Conversion price	€32.66 [1]
Dividend protection	Conversion Price adjustment for any dividends paid (full dividend protection)
ISIN	DE000A1R0W05
Listing	Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange

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

TREND OF SHARE OF THE CONVERTIBLE BOND

in %

Stock market wisdoms

The lighter side of the stock markets

There is only money for pain and suffering on the stock exchange – first comes the pain and suffering, then the money.

André Kostolany

Buy on bad news, sell on good news.

The trend is your friend.

Never run after a bus or a stock. Just be patient – the next one will come along for sure.

The stock market isn't a one-way street.

Never catch a falling knife.

Your money isn't gone; someone else just has it.

Sell in May and go away (but remember to come back in September).

The market is always right.

Deutsche EuroShop on tour

Roadshows

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

Capital market conferences

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

In 2014 Deutsche EuroShop's Executive Board and Investor Relations team sought direct contact with investors at 14 roadshows and 11 conferences.

In 2014 Deutsche EuroShop's Executive Board and Investor Relations team sought direct contact with investors at 14 roadshows and 11 conferences. Our aim here is always to inform existing shareholders about the company's current situation and to convince new shareholders of the opportunities presented by investment in our shares.

In turn, these discussions with analysts as well as fund and portfolio managers allow us to gain an understanding of the needs and requirements of the capital market. Many of our discussion partners have known us for a number of years. Over time we have therefore developed an extremely close relationship, which means that points of criticism can be discussed openly and constructively. For many institutional investors, regular meetings with a company's executive board are a prerequisite for investing in that company's shares.

In 2014 we held countless meetings at roadshows in Frankfurt, Hamburg, Cologne, Munich, Amsterdam, Brussels, Helsinki, Copenhagen, London, Paris and Zurich. We also attended conferences in Frankfurt, Munich, Amsterdam, London, Lyon and Paris.

All in all, we held almost 250 one-to-one discussions last year. We also held numerous teleconferences. These are organised regularly for the publication of the annual and quarterly figures, for example. In addition, we once again welcomed a large number of investors to our offices in Hamburg and also gave them an on-site introduction to our shopping centers in the form of property tours during various events.

For 2015 we have once more scheduled a whole host of investor relations activities, spread throughout the year. We aim to use these to continue to cultivate and strengthen our contact with existing and potential investors. An overview of these plans can be found in our financial calendar on page 80, with an up-to-date version available on our website at www.deutsche-euroshop.com/ir.

Links

www.deutsche-euroshop.com/ir

Annual General Meeting

Not just a report on the financial year

The Annual General Meeting of Deutsche EuroShop was held on 18 June 2014 in the historic rooms of the Handwerkskammer Hamburg.

Around 250 shareholders were in attendance to hear Executive Board Spokesman Claus-Matthias Böge present a detailed report on the events of the previous financial year. He also addressed the most recent trends in online shopping and the sale of the interest in Galeria Dominikanska in Wroclaw, Poland. He then answered questions from shareholders and shareholder associations.

A recording of the speech was already available as a videocast shortly after the event at the website address given below. Here, interested parties will also find an extensive archive containing presentations, speeches and information relating to the Annual General Meetings held in recent years.

The meeting agenda for 2014 included the election of three Supervisory Board members: Thomas Armbrust was returned to office and Beate Bell and Manuela Better were elected to the Board as new members for a term of five years. The attendance at the time of the vote was 60.8%.

As is customary at our Annual General Meetings, the Executive Board and employees were available before and after the event for a personal exchange.

The Annual General Meeting for the 2014 financial year will be held on 18 June 2015, once again at Handwerkskammer Hamburg. The invitation will be posted out to our shareholders in good time.

Link

www.deutsche-euroshop.com/agm

Marketing aimed at the shopping experience

"Life is not just lived online" was our motto for 2014, which was communicated by all media.

"Shopping experience of the future"

In 2014 we placed advertisements in the trade press designed for highly specific target groups that were perfectly timed to coincide with the publication of our latest financial figures and referred to our motto for the year "Shopping experience of the future – life isn't just online". Frequently referred to by many as "look and find" pictures, these illustrations featured visual imagery reminiscent of computer games to figuratively describe the diverse range of products and services on offer at stationary retailers in shopping centers. They enjoyed a particularly high recognition value.

"New" blow-up at Main-Taunus-Zentrum

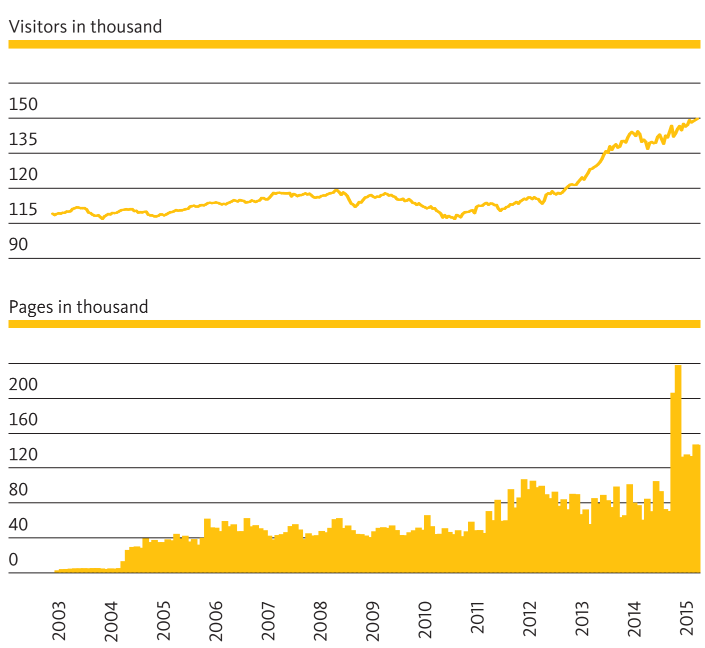
Last year, our "blow up" on the facade of the Main-Taunus-Zentrum multi-storey car-park featuring the subject "The MTZ share" referenced the fact that you can also invest indirectly in MTZ by means of the DES share. At the beginning of this year, we returned to the subject that many drivers already know from 2012 and 2013: "Main Taunus, Mein Zentrum, Meine Aktie" (Main Taunus, My Center, My Share).

With its oversized dimensions of 14 x 9 metres, this poster is clearly visible to the passengers of thousands of cars that pass by every day. It can even be read from the nearby A66 motorway. The play on words in the German text "Main Taunus, Mein Zentrum, Meine Aktie" (which translates to Main Taunus, My Center, My Share) establishes a humorous association between the shopping center and shares of Deutsche EuroShop.

Website sees 30% rise in visitors

The Internet is gaining increasing importance as a source of information, with the corporate website very often the first jumping-off point for investors. Our website has been very popular for years, and is always ranked among the best in the MDAX and European property sector for the information it provides and its user friendliness. In 2014 the number of visitors rose by more than 30%. Our website can be found at www.deutsche-euroshop.de

VISITORS AND PAGE HITS PER MONTH



The brand

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

Social media on an upward trend

Social media are establishing themselves as a channel of communication – including for capital market participants.

For many years we have shown ourselves to be open to technical innovations and use social media to provide our investors and interested parties with news and supplementary information about Deutsche EuroShop. Perhaps we can establish contact with you through one or more of these platforms too – we would be happy to see you there.

Links

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

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

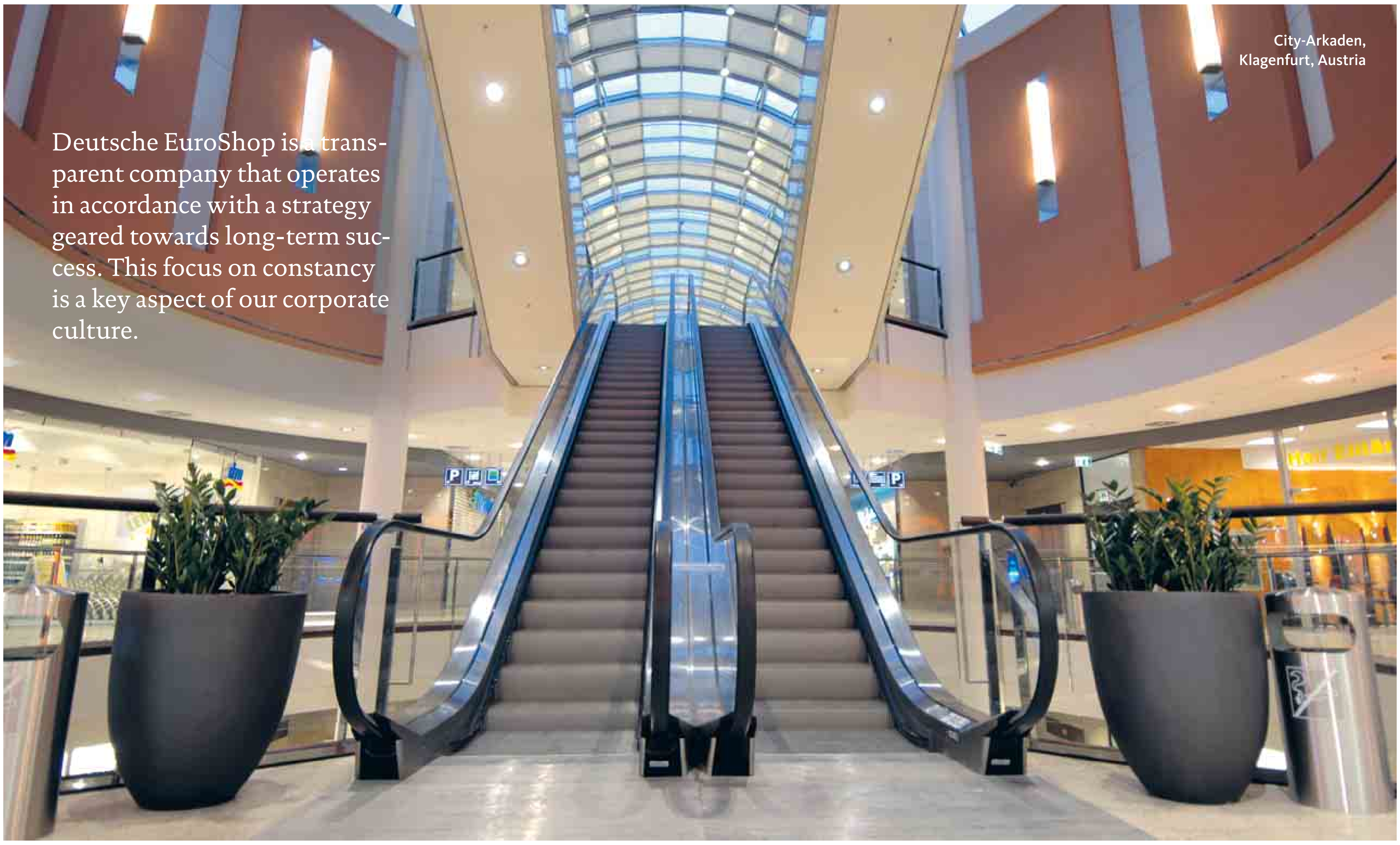
Google+
Add us to your circle on Google+: plus.google.com/102911789106628036776

IR Mall
Read our investor relations blog:
www.ir-mall.com

Flickr
View our photos on the online platform Flickr: www.flickr.com/desag

SlideShare
See our presentations and reports on SlideShare:
www.slideshare.net/desag

YouTube
Watch our videos on YouTube:
www.youtube.com/deutsche-euroshop



City-Arkaden, Klagenfurt, Austria

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.

Corporate Governance

Declaration on corporate governance

Based on the legal and company-specific conditions governing the management of a listed company, we strive to promote the trust of investors, creditors, employees, business partners and the public in our management and supervision of our Company. This goal is consistent with the objectives of a demanding corporate governance system. In conformity with section 3.10 of the Deutscher Corporate Governance Kodex (German Corporate Governance Code) as well as section 289a (1) of the Handelsgesetzbuch (HGB – German Commercial Code), this declaration contains a report by the Executive Board, also on behalf of the Supervisory Board, on corporate governance.

Objectives and strategy

The management focuses on investments in high-quality shopping centers in city centers and established locations offering stable long-term value growth. Another key investment target is the generation of high surplus liquidity from long-term leases in shopping centers, which is paid out to shareholders in the form of an annual dividend. In order to achieve these targets, the Company invests its capital in shopping centers in different European regions in accordance with the principle of risk diversification. Germany is the main focus for investment. Indexed and turnover-linked commercial rents ensure that we achieve our 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 should be financed from a balanced mix of sources, and borrowing may not account for more than 55% of financing across the Group over the long term. As a general rule, long-term interest rates are fixed when loans are taken out or extended with the goal of keeping the duration (average fixed interest period) at over five years.

High-yield, stable 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 locations in cities with a catchment area of at least 300,000 residents in order to guarantee a sustained high level of investment security.

Seizing opportunities and maximising value

In line with our buy and hold strategy, we consistently place greater importance on the quality and yield of our shopping centers than on our portfolio's rate of growth. We monitor the market continuously and act as buyers when an opportunity arises. Short decision-making channels and considerable flexibility in terms of potential investment and financing structures enable us to adapt to any competitive situation. At the same time, we are committed to optimising the value of our portfolio's existing properties.

Tailored rent structure

One key component of our leasing concept is a differentiated rental system. While individual owners in city centres 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. The rent our lessees pay is dependent on their sector and turnover. Indexed minimum rents (based on the consumer price index) provide a guaranteed minimum level of income for Deutsche EuroShop AG during economic slowdowns.

The concept of shopping as an experience

We have outsourced center management to an experienced external partner, Hamburg-based ECE Projektmanagement G.m.b.H. & Co. KG (ECE). ECE has been designing, planning, building, letting and managing shopping centers since 1965. The company is currently the European market leader, with almost 200 shopping centers under management. We consider professional center management to be the key to the success of a shopping center. In addition to guaranteeing standard opening hours and a friendly, bright, safe and clean environment, the center management can employ unusual displays, promotions and exhibitions to make shopping an experience. The 500,000 to 600,000 people who visit our 19 centers on average every day are fascinated by the variety of sectors represented but also by our wide range of car shows, casting shows, fashion shows and attractions for children. As a result, the shopping centers become market places where there is always something new and spectacular on offer.

Working methods of the Executive and Supervisory Boards

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

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

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

The Supervisory Board and its committees also discuss other topical issues with the Executive Board as required. Transactions requiring the approval of the Supervisory Board are discussed and resolved upon at the scheduled meetings.

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

Corporate Governance 2014

The Government Commission on the German Corporate Governance Code published the German Corporate Governance Code on 26 February 2002 and approved amendments and additions to individual recommendations and suggestions, most recently on 24 June 2014. Going forward, the Government Commission will continue to monitor the development of corporate governance in legislation and in practice, and will adapt the Code as needed.

Working methods of the Executive and Supervisory Boards
The Supervisory and Executive Boards performed their statutory duties in financial year 2014 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 Executive Board informed the Supervisory Board regularly, promptly and in detail of business developments and the risk situation. Detailed information on the main areas of focus of the Supervisory Board's activities in the 2014 financial year can be found in its report in the 2014 Annual Report of Deutsche EuroShop AG.

In financial year 2014, there were no advisory or other contracts for work or services in existence between members of the Supervisory Board and the Company.

Composition and diversity
The Supervisory Board has formulated specific goals for its composition and geared itself towards the needs of a listed company with a small staff base which makes long-term investments with high capital requirements. In view of this, the Supervisory Board should primarily be 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, and accounting principles in accordance with German and/or international regulations. The Supervisory Board continues to believe that professional qualifications and skills should represent the key criteria for members of the Supervisory Board. In keeping with this stance, there is no stipulated age limit, but members should not be significantly older than 70.

Ms Beate Bell and Ms Manuela Better were elected by the Supervisory Board at the Annual General Meeting on 18 June 2014 after Dr. Michael Gellen and Dr. Bernd Thiemann did not stand for re-election.

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 determination of the Group's strategic orientation and management of the Group, planning, and the establishment and implementation of risk management.

The Executive Board of Deutsche EuroShop AG currently comprises two members.

Claus-Matthias Böge
Born 13 February 1959
First appointment: 2001
Appointment ends: 2015

Claus-Matthias Böge joined Deutsche EuroShop in 2001, as a member of the Executive Board. He assumed his current position as CEO in 2003. He is also a managing director and director at various companies in the Deutsche EuroShop Group.

Olaf Borkers
Born 10 December 1964
First appointment: 2005
Appointment ends: 2016

Olaf Borkers joined Deutsche EuroShop AG in 2005, as a member of the Executive Board. He is also a managing director and director at various different companies in the Deutsche EuroShop Group.

As determined by the resolution of the Supervisory Board on 8 July 2014, Mr Wilhelm Wellner was appointed a member of the Executive Board of the Company with effect on 1 February 2015. Mr Wellner will succeed Mr Böge and take over his duties as Executive Board Spokesman on 1 July 2015. His term of office ends on 30 June 2018.

Supervisory Board
The Supervisory Board supervises and advises the Executive Board in its management activities in accordance with the provisions of German company law and the 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 and has formed a four-person **Executive Committee** (previously three-person; which simultaneously serves as a nomination committee) and an **Audit Committee** and a **Capital Market Committee**, each comprising three people.

The members of the Supervisory Board are:

Manfred Zaß, Chairman
Dr. Michael Gellen, Deputy Chairman (until 18 June 2014)
Reiner Strecker, Deputy Chairman (Deputy Chairman since 18 June 2014)
Thomas Armbrust
Beate Bell (since 18 June 2014)
Manuela Better (since 18 June 2014)
Karin Dohm
Dr. Henning Kreke
Alexander Otto
Klaus Striebich
Dr. Bernd Thiemann (until 18 June 2014)

The **Executive Committee** was comprised of Mr Zaß and Mr Armbrust for the full year and Ms Dohm and Mr Strecker since 18 June 2014. Dr. Gellen stepped down from the Committee after the Annual General Meeting. The Executive Committee is chaired by the Chairman of the Supervisory Board. The Committee discusses urgent business matters and passes relevant resolutions. Moreover, it is responsible for human resources issues concerning the

Executive Board and for reviewing the Company's corporate governance principles. The Executive Committee of the Supervisory Board also fulfils the role of a nomination committee.

The Audit Committee consists of Ms Dohm as Financial Expert and Chairwoman as well as Mr Zaß and Mr Armbrust. It is responsible for issues relating to financial reporting, auditing and the preparation of the annual and consolidated financial statements. Former members of the Company's Executive Board and the Chairman of the Supervisory Board generally do not chair the Audit Committee, to avoid conflicts of interest.

The members of the **Capital Market Committee** are Mr Zaß, Mr Armbrust and Mr Strecker. The Capital Market Committee is chaired by Mr Zaß, and his deputy is Mr Armbrust. The Supervisory Board's powers relating to the utilisation of approved capital and conditional capital were transferred to the Committee for decision-making and processing.

Shareholdings

Executive Board

As at 31 December 2014, the Executive Board held a total of 13,000 shares, less than 1% of Deutsche EuroShop AG's share capital.

Supervisory Board

As at 31 December 2014, the Supervisory Board members held a total of 5.305.899 shares, which is 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

The following securities transactions by members of the Executive Board and of the Supervisory Board or by certain persons related to members of the executive bodies were notified to Deutsche EuroShop AG during financial year 2014 in accordance with section 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act):

Last name	First name			Date	Price	Number
Böge	Claus-Matthias	Convertible bonds	Purchase	28.01.2014	99.45%	30,000[1]
Böge	Claus-Matthias	Convertible bonds	Purchase	12.03.2014	96.99%	50,000[1]
Striebich	Klaus	Shares	Purchase	04.08.2014	34.775	1,500
Striebich	Klaus	Shares	Purchase	13.10.2014	32.89	2,000
Huber	Christine	Shares	Purchase	21.10.2014	33.83	888

[1] Nominal value in €

Relationships with shareholders

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

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

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

Accounting and audits

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

Outlook

The composition of the Supervisory Board will continue to change in 2015 as the term of office of Manfred Zaß, who has served as Chairman for many years, is coming to an end. Because the course was set early on for a smooth transition of company-specific Supervisory Board expertise, the Committee's composition ensures that the specifications of the German Corporate Governance Code will be complied with in a balanced manner.

Declaration of conformity

In November 2014, 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 2014 in accordance with section 161 of the Aktiengesetz (AktG – German Public Companies Act). The declaration was made permanently available to the public on the Company's website at www.deutsche-euroshop.de.

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

The Executive Board and the Supervisory Board of Deutsche EuroShop AG declare that the Company has complied with, and will continue to comply with, the recommendations of the Government Commission on the German Corporate Governance Code (as published by the German Federal Ministry of Justice in the official section of the electronic German Federal Gazette (Bundesanzeiger) on 4 July 2003, and as amended on 24 June 2014), subject to a limited number of exceptions as indicated below:

- **The existing D&O insurance policy taken out for the Supervisory Board does not provide for any deductible (Section 3.8).**
  The Executive and Supervisory Boards of Deutsche EuroShop AG have acted in a responsible manner, managing and supervising the Company in line with the principles of creating enterprise value ever since the Company was established, preceding the official introduction of corporate governance guidelines. The Company therefore takes the view that the agreement of a deductible was not necessary, in particular as this had no effect on the level of the insurance premium.

- **The Supervisory Board did not select a senior management team for a comparison of compensation (German Corporate Governance Code Section 4.2.2).**
  Since the staff of Deutsche EuroShop AG consists of just four people, a differentiation between these and a senior management team would not be meaningful. In this respect, only the relationship between the compensation paid to the Executive Board and that paid to the overall staff can be considered by the Supervisory Board.

- **There is no stipulated age limit for members of the Executive Board (Section 5.1.2).**
  The Supervisory Board believes that professional qualifications and skills represent the key criteria for members of the Executive Board. An age limit could force the retirement of a suitably qualified and successful Executive Board member.

- **There is no stipulated age limit for members of the Supervisory Board (Section 5.4.1).**
  The Supervisory Board believes that professional qualifications and skills represent the key criteria for members of the Supervisory Board. An age limit could force the retirement of a suitably qualified and successful Supervisory Board member. Thus, there is no stipulated age limit, but board members should not be significantly older than 70.

- **The consolidated financial statements are published within 120 days of the end of the financial year (Section 7.1.2).**
  It is important to the Company to publish audited financial statements that have been approved by the Supervisory Board. An earlier publication date is not feasible due to the schedules for the preparation, auditing and adoption of the financial statements. Unaudited data of relevance to the capital market is published in advance.

Hamburg, 27 November 2014

The Executive Board and the Supervisory Board

Deutsche EuroShop AG

Manfred Zaß
Chairman of the Supervisory Board

Report of the Supervisory Board

Dear Shareholders,

During financial year 2014, the Supervisory Board performed the duties incumbent on it according to the law and the Articles of Association and closely oversaw the performance of Deutsche EuroShop AG. The strategic orientation of the Company was coordinated with the Supervisory Board, and the status of the strategy implementation was discussed at regular intervals. The Supervisory Board monitored and advised the Executive Board on its management of the business, and the Executive Board informed us regularly, promptly and in detail of business developments.

Dr Michael Gellen, who had served on the Board for some twelve years, and Dr Bernd Thiemann, who had served for around ten years, ended their membership of the Supervisory Board of our company at the Annual General Meeting on 18 June 2014. Both had closely overseen and supported the development of Deutsche EuroShop AG. The Supervisory Board thanked Dr Gellen and Dr Thiemann for their many years of commitment and wished them all the best for the future.

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

We were informed on an ongoing basis of all significant factors affecting the business.

We considered the development of the portfolio properties, specifically their turnover and frequency trends, the accounts receivable and occupancy rates, and the Company's liquidity position. As the mandates of four members of the Supervisory Board expired in 2014 or will expire in 2015, we discussed our succession ideas and made preparations for the Board's future composition. The Company's strategy was discussed in depth at the meeting on 18 June 2014 as well as the question of how the Company should operate in an environment of low interest rates and extremely high demand for retail property. Regular discussions were conducted with the Executive Board regarding trends on the capital, credit, real estate and retail markets and the effects of these on the Company's strategy. The Executive Board and Supervisory Board examined various investment options. We received regular reports detailing the turnover trends and payment patterns of our tenants and banks' lending policies.

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

On 8 July 2014 we appointed Mr Wilhelm Wellner as Chairman of the Board with effect on 1 February 2015. Mr Wellner will succeed Mr Böge and take over his duties as Executive Board Spokesman on 1 July 2015. Mr Wellner's term will expire on 30 June 2018.

Meetings
Four scheduled Supervisory Board meetings and one unscheduled meeting took place during financial year 2014. At each of the meetings held on 23 April 2014, 24 September 2014 and 26 November 2014, one member of the Supervisory Board was excused from attending.

At the first scheduled meeting, on **23 April 2014**, the Supervisory Board's annual review of efficiency was completed and the agenda for the Annual General Meeting was approved. We selected the auditor, who was proposed to the shareholders for election. In relation to the audit of the annual financial statements, we

continuation >

Report of the Supervisory Board (continuation)

once again attached great importance to the explanations of the Executive Board and those of the auditor on the real estate appraisals. In addition, the Executive Board presented the financial, accounting and tax impact of the 2013 annual financial statements.

The Executive Board also reported to us regarding the confirmation received from the German Federal Financial Supervisory Authority (BaFin), which stated that the Company does not fall within the scope of the German Capital Investment Code. Finally, the Executive Board notified us of current acquisition opportunities and negotiations.

At the unscheduled meeting on **17 June 2014**, the Supervisory Board unanimously approved the proposal made to the Annual General Meeting to elect Ms. Manuela Better to the Supervisory Board. Ms. Better resigned from her two directorships once the agenda containing the election nominations had been published and sent to the shareholders.

At the constituent meeting on **18 June 2014**, we elected members by open ballot to various functions on the Supervisory Board and its committees. The following were elected and/or returned to office:

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

The Executive Board then reported on the status of the bidding process for a shopping center acquisition. In our new composition we also discussed the Company's strategy. Lastly, the matter of succession planning for Mr Böge as Executive Board Spokesman was examined.

At the third meeting on **24 September 2014**, the Executive Board presented the planned expansion of the Phoenix-Center. We unanimously approved the expansion concept and the financing of the undertaking as presented. We then approved changes to the rules of procedure of the Supervisory Board and the Executive Board regarding the setting of vesting periods for Company shares. Rules for transactions requiring approval were also adapted in the rules of procedure of the Executive Board to reflect the circumstance that individual shopping centers are held in joint ventures.

At the last meeting on **26 November 2014**, the Executive Board reported on the start of expansion work at the Phoenix-Center and on the status of the ongoing bidding process for a shopping center acquisition. In addition, the Executive Board examined the option of selling an undeveloped property that is no longer required. We approved refinancing for one of the shopping centers as proposed by the Executive Board. We also held extensive discussions on the projections for the past financial year and the Company's medium-term performance planning as presented by the Executive Board.

Committees

The Supervisory Board has established three committees: the Executive Committee of the Supervisory Board, the Audit Committee and the Capital Market Committee. The Executive Committee comprises four members and the other two committees each have three members. The Executive Committee of the Supervisory Board functions simultaneously as a nomination committee. Given the size of the Company and the number of Supervisory Board members, we consider the number of committees and committee members to be appropriate.

During the reporting period, the Executive Committee of the Supervisory Board and the Audit Committee met on 15 April 2014.

The Audit Committee also discussed the quarterly financial reports with the Executive Board in conference calls on 12 May, 8 August and 11 November 2014 and the Executive Committee, in its role as nomination committee, voted several times on personnel issues related to the Supervisory Board and the Executive Board. There was no meeting of the Capital Market Committee in 2014.

Members of the Supervisory Board of the Deutsche EuroShop AG

Name	Manfred Zaß (Chairman)	Reiner Strecker (Deputy Chairman)	Thomas Armbrust	Beate Bell	Manuela Better
Born	1941	1961	1952	1967	1960
Place of residence	Königstein im Taunus	Wuppertal	Reinbek	Cologne	Munich
Nationality	German	German	German	German, Polish	German
End of appointment	2015 Annual General Meeting	2017 Annual General Meeting	2019 Annual General Meeting	2019 Annual General Meeting	2019 Annual General Meeting
Committee activities	Chairman of the Executive Committee, Chairman of the Capital Market Committee, Member of the Audit Committee	Member of the Executive Committee, Member of the Capital Market Committee	Member of the Executive Committee, Deputy Chairman of the Capital Market Committee, Member of the Audit Committee	–	–
Memberships of other statutory supervisory boards	–	–	C.J. Vogel Aktiengesellschaft für Beteiligungen, Hamburg (Chairman) Platinum AG, Hamburg (Chairman) TransConnect Unternehmens-beratungs- und Beteiligungs AG, München (Chairman) Paramount Group Inc., New York, USA (since 14.04.2014) Verwaltungsgesellschaft Otto mbH, Hamburg	–	AXA Konzern Aktiengesellschaft, Cologne Deutsche Annington Immobilien SE, Bochum
Membership of comparable supervisory bodies of business enterprises in Germany or other countries	–	akf Bank GmbH & Co. KG, Wuppertal	ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Chairman)	–	–
Profession	Banker	Managing Partner, Vorwerk & Co. KG, Wuppertal	Member of Management, CURA Vermögensverwaltung G.m.b.H., Hamburg	Head of Corporate Integrated Governance, Risk & Compliance, METRO AG, METRO PROPERTIES GmbH & Co. KG, Dusseldorf	Managing Director, Dr. Ingrid Better Vermögens-verwaltung GmbH & Co KG, Munich
Key positions held	1965 – 2002: DekaBank Deutsche Girozentrale, Frankfurt of which: 1980 – 1999: Member of the Executive Board 1999 – 2002: Chairman of the Executive Board until 2005: Deutsche Börse AG, Frankfurt, Deputy Chairman of the Supervisory Board 2008 – 2009: Hypo Real Estate Group AG, Unterschleißheim, Member of the Supervisory Board	1981 – 1985: degree in business administration, Eberhard Karls University, Tübingen 1986 – 1990: Commerzbank AG, Frankfurt 1991 – 1997: STG-Coopers & Lybrand Consulting AG, Zurich (Switzerland) 1998 – 2002: British-American Tobacco Group, Hamburg, London (UK), Auckland (New Zealand) 2002 – 2009: British-American Tobacco (Industrie) GmbH, Hamburg, Member of the Executive Board for Finance and IT 2009 to present: Vorwerk & Co. KG, Wuppertal since 2010: personally liable/ managing partner	until 1985: Auditor and tax advisor 1985 – 1992: Gruner + Jahr AG & Co KG, Hamburg, Director of Finance since 1992: Member of Management of CURA Vermögensverwaltung G.m.b.H., Hamburg (Family Office of the Otto family)	1993 – 1997: Studied supply engineering at Cologne University of Applied Sciences, certified engineer 2000 – 2003: Studied industrial engineering at Cologne University of Applied Sciences, certified industrial engineer 1997 – 2002: Anton Ludwig GmbH, Cologne, Project Manager 2002 – 2004: Recticel Automobilsysteme GmbH, Rheinbreitbach, Project Controller 2004 to present: METRO GROUP, Dusseldorf of which 2004 – 2012: Head of Investment Controlling, Head of Auditing, Head of Technical Risk Management since 2013: Head of Corporate Integrated Governance, Risk & Compliance, METRO AG / METRO PROPERTIES GmbH & Co. KG, Dusseldorf	Studied business at Ludwig Maximilian University of Munich, Munich, certified business economist 1998 – 2003: HVB Gruppe, Munich, various positions 2004 – 2007: Hypo Real Estate Bank AG, Munich, Member of the Management Board, Chief Risk Officer 2007 – 2008: Hypo Real Estate Bank International AG, Stuttgart / Hong/Kong, Member of the Management Board, Head of Commercial Real Estate, Origination Asia 2010 – 2011: DEPFA Bank plc, Dublin (Ireland) Executive Member of the Board of Directors, Chief Risk Officer 2009 – June 2014: Hypo Real Estate Holding AG, Munich, and Deutsche Pfandbriefbank AG, Munich (formerly Hypo Real Estate Bank AG) 2010 – June 2014: Hypo Real Estate Holding AG, Munich, Chief Executive Officer and Deutsche Pfandbriefbank AG, Munich, Chief Executive Officer since June 2014: Managing Director, Dr. Ingrid Better Vermögensverwaltung GmbH & Co KG, Munich
Relationship to majority/major shareholder	none	none	Shareholder representative of the Otto family	none	none
Deutsche EuroShop securities held as at 31 December 2014	10,000	3,975		0	0

Corporate governance
In November 2014, together with the Executive Board, we issued an updated declaration of conformity in relation to the recommendations of the government commission pursuant to section 161 of the Aktiengesetz (German Public Companies Act – AktG) and made this permanently available on the Deutsche EuroShop AG website. A separate report on the implementation of the German Corporate Governance Code is included in this Annual Report. The members of the Supervisory Board and the Executive Board declared in writing at the beginning of 2015 that no conflicts of interest had arisen.

Financial statements of Deutsche EuroShop AG and the Group for the period ending 31 December 2014
At the Audit Committee meeting on 16 April 2015 and the Supervisory Board meeting on 24 April 2015, 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 2014, as well as the management report and group management report for financial year 2014.

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 2014 – 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 16 April 2015 and the Supervisory Board meeting on 24 April 2015 and explained the main findings.

Following its own examination of the annual financial statements of Deutsche EuroShop AG, the consolidated financial statements and the corresponding management reports, the Supervisory Board did not raise any objections. It agreed with the findings of the auditor's examination and approved the annual financial statements of Deutsche EuroShop AG and the consolidated financial statements. The annual financial statements have thus been adopted. The Supervisory Board endorses the Executive Board's proposal for the appropriation of the unappropriated surplus and distribution of a dividend of €1.30 per share.

The Company's success in financial year 2014 was the result of its sustainable, long-term strategy and the dedication shown by the Executive Board and our employees, for which the Supervisory Board would like to express its particular gratitude.

Hamburg, 24 April 2015

Manfred Zaß, Chairman


F. l. t. r.: Manuela Better, Thomas Armbrust, Karin Dohm, Manfred Zaß, Alexander Otto und Klaus Striebich

Members of the Supervisory Board of the Deutsche EuroShop AG (continuation)

Name	Karin Dohm	Dr. Henning Kreke	Alexander Otto	Klaus Striebich
Born	1972	1965	1967	1967
Place of residence	Kronberg im Taunus	Hagen/Westphalia	Hamburg	Besigheim
Nationality	German	German	German	German
End of appointment	2017 Annual General Meeting	2018 Annual General Meeting	2018 Annual General Meeting	2017 Annual General Meeting
Committee activities	Member of the Executive Committee, Chairman of the Audit Committee/Financial Expert	–	–	–
Memberships of other statutory supervisory boards	–	–	Verwaltungsgesellschaft Otto mbH, Hamburg	MEC Metro-ECE Centermanagement GmbH & Co. KG, Dusseldorf (Chairman of the Advisory Board) Unternehmensgruppe Dr. Eckert GmbH, Berlin
Membership of comparable supervisory bodies of business enterprises in Germany or other countries	Deutsche Bank Luxembourg S.A., Luxembourg	–	Peek & Cloppenburg KG, Dusseldorf Sonae Sierra Brasil S.A., Sao Paulo, Brazil	–
Profession	Managing Director, CFO Global Transaction Banking, Deutsche Bank AG, Frankfurt	Chairman of the Executive Board, DOUGLAS HOLDING AG, Hagen/Westphalia	CEO, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg	Managing Director Leasing, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg
Key positions held	1991 – 1997: Studied business and economics in Münster, Zaragoza (Spain) and Berlin 2002: Steuerberaterexamen (German tax advisor exam) 2005: Wirtschaftsprüferexamen (German auditor exam) 1997 – 2010: Deloitte & Touche GmbH, Berlin, London (UK), Paris (France) 2010 – 2011: Deloitte & Touche GmbH, Berlin, Partner Financial Services 2011 to present: Deutsche Bank AG, Frankfurt of which 2011 – 2014: Head of Group External Reporting seit 2015: Managing Director, CFO Global Transaction Banking	Studied business (BBA and MBA) at the University of Texas at Austin, Austin (USA) Doctorate (political science) from the University of Kiel, Kiel 1993 to present: DOUGLAS HOLDING AG, Hagen/Westphalia of which 1993 – 1997: Executive assistant 1997 – 2001: Member of the Management Board since 2001: Chairman of the Executive Board	Studied at Harvard University and Harvard Business School, Cambridge (USA) 1994 to present: Verwaltung ECE Projektmanagement G.m.b.H., Hamburg since 2000: Chief Executive Officer	Studied business in Mosbach 1990: Kriegbaum Gruppe, Böblingen, Assistant to the Management Board 1992 to present: Verwaltung ECE Projektmanagement G.m.b.H., Hamburg since 2003: Managing Director Leasing
Relationship to majority/major shareholder	none	none	Major shareholder	Member of the Management Board of Verwaltung ECE Projektmanagement G.m.b.H., Hamburg (Alexander Otto (major shareholder) is the Chairman of the Management Board)
Deutsche EuroShop securities held as at 31 December 2014	0	0	5,247,124	24,000


PHOENIXCENTER
HAMBURG HARBURG
110 Shops | 1.400 Parkplätze | Mo – Sa bis 20 Uhr geöffnet
SCHNELL
ALLES
FINDEN
facebook.com/PhoenixCenterHarburg

MANAGEMENT REPORT

Basic information about the Group

Group business model, targets and strategy

Deutsche EuroShop AG (DES) is the only public company in Germany to invest solely in shopping centers in prime locations. On 31 December 2014, the Company held investments in 19 shopping centers in Germany, Austria, Poland and Hungary. The Group generates its reported revenue from rental income on the space it lets in the shopping centers.

Due to its lean personnel structure, Deutsche EuroShop Group is centrally organised. The Group managing company is Deutsche EuroShop AG. It is responsible for corporate strategy, portfolio and risk management, financing and communication.

The Company's registered office is in Hamburg. Deutsche EuroShop is an Aktiengesellschaft (public company) under German law. The individual shopping centers are managed as separate companies and, depending on the share of nominal capital owned, are either fully consolidated or accounted for using the equity method. More information on indirect or direct investments is provided in the notes to the consolidated financial statements.

Objectives and strategy

The management focuses on investments in high-quality shopping centers in city centers and established locations offering stable long-term value growth. Another key investment target is the generation of high surplus liquidity from long-term leases in shopping centers, which is paid out to shareholders in the form of an annual dividend. To this end, the Company invests its capital in shopping centers in different European regions in accordance with the principle of risk diversification. Germany is the main focus for investment. Indexed and turnover-linked commercial rents ensure that we achieve our 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 should be financed from a balanced mix of sources, and borrowing may not account for more than 55% of financing across the Group over the long term. As a general rule, long-term interest rates are fixed when loans are taken out or renewed with the goal of keeping the duration (average fixed interest period) at over five years.

Profitable portfolio with stable value

Deutsche EuroShop has a balanced and diversified portfolio of German and European shopping centers. The management focuses on investments in prime locations in cities with a catchment area of at least 300,000 in order to maintain a high level of investment security.

Seizing opportunities and maximising value

In line with our buy & hold strategy, the management is increasingly concentrating on shopping center quality and returns rather than rapid portfolio growth. The management constantly monitors the market and takes opportunities to buy when they arise. Rapid decision-making processes and considerable flexibility regarding potential investments and financing structures allow Deutsche EuroShop to react to all competitive situations. At the same time, the Group's management is committed to 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 rental rates for their properties – creating a monolithic retail offering – Deutsche EuroShop's management uses a calculation combining a range of factors to create an attractive sector mix and optimise long-term rental income. Rental partners pay sector-specific and turnover-linked rent. Indexed minimum rents (based on the consumer price index) provide a guaranteed minimum level of income for Deutsche EuroShop during economic slowdowns.

Shopping experience concept

Deutsche EuroShop has outsourced center management to an experienced external partner: ECE Projektmanagement GmbH & Co. KG (ECE), based in Hamburg. ECE has been designing, planning, building, renting and managing shopping centers since 1965. The company is currently the European market leader, with 189 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 friendly, bright, safe and clean shopping environment, the center management can employ unusual displays, promotions and exhibitions to make shopping an experience. Between 500,000 and 600,000 shoppers come to the 19 DES centers every day, where they are impressed not only by the range of sectors represented, but also by promotional activities including car, talent and fashion shows as well as a wide variety of activities for children. As a result, the shopping centers become market places where there is always something new and spectacular on offer.

Management system, research and development

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

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

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

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

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

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

Economic review

Macroeconomic and sector-specific conditions

Germany's gross domestic product (GDP) rose by 1.6% in 2014, according to the German Federal Statistical Office's calculations. Positive stimuli came mainly from the German market – provided by increased consumer spending and higher investments. The German economy also profited again from strong foreign trade. On the labour market, the positive trend of recent years also continued: On average, 2.9 million people were registered as unemployed during the year, putting the unemployment rate at 6.7%. Consumer prices in Germany rose by just 0.9% versus 2013, mainly caused by the fall in energy prices (-2.1%); taking energy prices out of the equation, the annual rate of increase in 2014 was +1.3%.

In 2014, gross pay per employee rose by 3.8% according to the German Federal Statistical Office. In an environment still marked by high employment and very low interest rates, the propensity to consume rose again, and the savings rate continued its downward trend of many years in 2014, falling to 9.4% of disposable income (2013: 10.0%). Private consumer spending, which accounted for 55.2% of GDP, rose by 1.2%, after price adjustments, in 2014. The federal government also forecasts that the German economy will grow by 1.5% in 2015.

According to provisional calculations from the German Federal Statistical Office, German retail sales posted nominal growth of 1.7% and real growth of 1.4% year-on-year.

The rising importance of online retailing remains a major focus of attention in terms of sales growth in the stationary retail sector. According to figures from the German Retail Federation (HDE), online sales saw renewed, above-average growth to around €39.0 billion, an increase of 17%.

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

There is additional competition for city center retail in the form of growing numbers of factory and designer outlets on greenfield sites outside the city limits. Development projects are currently underway for new outlet centers close to the DES properties in Hamm, Wuppertal and Dessau.

Retail sector

Based on calculations from Jones Lang LaSalle, a real estate consulting firm, rental turnover on retail spaces leased in Germany in 2014 increased by 18% to 580,000 m². The high demand for larger spaces led to an increase in the average leased area to 590 m² (2013: 470 m²).

With around 40% of rented floor space, textile retailers were the most significant demand group. Second place went to the catering and food industry at approx. 20%; health and beauty took third place with nearly 10%.

The stable demand for retail premises from retailers shows that they are continuing to pursue their bricks-and-mortar retail expansion strategies unfazed by the strong growth in online retail. One interesting trend is that retailers who used to conduct business exclusively online are expanding to bricks-and-mortar stores. Providers such as Planet Sports, Blue Tomato, my muesli or Shoepassion can be found with stores in city centers and shopping centers with increasing frequency.

Internationalisation of German retail also continues to advance. According to CBRE, a commercial real estate services firm, nearly 22% of rentals were concluded by international retailers (2013: 19%) Their strong expansion was noticeable, particularly in the prime locations. According to CBRE, the high frequency and visibility of the prime locations plays a key role in branding for international retailers and creates an appealing variety of retail concepts in German retail locations.

Real estate market
Transaction volumes rose again significantly by 30% (2013: 21%) to €39.8 billion (2013: €30.7 billion) according to figures from Jones Lang LaSalle, meaning that Germany's commercial real estate investment market also continued to grow in 2014. Retail real estate accounted for just under 22% of transactions.

Investments in German shopping centers came up to a total of €2.0 billion for the whole of 2014, which represented a 29% drop from the previous year. The main reason for this trend that runs counter to the overall market was not the lack of demand for shopping centers as an investment class, but the lack of suitable investment products. Core properties and large volume properties in particular were only offered infrequently in 2014.

While German investors were predominantly active in the retail property market in 2013, foreign buyers came out on top in 2014, making up 63% of the transaction volume. There was clear global interest in transactions of prestigious "trophy" properties. Most active among the foreign investors were the French who accounted for just under two-thirds of the purchase volume in the reporting year, followed by British investors who acted as buyers in 20% of the transactions.

In view of the extremely high demand, top rents for shopping center investments in Germany continued to fall. According to Jones Lang LaSalle, they were down year-on-year by 20 basis points for top properties in the core segment at year-end with 4.50% (previous year: 4.70%).

Share price performance
The price of Deutsche EuroShop shares began 2014 at €31.83. Late January brought a slight drop in the share price, which reached €30.72 on 4 February 2014 – its low for the year. After this, the share price stabilised within a corridor between €31.00 and €33.00 and then rose out of this corridor in late March. The DES share reached €37.84 on 12 June 2014, marking not only its high for the year, but also a new all-time high. In the second half of the year, the share price fluctuated between €32.50 and €36.50 – consistent with the general market trend. The share price closed the year up at €36.20, which represented a gain of +17.7% including dividends (2013: +4.5%).

Evaluation of the financial year
The Executive Board of Deutsche EuroShop is satisfied with the past financial year.

We have fully lived up to the forecasts published in the Annual Report 2013. Target revenue was between €198 million and €201 million and came in at €200.8 million (2013: €188.0 million) at the reporting date, which corresponds to an increase of 6.8%. Earnings before interest and taxes (EBIT) were forecast at between €174 million and €177 million, and actual EBIT was slightly above both the forecast range and the 2013 results at €177.5 million (previous year: €165.8 million), an improvement of 7.0%. We had expected earnings before taxes (EBT) excluding valuation gains / losses (including at-equity investments) of €120 to €123 million. EBT, at €125.0 million, also came in above the forecast range and only 4% below the previous year (2013: €129.2 million) which had included exceptional proceeds of €15.8 million from the sale of a property. Funds from operations (FFO) also exceeded expectations, coming in at €2.23 per share (forecast: €2.14 to €2.18 per share).

Deutsche EuroShop has therefore proven once again that it has an outstanding shopping center portfolio and is well positioned.

Course of business

Financial position
Deutsche EuroShop can look back on another successful financial year. Revenue and profit advanced significantly year-on-year.

Net assets and financial structure remain solid.

Revenue rose by 6.8% to €200.8 million, while consolidated profit came to €177.4 million (2013: €171.0). This increased earnings per share to €3.29 compared to €3.17 per share in 2013. Operating profit per share advanced 5.5% from €1.74 to €1.84.

Valuation gains improved considerably in 2014 to €77.0 million, up from €56.0 million in 2013. In addition, the valuation gains / losses of the joint ventures consolidated at equity were higher year-on-year by €10.3 million and reached €12.7 million (2013: €2.4 million). Earnings before taxes rose by around 11%, from €113.4 million the previous year (after adjustments for the proceeds from the sale of Galeria Dominikanska) to €125.0 million.

The EPRA net asset value per share rose by 8.4%, from €30.59 to €33.17.

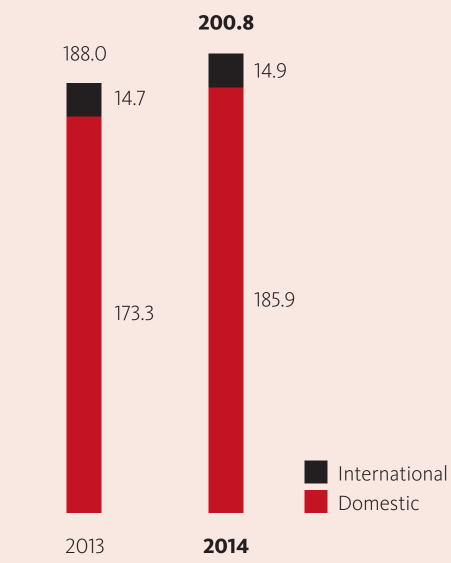
Revenue in the German retail trade (including online retailing) rose by a nominal 1.7% over the reporting year, while the revenues of the tenants in our German shopping centers only rose by 0.3%. At our foreign properties, the revenues of our tenants increased by 0.2%.

Results of operations

Consolidated revenue up 6.8%
Consolidated revenue was up 6.8%, from €188.0 million to €200.8 million, in the financial year. The Altmarkt-Galerie Dresden contributed significantly to growth in revenues for the first time over the entire year (2013: eight months).

For most properties, the rise in revenue was largely due to index-related rental adjustments. The revenue increase in the Altmarkt-Galerie is largely related to consolidation. The Rhein-Neckar-Zentrum and the City-Arkaden Wuppertal were positively impacted throughout the year by the conclusion of various new rental contracts. A slight drop in revenue was reported only by the Forum Wetzlar and Herold-Center Norderstedt, where a number of rental contracts were or are up for renewal in 2014/2015, which led to some rent losses as a result of renovations. Overall, comparable revenue rose by 2.3% (2.4% domestic, 1.0% international) on a like-for-like basis over the reporting year.

REVENUE € million



Vacancy rate remains stable at under 1%
As in previous years, the vacancy rate for retail spaces remained stable at under 1%. At €0.7 million (2013: €0.6 million) or 0.4% of revenue (2013: 0.3%), write-downs for rent losses once again remained at a very low level.

Increase in property operating and administrative costs
The property operating costs of €9.1 million (2013: €8.5 million) were €0.6 million above the prior year figure as were the property administrative costs which, at €9.9 million (2013: €9.3 million), came out €0.6 million higher than in 2013. The higher property operating costs can be primarily attributed to an increase in maintenance costs of €0.5 million. The higher property administrative costs were mainly driven by the inclusion of the Altmarkt-Galerie Dresden for the whole year and to the higher rental income that is the measurement basis for the property administration costs. Overall, however, the cost ratio remained constant at 9.5% of revenue (2013: 9.5%).

Other operating income and expenses
Other operating income came to €1.9 million, lower than the previous year's level (€2.8 million), Other operating expenses fell €1.1 million to €6.2 million (2013: €7.3 million). The decrease in other operating income and expenses was essentially due to one-off income and expenses in 2013.

Net finance costs
Net finance costs increased, up €5.7 million to €-39.8 million (2013: €-34.1 million). This can, however, essentially be attributed to the proceeds from the sales of the shares in Ilwro Sp.zo.o (Galeria Dominikanska) amounting to €15.8 million in 2013.

Interest income (€0.3%) was slightly lower than in the previous year. Interest expense rose in net terms by €0.8 million to €58.6 million (2013: €57.8 million). The inclusion of the Altmarkt-Galerie Dresden for the entire year resulted in additional interest expense of €2.4 million, which is offset by interest savings of €1.7 million. Other financial expenses resulting from the measurement of a swap decreased by €3.9 million to €0.6 million.

Earnings from at-equity investments climbed considerably, up €8.1 million to €35.1 million (2013: €27.0 million). The improvement also reflects a noticeably higher hike in valuation gains, which were up €10.3 million year-on-year at €12.7 million (2013: €2.4 million), and more than made up for the loss of income the previous year when the Altmarkt-Galerie Dresden was only included for four months.

The profit share for third-party shareholders increased slightly by €0.2 million from €15.9 million to €16.1 million.

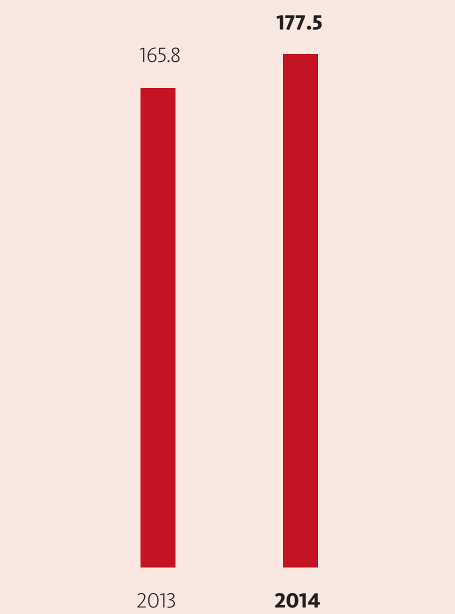
Changes in valuation gains/losses
Valuation gains were up €21.0 million year-on-year at €77.0 million (2013: €56.0 million). The average value of Group properties after ongoing investments advanced 3.0%; valuation gains came in at between 1.3% and 4.5%.

Measurement of the portfolio properties led to measurement gains of €88.3 million. The share of valuation gains attributable to third-party shareholders amounted to €11.3 million in the reporting year (2013: €4.5 million).

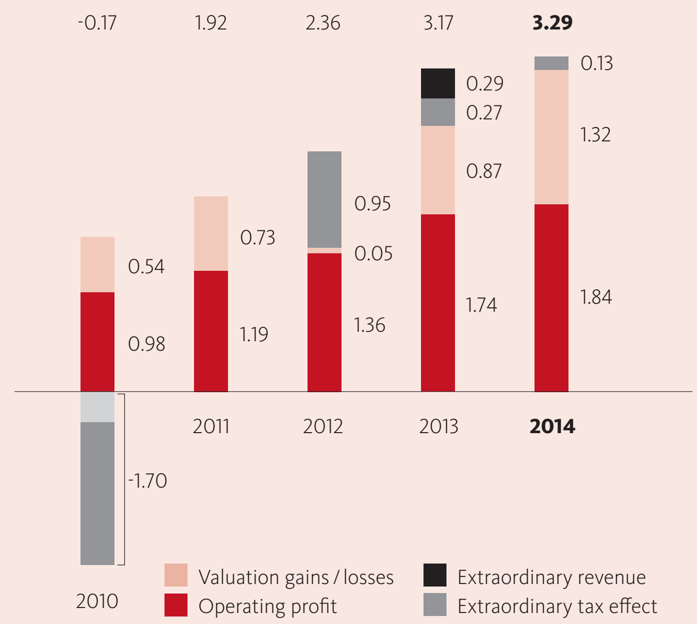
REVENUE

€ thousand	31.12.2014	31.12.2013	Difference	Change in %
Main-Taunus-Zentrum, Sulzbach	34,110	33,646	464	1.4
Altmarkt-Galerie, Dresden	25,190	16,129	9,061	56.2
A10 Center, Wildau	20,567	20,216	351	1.7
Rhein-Neckar-Zentrum, Viernheim	18,593	17,382	1,211	7.0
Herold-Center, Norderstedt	13,174	13,199	-25	-0.2
Billstedt-Center, Hamburg	11,457	11,366	91	0.8
Allee-Center, Hamm	10,388	10,194	194	1.9
City-Galerie, Wolfsburg	9,771	9,647	124	1.3
City-Arkaden, Wuppertal	9,617	9,016	601	6.7
Forum, Wetzlar	9,156	9,164	-8	-0.1
Rathaus-Center, Dessau	8,502	8,291	211	2.5
City-Point, Kassel	8,332	8,141	191	2.3
Stadt-Galerie, Hameln	7,081	6,891	190	2.8
Total domestic	**185,939**	**173,282**	**12,657**	**7.3**
Galeria Baltycka, Gdansk	14,639	14,489	150	1.0
Caspia	207	216	-9	-4.2
Total international	**14,846**	**14,705**	**141**	**1.0**
Overall total	**200,785**	**187,987**	**12,798**	**6.8**

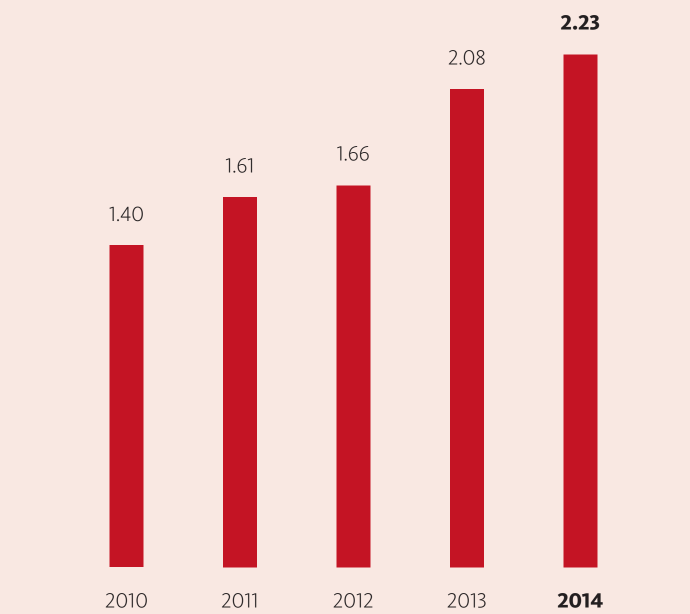
EBIT € million



EARNINGS PER SHARE €, undiluted



FFO PER SHARE €



Another significant change in tax position
Taxes on income and earnings amounted to €37.2 million compared to €16.6 million in the previous year. Deferred trade tax provisions totalling €12.6 million were released in 2013. In 2014, deferred trade tax provisions were reduced by a further €7.2 million because another company met the criteria for the extended trade tax deduction. Meanwhile, allocations for deferred income taxes generated expenditures of €39.0 million during the year under review. Tax expense for income tax payments amounted to €5.4 million (Germany: €4.5 million, international: €0.9 million) in the year under review.

Consolidated profit 3.7% higher than previous year
Earnings before interest and taxes (EBIT) climbed 7.0%, from €165.8 million to €177.5 million, in the year under review. At €214.7 million, earnings before taxes (EBT) were 14.4% up on the previous year (€187.6 million). The consolidated result increased to €177.4 million, thus exceeding the previous year's figure (€171.0 million) by 3.7%.

Strong valuation gains drive earnings per share
Earnings per share (consolidated net profit per share) amounted to €3.29 in the reporting year, compared with €3.17 in the previous year (+3.7%). Of this amount, €1.84 (2013: €1.74) was attributable to operations and €1.32 (2013: €0.87) to valuation gains. Moreover, earnings per share for the 2014 financial year were positively impacted by tax income in the amount of €0.13 per share (2013: €0.27). 2013 also saw proceeds from the sale of a property in the amount of €0.29 per share.

€ per share	2014	2013
Consolidated net profit	3.29	3.17
Valuation in accordance with IAS 40	-1.42	-1.03
Valuation gains / losses for equity-accounted companies	-0.24	-0.04
Deferred taxes	0.34	0.20
Tax income from past years	-0.13	-0.27
Proceeds from sales	0	-0.29
EPRA* earnings	**1.84**	**1.74**
Weighted no. of shares in thousands	53,946	53,946

* European Public Real Estate Association

Funds from operations (FFO) up 7.6%
Funds from operations (FFO) are used to finance our ongoing investments in portfolio properties, scheduled repayments on our long-term bank loans and the distribution of dividends. During the year under review, FFO of €120.5 million was generated (2013: €112.0 million). The FFO per share rose by 7.6% from €2.08 to €2.23.

€ thousand	2014	2013
Consolidated profit	177,426	171,043
Proceeds from sales	0	-15,799
Valuation gains / losses	-76,986	-55,982
Valuation gains / losses for equity-accounted companies	-12,688	-2,410
Bond conversion expense	967	940
Deferred taxes	31,805	14,208
FFO	120,524	112,000
FFO per share	**2.23 €**	**2.08 €**
Weighted no. of shares in thousands	53,946	53,946

Dividend proposal: €1.30 per share
Based on a successful financial year, we are able to maintain our dividend policy, which is geared towards the long term and continuity. The Executive Board and Supervisory Board will therefore propose to the shareholders at the Annual General Meeting in Hamburg on 18 June 2015 that a dividend of €1.30 per share, 4% or €0.05 higher than the previous year, be distributed for the financial year 2014. An estimated €0.65 per share of the dividend will be deductible as capital gains tax.

Financial position

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

Loans and bonds are taken out in euros for all Group companies. In general, the use of equity and loans for investments should be equally weighted and the equity ratio in the Group (including third-party interests) should not fall significantly below 45%.

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

INCOME STATEMENT OF THE JOINT VENTURES

€ thousand	31.12.2014	31.12.2013	Difference	Change in %
Allee-Center, Magdeburg	8,021	7,945	76	1.0
Stadt-Galerie, Passau	7,151	6,938	213	3.1
Phoenix-Center, Hamburg	6,218	6,144	74	1.2
Altmarkt-Galerie, Dresden	0	5,636	-5,636	-100
City-Arkaden, Klagenfurt	5,995	5,890	105	1.8
Árkád, Pécs	3,531	3,487	44	1.3
Others	606	676	-70	-10.4
Revenue	**31,522**	**36,716**	**-5,194**	**-14.1**
Property operating costs	-1,496	-1,739	243	
Property management costs	-1,624	-1,904	280	
Net operating income	**28,402**	**33,073**	**-4,671**	
Other operating income	852	65	787	
Other operating expenses	-334	-322	-13	
Earnings before interest and taxes (EBIT)	**28,920**	**32,816**	**-3,896**	
Interest income	9	19	-10	
Interest expense	-6,415	-8,147	1,732	
Net finance costs	**-6,406**	**-8,127**	**1,721**	
Valuation gains / losses	**12,689**	**2,410**	**10,279**	
Earnings before tax (EBT)	**35,203**	**27,099**	**8,104**	
Taxes on income and earnings	-75	-76	1	
Share in the profit / loss of joint ventures	**35,128**	**27,024**	**8,104**	

Financing analysis: improved interest rate conditions
As at 31 December 2014, Deutsche EuroShop Group reported the following key financial data:

€ million	2014	2013	Change
Total assets	3,492.2	3,394.9	+97.3
Equity (including third-party interests)	1,751.2	1,642.4	+108.8
Equity ratio (%)	50.1	48.4	+1.7
Net financial liabilities	1,371.8	1,445.9	-74.1
Loan to value ratio (%)	40	43	-3

At €1,751.2 million, the Group's economic equity capital, which comprises the equity of the Group shareholders (€1,524.4 million) and the equity of the third-party shareholders (€226.8 million), was €108.8 million higher than in the previous year. At 50.1%, the equity ratio was higher than in the previous year (48.4%).

FINANCIAL LIABILITIES

€ million	2014	2013
Convertible bond	95,264	93,556
Non-current bank loans and overdrafts	1,279,539	1,295,996
Current bank loans and overdrafts	55,282	97,207
Total	**1,430,085**	**1,486,759**
Cash and cash equivalents	**-58,284**	**-40,810**
Net financial liabilities	**1,371,801**	**1,445,949**

Current and non-current financial liabilities decreased from €1,486.8 million to €1,430.1 million in the year under review, a decline of €56.7 million. In contrast, cash and cash equivalents rose by €17.5 million, leading net financial liabilities to fall by €74.1 million, from €1,445.9 million to €1,371.8 million.

The net financial liabilities existing at the end of the year are used exclusively to finance non-current assets. As a result, 40% of non-current assets were financed by loans in the year under review.

The Group has access to a credit line in the amount of €150 million until end-2016. As at the balance sheet date, €35.5 million had been drawn down.

Net debt finance terms (including the convertible bond) as at 31 December 2014 remained fixed at 3.76% p.a. (2013: 3.88% p.a.) for an average residual maturity of 6.6 years (2013: 7.0 years). Deutsche EuroShop maintains credit facilities with 20 banks, all of which are German banks.

Of 19 loans across the Group, 12 are subject to credit covenants with the financing banks. This includes a total of 18 different covenants on debt service cover ratios (DSCRs), interest cover ratios (ICRs), changes in rental income and the loan to value ratio (LTV). All conditions were met. Based on the budgeted figures, compliance with the covenants may also be assumed in the current financial year.

Scheduled repayments amounting to €18.6 million will be made from current cash flow during the 2015 financial year. Over the period

LOAN STRUCTURE AS AT 31 DECEMBER 2014

Interest rate lock-in	as % of loan	€ million	Average residual maturity (yrs)	Average interest rate
Up to 1 year	3.8	54.1	1.0	1.49
1 to 5 years	30.5	435.1	3.7	4.14
5 to 10 years	55.4	790.9	7.3	3.59
over 10 years	10.3	147.7	12.3	4.05
Total	**100.0**	**1,427.8**	**6.6**	**3.76**

from 2016 to 2019, average annual repayments will be around €18.0 million.

Two loans of €61.6 that have already been extended will expire in the 2015 financial year. We anticipate an annual interest rate of under 2% with a fixed-rate period of ten years. In 2016 a loan in the amount of €77.3 million will be up for extension. The convertible bond must be repaid in 2017 if the bond holders have not made use of their conversion rights by then. Other loans totalling €71.2 million must be extended in 2018 and €119.3 million in 2019.

Current and non-current financial liabilities totalling €1,430.1 million were recognised in the balance sheet at the reporting date. The difference compared with the amounts stated here of €2.3 million relates to deferred interest and repayment obligations that were settled at the beginning of 2015.

Investment analysis: investments below previous year's level
Investments made during the 2014 financial year amounted to €9.7 million, compared with €89.4 million in the previous year. They relate almost exclusively to ongoing investments in portfolio properties.

Liquidity analysis: liquidity further increased
The Group's operating cash flow of €133.3 million (2013: €129.8 million) comprises the amount generated by the Group for shareholders through the leasing of shopping center floor space after deduction of all costs. It primarily serves to finance the dividends of Deutsche EuroShop AG and payments to third-party shareholders.

Cash flow from operating activities amounted to €132.8 million (2013: €99.4 million) and contains, in addition to operating cash flow, changes in receivables and other assets as well as other liabilities and provisions. The decline in liabilities was primarily due to the payment of taxes.

Cash flow from financing activities rose from €-136.8 million to €-139.8 million. Cash outflows from financial liabilities totalling €58.4 million reflected the repayment of a credit line used in 2013 and the repayment of current credit liabilities. Dividends paid to shareholders totalled €67.4 million. Dividend payments to third-party shareholders came to €14.0 million.

Cash and cash equivalents rose by €17.5 million in the year under review to €58.3 million (2013: €40.8 million).

Net assets

Balance sheet analysis
The Group's total assets increased by €97.3 million from €3,394.9 million to €3,492.2 million.

€ thousand	2014	2013	Change
Current assets	71,946	55,698	16,248
Non-current assets	3,420,212	3,339,165	81,047
Current liabilities	79,770	123,353	-43,583
Non-current liabilities	1,888,046	1,842,561	45,485
Equity	1,524,342	1,428,949	95,393
Total assets	**3,492,158**	**3,394,863**	**97,295**

Current assets slightly higher
At the end of the year, current assets amounted to €71.9 million, up €16.2 million compared to the previous year (2013: €55.7 million). This was the result of the cash and cash equivalents which were higher by €17.5 million at the reporting date. By contrast, trade receivables fell €1.1 million year-on-year to €4.5 million (2013: €5.6 million). Other assets rose slightly by €2.9 million, from €6.3 million to €9.2 million.

Cash and cash equivalents amounted to €58.3 million (2013: €40.8 million) at the reporting date.

Non-current assets higher as a result of value increases
Non-current assets rose by €81.0 million, from €3,339.2 million to €3,420.2 million, in the year under review.

Investment properties gained €98.0 million. While costs of investments in portfolio properties amounted to €9.7 million, revaluation of our property portfolio resulted in valuation gains of €88.3 million.

At-equity investments increased by €17.5 million from €341.9 million to €359.4 million. This is exclusively attributed to the difference between the share in the earnings and losses for the financial year.

Other financial assets saw a net drop from the previous year by €34.4 million, which was primarily the result of the payment of the proceeds from the previous year's sale of Galeria Dominikanska to Deutsche EuroShop AG.

Current liabilities down
Current liabilities fell by €43.6 million, from €123.4 million to €79.8 million, due in particular to the decrease in short-term bank loans and liabilities (€-41.9 million).

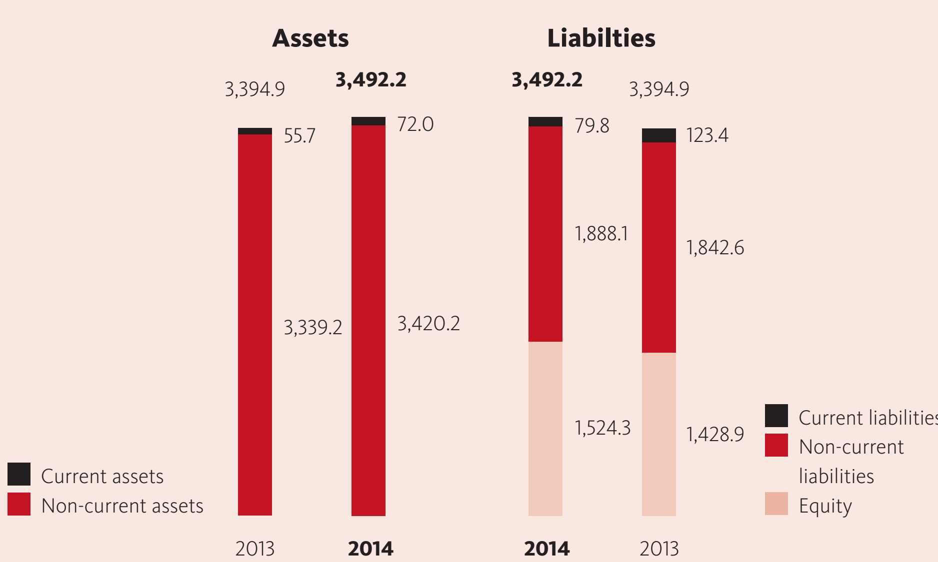
Other current liabilities declined €1.7 million in net terms.

Non-current liabilities up
Non-current liabilities rose by €45.6 million, from €1,842.6 million to €1,888.0 million. The increase was the result of the allocation to the deferred tax liabilities (€+29.0 million), from the redemption entitlements of third-party shareholders that increased by €13.4 million and from higher other liabilities (€+17.8 million). These were offset by financial liabilities that were lower by just €14.7 million.

Equity
At €1,524.3 million, Group equity was up €95.4 million against the previous year (€1,428.9 million).

The increase over the year under review primarily comprises the difference between consolidated profit at €177.4 million and the €67.4 million paid as a dividend in June 2014. In contrast, the development of the swaps at €14.6 million negatively impacted equity.

BALANCE SHEET STRUCTURE € million



EPRA net asset value further increased
Net asset value (NAV) amounted to €1,789.4 million or €33.17 per share as at 31 December 2014, compared with €1,650.4 million or €30.59 per share in 2013. Net asset value per share was therefore 8.4% higher year-on-year.

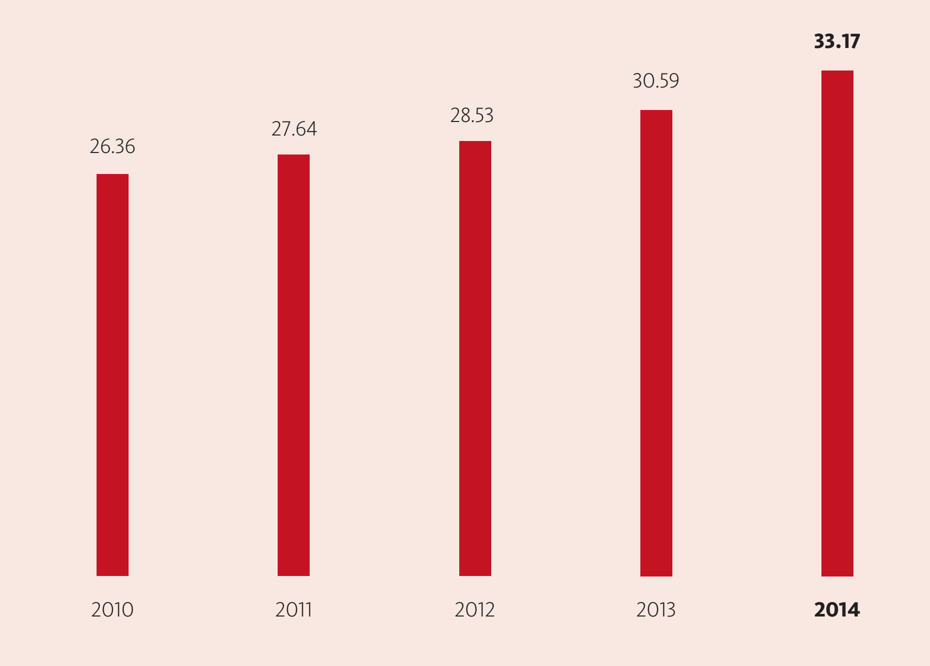
€ thousand	31.12. 2014	31.12. 2013
Equity	1,524,342	1,428,949
Deferred taxes	227,455	198,491
Negative swap values	48,194	30,760
resulting deferred taxes	-10,602	-7,762
EPRA NAV	1,789,389	1,650,438
EPRA NAV per share	**€ 33.17**	**€30.59**

EPRA also recommends that an EPRA NNNAV (triple NAV) be calculated, which should roughly correspond to the liquidation value of the company. This adjusts the EPRA NAV to take account of hidden liabilities or undisclosed reserves resulting from the market valuation of bank loans and overdrafts, as well as deferred taxes. As at 31 December 2014, EPRA NNNAV amounted to €1,432.0 million, compared with €1,377.7 million in 2013. EPRA NNNAV per share was therefore €26.54 (2013: €25.54), which corresponds to an increase of 3.9%.

€ thousand	31.12. 2014	31.12. 2013
EPRA NAV	1,789,389	1,650,438
Negative swap values	-48,194	-30,760
Negative present value of bank loans and overdrafts	-114,837	-62,862
Total deferred taxes	-194,385	-179,080
EPRA NNNAV	1,431,973	1,377,736
EPRA NNNAV per share	**€26.54**	**€25.54**

Overall comment by the Executive Board on the economic situation
The past financial year confirmed that Deutsche EuroShop Group has a successful business model. We have again managed to meet our original expectations.

EPRA NET ASSET VALUE PER SHARE €



Report on events after the balance sheet date

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

Outlook

In 2015, positive stimuli for growth are expected to come from real increases in employee income and strong exports. Although economic imbalances are expected to persist within the eurozone, the economic review produced by the federal government predicts a positive scenario for Germany in 2015. Gross domestic product (GDP) is forecast to grow by 1.5%. The unemployment rate is set to remain at the current level, while inflation will be low. The German Retail Federation (HDE) predicts that retail sales will advance by 1.5%.

The structural problems of individual countries in the eurozone and the Greek debt crisis will continue to hold our attention in 2015. The uncertainty surrounding whether Greece will leave the eurozone has meant that market participants are still nervous as the consequences are not foreseeable from today's point of view. In our estimate, the risk for the overall economy remains high.

Consequently, global demand for capital investments that retain their value remains strong, particularly in financially solid countries such as Germany. With interest rates low, life insurance companies in particular are still seeking real estate investment opportunities that will meet the long-term expectations of policyholders. This is keeping demand for real estate at record levels, in contrast to a merely limited supply side. Retail property in particular remains attractive to many institutional investors, leading to very high transaction prices and correspondingly low anticipated returns for core properties. We monitor developments on the real estate market closely. As in the past, we will only make new investments if the return that is achievable over the long term bears a reasonable relation to the investment risks.

Outlook good for our shopping centers

We predict that our shopping centers will continue to perform well. The occupancy rate across all our shopping centers is currently expected to remain at around 99%. At the end of 2014, the occupancy rate for all types of space was 98.9%, on a par with 2013 (98.6%). The remaining vacancies consisted largely of office and storage space. The occupancy rate for retail space stood steady at 99.5%.

Outstanding rents and necessary valuation allowances remain stable at a low level. We see no sign of a significant change in this satisfactory situation at the present time.

Agreed transactions are the foundation for revenue and earnings planning

The Deutsche EuroShop Group's revenue and earnings planning for 2015 and 2016 does not include the purchase or sale of any properties. The results of the annual valuation of our shopping centers and exchange rate factors are not included in our planning since they are not foreseeable.

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

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

Rathaus-Center, Dessau

Revenue to rise only slightly in 2015 and 2016

In light of the low inflation rate, we only expect revenue to rise up to 1.5% to between €201 and €204 million for 2015. This also applies to 2016 when revenue is projected to increase again slightly to between €203 and €206 million.

Stable to slightly higher results in the next two years

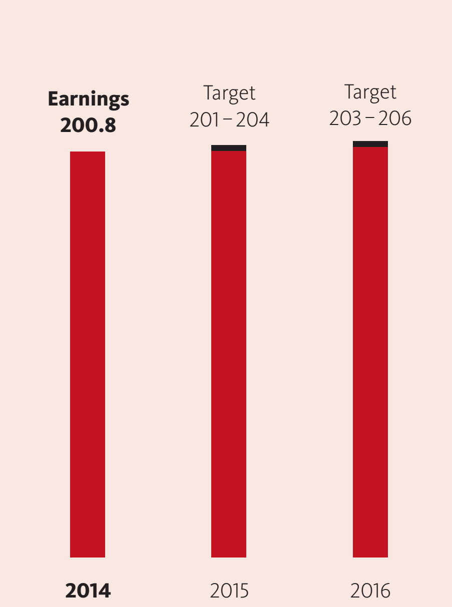
Earnings before interest and taxes (EBIT) amounted to €177.5 million in 2014. According to our forecast, EBIT will come in only slightly higher than the previous year's level at between €177 million and €180 million. EBIT should increase then to between €179 million and €182 million in 2016 (+1.1%).

Earnings before tax (EBT) excluding measurement gains / losses amounted to €125.0 million during the year under review. We expect to achieve EBT of between €126 million and €129 million in 2015 (+2.0%) and €130 to €133 million in 2016 (+3.1%).

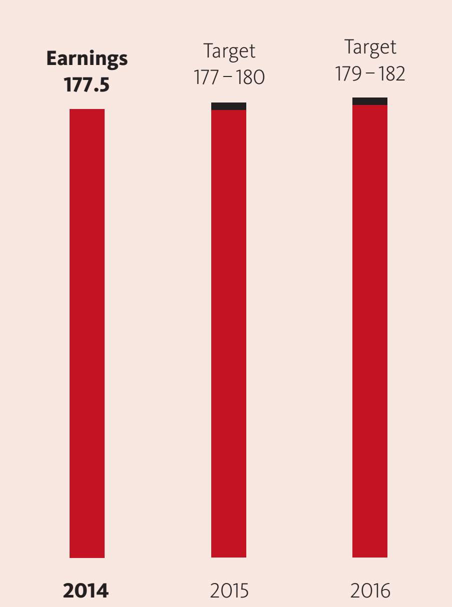
FFO up slightly
Funds from operations (FFO) amounted to €2.23 per share in the year under review. We expect this figure to be between €2.24 and €2.28 in 2015 (+1.3%) and between €2.30 and €2.34 in 2016 (+2.7%).

Dividend policy
We intend to maintain our long-term, reliable dividend policy and anticipate that we will be able to pay dividends at €1.35 per share in the 2015 financial year and €1.40 in the 2016 financial year to our shareholders.

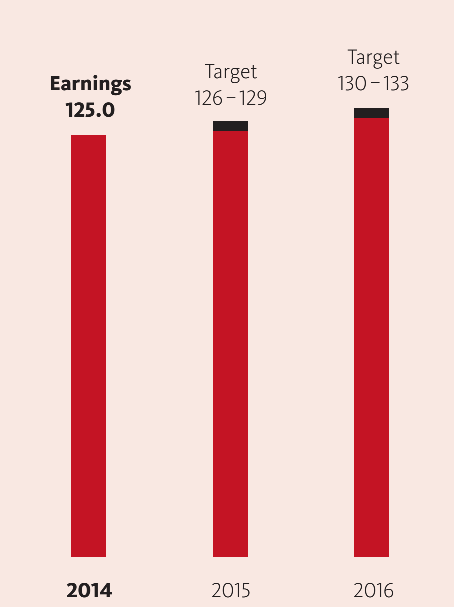
REVENUE € million



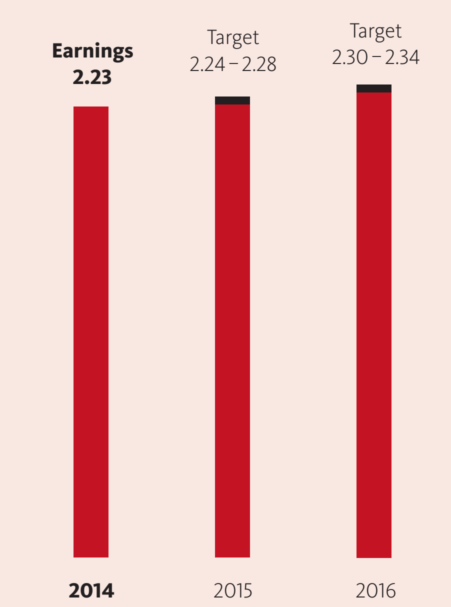
EBIT € million



EBT EXCLUDING VALUATION € million



FFO PER SHARE €



Risk report

Principles governing the risk management system and internal control system

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

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

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

Key features

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

1. Portfolio properties
   - Trends in accounts receivable
   - Trends in occupancy rates
   - Retail sales trends in the shopping centers
   - Variance against projected income from the properties

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

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

Annual financial statement preparation process

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

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

Advice on limitations

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

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

The statements made relate 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.

Presentation of material individual risks

Cyclical and macroeconomic risks
The German economy posted moderate growth of 1.6% in 2014. According to data published by the German Federal Statistical Office, private consumption, which was up for the fourth year in a row, was the primary driver behind this growth. The healthy order situation in the construction sector and strong exports also stimulated the economy last year. The federal government forecasts GDP growth of 1.5% in Germany in 2015.

The positive situation on the job market also continued last year. Around 42.7 million people were employed in 2014, which represents a figure of 371 thousand or 0.9% more than the previous year. The number of unemployed people fell by 94,000 to 2.1 million (-4.5%) in 2014, which is the lowest level since reunification. Germany thus has the lowest unemployment rate in the EU. In December 2014, the unemployment rate was 6.4%. The job market in 2015 is expected to undergo robust development which is still associated with risk.

The gross domestic product in the eurozone rose by 0.9% (2013: -0.4 %). The uncertain course of reforms, some of which have yet to be implemented, being pursued in some member states combined with a high backlog of public and private debts reflects the recent, rather gloomy development of the European economy. Hopes of a sustained improvement have yet to be realised. In several European member states, growth is by no means sufficient to push debt reduction - on the contrary: the debt level continues to rise inexorably. Some member states continue to struggle with a lack of competitiveness and unemployment rates in excess of 20%. Despite favourable overall financial conditions, the prospects there thus remain only moderate. In 2014, the overall unemployment rate in the eurozone was 11.5%. The EU Commission expects growth of 1.3% for the 19 member states in 2015.

Consumer prices once again declined in 2014. Germany's inflation rate was 0.9% while prices rose by 0.6% in the eurozone year-on-year. The steep decline in energy prices was particularly noticeable here.

The loose monetary policy of the central banks, lower energy costs and the healthy situation on the job market are contributing to a positive mood among German companies and consumers. The global economic situation, however, remains challenging in light of the ongoing Greek debt crisis and the geopolitical risks in Ukraine and Syria. Until now, Germany has been left unscathed by the very sluggish economic development in the eurozone. Greece's exit from the eurozone cannot be ruled out. Even though the European Union has approved an extension of the Greek aid package by another four months, there is still no identifiable solution to the structural problems of the Greek economy, even five years on. The foundation for a new phase of growth needs to be laid and implementation of the approved reform programme will take time. The overall economic risks remain high as a result.

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

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

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

Revenue in the stationary retail sector (incl. online retailing) saw nominal growth of 1.7% in 2014 and 1.4% in real terms (2013: +1.4% nominal, +0.1% real). The German Retail Federation (HDE) predicts nominal retail sales growth of 1.5% to €466.2 billion in 2015.

The Internet and online retailing are now established components of our economy.

Stationary retailers need to address the issues and challenges that this situation has created. The growth and success of e-commerce will result in a gradual structural change within stationary retail as retailers respond with different pricing models, special promotional offers and particularly by building up their own online presence. However, in the medium term, retailers will need to reconsider their network of locations. Properties in prime locations could benefit from this development.

Online retail advanced 17% to €39 billion in 2014. The German Retail Federation anticipates a 12% rise to €43.6 billion during the current year. We minimise market and sector risks by closely monitoring the market and by concluding long-term contracts with tenants with strong credit ratings in all retail segments.

Deutsche EuroShop AG cannot fully dodge long-term trends such as the growing impact of online retailing on stationary retail. Past experience has demonstrated that by locating our shopping centers in prime locations and by ensuring broad sector diversification within the centers, we can achieve commercial success even during periods of stagnation. Provided that stationary retailers review their networks in response to the rise of online retailing and focus on strong locations, our prime shopping center locations could emerge even stronger from the structural changes.

Risk of rent loss
It is possible that tenants may be unable to meet their obligations under existing leases or that the previous rents may no longer be obtained in the case of new and follow-on rentals. As a result, income would turn out to be less than budgeted, and distributions to shareholders might have to be reduced. If the rental income for a property company is no longer sufficient to meet its interest and repayment obligations, this could lead to the loss of the entire property. Tenants' revenue trends and the accounts receivable trends are regularly analysed in this respect, and measures to find new tenants are initiated at an early stage if there are signs of any negative developments.

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

Cost risk
Expenditure on current maintenance or investment projects can turn out higher than budgeted on the basis of experience. We minimise risks from cost overruns in current investment projects by taking cost models for all identifiable risks into account in our calculations as a precautionary measure at the planning stage. In addition, construction contracts are only awarded on a fixed-price basis to general contractors with strong credit ratings. During the building phase, professional project management is assured by the companies we commission. However, it is impossible to completely avoid cost overruns in ongoing construction projects in individual cases.

Valuation risk
The value of a property is essentially determined by its capitalised earnings value, which in turn depends on factors such as the level of annual rental income, the underlying location risk, the evolution of long-term capital market rates and the general condition of the property. A reduction in rental income or a deterioration of the location risk necessarily results in a lower capitalised earnings value. The appreciation of the properties is therefore also significantly influenced by a variety of macroeconomic or regional factors as well as developments specific to the property that can neither be foreseen nor influenced by the Company. The factors described are taken into account in the annual market valuations of our portfolio properties by independent appraisers. Changes in value are recognised in the income statement of the consolidated financial statements in accordance with the requirements of IAS 40 and may thus increase the volatility of the consolidated profit.

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

Financing and interest rate risks
We minimise the interest rate risk for new property financing as far as possible by entering into long-term loans with fixed-interest periods of up to 20 years. There is a risk that refinancing may only be available at higher interest rates than before. The interest rate level is materially determined by the underlying macroeconomic conditions and therefore cannot be predicted by us.

The possibility cannot be completely excluded that, due for example to a deterioration in the Company's results of operations, banks may not be prepared to provide refinancing or to extend credit lines. We monitor the interest rate environment closely so as to be able to react appropriately to interest rate changes with alternative financing concepts or hedging if necessary. With average interest rates at 3.76% (2013: 3.88%), this does not currently represent a significant risk within the Group, particularly as the most recent refinancing was concluded at lower interest rates than the original financing and the present average interest rate.

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

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

IT risk
Deutsche EuroShop's information system is based on a centrally managed network solution. Corrective and preventive maintenance of the system is carried out by an external service provider. A virus protection concept and permanent monitoring of data traffic with respect to hidden and dangerous content are designed to protect against external attacks. All data relevant to operations is backed up on a daily basis. In the event of a hardware or software failure in our system, all data can be reproduced at short notice.

Personnel risk
Given the small number of employees of Deutsche EuroShop AG, the Company is dependent on individual persons in key positions. The departure of these key staff would lead to a loss of expertise, and the recruitment and induction of new replacement personnel could temporarily impair day-to-day business.

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

Evaluation of the overall risk position

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


Stadt-Galerie, Passau

Remuneration report

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

Remuneration system for the Executive Board

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

As a performance-related remuneration component, the bonus is dependent on the long-term performance of the Company. It is based on the weighted average over the financial year and the two previous financial years. Group EBT (excluding valuation gains / losses) for the financial year is taken into account at a weighting of 60% in the basis of calculation, that of the previous financial year at 30% and that of the financial year before that at 10%. Mr Böge receives 0.5% of the calculation basis as a bonus and Mr Borkers receives 0.2% The bonus is limited to 150% of the basic annual remuneration.

The non-performance-related basic annual remuneration is €300 thousand for Mr Böge and €168 thousand for Mr Borkers. In addition, Mr Böge is expected to receive a bonus of €450 thousand and Mr Borkers €241 thousand for financial year 2014. The final amount of the bonus will only be available after approval of the consolidated financial statements by the Supervisory Board; the bonus will be paid following approval.

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

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

A long-term incentive (LTI) remuneration component was agreed for the first time in 2010. The amount of the LTI is based on the change in market capitalisation of Deutsche EuroShop AG between 1 July 2010 and 30 June 2015. Market capitalisation is calculated by multiplying the share price by the number of Company shares issued. On 1 July 2010, according to information provided by the German stock exchange, market capitalisation stood at €983.5 million.

If there is a positive change in market capitalisation over the above five-year period of up to €500 million, Mr Böge will receive 0.2% and Mr Borkers 0.025% of the change. For any change over and above this amount, Mr Böge will receive 0.1% and Mr Borkers 0.0125%. The LTI will be paid out to Mr Borkers in December 2015, and to Mr Böge in five equal annual instalments, the first being paid on 1 January 2016. In the event that the employment contract is terminated prematurely by the Company, any entitlements arising from the LTI until that date will be paid out prematurely.

Between 1 July 2010 and 31 December 2014, the market capitalisation of the Company rose to €1,952.6 million (31 December 2013: €1,717.1 million), an increase of €969.1 million (31 December 2013: €733.6 million) since 1 July 2010. The present value of the potential entitlement to the long-term incentive arising therefrom was €1,550 thousand at year-end (31 December 2013: €1,302 thousand), An allocation to the provision of €481 thousand (2013: €306 thousand) was included for this purpose during the financial year.

Remuneration of the Executive Board 2014

The remuneration of the Executive Board totalled €1,237 thousand, which breaks down as follows:

€ thousand	Non-performance-related remuneration	Performance-related remuneration	Ancillary benefits	Total	Total Previous year
Claus-Matthias Böge	300	450	69	819	827
Olaf Borkers	168	239	11	418	410
	468	**689**	**81**	**1,237**	**1,237**

In addition to the prospective bonuses for the financial year, the performance-related remuneration also includes the difference between the prospective and final bonuses for the previous year (€-2 thousand).

The ancillary benefits for each Executive Board member include the provision of a car for business and private use as well as contributions to a pension scheme.

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

Remuneration system for the Supervisory Board

The remuneration of the Supervisory Board is based on section 8 (4) of the Articles of Association of Deutsche EuroShop AG. In accordance with the Articles of Association, the remuneration amounts to €50,000 for the chairman, €37,500 for the deputy chairman and €25,000 for each of the other members of the Supervisory Board. Committee membership is not taken into account when determining the remuneration of the Supervisory Board. Moreover, the remuneration does not contain any performance-related elements. The remuneration is determined on the basis of the business model and size of the Company as well as the responsibility associated with the role. The Company's business and financial position is also taken into consideration. If any member of the Supervisory Board should leave the Supervisory Board during the financial year, they shall receive their remuneration pro rata. In accordance with section 8 (5) of the Articles of Association, expenses are also reimbursed.

Remuneration of the Supervisory Board 2014

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

€ thousand	2014	2013
Manfred Zaß	59.50	59.50
Dr. Michael Gellen	20.66	44.62
Reiner Strecker	37.74	29.75
Thomas Armbrust	29.75	29.75
Beate Bell	15.98	0
Manuela Better	15.98	0
Karin Dohm	29.75	29.75
Dr. Henning Kreke	29.75	15.81
Dr. Jörn Kreke	0	13.94
Alexander Otto	29.75	29.75
Klaus Striebich	29.75	29.75
Dr. Bernd Thiemann	13.77	29.75
Including 19% value added tax	**312.37**	**312.37**

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

Miscellaneous

No agreements have been concluded with members of the Executive Board that provide for a severance payment on expiry of their current employment contract.

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

Acquisition reporting

Deutsche EuroShop shares are traded on the Frankfurt Stock Exchange and other exchanges. As of 31 December 2014, 9.73% of shares were owned by Alexander Otto (2013: 9.73 %).

The share capital is €53,945,536, comprised of 53,945,536 no-par-value registered shares. The notional value of each share is €1.00.

According to Article 5 of the Articles of Association, the Executive Board is authorised, with the Supervisory Board's approval, to increase the share capital by up to a total of €26,972,768 through one or several issues of new no-par value registered shares against cash or non-cash contributions before 19 June 2018 ("Authorised capital 2013").

The Executive Board is authorised, with the Supervisory Board's approval, to issue, until 15 June 2016, convertible bonds with a total nominal value of up to €200,000,000 and a maximum term of 10 years and to grant the holders of the respective, equally privileged, bonds conversion rights to new no-par value shares in the Company up to a total of 10,000,000 shares (€10.0 million), as detailed in the terms and conditions for convertible bonds ("Bond conditions"; "Conditional capital 2011"). The convertible bonds may also pay a variable rate of interest, in which case, as with a participating bond, the interest may be dependent in full or in part on the level of the Company's dividend. In November 2012, Deutsche EuroShop issued a convertible bond with a five-year term and a nominal value of €100,000,000, for which some 3.1 million no-par shares are currently reserved in conditional capital.

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

A change of control arises if Deutsche EuroShop AG merges with another company, if a public takeover bid has been made under the Deutsches Wertpapiererwerbs- und Übernahmegesetz (WpÜG – German 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 289a HGB)

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

Hamburg, 16 April 2015

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

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

Beware.
You could fall
in love
GALERIA
BAŁTYCKA
MODNE CENTRUM MIASTA
Gdańsk
al. Grunwaldzka 141
Mon.–Sat. 09.00 a.m.– 09.00 p.m.
Sun. 10.00 a.m.– 08.00 p.m.

FINANCIAL STATEMENT

Notes to the consolidated balance sheet page 70 >
Notes to the consolidated income statement page 73 >
Notes to the consolidated cash flow statement page 74 >
Segment reporting page 74 >
Auditors report page 78 >

Consolidated balance sheet

Assets in € thousand	Note	31.12.2014	31.12.2013
ASSETS			
Non-current assets			
Intangible assets	1.	17	8
Property, plant and equipment	2.	393	413
Investment properties	3.	3,060,179	2,962,163
Investments accounted for using the equity method	4.	359,357	341,907
Other financial assets	5.	266	34,519
Other non-current assets	6.	0	155
Non-current assets		**3,420,212**	**3,339,165**
Current assets			
Trade receivables	7.	4,510	5,595
Other current assets	8.	9,152	6,293
Other financial investments	9.	0	3,000
Cash and cash equivalents	10.	58,284	40,810
Current assets		**71,946**	**55,698**
Total assets		**3,492,158**	**3,394,863**

Equity and liabilities in € thousand	Note	31.12.2014	31.12.2013
EQUITY AND LIABILITIES			
Equity and reserves			
Issued capital		53,945	53,945
Capital reserves		961,970	961,970
Retained earnings		508,427	413,034
Total equity	**11.**	**1,524,342**	**1,428,949**
Non-current liabilities			
Financial liabilities	12.	1,374,803	1,389,552
Deferred tax liabilities	13.	227,455	198,491
Right to redeem of limited partners		226,849	213,422
Other liabilities	18.	58,939	41,096
Non-current liabilities		**1,888,046**	**1,842,561**
Current liabilities			
Financial liabilities	12.	55,282	97,207
Trade payables	14.	1,098	3,351
Tax liabilities	15.	857	1,357
Other provisions	16.	9,799	6,804
Other liabilities	17.	12,734	14,634
Current liabilities		**79,770**	**123,353**
Total equity and liabilities		**3,492,158**	**3,394,863**

Consolidated income statement

in € thousand	Note	01.01. – 31.12.2014	01.01. – 31.12.2013
Revenue	19.	200,785	187,987
Property operating costs	20.	-9,062	-8,452
Property management costs	21.	-9,922	-9,323
Net operating income (NOI)		**181,801**	**170,212**
Other operating income	22.	1,889	2,837
Other operating expenses	23.	-6,184	-7,285
Earnings before interest and taxes (EBIT)		**177,506**	**165,764**
Income from investments	24.	1	16,688
Interest income		348	448
Interest expense		-58,570	-57,827
Other financial expenses		-610	-4,550
Income from the disposal of financial assets		0	23
Share of the profit or loss of associates and joint ventures accounted for using the equity method	25.	35,129	27,024
Profit / loss attributable to limited partners	26.	-16,117	-15,939
Financial result		**-39,819**	**-34,133**
Valuation gains / losses	**27.**	**76,986**	**55,982**
Earnings before tax (EBT)		**214,673**	**187,613**
Income taxes	28.	-37,247	-16,570
Consolidated profit		**177,426**	**171,043**
Earnings per share (€), basic	32.	3.29	3.17
Earnings per share (€), diluted	32.	3.15	3.05

Statement of comprehensive income

in € thousand	Note	2014	2013
Consolidated profit		**177,426**	**171,043**
Items which under certain conditions in the future will be reclassifiedinto the income statement:			
Changes in cash flow hedge	11., 30.	-17,435	11,217
Change in investments accounted for using the equity method	11.	0	7,519
Change due to IAS 39 measurement of investments	4., 11., 30.	-7	3,606
Disposal due to IAS 39 measurement of investments		0	-15,799
Deferred taxes on changes in value offset directly against equity	11., 30.	2,841	-5,354
Total earnings recognised directly in equity		**-14,601**	**1,189**
Total profit		**162,825**	**172,232**
Share of Group shareholders		162,825	172,232

Statement of changes in equity

in € thousand	Note	Number of shares outstanding	Share capital	Capital reserves	Other retained earnings	Statutory reserve	Available for sale reserve	Cash flow hedge reserve	Total
01.01.2013		**53,945,536**	**53,945**	**961,987**	**323,134**	**2,000**	**12,193**	**-31,345**	**1,321,914**
Total earnings recognised directly in equity					5,034		-12,193	8,348	1,189
Consolidated profit					171,043				171,043
Total profit			0	0	176,077	0	-12,193	8,348	172,232
Dividend payments	11.				-64,735				-64,735
Other changes				-17	-445				-462
31.12.2013		**53,945,536**	**53,945**	**961,970**	**434,031**	**2,000**	**0**	**-22,997**	**1,428,949**
01.01.2014		**53,945,536**	**53,945**	**961,970**	**434,031**	**2,000**	**0**	**-22,997**	**1,428,949**
Total earnings recognised directly in equity							-7	-14,594	-14,601
Consolidated profit					177,426				177,426
Total profit			0	0	177,426	0	-7	-14,594	162,825
Dividend payments	11.				-67,432				-67,432
31.12.2014		**53,945,536**	**53,945**	**961,970**	**544,025**	**2,000**	**-7**	**-37,591**	**1,524,342**

Consolidated cash flow statement

in € thousand	Note	01.01. – 31.12.2014	01.01. – 31.12.2013
Profit after tax		**177,426**	**171,043**
Income from the disposal of shareholdings	24.	0	-15,822
Profit / loss attributable to limited partners	26., 27.	27,433	20,431
Depreciation of intangible assets and property, plant and equipment	1., 2.	76	65
Unrealised changes in fair value of investment property	27.	-88,302	-60,539
Net loss from derivatives		610	4,550
Other non-cash income and expenses		1,708	1,662
Profit / losses of joint ventures and associates	25., 31.	-17,452	-5,849
Expenses from investment activities to be allocated to the cash flow	27.	0	64
Deferred taxes	28.	31,805	14,208
Operating cash flow		**133,304**	**129,813**
Changes in receivables	6., 7., 8., 30.	-1,745	-1,402
Change in other financial investments		3,000	-3,000
Changes in current provisions	16.	2,495	-29,657
Changes in liabilities	14., 15., 17., 18., 30.	-4,258	3,642
Cash flow from operating activities		**132,796**	**99,396**
Outflows for the acquisition of property, plant and equipment / investment properties	2., 3.	-9,779	-18,491
Expenses from investment activities to be allocated to the cash flow		0	-64
Payments to acquire shareholdings in consolidated companies and business units		0	-59,438
Inflows / outflows to / from the financial assets		34,245	-600
Cash flow from investing activities		**24,466**	**-78,593**
Outflows from the repayment of financial liabilities	12.	-58,384	-59,739
Payments to limited partners	29.	-13,972	-12,285
Payments to Group shareholders	11., 29.	-67,432	-64,735
Cash flow from financing activities		**-139,788**	**-136,759**
Net change in cash and cash equivalents		**17,474**	**-115,956**
Cash and cash equivalents at beginning of period		**40,810**	**161,006**
Changes in the financial resources fund due to consolidation changes		0	-4,240
Cash and cash equivalents at end of period		**58,284**	**40,810**

Notes to the consolidated financial statements for financial year 2014

General disclosures

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

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

The consolidated financial statements of Deutsche EuroShop AG have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), including the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code). They are based on the premise of a going concern. All IFRSs and IFRIC interpretations endorsed by the European Commission and required to be applied as at 31 December 2014 have been applied.

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

Amounts are mainly presented in thousands of €.

The preparation of the consolidated financial statements necessitates the use of estimates and assumptions. These affect the reported amounts of assets, liabilities and contingent liabilities at the balance sheet date, as well as the recognition of income and expenses during the reporting period. The actual amounts can differ from these estimates. Expected cash flows and the discount factor in particular are critical parameters for the measurement of investment properties.

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

The annual financial statements of the consolidated companies were prepared as at 31 December 2014, the reporting date of the consolidated financial statements.

Basis of consolidation and consolidation methods

Basis of consolidation

Subsidiaries
The consolidated financial statements include all subsidiaries in which Deutsche EuroShop AG directly or indirectly holds a majority of voting rights.

As at 31 December 2014, the basis of consolidation comprised, in addition to the parent company, twelve (previous year: twelve) fully consolidated domestic and foreign subsidiaries.

Deutsche EuroShop AG holds a stake of 52.01% in Main-Taunus-Zentrum KG, Hamburg and exercises a controlling influence over the company. The other 47.99% of shares are in free float. The Company posted non-current assets of €547,590 thousand (previous year: €528,490 thousand) and current assets of €14,804 thousand (previous year: €15,956 thousand) at the balance sheet date. Non-current liability items amounted to €220,000 thousand (previous year: €220,000) and current liability items totalled €4,573 thousand (previous year €5,046 thousand). The Company generated revenue of €34,110 thousand (previous year: €33,646 thousand) and profit of €22,033 thousand (previous year: €16,630 thousand). A dividend of €11,490 thousand (previous year: €9,604 thousand) was paid to limited partners in the year under review.

Joint ventures
Joint ventures in which Deutsche EuroShop AG has a majority of the voting rights together with third parties are classified as joint operations and accounted for using the equity method. Six companies fall into this category as at the balance sheet date. We refer here to the notes in the "Changes in accounting and valuation methods". Deutsche EuroShop AG has a 75% stake in Stadt-Galerie Passau KG, Hamburg. It does not hold the majority of voting rights based on corporate agreements.

Associates
In accordance with IAS 28, where Deutsche EuroShop AG can exercise a significant influence but not control over companies, these investments are measured using the equity method. This applied to five companies at the balance sheet date.

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

Consolidation methods

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

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

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

Currency translation

The Group currency is the euro (€).

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

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

A closing rate of HUF 314.89 (previous year: HUF 296.91) and an average rate of HUF 308.66 (previous year: HUF 296.92) were used in the translation of the separate Hungarian financial statements for Einkaufs-Center Arkaden Pécs KG, Hamburg, from forint to euros. A closing rate of PLN 4.2623 (previous year: PLN 4.1472) and an average rate of PLN 4.1843 (previous year: PLN 4.1975) were taken as a basis for translating the separate financial statements of the Polish property company.

Reporting principles
The following new or amended standards and interpretations are required to be applied for the first time to the financial years ending on 31 December 2014:

1. IFRS 10 Consolidated Financial Statements
2. IFRS 11 Joint Arrangements
3. IFRS 12 Disclosures of Interests in Other Entities
4. IAS 27 Separate Financial Statements
5. IAS 28 Investments in Associates and Joint Ventures
6. Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
7. Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
8. Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transitional guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)
9. Investment companies (Amendments to IFRS 10, IFRS 12 and IAS 27)
10. Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

IFRS 10 Consolidated Financial Statements (since 1 January 2014)
IFRS 10 replaces the consolidation rules of IAS 27. However, IAS 27 is not eliminated without replacement. In the future, its application will be limited to accounting for subsidiaries, associates and joint ventures in the parent company's separate financial statements.

IFRS 10 now includes the aspects of full consolidation that were previously regulated generally in IAS 27 and in SIC 12 for special purpose entities. IFRS 10 also contains a uniform consolidation concept. A parent-subsidiary relationship is determined on the basis of the criteria power and variability in returns and the link between them.

IFRS 11 Joint Arrangements (since 1 January 2014)
IFRS 11 outlines accounting for interests in a joint venture or joint operation. IFRS 11 replaces IAS 31 and SIC 13. As a result of the revised definitions, there are now only two types of joint arrangements: joint operations and joint ventures. Jointly controlled assets (IAS 31) are now classified as jointly controlled operations.

The previous right to opt for proportional consolidation stipulated in IAS 31 was discontinued for jointly controlled entities. Instead the equity method must be used in the consolidated financial statements for joint arrangements classified as joint ventures. In addition, joint operations will continue to be accounted for proportionally in the separate and consolidated financial statements of the parent company.

IFRS 12 Disclosures of Interests in Other Entities (since 1 January 2014)
IFRS 12 replaces the previous rules for notes to the financial statements in IAS 27, IAS 28, IAS 31 and SIC 12. The standard uniformly regulates the disclosure requirements for all types of interests in other companies. Companies are required to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in subsidiaries, associates, joint arrangements and unconsolidated structured companies and the effects of those interests on financial position.

IAS 27 Separate Financial Statements (since 1 January 2014)
IAS 27 was amended as a result of the new standards for the consolidation package (IFRS 10, IFRS 11). Thanks to the publication of the new IFRS 10, IAS 27 now only includes guidelines for accounting and notes to the financial statements of subsidiaries, joint ventures and associates in the IFRS separate financial statements.

IAS 28 Investments in Associates and Joint Ventures (since 1 January 2014)
As a result of changes to the standards in the consolidation basis, IAS 28 was also amended. The differences between the revised version and the previous version of IAS 28 are less related to content and more editorial in nature. The rules for applying the equity method are outlined in IAS 28. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss after the date of acquisition.

An associate is defined based on the concept of "significant influence", which requires power to participate in financial and operating policy decisions of an investee.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (since 1 January 2014)
The changes can be attributed to a consequential amendment to IAS 36 with publication of IFRS 13. Some of the disclosure rules in IAS 36 became too broad with the introduction of IFRS 13. It would require disclosure of the recoverable amount of any cash-generating unit with a significant carrying amount of goodwill or intangible assets with indefinite useful lives regardless of whether an impairment was recognised. In contrast, however, the changes only stipulate a disclosure requirement when an impairment was also actually reported in the financial year.

In addition, the changes contain clarifications and additions to disclosure requirements for impaired assets whose recoverable amount was determined on the basis of their fair value less costs of disposal.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (since 1 January 2014)
The changes aim to prevent hedge accounting from being affected when derecognising derivatives necessary as a result of the novation. The changes to IAS 39 mean that in the event of a novation, derivatives continue to be designated hedging instruments in existing hedging relationships if certain requirements are cumulatively satisfied.

Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transitional guidance (Amendment to IFRS 10, IFRS 11 and IFRS 12) (since 1 January 2014)
The amendments clarify first-time application of IFRS 10 and provide additional relief in all standards of the consolidation package. In addition, the requirement to provide comparative information for periods prior to the immediately preceding period was eliminated due to retroactive application.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (since 1 January 2014)
The amendments to IFRS 10, IFRS 12 and IAS 27 help clarify how an investment entity is defined. In addition, a parent company which is an investment entity is required to measure its investments in individual subsidiaries at fair value through profit or loss in the consolidated and separate financial statements.

The changes also include the notes required to the financial statements for investment entities in IFRS 12 and the amended IAS 27.

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) (since 1 January 2014)
The amendment to the application guideline of the IAS 32 clarifies several rules for offsetting financial assets and financial liabilities in the balance sheet.

The previous offset model is retained and defined in more detail by additional application guidelines. After clarification, an enforceable legal right to offset must currently exist, i.e. the right may not be dependent on an event in the future. The right must be legally enforceable both in the normal course of business as well as in the event of default, insolvency or bankruptcy.

The following IFRSs adopted into EU law were issued as at the reporting date, but are only required to be applied in later reporting periods as long as the right to opt for early adoption was not exercised.

Stadt-Galerie, Passau

Amendment / standard	Date of publication	Date of incorporation into EU law	Date applied in EU
Annual Improvements to IFRSs – 2011 – 2013 Cycle	12 December 2013	18 December 2014	1 July 2014
Annual Improvements to IFRSs – 2010 – 2012 Cycle	12 December 2013	17 December 2014	1 July 2014
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)	21 November 2013	17 December 2014	1 July 2014
IFRIC 21 – Levies	20 May 2013	13 June 2014	17 June 2014

The following standards as well as interpretations of and amendments to existing standards that were also issued by IASB, were not yet compulsory for the preparation of the consolidated financial statements as at 31 December 2014. Application requires that they are endorsed by the EU within the scope of the IFRS endorsement process.

Amendment / standard	Date of publication	Date of incorporation into EU law	IASB application date
IFRS 9 Financial Instruments	24 July 2014	H2 / 2015	1 January 2018
IFRS 14 Regulatory Deferral Accounts	30 January 2014	To be decided	1 January 2016
IFRS 15 Revenue from Contracts with Customers	28 May 2014	Q2 / 2015	1 January 2017
Investment Entities: Applying the Consolidation Exception (Amendments to IRFS 10, IFRS 12 and IAS 28)	18 December 2014	Q4 / 2015	1 January 2016
Disclosure Initiative (Amendments to IAS 1)	18 December 2014	Q4 / 2015	1 January 2016
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IRFS 10 and IAS 28)	11 September 2014	Q4 / 2015	1 January 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	12 August 2014	Q3 / 2015	1 January 2016
Bearer Plants (Amendments to IAS 16 and IAS 41)	30 June 2014	Q1 / 2015	1 January 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	12 May 2014	Q1 / 2015	1 January 2016
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	6 May 2014	Q1 / 2015	1 January 2016
Annual Improvements to IFRSs 2012 – 2014 Cycle	25 September 2014	Q3 / 2015	1 January 2016

Significant accounting policies

Revenue and expense recognition

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

Intangible assets

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

Property, plant and equipment

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

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

Investment properties

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

Subsequently, all properties must be measured at their fair value and the annual net changes recognised in income under measurement gains / losses (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.

As in previous years, the fair values of the properties in the period under review were determined by the Feri EuroRating Services AG and GfK GeoMarketing GmbH appraisal team using the discounted cash flow (DCF) method. In accordance with the DCF method, future cash flows from the property in question are discounted back to the measurement date. In addition, the net income from the property is determined over a detailed planning period of ten years. A resale value is forecast for the end of the ten-year detailed planning phase. The net income is then capitalised over the remaining life. In a second step, the resale value is discounted back to the measurement date.

Averaged across all properties, 11.0% (2013: 10.9%) of rental income is deducted for management and administrative costs, with the result that net income equates to 89.0% (2013: 89.1%). Actual management and administrative costs amounted to 9.5% of rental income in the year under review (2013: 9.5%).

The capitalisation rate applied comprises a forecast yield on a ten-year German federal government bond and a premium that takes account of the individual risk profile of the property. Around 150 individual indicators are used to determine the risk profile. These include a forecast of population trends over the long term, the rate of employment and the resulting effects on retail demand, trends in the competitive environment and construction activity.

The discount rate averaged 6.44%, compared with 6.65% in the previous year. It is composed of an average yield of 3.68% on a ten-year German federal government bond (2013: 4.24%) and an average risk premium of 2.76% (2013: 2.41%)

On the basis of the expert appraisals, the property portfolio has a net initial yield of 5.87% for financial year 2015, compared with 5.97% in the previous year.

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

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

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

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

No appraisal report was produced for the properties owned by CASPIA Investments Sp. z o.o., Warsaw, due to their lesser importance. The properties were also recognised at market value in accordance with IAS 40.

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 2014:

in € thousand	Level 1	Level 2	Level 3
Investment properties			3,060,179

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

Lease agreements

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

FINANCIAL INSTRUMENTS

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

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

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

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

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

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

In the case of financial instruments that are recognised at fair value on a regular basis, it is determined based on a reassessment at the end of the financial year whether reclassifications between the hierarchical levels occurred. For financial instruments measured at amortised cost, fair value is determined based on the expected payment flows using the benchmark interest rates for matching risk and maturities at the balance sheet date.

a. Derivative financial instruments

Derivatives that qualify for hedge accounting in accordance with IAS 39 are used to hedge interest rate risks. These are fixed-rate swaps to limit the interest rate risk of variable interest rate loans, which have terms extending to 2026. The interest rate hedges are recognised at fair value (recurring fair value measurement) under "Other assets" or "Other liabilities". Changes are recognised directly in equity, provided that the conditions of the underlying and hedge transaction are identical. Hedge effectiveness tests are conducted regularly. If the effectiveness between the hedged item and the hedge does not exist, the hedge is measured as a derivative at fair value in profit or loss. Present value is calculated based on discounted cash flows using current market interest rates. The final maturities of the interest rate hedges and loan agreements are identical.

b. Non-current financial assets

Non-current financial assets are classified as available for sale and include an investment in a Dutch corporation that is a joint venture controlled by Deutsche EuroShop jointly with partner companies. As Deutsche EuroShop, under the provisions of the shareholders' agreement, exercises neither significant influence nor control over this company, the investment is measured at fair value (recurring fair value measurement) in line with the provisions of IAS 39.

c. Receivables and other current assets

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

d. Right to redeem of limited partners

The distinction between equity and liabilities is set out in IAS 32 Financial Instruments: Disclosure and Presentation. In accordance with this standard, the equity interests of third-party shareholders in commercial partnerships are reclassified as liabilities due to the shareholders' potential right of redemption. According to sections 131 et seq. HGB, shareholders in commercial partnerships have an ordinary legal right of termination of six months with effect from the end of the financial year, which the shareholders' agreement can define from a long-term perspective, but cannot exclude. As a result of this stipulation, a liability rather than equity is recognised in the balance sheet. This liability must be measured at fair value.

e. Financial liabilities

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

The debt component of convertible bonds is measured using the market interest rate for a similar, non-convertible bond.

This debt component is measured as a liability at amortised cost using the effective interest method until converted or repayment becomes due. The remaining proceeds from the issue represent the value of the conversion rights. This is recognised in equity within the capital reserves. The financial liability increases over time, with an effect on net income, and comes to an amount equalling the difference between the actual interest expense and the nominal interest rate.

f. Trade payables

Trade payables are recognised at their repayment amount.

g. Other liabilities

Other liabilities are recognised at amortised cost.

h. Cash and cash equivalents

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

Investments accounted for using the equity method

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

Deferred taxes

In accordance with IAS 12, deferred taxes are recognised for all differences between the tax accounts and the IFRS balance sheet, using the currently enacted tax rate. Currently, deferred taxes are primarily formed on the differences between the IFRS carrying amounts of the properties and their carrying amounts for tax purposes. A uniform corporation tax rate of 15% plus the solidarity surcharge of 5.5% was used for German companies, and in some cases a rate of 16.45% for trade tax. The respective local tax rates were applied for foreign companies. In accordance with IAS 12.74, deferred tax assets on existing loss carryforwards are offset against deferred tax liabilities.

Other provisions

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

Notes to the consolidated balance sheet – assets

1. Intangible assets

CONCESSIONS, INDUSTRIAL AND SIMILAR RIGHTS AND LICENCES IN SUCH RIGHTS AND ASSETS

in € thousand	2014	2013
Costs as at 1 January	**64**	**64**
Additions	14	4
Disposals	-28	-4
as at 31 December	**50**	**64**
Depreciation as at 1 January	**-56**	**-48**
Additions	-5	-11
Disposals	28	3
as at 31 December	**-33**	**-56**
Carrying amount at 1 January	**8**	**16**
Carrying amount at 31 December	**17**	**8**

This item consists mainly of software licences.

Forum, Wetzlar

2. Property, plant and equipment

OTHER EQUIPMENT, OPERATING AND OFFICE EQUIPMENT

in € thousand	2014	2013
Costs as at 1 January	**530**	**205**
Additions	51	361
Disposals	-10	-36
as at 31 December	**571**	**530**
Depreciation as at 1 January	**-117**	**-93**
Additions	-71	-54
Disposals	10	30
as at 31 December	**-178**	**-117**
Carrying amount at 1 January	**413**	**112**
Carrying amount at 31 December	**393**	**413**

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

3. Investment properties

in € thousand	2014	2013
Carrying amount at 1 January	**2,962,163**	**2,824,133**
Additions	9,714	18,127
Disposals from deconsolidations	0	-333,370
Additions to basis of consolidation	0	392,735
Unrealised changes in fair value	88,302	60,538
Carrying amount at 31 December	**3,060,179**	**2,962,163**

The properties are secured by mortgages. There are land charges in the amount of €1,334,821 thousand (previous year: €1,393,203 thousand). The rental income of the properties valued in accordance with IAS 40 was €200,785 thousand (previous year: €187,987 thousand). Directly associated operating expenses were €18,984 thousand (previous year: €17,775 thousand).

Additions mainly include ongoing investments in portfolio properties.

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

4. Investments accounted for using the equity method

in € thousand	2014	2013
Carrying amount at 1 January	**341,907**	**321,534**
Additions for equity-accounted companies	0	148,949
Deposits / withdrawals	-17,679	-21,188
Share of profit / loss	35,129	27,024
Appreciations / depreciations recognised directly in equity	0	670
Disposals	0	-135,082
Carrying amount at 31 December	**359,357**	**341,907**

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

5. Other financial assets

in € thousand	2014	2013
Costs as at 1 January	**34,519**	**15,381**
Additions	0	34,519
Disposals	-34,246	-15,381
as at 31 December	**273**	**34,519**
Amortisation / impairment losses and reversals as at 1 January	**0**	**14,912**
Amortisation / impairment losses and reversals	-7	3,606
Additions	0	0
Disposals	0	-18,518
as at 31 December	**-7**	**0**
Carrying amount at 1 January	**34,519**	**30,293**
Carrying amount at 31 December	**266**	**34,519**

This item includes the investment in Ilwro Holding B.V., Amsterdam, that paid a capital distribution and the profit from the disposal of the property in the previous year in the amount of €34.2 million. The investment was decreased in the year under review by €7 thousand to €266 thousand.

6. Other non-current assets

in € thousand	31.12.2014	31.12.2013
Other non-current assets	0	155

7. Trade receivables

in € thousand	31.12.2014	31.12.2013
Trade receivables	5,671	6,880
Allowances for doubtful accounts	-1,161	-1,285
	4,510	**5,595**

Receivables result primarily from rental invoices and services for which charges are passed on. These were predominantly paid at the time the consolidated financial statements were prepared. The amounts recognised at the reporting date are protected by means of guarantees, cash security deposits and letters of comfort.

8. Other current assets

in € thousand	31.12.2014	31.12.2013
Interest rate swaps	207	207
Deductible withholding tax on dividends/ solidarity surcharge	14	0
Value added tax receivables	0	230
Other current assets	8,931	5,856
	9,152	**6,293**

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

Receivables

in € thousand	Total	Up to 1 year	Over 1 year
Trade receivables	4,510 (5,595)	4,510 (5,595)	0 (0)
Other assets	9,152 (6,448)	9,152 (6,293)	0 (155)
Previous year's figure in brackets	**13,662** (12,043)	**13,662** (11,888)	**0** (155)

Maturity of trade receivables and other assets

in € thousand	Carrying amount	Not overdue
Trade receivables	4,510 (5,595)	4,510 (5,595)
Other assets	9,152 (6,448)	9,152 (6,448)
Previous year's figure in brackets	**13,662** (12,043)	**13,662** (12,043)

9. Other financial investments

in € thousand	31.12.2014	31.12.2013
Time deposits with a term of over 3 months	0	3,000

10. Cash and cash equivalents

in € thousand	31.12.2014	31.12.2013
Short-term deposits / time deposits	15,116	24,378
Current accounts	43,150	16,419
Cash	18	13
	58,284	**40,810**

Notes to the consolidated balance sheet – liabilities

11. Equity and reserves

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

The share capital is €53,945,536, comprised of 53,945,536 no-par-value registered shares.

The notional value of each share is €1.00.

According to Article 5 of the Articles of Association, the Executive Board is still authorised, subject to the approval of the Supervisory Board, to increase the Company's share capital by up to a total of €26,972,768 on one or multiple occasions until 19 June 2018 by issuing no-par-value registered shares against cash and / or non-cash contributions (approved capital 2013).

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

The parent company of the Group, Deutsche EuroShop AG, is reporting an unappropriated surplus of €70,129 thousand. The Executive Board and the Supervisory Board will propose to distribute this amount as a dividend of €1.30 per share at the Annual General Meeting on 18 June 2015.

The previous year's unappropriated surplus of €67,432 thousand was distributed in full to the shareholders. The dividend paid was €1.25 per share.

The capital reserves contain amounts in accordance with section 272 (2) nos. 1, 2 and 4 of the Handelsgesetzbuch (HGB – German Commercial Code). Capital reserves also contain deferred tax assets at the expense of the capital increase amounting to €1,441 thousand.

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

Other total income is divided into the following components:

2014

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

2013

in € thousand	Before taxes	Taxes	Net
Measurement of investments (AfS) IAS 39	3,606	0	3,606
Change of investments (AfS) IAS 39	-15,799	0	-15,799
Cash flow hedge	11,217	-2,869	8,348
Investments accounted for using the equity method	7,519	-2,427	5,092
Other	0	-58	-58
	6,543	**-5,354**	**1,189**

12. Non-current and current financial liabilities

in € thousand	31.12.2014	31.12.2013
Non-current bank loans and overdrafts	1,279,539	1,295,996
Current bank loans and overdrafts	55,282	97,207
Bonds	95,264	93,556
	1,430,085	**1,486,759**

Bank loans and overdrafts are recognised at amortised cost on the balance sheet date. The present value of loans is redetermined at the reporting date. To do so, the annuities due up to this date, together with any residual amount according to the redemption schedule, are discounted at the reporting date at market rates of interest plus a margin. This recurring fair value measurement is in accordance with level 2 of the IFRS 13 fair value hierarchy.

The fair value of the bank loans and overdrafts at the reporting date is €1,450,483 thousand (previous year: €1,446,517 thousand).

Bank loans and overdrafts relate to loans raised to finance property acquisitions and investment projects. Land charges on Company properties totalling €1,334,821 thousand (previous year: €1,393,203 thousand) serve as collateral.

Discounts are amortised over the term of the loan. In the year under review, €1,079 thousand (previous year: €1,531) was recognised in income.

Twelve of the 19 loan agreements currently contain arrangements regarding covenants. There are a total of 18 different conditions on different debt service cover ratios (DSCR), interest cover ratios (ICR), changes in rental income, the equity ratio and loan-to-value ratios (LTV). The credit conditions have not to date been breached, and according to the current planning will not be breached in 2015 – 2017 either.

Deutsche EuroShop issued a convertible bond on 14 November 2012. Convertible bonds with a five-year maturity and total value of €100 million were placed. The initial conversion price is €32.66; the coupon is 1.75% per year and is payable semi-annually in arrears. The convertible bonds were issued at 100% of their nominal value of €100,000.00 each and can initially be converted to 3,061,849 shares in Deutsche EuroShop AG in accordance with the conversion ratio and the terms and conditions of the convertible bonds. The proceeds from the issue amounted to €100 million. No conversion rights were exercised by 31 December 2014.

The amount of the convertible bond was divided into equity and debt components. The equity component accounted for a total amount of €7,140 thousand which was placed in capital reserves.

13. Deferred tax liabilities

in € thousand	as at 01.01.2014	Utilisation	Reversal	Addition	as at 31.12.2014
Deferred taxes on properties	208,426	0	-7,174	39,075	240,327
Deferred taxes on derivatives	-1,499	0	0	-97	-1,596
Deferred taxes recognised directly in equity	-8,436	0	1,000	-3,840	-11,276
	198,491	**0**	**-6,174**	**35,138**	**227,455**

Deferred tax liabilities relate primarily to properties reported at fair value in accordance with IAS 40. At the reporting date, they totalled €249,462 thousand (previous year: €220,754 thousand) and were partially offset by deferred tax assets on tax loss carryforwards of €9,134 thousand (previous year: €12,329 thousand).

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

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

From 2015 another property company fulfils the conditions for taking advantage of the extended trade tax reduction. As a result, it was possible to release deferred trade tax provisions in the amount of €6,174 thousand.

in € thousand	as at 01.01.2014	Utilisation	Reversal	Addition	as at 31.12.2014
Deferred taxes on domestic companies	168,843	0	-6,174	31,277	193,946
Deferred taxes on foreign companies	29,648	0	0	3,861	33,509
	198,491	**0**	**-6,174**	**35,138**	**227,455**

14. Trade payables

in € thousand	31.12.2014	31.12.2013
Construction services	271	976
Other	827	2,375
	1,098	**3,351**

15. Tax liabilities

in € thousand	as at 01.01.2014	Utilisation	Reversal	Addition	as at 31.12.2014
Income taxes	496	423	0	180	253
Real estate transfer tax	540	206	0	0	334
Real property tax	321	142	0	91	270
	1,357	**771**	**0**	**271**	**857**

16. Other provisions

in € thousand	as at 01.01.2014	Utilisation	Reversal	Addition	as at 31.12.2014
Maintenance and construction services already performed but not yet invoiced	2,854	2,409	232	3,104	3,317
Fees	2	2	0	1,782	1,782
Other	3,948	2,572	209	3,533	4,700
	6,804	**4,983**	**441**	**8,419**	**9,799**

Other provisions contain the present value (€1,777 thousand) of a long-term incentive plan which was contractually agreed between the Executive Board and employees of Deutsche EuroShop AG with effect from 1 July 2010. The term is five years, and the plan is based on the performance of the Company's market capitalisation up to 30 June 2015. Please also refer to the details in the remuneration report, which is part of the management report.

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

17. Other current liabilities

in € thousand	31.12.2014	31.12.2013
Value added tax	3,977	2,414
Rental deposits	970	1,001
Service contract liabilities	4	1,045
Debtors with credit balances	1,139	685
Other	6,644	9,489
	12,734	**14,634**

Other mainly comprises liabilities for heating and ancillary costs, prepaid rent for the following year and tax payments made at the beginning of 2015.

18. Other non-current liabilities

in € thousand	31.12.2014	31.12.2013
Interest rate swaps	58,431	40,481
Other	508	615
	58,939	**41,096**

In connection with borrowing, interest rate hedges (interest rate swaps) were concluded to hedge against higher capital market interest rates. Their present value totalled €58,431 thousand as at the reporting date.

Liabilities

in € thousand	Total	Current	Non-current
Financial liabilities	1,430,085 (1,486,759)	55,282 (97,207)	1,374,803 (1,389,552)
Trade payables	1,098 (3,351)	1,098 (3,351)	0 (0)
Tax liabilities	857 (1,257)	857 (1,257)	0 (0)
Other liabilities	71,673 (55,730)	12,734 (14,634)	58,939 (41,096)
of which taxes	4,440 (4,080)	4,440 (4,080)	0 (0)
Previous year's figure in brackets	**1,503,713** (1,547,097)	**69,971** (116,449)	**1,433,742** (1,430,648)

Notes to the consolidated income statement

19. Revenue

in € thousand	2014	2013
Minimum rental income	197,993	185,818
Turnover rental income	1,682	1,591
Other	1,110	578
	200,785	**187,987**
of which directly attributable rental income in accordance with IAS 40 Investment Properties	200,785	187,987

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

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

in € thousand	2014	2013
Maturity within 1 year	197,369	194,474
Maturity from 1 to 5 years	620,569	635,747
Maturity after 5 years	325,547	366,143
	1,143,485	**1,196,364**

20. Property operating costs

in € thousand	2014	2013
Center marketing	-2,735	-2,636
Operating costs that cannot be passed on	-1,873	-2,297
Maintenance and repairs	-1,942	-1,462
Real property tax	-689	-651
Insurance	-314	-312
Write-downs of rent receivables	-739	-583
Other	-770	-511
	-9,062	**-8,452**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	-9,062	-8,452

21. Property management costs

in € thousand	2014	2013
Center management / agency agreement costs	**-9,922**	**-9,323**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	-9,922	-9,323

22. Other operating income

in € thousand	2014	2013
Income from the reversal of provisions	441	1,059
Exchange rate gains	34	231
Other	1,414	1,547
	1,889	**2,837**

23. Other operating expenses

in € thousand	2014	2013
Personnel expenses	-2,466	-2,153
Legal, consulting and audit expenses	-1,401	-1,238
Marketing costs	-436	-363
Exchange rate losses	-318	-331
Supervisory Board compensation	-312	-312
Appraisal costs	-299	-277
Write-downs	-76	-65
Real estate transfer tax	0	-22
Other	-876	-2,524
	-6,184	**-7,285**

Legal and consulting costs and audit expenses include €286 thousand (€293 thousand) in fees for the audit of Group companies.

24. Income from investments

in € thousand	2014	2013
Income from investments	1	16,688

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

25. Share of the profit or loss of associates and joint ventures accounted for using the equity method

in € thousand	2014	2013
Profit / loss from equity-accounted associates	35,129	27,024

Profit / losses of joint ventures and associates in which Deutsche EuroShop AG together with third parties has a majority of the voting rights. These are five shopping center companies and four smaller property companies.

26. Profit / loss attributable to limited partners

in € thousand	2014	2013
Profit / loss attributable to limited partners	-16,117	-15,939

27. Valuation gains / losses

in € thousand	2014	2013
Unrealised changes in fair value	88,302	60,538
Profit / loss attributable to limited partners	-11,316	-4,492
Ancillary acquisition costs	0	-64
	76,986	**55,982**

28. Income taxes

in € thousand	2014	2013
Current tax expense	-5,442	-2,362
Domestic deferred tax expense	-27,926	-11,636
Foreign deferred tax expense	-3,879	-2,572
	-37,247	**-16,570**

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 2014, a corporate tax rate of 15% was used for the companies in Germany. In addition, a solidarity surcharge of 5.5% on the calculated corporation tax and, in part, 16.45% in trade tax were recognised.

The respective local tax rates were applied for foreign companies.

Taxes on income and earnings include the reversal of €7.2 million (previous year: €12.6 million) in deferred trade tax liabilities which had been formed in previous years.

Tax reconciliation

Income taxes in the amount of €-37,247 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	2014	2013
Consolidated profit before income tax	**214,673**	**187,613**
Theoretical income tax 32.28%	**-69,296**	**-60,561**
Tax rate differences for foreign Group companies	1,647	1,226
Tax rate differences for domestic Group companies	24,148	20,568
Tax-free income / non-deductible expenses	-589	4,705
Effect of tax rate changes	7,174	12,619
Aperiodic tax income	-381	4,843
Other	50	30
Current income tax	**-37,247**	**-16,570**

After fulfilling the requirements of the extended trade tax reduction for one more property company, a portion of the trade tax provisions built up during previous years in the amount of €7,174 thousand could be released.

In financial year 2014, the effective income tax rate was 20.5%. This figure does not include the effect from tax rates changes and the aperiodic tax income amounting to €6,793 thousand.

29. Notes to the consolidated cash flow statement

Notes to the consolidated cash flow statement

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

Composition of cash and cash equivalents

in € thousand	31.12.2014	31.12.2013
Cash and cash equivalents	58,284	40,810

Operating cash flow

After adjustment of the annual profit for non-cash income and expenses, operating cash flow was €133,304 thousand. All changes to cash flows from net finance costs are allocated to operating activities.

Cash flow from operating activities

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

Cash outflows from operating activities includes, among others:

- interest income of €0.3 million (previous year: €0.4 million)
- interest expense of €56.8 million (previous year: €56.1 million)
- income taxes paid of €2.1 million (previous year: €1.8 million)
- net allocations to provisions of €8.0 million (previous year: €4.8 million)

Cash flow from investing activities

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

€34.2 million flowed into the company from the disposal of property in Poland from the previous year.

In the year under review, investments totalling €9.7 million were made in the portfolio properties. In addition, investments in operating and office equipment totalled €0.1 million.

Cash flow from financing activities

Moreover, loan reductions resulted in a cash outflow in the amount of €58.4 million.

Payments to third-party shareholders include the distributions paid of €14.0 million.

In financial year 2014, a dividend of €67.4 million was paid to the shareholders.

Segment reporting

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

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

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

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

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

Breakdown by geographical segment

in € thousand	Domestic	International	Reconciliation	Total
Revenue	**185,939**	**14,846**	**0**	**200,785**
(previous year's figures)	(173,282)	(14,705)	(0)	(187,987)

in € thousand	Domestic	International	Reconciliation	Total
EBIT	**168,598**	**13,093**	**-4,185**	**177,506**
(previous year's figures)	(156,577)	(13,435)	(-4,248)	(165,764)

in € thousand	Domestic	International	Reconciliation	Total
Net interest income	**-50,685**	**-3,729**	**-3,808**	**-58,222**
(previous year's figures)	(-49,587)	(-3,834)	(-3,958)	(-57,379)

in € thousand	Domestic	International	Reconciliation	Total
Earnings before tax (EBT)	**181,069**	**10,390**	**23,214**	**214,673**
(previous year's figures)	(155,064)	(7,142)	(25,407)	(187,613)

Profits and losses for equity-accounted companies in the amount of €35,129 thousand are primarily disclosed in the reconciliation statement, of which €25,462 thousand are domestic profits and losses and €9,667 thousand international profits and losses.

in € thousand	Domestic	International	Total
Segment assets	**3,262,622**	**229,536**	**3,492,158**
(previous year's figures)	(3,172,348)	(222,515)	(3,394,863)
of which investment properties	**2,838,839**	**221,340**	**3,060,179**
(previous year's figures)	(2,746,320)	(215,843)	(2,962,163)

City-Arkaden, Klagenfurt, Austria

City-Point, Kassel

Other disclosures

30. Financial instruments and risk management

CARRYING AMOUNTS, VALUATIONS AND FAIR VALUES ACCORDING TO MEASUREMENT CATEGORY

in € thousand	Measurement category pursuant to IAS 39	Balance sheet amount in line with IAS 39											
		Carrying amount 31.12.2014	Amortised cost	Costs	Fair value recognised in equity	Fair value recognised in income	**Fair Value 31.12.2014**	Carrying amount 31.12.2013	Amortised cost	Costs	Fair value recognised in equity	Fair value recognised in income	Fair value 31.12.2013
Financial assets													
Non-current financial assets **	AfS	266		273	-7		266	34,519		34,519			34,519
Trade receivables *	LaR	4,510	4,510				4,510	5,595	5,595				5,595
Other assets *	LaR	4,299	4,092		207		4,299	1,587	1,228		359		1,587
Other financial investments *	HtM	0					0	3,000	3,000				3,000
Cash and cash equivalents *	LaR	58,284	58,284				58,284	40,810	40,810				40,810
Financial liabilities													
Financial liabilities *	FLAC	1,430,085	1,430,085				1,545,747	1,486,759	1,486,759				1,540,073
Right to redeem of limited partners *	FLAC	226,849	226,849				226,849	213,422	213,422				213,422
Trade payables *	FLAC	1,098	1,098				1,098	3,351	3,351				3,351
Other liabilities *	FLAC	6,602	6,602				6,602	8,508	8,508				8,508
Interest rate hedges not recognised in profit or loss *	FLAC	48,347			48,347		48,347	31,007			31,007		31,007
Interest rate hedges recognised in profit or loss **	FVTPL	10,084				10,084	10,084	9,474				9,474	9,474
Aggregated according to measurement category pursuant to IAS 39:													
Loans and receivables (LaR)		67,093	66,886		207		67,093	47,992	47,633		359		47,992
Held to maturity (HtM)		0					0	3,000	3,000				3,000
Available for sale (AfS)		266		273	-7		266	34,519	0	34,519	0		34,519
Financial liabilities measured at amortised cost (FLAC)		1,712,981	1,664,634		48,347		1,828,643	1,743,047	1,712,040		31,007		1,796,361
Financial liabilities measured at fair value in income (FVTPL)		10,084				10,084	10,084	9,474				9,474	9,474

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

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

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

The long-term financial liabilities include obligations from convertible bonds that are measured at amortised cost using the effective interest rate method. Interest expense incurred amounted to €3,458 thousand (previous year: €3,363 thousand) and is recognised in net finance costs.

Bank loans and overdrafts have short and long-term durations and are recognised at amortised cost. The fair value for Group loans is given in the notes under item 12 Financial liabilities. In total, interest expense of €58,570 thousand (previous year: €57,827 thousand) is included in net finance costs.

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

Interest on financial instruments, not recognised in profit or loss, is reported as interest income or interest expense. Changes in the value of financial liabilities measured at fair value in profit or loss are reported under Other financial expenses (€610 thousand).

The fair value of the liabilities listed above in level 2 was calculated in accordance with generally accepted valuation methods based on the discounted cash flow method. The interest and market price parameters applicable on the reporting date were applied.

The profit / loss share of third-party shareholders of €16,117 thousand (previous year: €15,939 thousand) is included in net finance costs.

Impairment charges on receivables (€739 thousand) are recognised in the property operating costs.

Risk management

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

Market risks

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

The contractually agreed future interest and principle repayments of the original financial liabilities and derivative financial instruments are as follows at 31 December 2014:

in € thousand	Carrying amount 31.12.2014	Cashf lows 2015	Cash flows 2016 – 2019	Cash flows from 2020
Convertible bond	95,264	1,750	103,303	0
Bank loans and overdrafts	1,334,821	170,426	654,220	834,482

The amounts relate to all contractual commitments existing on the balance sheet date. The majority of the trade payables and other financial liabilities reported at the end of the financial year will fall due in 2014.

Credit and default risk
There are no significant credit risks in the Group. The trade receivables reported on the reporting date were predominantly paid up to the date of preparation of the financial statements. During the reporting year, write-downs of rent receivables of €739 thousand (previous year: €583 thousand) were recognised under property operating costs.

The maximum default risk in relation to trade receivables and other assets totalled €13,662 thousand (previous year: €12,043 thousand) on the reporting date.

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

A 25 basis points change in a material parameter of real estate appraisals would have the following pre-tax impact on measurement gains / losses:

in € million	Basis	-0.25%	+0.25%
Rate of rent increases	1.70%	-117.5	123.0
Discount rate	6.44%	107.7	-102.6
Cost ratio	11.00%	10.3	-10.3

Interest rate risk
A sensitivity analysis was implemented to determine the effect of potential interest rate changes. Based on the financial assets and liabilities subject to interest rate risk on the balance sheet date, this shows the effect of a change on the Group's equity. Interest rate risks arose on the balance sheet date only for credit borrowed and the associated interest rate hedges. An increase in the market interest rate of 100 basis points would lead to an increase in equity of €17,550 thousand (previous year: €17,444 thousand). The majority of the loan liabilities have fixed interest terms. On the reporting date, loans totalling €210,111 thousand (previous year: €215,500 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	**31.12.2014**	31.12.2013
Equity	**1,751,191**	**1,642,371**
Equity ratio (%)	50.1	48.4
Net financial debt	**1,371,801**	**1,445,949**

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

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

31. Investments accounted for using the equity method

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

The joint ventures material to the overall Group posted the following asset and liability items and income items for the reporting year:

in € thousand	Allee-Center Magdeburg KG, Hamburg		Stadt-Galerie Passau KG, Hamburg		Immobilienkommanditgesellschaft FEZ Harburg, Hamburg		EKZ Eins Errichtungs- und Betriebs Ges. m.b.H. & Co. OG, Vienna*		Einkaufs-Center Arkaden Pécs KG, Hamburg	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Non-current assets	246,400	241,560	147,100	142,100	206,263	192,530	187,310	180,720	77,540	74,120
Current assets	1,324	932	373	304	1,171	584	493	403	284	561
Cash and cash equivalents	1,206	1,253	1,293	962	2,067	1,905	1,093	1,174	1,806	1,853
Non-current liabilities	0	0	0	0	107,981	107,444	91,831	91,898	29,641	31,662
Current liabilities	971	628	593	309	4,528	2,106	817	735	1,875	2,009
Revenue	16,041	15,891	9,535	9,250	12,437	12,288	11,990	11,779	7,061	6,974
Net interest income	4	4	0	0	-5,694	-5,759	-5,200	-5,201	-1,765	-1,864
Net profit	19,067	15,000	13,705	9,007	11,346	5,649	12,473	10,855	6,860	4,135
Other income	0	0	0	0	0	0	0	0	0	0
Total profit	**19,067**	**15,000**	**13,705**	**9,007**	**11,346**	**5,649**	**12,473**	**10,855**	**6,860**	**4,135**

* Includes the figures for the immaterial joint venture CAK City Arkaden Klagenfurt KG, Hamburg. The equity method valuation amounted to €895 thousand (previous year: €859 thousand) and the net loss €38 thousand (previous year: -€38 thousand).

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

in € thousand	Allee-Center Magdeburg KG, Hamburg	Stadt-Galerie Passau KG, Hamburg	Immobilien-kommandit-gesellschaft FEZ Harburg, Hamburg	EKZ Eins Errichtungs- und Betriebs Ges. m.b.H. & Co. OG, Vienna	Einkaufs-Center Arkaden Pécs KG, Hamburg
Equity method valuation as at 01.01.2014	121,558	107,293	42,735	45,262	21,431
Net profit	9,534	10,278	5,673	6,237	3,430
Dividend	-7,112	-6,442	-312	-2,927	-908
Equity method valuation as at 31.12.2014	**123,980**	**111,129**	**48,096**	**48,572**	**23,953**

In addition, small property companies in which Deutsche EuroShop indirectly or directly has an interest are part of the Group. Deutsche EuroShop exercises a controlling influence over these companies together with other shareholders. However, they are negligible for the assets, financial and earnings position of the Group.

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

in € thousand	31.12.2014	31.12.2013
Equity method valuation	3,628	3,651
Annual profit / total profit	-23	429

32. Earnings per share

	2014	2013
Group shareholders' portion of profits / losses (€ thousand)	177,426	171,043
Weighted number of no-par value shares issued	53,945,536	53,945,536
Basic earnings per share (€)	**3.29**	**3.17**
Group shareholders' portion of profits / losses (€ thousand)	177,426	171,043
Adjustment of interest expense for the convertible bond (€ thousand)	2,152	2,277
Profits / losses used to calculate the diluted earnings per share (€ thousand)	179,578	173,320
Weighted number of no-par value shares issued	53,945,536	53,945,536
Weighted adjustment of potentially convertible no-par value shares	3,014,439	2,909,710
Average weighted number of shares used to determine the diluted earnings per share	56,959,975	56,855,246
Diluted earnings per share (€)	**3.15**	**3.05**

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

Diluted earnings per share:
The diluted earnings are calculated by taking the average number of shares outstanding and adding the number of warrants granted in connection with the convertible bond. 3.1 million warrants existed during the year under review. Due to the fact that the convertible bond was issued mid-year, the warrants issued in connection with the convertible bond were recognised on a pro rata basis in 2012. It is anticipated that the convertible bonds will be exchanged for shares in full. The profits / losses will be adjusted accordingly for interest expense and tax effects.

Other financial obligations

There are other financial obligations of €68.0 million arising from service contracts (previous year: €81.7 million).

There are financial obligations of €11.5 million which will arise in 2015 in connection with investment measures in our shopping centers.

Other disclosures

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

Events after the balance sheet date

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

Related parties for the purposes of IAS 24

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

Fees for service contracts with the ECE Group totalled €15,931 thousand (previous year: €15,561 thousand). This amount was partially offset by income from lease agreements with the ECE Group in the amount of €6,573 thousand (previous year: €5,655 thousand). Receivables from ECE were €2,885 thousand, while liabilities were €249 thousand.

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

Hamburg, 16 April 2015

Deutsche EuroShop AG
The Executive Board

Claus-Matthias Böge Olaf Borkers Wilhelm Wellner

The Supervisory Board and Executive Board

Supervisory Board

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

Manfred Zaß, Königstein / Ts., Chairman
Banker

Dr. Michael Gellen, Cologne, Deputy Chairman (until 18 June 2014)
Independent lawyer

Reiner Strecker, Deputy Chairman (since 18 June 2014)
Managing Partner of Vorwerk & Co. KG, Wuppertal
b) akf Bank GmbH & Co. KG, Wuppertal

Thomas Armbrust, Reinbek
Member of Management of CURA Vermögensverwaltung G.m.b.H., Hamburg
a) C.J. Vogel Aktiengesellschaft für Beteiligungen, Hamburg (Chairman)
Platinum AG, Hamburg (Chairman)
TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich (Chairman)
Verwaltungsgesellschaft Otto mbH, Hamburg
Paramount Group Inc. New York, NY / USA (since 14 April 2014)
b) ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Chairman)

Beate Bell, Cologne (since 18 June 2014)
Head of Corporate Integrated Governance, Risk & Compliance at Metro AG, Dusseldorf

Manuela Better, Munich (since 18 June 2014)
Managing Director of Dr Ingrid Better Vermögensverwaltung GmbH & Co KG, Munich
a) AXA Konzern AG, Cologne (since 27 May 2014)
Deutsche Annington Immobilien SE, Bochum (since 21 August 2014)

Karin Dohm, Kronberg / Ts.
Chief Financial Officer Global Transaction Banking, Deutsche Bank AG, Frankfurt am Main (since 1 January 2015)
b) Deutsche Bank Luxembourg S.A.

Dr. Henning Kreke, Hagen
Chairman of the Board of Douglas Holding AG, Hagen / Westphalia

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

Alexander Otto, Hamburg
CEO of Verwaltung ECE Projektmanagement G.m.b.H., Hamburg
a) Verwaltungsgesellschaft Otto mbH, Hamburg
b) Peek & Cloppenburg KG, Dusseldorf
Sonae Sierra Brasil S.A., Sao Paulo / Brazil (since 29 April 2014)

Dr. Bernd Thiemann, Münster (until 18 June 2014)
Management consultant
a) Deutsche Pfandbriefbank AG, Unterschleißheim (Chairman, until 26 August 2014)
VHV Lebensversicherung AG, Hanover
Hypo Real Estate Holding AG, Unterschleißheim (Chairman, until 26 August 2014)
Wave Management AG, Hanover (Chairman)
IVG Immobilien AG, Bonn (until 26 August 2014)
M.M. Warburg & Co. KG aA, Hamburg (Deputy Chairman)
Hannoversche Direktversicherung AG, Hanover
b) Würth Finance International B.V., Amsterdam

Executive Board

Claus-Matthias Böge, Hamburg
Executive Board Spokesman
a) Bijou Brigitte modische Accessoires AG, Hamburg (Deputy Chairman)

Olaf G. Borkers, Hamburg
Member of the Executive Board

Wilhelm Wellner, Hamburg
Member of the Executive Board (since 1 February 2015)

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

The remuneration of the Executive Board totalled €1,237 thousand (previous year: €1,237 thousand), which includes performance-related compensation in the amount of €689 thousand (previous year: €677 thousand). This remuneration is due in the short term.

€481 thousand (previous year: €306 thousand) was allocated to the provision for the Executive Board's long-term incentive plan (LTI-share-based payment). Accrued interest was €27 thousand.

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

Corporate governance

The Declaration of Conformity with the German Corporate Governance Code required by section 161 of the Aktiengesetz (AktG – German Public Companies Act) has been issued jointly by the Supervisory Board and the Executive Board, and was made available to shareholders via publication on the Internet in November 2014.

Other disclosures

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

Shareholder	Shareholding report as at	Event (in %)	New voting rights share %	of which own holdings %	of which indirectly attributable %
Benjamin Otto, Hamburg	02.04.2002	... exceeds threshold (5)	7.74	0.00	7.74
Bravo-Alpha Beteiligungs G.m.b.H, Hamburg	02.04.2002	... exceeds threshold (5)	7.74	3.71	4.03
Gemeinnützige Hertie-Stiftung, Frankfurt	15.08.2011	...exceeds threshold (3)	3.02	3.02	0.00
Alexander Otto, Hamburg	14.11.2012	... falls below threshold (10)	9.57	0.65	8.92
Credit Suisse Group AG, Zurich, Switzerland	13.06.2014	... exceeds threshold (3)	3.20	0.00	3.20
Credit Suisse AG, Zurich, Switzerland	13.06.2014	... exceeds threshold (3)	3.20	0.27	2.93
Credit Suisse Group AG, Zurich, Switzerland	18.06.2014	... falls below threshold (3)	2.93	0.00	2.93
Credit Suisse AG, Zurich, Switzerland	18.06.2014	... falls below threshold (3)	2.93	0.27	2.66
Credit Suisse Group AG, Zurich, Switzerland	20.06.2014	... exceeds threshold (3)	3.05	0.00	3.05
Credit Suisse AG, Zurich, Switzerland	20.06.2014	... exceeds threshold (3)	3.05	0.27	2.78
Credit Suisse Group AG, Zurich, Switzerland	23.06.2014	... falls below threshold (3)	0.28	0.00	0.28
Credit Suisse AG, Zurich, Switzerland	23.06.2014	... falls below threshold (3)	0.28	0.27	0.01
BlackRock Group Limited, London, United Kingdom	07.08.2014	... falls below threshold (3)	2.97	0.00	2.97
BlackRock Group Limited, London, United Kingdom	11.09.2014	... exceeds threshold (3)	3.04	0.00	3.04
BlackRock Group Limited, London, United Kingdom	19.09.2014	... falls below threshold (3)	2.99	0.00	2.99
BlackRock Advisors Holdings, Inc., New York, United States of America	23.09.2014	... falls below threshold (3)	2.94	0.00	2.94
BlackRock International Holdings, Inc., New York, New York, United States of America	23.09.2014	... falls below threshold (3)	2.94	0.00	2.94
BR Jersey International Holdings, L.P., St. Helier, Jersey, Channel Islands	23.09.2014	... falls below threshold (3)	2.94	0.00	2.94
BlackRock, Inc., New York, NY, United States of America	25.09.2014	... exceeds threshold (3)	4.07	0.00	4.07
BlackRock Holdco 2. Inc., Wilmington, DE, United States of America	25.09.2014	... exceeds threshold (3)	4.07	0.00	4.07
BlackRock Financial Management, Inc. , New York, NY, United States of America	25.09.2014	... exceeds threshold (3)	4.07	0.00	4.07

The total fees charged by the auditors of the consolidated financial statements for the 2014 financial year amounted to €290 thousand (previous year: €310 thousand), of which €286 thousand (previous year: €328 thousand) related to auditing services. Other audit-related services were provided by the auditor in the amount of €4 thousand.

Shareholdings

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 (2) NOS. 1 TO 4 OF THE HANDELSGESETZBUCH (HGB – GERMAN COMMERCIAL CODE) AS AT 31 DECEMBER 2014:

Company name and domicile	Interest in equity	of which indirect	of which direct	Equity as at 31.12.2014	HGB results 2014
Fully consolidated companies:				**in €**	**in €**
DES Verwaltung GmbH, Hamburg	100.00%	–	100.00%	27,697,878.61	3,856,845.51
DES Management GmbH, Hamburg	100.00%	–	100.00%	53,601.50	28,601.50
DES Shoppingcenter GmbH & Co. KG, Hamburg	100.00%	–	100.00%	400,580,486.24	23,093,543.84
A10 Center Wildau GmbH, Hamburg	100.00%		100.00%	81,216,955.27	3,477,099.27
Objekt City-Point Kassel GmbH & Co. KG, Pullach	100.00%	100.00%	–	-25,875,840.17	2,744,715.59
Stadt-Galerie Hameln GmbH & Co. KG, Hamburg	100.00%	–	100.00%	25,635,584.76	4,927,252.98
Altmarkt-Galerie Dresden KG, Hamburg	100.00%	–	100.00%	34,817,216.50	7,911,666.67
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co.KG, Hamburg	74.00%	–	74.00%	40,560,987.30	5,274,785.58
Forum Wetzlar KG, Hamburg	65.00%	–	65.00%	9,384,662.76	2,667,822.88
Main-Taunus-Zentrum KG, Hamburg	52.01%		52.01%	-97,163,398.77	18,100,975.86
				in PLN	**in PLN**
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Sp. kom., Warsaw, Poland	99.99%	99.99%	–	617,145,482.62	74,776,844.91
CASPIA Investments Sp. z o.o., Warsaw, Poland	100.00%	100.00%	–	20,583,471.02	-294,961.47
Joint operations:				**in €**	**in €**
Stadt-Galerie Passau KG, Hamburg	75.00%	–	75.00%	109,854,636.12	5,657,490.76
Allee-Center Magdeburg KG, Hamburg	50.00%	–	50.00%	68,816,739.76	10,595,537.32
Immobilienkommanditgesellschaft FEZ Harburg, Hamburg	50.00%	–	50.00%	-22,070,555.62	-2,248,732.89
CAK City Arkaden Klagenfurt KG, Hamburg	50.00%	–	50.00%	458,828.24	1,564,596.67
EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OG, Vienna	50.00%	50.00%	–	-8,935,498.18	1,602,377.23
Einkaufs-Center Arkaden Pécs KG, Hamburg	50.00%	–	50.00%	23,017,377.27	1,769,065.39
Associates:				**in €**	**in €**
Kommanditgesellschaft Sechzehnte ALBA Grundstücksgesellschaft mbH & Co., Hamburg	50.00%	50.00%		1,801,956.77	-30,175.96
EKZ Vier Errichtungs- und Betriebs Ges.m.b.H., Vienna	50.00%	50.00%		776,708.22	23,893.94
Kommanditgesellschaft PANTA Fünfundsiebzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%		247,565.08	-1,995,572.52
Kommanditgesellschaft PANTA Dreiunddreißigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%		5,665,342.46	2,871,886.84
City-Point Beteiligungs GmbH, Pullach	40.00%	–	40.00%	28,052.54	2,487.94
Investees:				**in €**	**in €**
Ilwro Holding B.V., Amsterdam, Netherlands	33.00%		33.00%	799,173.00	-6,757.00

Auditor's report

We have audited the consolidated financial statements – comprising the balance sheet, statement of comprehensive income, income statement, statement of changes in equity, cash flow statement and the notes – and the group management report prepared by Deutsche EuroShop AG, Hamburg, for the financial year from 1. Januar 2014 to 31. Dezember 2014. The preparation of the consolidated finan-cial statements and the group management report in accordance with IFRS as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

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

Our audit has not led to any reservations.

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

Hamburg, 16 April 2015

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Hyckel
Auditor

signed Glaser
Auditor

Responsibility statement by the Executive board

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

Hamburg, 16 April 2015

Claus-Matthias Böge Olaf Borkers Wilhelm Wellner

Multi-year overview

in € millions	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012 [5]	2013 [5]	2014 [5]
Revenue	57.9	61.4	72.1	92.9	95.8	115.3	127.6	144.2	190.0	178.2	188.0	200.8
EBIT	39.5	49.8	57.5	86.3	78.5	98.1	110.7	124.0	165.7	151.6	165.8	177.5
Net finance costs	-17.8	-19.2	-39.3	-41.0	-39.6	-49.4	-55.9	-60.2	-79.1	-62.1	-34.1	-39.8
Measurement gains / losses	5.6	8.0	40.0	68.8	39.0	38.3	-14.8	33.1	50.1	13.9	56.0	77.0
EBT	27.3	38.6	68.1	117.7	77.8	87.0	40.1	97.0	136.7	103.4	187.6	214.7
Consolidated profit	19.0	27.7	48.7	100.3	94.2	68.9	34.4	-7.8	99.0	122.5	171.0	177.4
FFO per share (€)	0.82	0.86	0.97	1.08	1.12	1.38	1.40	1.35	1.61	1.68	2.08	2.23
Earnings per share (€) [1]	0.61	0.89	1.55	2.92	2.74	1.96	0.88	-0.17	1.92	2.36	3.17	3.29
Equity [2]	695.3	684.4	787.4	897.9	974.0	977.8	1,044.4	1,441.5	1,473.1	1,606.1	1,642.4	1,751.2
Liabilities	545.2	685.8	756.1	898.3	1,002.3	1,029.1	1,067.8	1,522.1	1,752.0	1,741.5	1,752.5	1,741.0
Total assets	1,240.5	1,370.2	1,543.6	1,796.2	1,976.3	2,006.8	2,112.1	2,963.6	3,225.1	3,347.6	3,394.9	3,492.2
Equity ratio (%) [2]	56.1	49.9	51.0	50.0	49.3	48.7	49.5	48.6	45.7	48.0	48.4	50.1
Gearing (%) [2]	78	100	96	100	103	105	102	106	119	108	107	99.0
Cash and cash equivalents	102.0	150.3	197.2	94.2	109.0	41.7	81.9	65.8	64.4	161.0	40.8	58.3
Net asset value [3]	682.5	686.8	794.5	877.4	925.1	942.8	1,006.9	1,361.1	1,427.3	1538,9	1,650.4	1,789.4
Net asset value per share (€) [3]	21.84	21.98	23.11	25.53	26.91	27.43	26.63	26.36	27.64	28,53	30.59	33.17
Dividend per share (€)	0.96	0.96	1.00	1.05	1.05	1.05	1.05	1.10	1.10	1,20	1.25	1.30 [4]

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

QUATERLY FIGURES

in € millions	Q1 / 2014	Q2 / 2014	Q3 / 2014	Q4 / 2014
Revenue	50.0	49.7	50.0	51.1
EBIT	44.2	44.1	43.9	45.3
Net finance costs	-13.8	-14.2	-13.7	1.9
Measurement gains / losses	-1.1	-1.8	-1.5	81.4
EBT	29.3	28.1	28.7	128.6
Consolidated profit	22.6	23.8	23.1	107.9
EPS (€) [1]	0.42	0.44	0.43	2.00

[1] undiluted

Glossary

Adverstising value equivalence
Index number for the assessment of the monetary value of an editorial article. It is based on the advertising rate of the medium.

Annual financial statement
Under German (HGB) accounting principles, the annual financial statements consist of a company's balance sheet, profit and loss account, the notes to the financial statements and the management report. The annual financial statements of a public company are prepared by its executive board, audited by a certified public accountant (in Germany: Wirtschaftsprüfer) and adopted by the supervisory board.

Benchmark
A standard of comparison, e.g. an index which serves as a guideline.

Cash flow per share (CFPS)
The cash flow per share is calculated by dividing the cash flow by the number of shares issued by a company. The cash flow per share is taken as the basis for calculating the price/cash flow ratio.

Class of assets
Division of the capital and real estate market into different classes of assets or asset segments.

Consumer price index
Also called the cost-of-living index, this is calculated in Germany by the Federal Statistical Office on a monthly basis. The CPI is the most important statistical indicator of a change in prices; the price of a basket of goods during a given period is compared with the price of the same basket during the base year. This change is also known as the inflation rate.

Core
Designation of a real estate investment and / or individual properties as well as the name of an investment style. The term refers to the relationship between risk and return. Core designates mature, transparent, sufficiently large markets or high-quality, well-situated properties that are fully let on a long-term basis to tenants with strong credit ratings. Other return/risk categories are value-added and opportunistic.

Corporate governance
The rules for good, value-driven corporate management. The objective is to control the company's management and to create mechanisms to oblige executives to act in the interests of their shareholders.

Covenants
A clause in a loan agreement which pertains to and contractually defines the binding warranties to be adhered to by the borrower during the term of a loan.

Coverage
Information provided on a listed public company by banks and financial analysts in the form of studies and research
reports.

DAX
Germany's premier equity index. The composition of the DAX is established by Deutsche Börse AG on the basis of the share prices of the 30 largest German companies listed in the Prime Standard in terms of market capitalisation and market turnover.

Discounted-Cashflow-Modell (DCF)
Method for the assessment of companies which is used to determine the future payments surplusses and discount them to the valuation date.

Dividend
The share of the distributed net profit of a company to which a shareholder is entitled in line with the number of shares he or she holds.

EBIT
Earnings before interest and taxes.

EBT
Earnings before Taxes.

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

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

EPS
Earnings per Share.

Fair value
The Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

FERI-rating
Short for FERI real estate rating. A science-based system for the determination of an achievable sustained market value (criteria: predicted net earnings, taking into account the location's and property's attractiveness) and property rating (risk/return ratio).

Food Court
Catering area of a shopping center, in which different vendors sell food at stations about a common seating area.

Free cash flow
The surplus cash generated from operating activities recognised in the profit and loss account. This expresses a company's internal financing power, which can be used for investments, the repayment of debt, dividend payments and to meet funding requirements.

Funds from operations (FFO)
Cash flows from operating activities. DES-calculation: net income for the period adjusted for measurement gains/losses and deferred income tax expense.

Gearing
Ratio which shows the relationship between liabilities and equity.

Hedge accounting
Financial mapping of two or more financial instruments that hedge one another.

Ifo Business Climate Index
The ifo Business Climate Index is an important forward indicator for economic development in Germany. In order to calculate the index, the ifo Institute asks approximately 7.000 companies every month for their assessment of the economic situation and their short-term corporate planning.

Interest rate swap
Exchange of fixed and variable interest pay able on two nominal amounts of capital for a fixed period. By means of an interest rate swap, interest rate risks may be controlled actively.

International financial reporting standards (IFRS)
International Financial Reporting Standards are based on International Accounting Standards (IASs). Since 1 January 2005, listed companies have been required to apply IFRSs. IASs/IFRSs focus on the decision-usefulness of accounts. The key requirement with regard to the annual financial statements is fair presentation that is not qualified by aspects of prudence or risk provision.

Loan to value
Ratio that ex-presses the amount of a mortgage as a percentage of the market value of real property.

Mall
Row of shops in a shopping center.

Market capitalisation
The current quoted price for a share multiplied by the number of shares listed on the stock.

MDAX
German mid-cap index comprising the 50 most important securities after the DAX members. exchange. Market capitalisation is calculated for individual companies, sectors, and entire stock markets, thus enabling comparisons between them.

Multi channeling
Using a combination of online and offline communication tools in marketing.

Net asset value (NAV)
The value of an asset after deduction of liabilities. With regard to shares, the NAV constitutes their intrinsic value. The net net asset value (NNAV) is calculated by deducting deferred taxes from the NAV.

Peer-group
A share price performance benchmark consisting of companies from similar sectors, put together on the basis of individual criteria.

Performance
The term performance describes the percentage appreciation of an investment or a securities portfolio during a given period.

REIT
REIT stands for "Real Estate Investment Trust". REITs are listed real estate corporations that are exempt from tax at the company level. To qualify, a minimum of 75% of their income must come from real estate rental, leasing and sales and 90% of profits must be distributed to shareholders as dividends.

Retail space
Space in a building and/or an open area that is used for sales by a retail operation and that is accessible to customers. Service areas required for operational and legal purposes are not taken into account, nor are stairways or shop windows. The retail space is part of the leasable space of a business.

Roadshow
Corporate presentations to institutional in vestors.

Savings ratio
Share of savings of the income available in households.

Subprime. Mortgage loan to borrower with a low degree of creditworthiness.

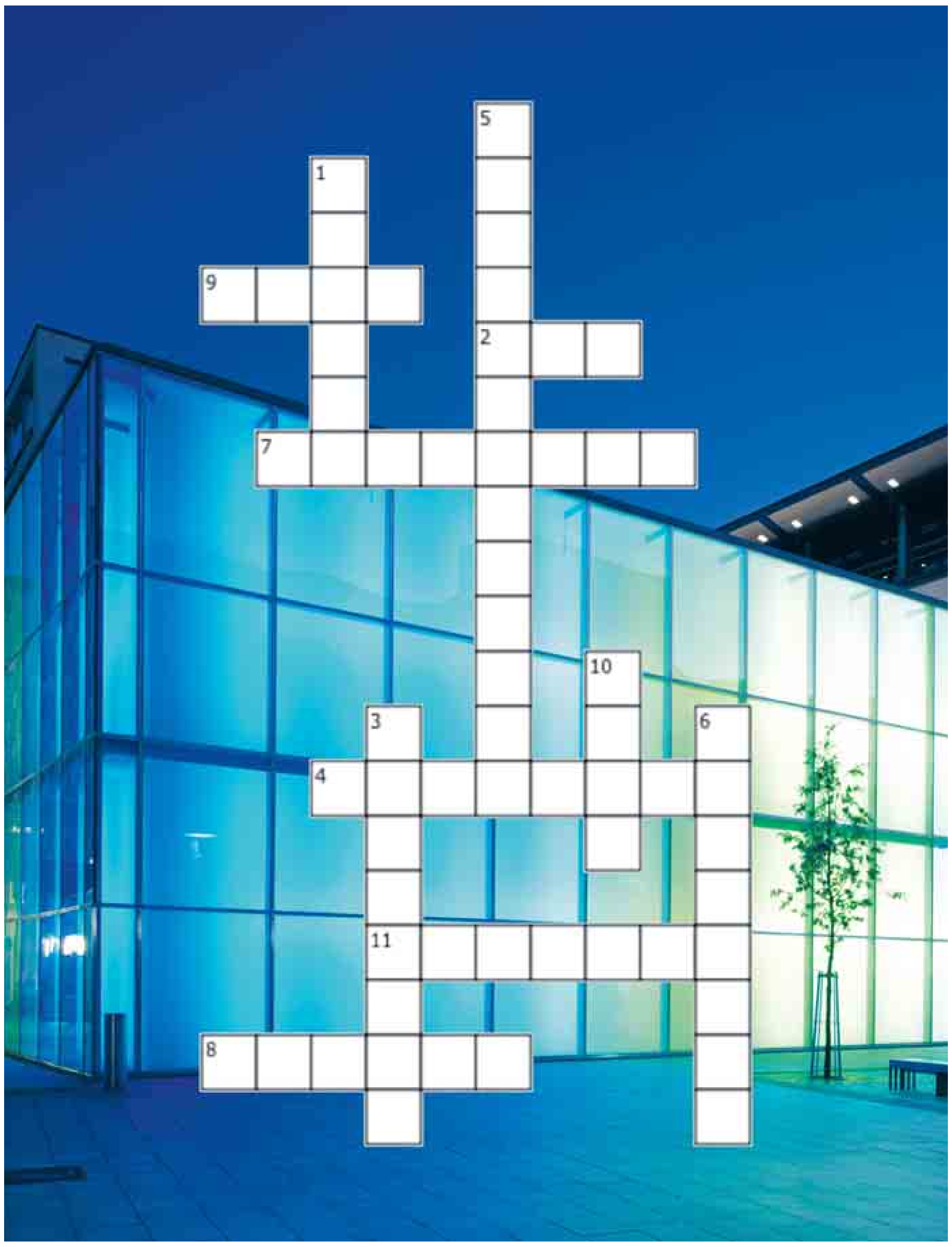
TecDAX
The successor to the NEMAX 50, comprising the 30 largest German listed technology securities in terms of market capitalisation and market turnover.

Volatility
Statistical measure for price fluctuations. The greater the fluctuations in the price of a security, the higher its volatility.

Xetra
An electronic stock ex-change trading system that, in contrast to floor trading, uses and open order book, thus increasing market transparency. The trading hours are currently 9,00 a.m. to 5,30 p.m.

Crossword

How well do you know DES?



01. Here you will find our biggest center
02. Our partner for the center management
03. Distribution to the shareholder
04. Leading optical chain in Germany
05. District of Hamburg were DES is based
06. Stockholder
07. Town in the Taunus
08. Tricity at the Polish Baltic Sea
09. Concourse
10. Mid-cap index
11. Germany perfumery chain

Financial calendar 2015

All the key dates at a glance

08.–09.01.
Oddo European Midcap Forum, Lyon
14.01.
J.P. Morgan Cazenove European Real Estate CEO Conference, London
20.01.
UniCredit Kepler Cheuvreux German Corporate Conference, Frankfurt
05.03.–06.03
Kempen European Property Seminar, New York
18.03.
Preliminary results FY 2014
21.03.
SdK Aktienforum, Munich
26.03.
Bank of America Merrill Lynch European Real Estate Conference, London
30.03.
Roadshow Brussels, DZ Bank
30.03.
Roadshow Frankfurt, Bankhaus Metzler
31.03.
Roadshow Zurich, M.M. Warburg
31.03.
Roadshow Paris, Société Générale
16.04.
Audit Commitee meeting, Hamburg
17.04.
Bankhaus Lampe Deutschland Konferenz, Baden-Baden
24.04.
Supervisory Board meeting, Hamburg
29.04.
Publication of the Annual Report 2014
12.05.
Interim report Q1 2015
19.05.
Roadshow Munich, Baader Bank
19.05.
Berenberg European Conference USA, New York
20.05.–21.05.
Commerzbank German Mid Cap Investor Conference, Boston, New York
28.05.
Roadshow Milan, Lugano, Berenberg
29.05.
Société Générale Nice Conference, Nice
09.06.
Roadshow Warsaw, Dom Inwestycyjny Investors
10.06.
Roadshow Helsinki, Oddo Seydler
18.06.
Annual General Meeting, Hamburg
18.06.
Supervisory Board meeting, Hamburg
19.06.
Deutsche Bank dbAccess GSAC, Berlin
01.07.
UniCredit Kepler Cheuvreux German Property Day, Paris
13.08.
Interim report H1 2015
20.08.–21.08
Deutsche EuroShop Real Estate Summer, Gdansk
21.09.
Goldman Sachs & Berenberg German Conference, Munich
24.09.
Supervisory Board meeting, Hamburg
01.10.
Société Générale Real Estate Conference, London
02.10.
Roadshow Edinburgh, M.M. Warburg
28.10.–29.10.
Roadshow Vienna, Linz, Berenberg
12.11.
Nine-month report 2015
16.11.
DZ Bank Equity Conference, Frankfurt
16.11.
Roadshow Paris, Baader Bank
17.11.
Roadshow Zurich, Kepler Cheuvreux
27.11.
Supervisory Board meeting, Hamburg

Link

Our financial calendar is updated continuously. Please check our website for the latest events: www.deutsche-euroshop.com/ir

Last but not least

Disclaimer

Information on wording: Wherever any terms indicating the male gender only (he, him, etc.) have, in the interests of simplicity, been used in this Annual Report, such references should be construed as referring equally to the female gender. **Author contributions:** Sections of text bearing an author's name do not necessarily reflect the views of Deutsche EuroShop AG. The authors in question are responsible for the content of the texts. **Trademarks:** All trademarks and brand or product names mentioned in this Annual Report are the property of their respective owners. This applies in particular to DAX, MDAX, SDAX, TecDAX and Xetra, which are registered trademarks and the property of Deutsche Börse AG. **Rounding and rates of change:** ercentages 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), Interim Reports for the first, second and third quarters (in English and German). **Online Annual Report:** he 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.