Deutsche EuroShop

Letter from the Executive Board

DEAR SHAREHOLDERS, DEAR READERS,

For Deutsche EuroShop, the first six months of 2022 were good and remained stable in terms of operations. Like-for-like revenue grew by 0.7 % from €104.9 million to €105.7 million. At €84.1 million, net operating income (NOI) was 17.1 % above the previous year's level, while earnings before interest and taxes (EBIT) improved to €76.0 million. The main reason for this improvement was the waning influence as well as the after-effects of the corona pandemic, which had a particular impact in the first half of the previous year. This year, new negative factors have unfortunately emerged such as the war in Ukraine, increased supply chain problems and significantly rising inflation, all of which are weighing on the consumer climate.

As expected, customer footfall in the first half of 2022 was significantly better (+72 %) than the same half of the previous year, which saw long periods of lockdown. However, visitor numbers were still significantly lower (-24 %) compared to the first half of 2019, which was not affected by the pandemic. Our tenant revenue from January to May 2022 averaged about 89 % of the revenue during the same period in 2019. For the collection ratio, the ratio of incoming payments to rent and ancillary cost receivables from tenants, we again registered almost the usual normal level for agreed incoming payments (98 %).

Earnings before taxes and valuation gains / losses (EBT before valuation) increased by 16.1 % in the first half of the year to €64.7 million. Consolidated profit also increased significantly by 25.5 % to €46.2 million, and EPRA earnings also rose by 12.0 % to €60.8 million. Funds from operations (FFO) adjusted for measurement gains / losses and non-recurring effects were up €12.4 million up on the first half of the previous year to €66.7 million (+22.8 %), which equates to FFO per share of €1.08. Our balance sheet ratios are good – even after more than two years of the pandemic. The equity ratio was stable at 56.3 % and the loan-to-value (LTV) ratio was low at 29.0 %. Group liquidity as of the balance sheet date amounted to €377.8 million.

KEY CONSOLIDATED FIGURES

in € million	01.01.– 30.06.2022	01.01.– 30.06.2021	+ / -
Revenue	105.7	104.9	0.7 %
Net operating income (NOI)	84.1	71.9	17.1 %
EBIT	76.0	70.5	7.8 %
EBT (excluding measurement gains / losses [1])	64.7	55.7	16.1 %
EPRA [2] earnings	60.8	54.3	12.0 %
FFO	66.7	54.3	22.8 %
Consolidated profit	46.2	36.8	25.5 %

in €	01.01.– 30.06.2022	01.01.– 30.06.2021	+ / -
EPRA [2] earnings per share	0.98	0.88	11.4 %
FFO per share	1.08	0.88	22.7 %
Earnings per share	0.75	0.60	25.0 %
Weighted number of no-par-value shares issued	61,783,594	61,783,594	0.0 %

in € million	30.06.2022	31.12.2021	+ / -
Equity [3]	2,432.6	2,377.8	2.3 %
Liabilities	1,888.6	1,901.0	-0.7 %
Total assets	4,321.2	4,278.8	1.0 %
EPRA [2] NTA	2,427.1	2,374.4	2.2 %
EPRA [2] NTA per share in €	39.29	38.43	2.2 %
Equity ratio in % [3]	56.3	55.6	
LTV ratio in % [4]	29.0	30.5	
LTV ratio (pro rata) in % [4]	31.7	33.3	
Cash and cash equivalents	377.8	328.8	14.9 %

1 Including the share attributable to joint ventures and associates accounted for using the equity method
2 European Public Real Estate Association
3 Including third-party interests in equity
4 Loan-to-value ratio (LTV ratio): ratio of net financial liabilities (financial liabilities less cash and cash equivalents) to non-current assets (investment properties and financial investments accounted for using the equity method). The LTV ratio (pro rata) is calculated on the basis of the Group's share in the subsidiaries and joint ventures.

Main-Taunus-Zentrum, Sulzbach / Frankfurt

It is clear from these figures that our operating business is now gradually putting the pandemic behind it and is well positioned for the future. The same applies to the financing of the Company. We have already concluded all follow-up financing for 2022, and so will be able to reduce annual interest expenses by a further €0.5 million. The Company has already agreed a term sheet with a consortium of banks for €209 million of funding for the Main-Taunus-Zentrum, which is the only financing due in 2023. No additional follow-up financing is then due until September 2025.

An update on the portfolio: we recently published new investment plans for the Main-Taunus-Zentrum (MTZ), one of the largest and highest-turnover shopping centers in Germany. A new highlight is to be added to the MTZ, creating a new lively urban center with a high-quality and varied gastronomy and food offering. Five new freestanding restaurant buildings are to be built by 2024, some with covered terraces and some with open terraces, attractively landscaped outdoor areas and sophisticated architecture. The new “Foodgarden” will be built on an area of around 7,000 m² in the heart of the shopping center on the site of a former department store building.

At the Annual General Meeting to be held on 30 August 2022, the Executive Board and Supervisory Board have proposed the distribution of a dividend for financial year 2021 of just under €61.8 million, or €1.00 per share. We confirm our forecast for the year as a whole based on the first six months of 2022.

In July, Wilhelm Wellner and I reached an agreement with the Supervisory Board that following the takeover of Deutsche EuroShop by Oaktree and CURA, which has now been completed, we would no longer be available to continue working together as the Executive Board in the long term. After 17 exciting and enjoyable years serving Deutsche EuroShop with its small and effective team, I will bid you farewell on 30 September and would like to thank you for your trust. I wish the future Executive Board much success and wish you all the best and a lot of fun shopping!

Hamburg, August 2022

Olaf Borkers

BASIC INFORMATION ABOUT THE GROUP

TAKEOVER OFFER

On 23 May 2022, Deutsche EuroShop entered into an investment agreement with Hercules BidCo GmbH ("Bidder"), Munich, regarding a voluntary public takeover offer for the acquisition of all shares in Deutsche EuroShop AG not directly held by the Bidder against payment of a consideration. The takeover offer was published by the Bidder on 9 June 2022. The Executive Board and Supervisory Board support the takeover offer in their written statement of reasons published on 21 June 2022 (www.deutsche-euroshop.com / Takeover-Offer).

The acceptance period for the Bidder's offer to the shareholders of Deutsche EuroShop ended on 7 July 2022. On 8 July 2022, the Bidder announced that the predefined minimum acceptance threshold had been exceeded and that all other offer conditions had also been met. At the end of the final tender period (end of July), the Bidder directly and indirectly holds 84.38 % of the shares in Deutsche EuroShop AG.

The new majority shareholder has undertaken to provide strategic and financial support to the Executive Board in the further implementation of Deutsche EuroShop's business strategy. Furthermore, the Bidder supports Deutsche EuroShop's efforts to optimise its portfolio, among other things by streamlining the portfolio structure and upgrading the portfolio through the acquisition of investments in shopping centers which have so far been made jointly with co-partners. In addition, the Bidder intends to cooperate with the Executive Board and the Supervisory Board of Deutsche EuroShop with regard to the optimisation of its capital structure in order to increase its ability to pay dividends in the future and to increase Deutsche EuroShop's leverage ratio to 50 % to 60 %.

GROUP BUSINESS MODEL

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

The shopping centers are held by independent companies, with Deutsche EuroShop holding stakes of 100 % in twelve of them and between 50 % and 75 % in the other nine. The operational management of the shopping centers is contracted out to external service providers under agency contracts.

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

The share capital amounted to €61,783,594 on 30 June 2022 and was composed of 61,783,594 no-par value registered shares. The notional value of each share in the share capital is €1.00.

OBJECTIVES AND STRATEGY

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

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

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

Due to the new ownership structure, Deutsche EuroShop AG's objectives and strategy will be revised in the next few months, which we will then report on in a timely manner.

MANAGEMENT SYSTEM

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

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

Due to the higher rent defaults and arrears as a result of the corona pandemic, these management metrics currently have only limited information value in some cases, so the collection ratio will be used for management purposes as a supplement until further notice. The collection ratio measures the ratio of incoming payments to rent and ancillary cost receivables from tenants.

ECONOMIC REVIEW

MACROECONOMIC AND SECTOR-SPECIFIC CONDITIONS

Despite difficult global economic conditions, the German economy grew slightly in the first half of the year. In particular, the war in Ukraine as well as the corona pandemic which is still ongoing have further exacerbated existing distortions such as disrupted supply chains and rising wages. Although on the one hand private consumption benefited from the easing of the corona measures, rising prices caused restraint on the other. In Germany, Deutsche EuroShop's main market, gross domestic product (GDP) stagnated in the second quarter following a 0.8 % rise in the opening quarter of 2022. Year-on-year, price-adjusted GDP in the second quarter of 2022 was 1.5 % higher than in the second quarter of 2021, when the German economy was significantly affected by the impact of the third wave of the corona pandemic. Adjusted by price and calendar effects, GDP in the second quarter of 2022 was 1.4 % higher than in the previous year. The unemployment rate at the end of June 2022 stood at 5.2 % (end-June 2021: 5.7 %).

Since the start of the war in Ukraine at the end of February 2022, consumer sentiment in Germany has deteriorated massively. A slight turnaround was achieved here in June, with consumer sentiment returning to levels seen in April. Despite this increase, consumer confidence is still significantly lower than in the same month of the previous year. Economic expectations also improved in June, but still remain in negative territory. Income expectations paint a more optimistic picture. In terms of propensity to buy, the previous negative trend can still be seen. In June, this figure reached a new all-time low. In the process, consumer interests are shifting a step further away from "purchases" to "savings".

According to the Federal Statistical Office, total German retail sales rose by 0.7 % year on year in real terms in the first six months of 2022. Despite high inflation, the corona pandemic and the war in Ukraine, the non-food retail sector ended the first half of the year with an increase of 5.8 %.

The main growth driver was textiles, apparel, footwear and leather goods (+69.1 %), which had suffered badly from lockdown measures in the previous-year period. The online and mail order business lost 11.3 % in real terms during the same period. In June 2022, retail sales slumped as a result of this. Non-food retail sales fell -3.3 % month-on-month in real terms in June 2022. The trade in textiles, clothing, footwear and leather goods in particular was unable to continue the positive trend of the year to date, posting a significant decline of 5.4 % on the previous month and 10.1 % on the same month of the previous year. Compared to June 2019, sales are still 13.6 % below pre-pandemic levels. Online and mail order sales were also down 3.8 % on the previous month, and were significantly lower than in the same month of the previous year (-15.1 %). However, compared to June 2019, sales in this segment are still 22.3 % above pre-pandemic levels.

RESULTS OF OPERATIONS

in € thousand	01.01.–30.06.2022		01.01.–30.06.2021		Change +/-	Change in %
Revenue		105,691		104,928	763	0.7
Operating and administrative costs for property		-16,155		-14,962	-1,193	-8.0
Write-downs and derecognition of receivables		-5,404		-18,103	12,699	70.1
NOI		**84,132**		**71,863**	**12,269**	**17.1**
Other operating income		2,480		2,309	171	7.4
Other operating expenses		-10,570		-3,650	-6,920	-189.6
EBIT		**76,042**		**70,522**	**5,520**	**7.8**
At-equity profit / loss	*13,749*		*13,278*			
Measurement gains / losses (at equity)	*951*		*-1,777*			
Deferred taxes (at equity)	*53*		*11*			
At-equity (operating) profit / loss		14,753		11,512	3,241	28.2
Interest expense		-18,066		-20,483	2,417	11.8
Profit / loss attributable to limited partners		-8,045		-5,807	-2,238	-38.5
Other financial gains / losses		45		4	41	1,025.0
Financial gains or losses (excl. measurement gains / losses)		**-11,313**		**-14,774**	**3,461**	**23.4**
EBT (excl. measurement gains / losses)		**64,729**		**55,748**	**8,981**	**16.1**
Measurement gains / losses	*-7,255*		*-13,090*			
Measurement gains / losses (at equity)	*-951*		*1,777*			
Measurement gains / losses (including at-equity profit / loss)		-8,206		-11,313	3,107	27.5
Taxes on income and earnings		-3,900		-1,479	-2,421	-163.7
Deferred taxes	*-6,385*		*-6,138*			
Deferred taxes (at equity)	*-53*		*-11*			
Deferred taxes (including at equity)		-6,438		-6,149	-289	-4.7
CONSOLIDATED PROFIT		**46,185**		**36,807**	**9,378**	**25.5**

Revenue at previous year's level

In contrast to the previous year, which was significantly affected by store closures ordered by the authorities, all our tenants were able to open their stores in the first half of 2022. The rental concessions granted for the closure phases in the first half of 2021 are mainly reflected in the previous-year item "Write-downs and derecognition of receivables" and only to a small extent in revenue. As a result, revenue of €105.7 million was roughly on a par with the previous year. The protective measures still in place in particular the first quarter of 2022 in particular and the continued effects of the corona pandemic – such as defaults by tenants who got into payment difficulties, lower revenue-linked rents, longer post-rental periods and higher vacancy rates – mean that revenue remains far off its pre-pandemic levels.

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

The center operating expenses of €16.2 million in the reporting period, mainly comprising center management fees, non-apportionable ancillary costs, land taxes, building insurance and maintenance, increased year on year by 8.0 %. This was due to higher vacancy-related, non-apportionable ancillary costs as well as delayed maintenance measures.

Decline in write-downs

The write-downs and derecognition of receivables in the previous year took into account the major part of the agreed and expected rental concessions implemented to mitigate the economic consequences of the far-reaching store closures at the beginning of 2021. Furthermore, in both the first half of the previous year as well as the first half of 2022, receivables at risk of default had to be written down and insolvency-related receivables had to be derecognised. Overall, write-downs and derecognition of receivables decreased from €18.1 million to €5.4 million compared with the previous year.

Other operating income and expenses

Other operating income, stemming primarily from the reversal of provisions, from income from rental receivables for which impairment losses had been recognised in previous years and from additional payments with respect to ancillary costs, amounted to €2.5 million, representing an increase on the previous year. At €6.9 million, other operating expenses, which mainly comprised general administrative costs and personnel costs, were higher than in the same period of the previous year, due in particular to higher consultancy costs in connection with the takeover offer.

EBIT higher than in the previous year

Earnings before interest and taxes (EBIT) at €76.0 million were above the figure for the previous year (€70.5 million), mainly as a result of the higher rental concessions granted in the previous year for the closure periods.

Improvement in financial gains / losses excluding measurement effects

At €-11.3 million, financial losses (excluding measurement effects) improved year on year (previous year: €-14.8 million). At-equity (operating) earnings increased year on year by €3.2 million to €14.8 million, due in particular to higher write-downs on rent receivables and revenue shortfalls as a result of the corona pandemic. The interest expenses of Group companies were reduced by a further €2.4 million. In addition to scheduled repayments, the refinancing terms agreed at lower interest rates for the Billstedt-Center Hamburg, the City-Galerie Wolfsburg and the Altmarkt-Galerie Dresden had a particularly positive effect here. The share of earnings attributable to limited partners increased by €2.2 million to €8.0 million due to the improved EBIT.

EBT (excluding measurement gains / losses) up significantly

The improvement in EBIT and at-equity profit / loss plus the further reduction in interest expenses caused EBT (excluding measurement gains / losses) to jump from €55.7 million to €64.7 million (+16.1 %).

Measurement gains / losses slightly negative

Property values remained largely stable in the first half of 2022, resulting in a negative valuation result of €8.2 million after investments.

Of this, €-7.3 million after minority interests was attributable to the measurement of the real estate assets reported by the Group and €-0.9 million to the measurement of the real estate assets of joint ventures accounted for using the equity method.

The average value of Group properties after ongoing investments was unchanged in the first half of 2022, whereby the range of changes in market value remained between -1.9 % and +1.5 %. The occupancy rate of 94.5 % (+0.2 % compared with the last reporting date) improved slightly and remained at a high level.

Taxes on income and earnings

Taxes on income and earnings rose to €3.9 million (previous year: €1.5 million) as a result of the improvement in earnings. Deferred taxes resulting mainly from the systematic amortisation of the tax balance sheet values of our real estate assets amounted to €6.4 million (previous year: €6.1 million).

EPRA earnings and consolidated profit higher than previous year
EPRA earnings, which exclude measurement gains / losses, recovered to €60.8 million or €0.98 per share, in particular as a result of the previous year's lower write-downs on rental receivables. At €46.2 million, consolidated profit was €9.4 million higher than the previous year (€36.8 million) and earnings per share increased from €0.60 to €0.75.

Development of funds from operations
Funds from operations (FFO) are used to finance our ongoing investments in portfolio properties, scheduled repayments on our long-term bank loans and as the basis for the distribution of dividends. Significant non-recurring effects that are not part of the Group's operating activities are eliminated in the calculation of FFO. FFO increased from €54.3 million to €66.7 million or from €0.88 to €1.08 per share.

EPRA EARNINGS

	01.01.–30.06.2022		01.01.–30.06.2021	
	in € thousand	per share in €	in € thousand	per share in €
Consolidated profit	46,185	0.75	36,807	0.60
Measurement gains / losses on investment properties[1]	8,206	0.13	11,313	0.18
Deferred tax adjustments pursuant to EPRA[2]	6,438	0.10	6,149	0.10
EPRA EARNINGS	**60,829**	**0.98**	**54,269**	**0.88**
Weighted number of no-par-value shares issued		61,783,594		61,783,594

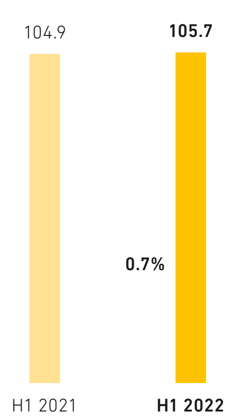
[1] Including the share attributable to joint ventures and associates accounted for using the equity method
[2] Relates to deferred taxes on investment properties and derivative financial instruments

FUNDS FROM OPERATIONS

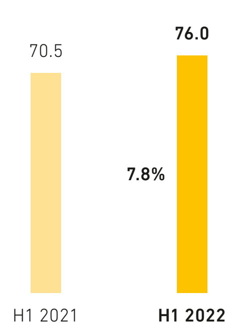
	01.01.–30.06.2022		01.01.–30.06.2021	
	in € thousand	per share in €	in € thousand	per share in €
Consolidated profit	46,185	0.75	36,807	0.60
Measurement gains / losses on investment properties[1]	8,206	0.13	11,313	0.18
Expenses in connection with the takeover offer	5,871	0.10	0	0.00
Deferred taxes[1]	6,438	0.10	6,149	0.10
FFO	**66,700**	**1.08**	**54,269**	**0.88**
Weighted number of no-par-value shares issued		61,783,594		61,783,594

[1] Including the share attributable to joint ventures and associates accounted for using the equity method

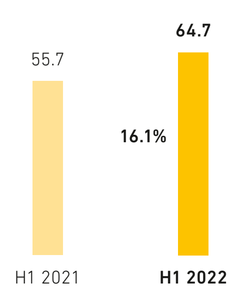
REVENUE
in € million



EBIT
in € million

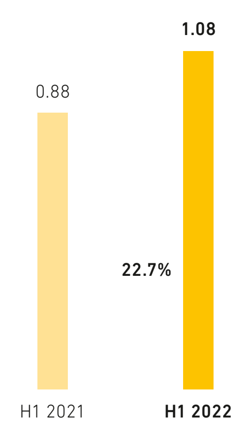


EBT *
in € million



* excluding measurement gains / losses

FFO PER SHARE
in €



FINANCIAL POSITION AND NET ASSETS

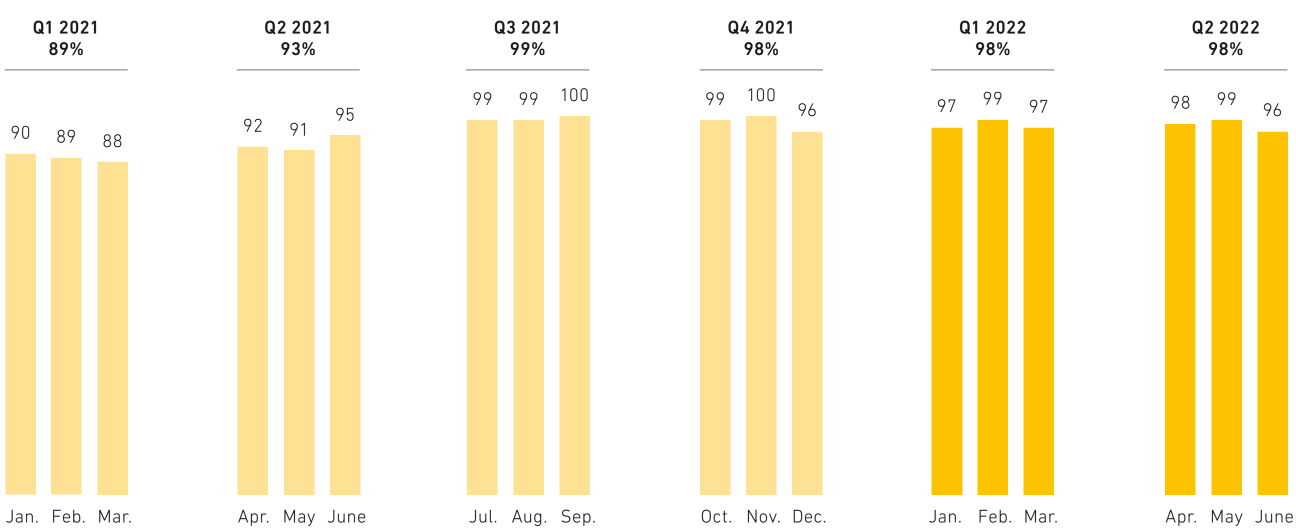
NET ASSETS AND LIQUIDITY

The Deutsche EuroShop Group's total assets increased slightly compared with the last reporting date, rising by €42.5 million to €4,321.2 million.

in € thousand	30.06.2022	31.12.2021	Change
Current assets	419,049	377,900	41,149
Non-current assets	3,902,194	3,900,890	1,304
Current liabilities	269,072	279,230	-10,158
Non-current liabilities	1,619,528	1,621,780	-2,252
Equity (including third-party interests)	2,432,643	2,377,780	54,863
TOTAL ASSETS	**4,321,243**	**4,278,790**	**42,453**

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

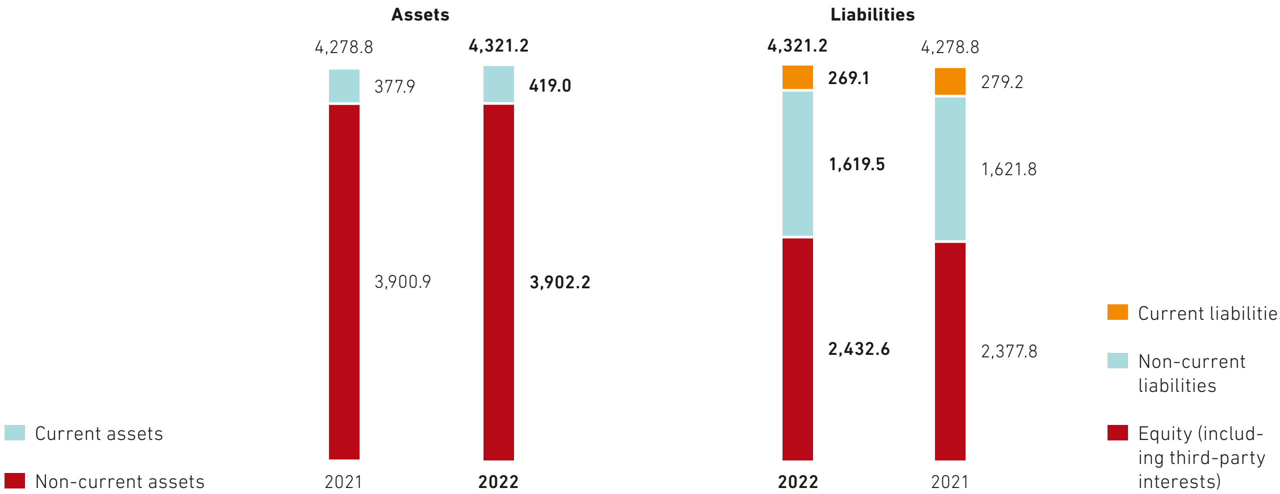
COLLECTION RATIO *
in %



* after rent reductions

The improved collection ratio meant that the Group's receivables (after write-downs) decreased by €4.0 million to €18.8 million (previous year: €22.8 million). The Group's liquidity improved by €49.0 million to €377.8 million compared with the last reporting date.

BALANCE SHEET STRUCTURE
in € million



Equity ratio of 56.3 %

The equity ratio (including the shares of third-party shareholders) was 56.3 %, almost unchanged from the previous reporting date (55.6 %) and still at a very solid level.

Leverage ratio remains low

As at 30 June 2022, current and non-current financial liabilities stood at €1,495.9 million, €6.2 million lower than at the end of 2021, due to scheduled repayments. The refinancing for 2022 has been completed. We are in advanced negotiations regarding the 2023 refinancing. We regularly exchange information with our banks on the impact of the pandemic-related business closures and their after-effects on our financial ratios and loan covenants. As at 30 June 2022, all loan covenants were met.

Non-current, deferred tax liabilities increased by €8.8 million to €341.8 million due to further additions. Other current and non-current liabilities and provisions decreased by €15.0 million.

Net tangible assets according to EPRA

Net tangible assets (NTA) as at 30 June 2022 were €2,427.1 million, compared with €2,374.4 million at the end of 2021. This was equivalent to a increase in NTA per share of €0.86, from €38.34 to €39.29 per share (2.2 %).

EPRA NTA

	30.06.2022		31.12.2021	
	in € thousand	per share in €	in € thousand	per share in €
Equity	2,117,468	34.27	2,062,866	33.39
Derivative financial instruments measured at fair value[1]	12,579	0.20	23,398	0.38
Equity excluding derivative financial instruments	**2,130,047**	**34.47**	**2,086,264**	**33.77**
Deferred taxes on investment properties and derivative financial instruments[1]	348,776	5.66	339,937	5.50
Intangible assets	-34	0.00	-32	0.00
Goodwill as a result of deferred taxes	-51,719	-0.84	-51,719	-0.84
EPRA NTA	**2,427,070**	**39.29**	**2,374,450**	**38.43**
Number of no-par-value shares issued as at the reporting date		61,783,594		61,783,594

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

REPORT ON EVENTS AFTER THE REPORTING DATE

Hercules BidCo GmbH ("Bidder") announced on 8 July 2022 that the predefined minimum acceptance threshold of the takeover offer has been exceeded and that all other offer conditions have also been met. At the time of the preparation of the financial statements, the Bidder directly and indirectly holds 84.38 % of the shares in Deutsche EuroShop AG.

A termination agreement was concluded on 19 July 2022 with Wilhelm Wellner, who had temporarily stepped down from the Executive Board as of 20 April 2022, and his reappointment to the Executive Board as of 1 October 2022 was therefore revoked. In addition, the current sole member of the Executive Board, Olaf Borkers, has asked the Supervisory Board not to renew his Executive Board contract, which expires on 30 September 2022. The Supervisory Board has begun the search for successors.

No further significant events occurred between the reporting date of 30 June 2022 and the date on which the financial statements were prepared.

OUTLOOK

ECONOMIC CONDITIONS

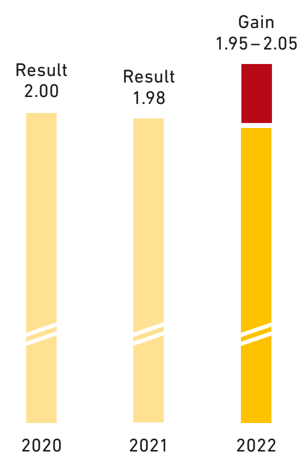
For 2022, the German Council of Economic Experts expects German GDP to increase by 1.8 %. With regard to price developments, the experts at the German Federal Ministry for Economic Affairs and Energy expect inflation to rise to 6.1 % and average unemployment figures to fall during the course of the year, the latter due in particular to the increasing phasing out of restrictions related to the pandemic. Economists expect this to be accompanied by at least a slight recovery in private consumer spending of 3.2 % in nominal terms and a decline in the savings ratio from 15.0 % to 11.1 % of disposable income. Experts believe that the war in Ukraine will increase uncertainty about the economy and put a dampener on growth. They also believe that this is contributing to the rise in energy and consumer prices.

The German Council of Economic Experts expects economic output for the coming year to grow by 3.6 % and inflation by 3.4 %. However, experts say that these forecasts are highly uncertain, as it is difficult at present to fully assess the impact of the war in Ukraine. In particular, the German economy could fall into recession as a result of a ban on importing Russian energy sources, regardless of whether this ban comes from the EU or Russia. In addition to this, economic experts said there is still a risk that a renewed increase in infections as a result of new mutations of the coronavirus could once again have a significant economic impact, and thus slow the recovery in the consumption of contact-intensive services. The regulations of the new Infection Protection Act, which will come into force in Germany in autumn 2022, may also have an impact on our tenants' retail and restaurant sales depending on how they are implemented in the respective countries.

EXPECTED RESULTS OF OPERATIONS AND FINANCIAL POSITION

After a good first half with funds from operations (FFO) of €1.08 per share, we confirm our forecast for financial year 2022 with FFO of €1.95 to €2.05 per share (2021: €1.98). The one-off legal and consulting expenses incurred in connection with the takeover offer were not included in calculating FFO.

FFO PER SHARE
in €



Dividend planning

The Executive Board, together with the Supervisory Board, has resolved to propose to the (virtual) Annual General Meeting scheduled for 30 August 2022, the payment of a dividend of €1.00 per share for financial year 2021.

RISK REPORT

Since the beginning of the financial year, economic uncertainties have increased significantly due to the war in Ukraine, the corona-related lockdown in China as well as higher energy prices affecting consumer behaviour and the cost burden on households. It is not yet possible to quantify the impact on our business at present. We are monitoring these developments on an ongoing basis and will adjust our assessment of future business performance where necessary. There have been no significant changes to information provided in the risk report of the combined management report as at 31 December 2021 (see Annual Report 2021, p. 19 onwards). We do not believe that the Company currently faces any risks capable of jeopardising its continued existence.

CONSOLIDATED BALANCE SHEET

ASSETS

in € thousand	**30.06.2022**	31.12.2021
ASSETS		
Non-current assets		
Intangible assets	51,753	51,751
Property, plant and equipment	172	244
Investment properties	3,395,616	3,393,554
Investments accounted for using the equity method	454,653	455,341
Non-current assets	**3,902,194**	**3,900,890**
Current assets		
Trade receivables	18,824	22,763
Other current assets	22,464	26,298
Cash and cash equivalents	377,761	328,839
Current assets	**419,049**	**377,900**
TOTAL ASSETS	**4,321,243**	**4,278,790**

LIABILITIES

in € thousand	**30.06.2022**	31.12.2021
EQUITY AND LIABILITIES		
Equity and reserves		
Subscribed capital	61,784	61,784
Capital reserves	1,217,560	1,217,560
Retained earnings	838,124	783,522
Total equity	**2,117,468**	**2,062,866**
Non-current liabilities		
Financial liabilities	1,264,487	1,264,748
Deferred tax liabilities	341,822	333,037
Right of redemption of limited partners	315,175	314,914
Other liabilities	13,219	23,995
Non-current liabilities	**1,934,703**	**1,936,694**
Current liabilities		
Financial liabilities	231,395	237,366
Trade payables	6,801	5,345
Tax liabilities	110	196
Other provisions	11,610	10,120
Other liabilities	19,156	26,203
Current liabilities	**269,072**	**279,230**
TOTAL EQUITY AND LIABILITIES	**4,321,243**	**4,278,790**

CONSOLIDATED INCOME STATEMENT

in € thousand	**01.04.–30.06.2022**	01.04.–30.06.2021	**01.01.–30.06.2022**	01.01.–30.06.2021
Revenue	53,630	53,024	105,691	104,928
Property operating costs	-5,182	-5,204	-10,792	-9,901
Property management costs	-2,728	-2,259	-5,363	-5,061
Write-downs and disposals of financial assets	-1,947	-6,235	-5,404	-18,103
Net operating income (NOI)	**43,773**	**39,326**	**84,132**	**71,863**
Other operating income	787	1,525	2,480	2,309
Other operating expenses	-7,797	-1,772	-10,570	-3,650
Earnings before interest and taxes (EBIT)	**36,763**	**39,079**	**76,042**	**70,522**
Share in the profit or loss of associates and joint ventures accounted for using the equity method	6,832	8,890	13,749	13,278
Interest expense	-8,971	-10,278	-18,066	-20,483
Profit / loss attributable to limited partners	-4,102	-3,514	-8,045	-5,807
Interest income	32	2	45	4
Financial gains / losses	**-6,209**	**-4,900**	**-12,317**	**-13,008**
Measurement gains / losses	**-4,039**	**-15,933**	**-7,255**	**-13,090**
Earnings before tax (EBT)	**26,515**	**18,246**	**56,470**	**44,424**
Taxes on income and earnings	-4,872	-3,761	-10,285	-7,617
CONSOLIDATED PROFIT	**21,643**	**14,485**	**46,185**	**36,807**
Earnings per share (€), undiluted and diluted	0.37	0.24	0.75	0.60

STATEMENT OF COMPREHENSIVE INCOME

in € thousand	**01.04.–30.06.2022**	01.04.–30.06.2021	**01.01.–30.06.2022**	01.01.–30.06.2021
Consolidated profit	**21,643**	**14,485**	**46,185**	**36,807**
Items which under certain conditions in the future will be reclassified to the income statement:				
Actual share of the profits and losses from instruments used to hedge cash flows	4,694	1,335	10,819	-1,156
Deferred taxes on changes in value offset directly against equity	-1,038	-291	-2,402	270
Total earnings recognised directly in equity	**3,656**	**1,044**	**8,417**	**-886**
TOTAL PROFIT	**25,299**	**15,529**	**54,602**	**35,921**
Share of Group shareholders	25,299	15,529	54,602	35,921

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in € thousand	Number of shares outstanding	Share capital	Capital reserves	Other retained earnings	Statutory reserve	Cash flow hedge reserve	Total
01.01.2021	**61,783,594**	**61,784**	**1,217,560**	**742,183**	**2,000**	**-20,281**	**2,003,246**
Total profit		0	0	36,807	0	-886	35,921
Dividend payments		0	0	-2,471	0	0	-2,471
30.06.2021	**61,783,594**	**61,784**	**1,217,560**	**776,519**	**2,000**	**-21,167**	**2,036,696**
01.01.2022	**61,783,594**	**61,784**	**1,217,560**	**799,657**	**2,000**	**-18,135**	**2,062,866**
Total profit		0	0	46,185	0	8,417	54,602
Dividend payments		0	0	0	0	0	0
30.06.2022	**61,783,594**	**61,784**	**1,217,560**	**845,842**	**2,000**	**-9,718**	**2,117,468**

CONSOLIDATED CASH FLOW STATEMENT

in € thousand	01.01.–30.06.2022	01.01.–30.06.2021
Consolidated profit	**46,185**	**36,807**
Income taxes	10,285	7,617
Financial gains / losses	12,317	13,008
Amortisation / depreciation of intangible assets and property, plant and equipment with a finite life	78	63
Unrealised changes in fair value of investment property and other measurement gains / losses	7,255	13,090
Distributions and capital repayments received	14,437	6,464
Changes in trade receivables and other assets	8,077	-10,815
Changes in current provisions	1,490	-2,737
Changes in liabilities	-5,500	-696
Cash flow from operating activities	**94,624**	**62,801**
Interest paid	-18,395	-20,333
Interest received	45	4
Income taxes paid	-4,290	-494
Net cash flow from operating activities	**71,984**	**41,978**
Outflows for the acquisition of investment properties	-10,417	-3,110
Outflows for the acquisition of intangible assets and property, plant and equipment	-9	-36
Cash flow from investing activities	**-10,426**	**-3,146**
Inflows from financial liabilities	0	5,059
Outflows from the repayment of financial liabilities	-5,903	-38,785
Outflows from the repayment of lease liabilities	-49	-45
Payments to limited partners	-6,684	-529
Payments to Group shareholders	0	-2,471
Cash flow from financing activities	**-12,636**	**-36,771**
Net change in cash and cash equivalents	**48,922**	**2,061**
Cash and cash equivalents at beginning of period	**328,839**	**266,030**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**377,761**	**268,091**

DISCLOSURES

REPORTING PRINCIPLES

These interim financial statements of the Deutsche EuroShop Group as at 30 June 2022 have been prepared in compliance with IAS 34 (Interim Financial Reporting) in an abridged form. The abridged interim financial statements are to be read in conjunction with the consolidated financial statements as at 31 December 2021.

The interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as they must be applied in the EU. The accounting policies applied correspond to those used in the last consolidated financial statements as at the end of the financial year. For a detailed description of the methods applied, please refer to the notes to our consolidated financial statements for 2021 (2021 Annual Report, p. 42 onwards).

The new accounting standards and interpretations for which application became compulsory on 1 January 2022 were observed; however, these did not have any impact on the presentation of the financial statements.

The interim financial statements as at 30 June 2022 have neither been audited in accordance with Section 317 of the German Commercial Code (HGB) nor reviewed by an auditor.

DISCLOSURES ON THE CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED INCOME STATEMENT

Investment properties

Investment properties performed as follows in the first half of 2022:

in € thousand	2022	2021
Carrying amount as at 1 January	**3,393,554**	**3,437,145**
Recognised construction measures	10,417	18,732
Unrealised changes in fair value	-8,355	-62,323
Carrying amount at 30 June /31 December	**3,395,616**	**3,393,554**

Investment properties (IAS 40) were measured at fair value. Measurements were performed by the appraiser JLL as at 31 December 2021 and 30 June 2022. The discounted cash flow method (DCF) was used as at 31 December 2021. Please refer to the notes on the DCF method in our 2021 Annual Report on page 42 onwards. This is a Level 3 valuation method in the valuation hierarchy of IFRS 13.

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

Valuation parameters in %	30.06.2022	31.12.2021
Rate of rent increases[1]	1.49	1.34
Cost ratio	12.18	11.59
Discount rate	6.26	6.06
Capitalisation interest rate	5.25	5.24

[1] Nominal rental growth rate in the DCF model over the measurement period of 10 years, taking into account inflation-related rent indexation and changes in the occupancy rate

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

Sensitivity analysis – Valuation parameters	Basis	Change in parameter in points	in € million	in %
Rate of rent increases	1.49	+ 0.25 %	148.2	4.2
		- 0.25 %	-109.7	-3.1
Cost ratio	12.18	+ 1.00 %	-32.3	-0.9
		- 1.00 %	41.3	1.2
Discount rate	6.26	+ 0.25 %	-68.0	-1.9
		- 0.25 %	68.8	1.9
Capitalisation interest rate	5.25	+ 0.25 %	-105.3	-3.0
		- 0.25 %	112.5	3.2

The appraisal showed that for the first half of 2022 the real estate portfolio had a net initial yield before transaction costs of 5.87 %, compared with 5.78 % in 2021, and a net initial yield after transaction costs of 5.54 %, compared with 5.45 % in 2021.

Outstanding tenant incentives granted and still to be spread over the term of the leases amounting to €17.2 million were deducted from the appraisal value. These were reported under other assets and trade receivables.

Financial instruments

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

The fair values of financial liabilities measured at amortised cost were equal to the net present value of debt-related payments based on current yield curves (Level 2 under IFRS 13) and amounted to €1,412.0 million as at 30 June 2022 (31 December 2021: €1,522.8 million).

The derivative financial instruments measured at fair value were interest rate hedges. Here, the fair value was equivalent to the cash value of future net payments expected to be received from hedging transactions (Level 2 in accordance with IFRS 13) based on current yield curves. Liabilities from interest rate hedges totalled €12.6 million as at 30 June 2022 (31 December 2021: €23.4 million).

SEGMENT REPORTING

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

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

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

BREAKDOWN BY SEGMENT

in € thousand	Germany	Abroad	Total	Reconciliation	01.01. – 30.06.2022
Revenue	**90,714**	**22,470**	**113,184**	**-7,493**	**105,691**
(01.01. – 30.06.2021)	(92,598)	(19,871)	(112,469)	(-7,541)	(104,928)
EBIT	**71,424**	**19,621**	**91,045**	**-15,003**	**76,042**
(01.01. – 30.06.2021)	(63,578)	(14,766)	(78,344)	(-7,822)	(70,522)
EBT excl. measurement gains / losses	**57,332**	**16,274**	**73,606**	**-8,877**	**64,729**
(01.01. – 30.06.2021)	(46,705)	(11,349)	(58,054)	(-2,306)	(55,748)
					30.06.2022
Segment assets	**3,091,746**	**725,358**	**3,817,104**	**504,139**	**4,321,243**
(31.12.2021)	(3,079,136)	(719,686)	(3,798,822)	(479,968)	(4,278,790)
of which investment properties	**2,862,840**	**682,708**	**3,545,548**	**-149,932**	**3,395,616**
(31.12.2021)	(2,866,680)	(677,468)	(3,544,148)	(-150,594)	(3,393,554)

The adjustment of the proportionate consolidation of the joint ventures and subsidiaries in which the Group does not own a 100% stake is carried out in the reconciliation column. Deferred tax liabilities are considered by the Executive Board of Deutsche EuroShop AG in a cross-segment manner, and are therefore included in the reconciliation column of the segment liabilities. Accordingly, the goodwill from the acquisition of Olympia Brno was allocated to the reconciliation column of the segment assets. The reconciliation column also contains the companies that are not allocated to either of the two segments (Deutsche EuroShop AG, DES Management GmbH and DES Beteiligungs GmbH & Co. KG).

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

RELATED PARTIES FOR THE PURPOSES OF IAS 24

With regard to disclosures regarding related parties in the consolidated financial statements as at 31 December 2021 (Annual Report 2021, p. 58), the following significant change occurred after the balance sheet date of 30 June 2022:

After fulfilling all conditions of the takeover offer, Hercules BidCo GmbH is considered a related party within the meaning of IAS 24. Hercules BidCo GmbH is indirectly jointly controlled by the Oaktree Group, Alexander Otto as well as Cura Vermögensverwaltung GmbH. Therefore, the ECE Group and Curatax GmbH via Alexander Otto are still continued considered related parties within the meaning of IAS 24.

OTHER DISCLOSURES

Responsibility statement by DES Executive Board

To the best of my knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the performance of the business, including the operating results and the position of the Group, together with a description of the principal opportunities and risks associated with the expected performance of the Group for the remainder of the financial year.

Hamburg, 11 August 2022

Olaf Borkers

THE SHOPPING CENTER SHARE

After closing* 2021 at €14.64, the Deutsche EuroShop share started the first weeks of 2022 positively, climbing to €18.36 by 17 February 2022. In the following days, the stock fell in connection with the uncertain situation in Ukraine, as well as the subsequent invasion by Russia, which began on 24 February 2022. It reached its lowest price of the first half of the year on 7 March 2022 at €14.02. Subsequently, the DES share price recovered somewhat and rose to €18.53 by 29 March 2022. With the announcement that an investor agreement had been concluded with regard to a voluntary public takeover offer by Oaktree and CURA on 23 May 2022, the share price settled at a level roughly between €22.00 and €22.20. DES shares reached their high for the period of €22.26 on 29 June 2022, and closed the first half of the year with a performance of +51.6%. The SDAX fell by 27.6% over the same period. Deutsche EuroShop's market capitalisation stood at €1.4 billion as at the end of the reporting period.

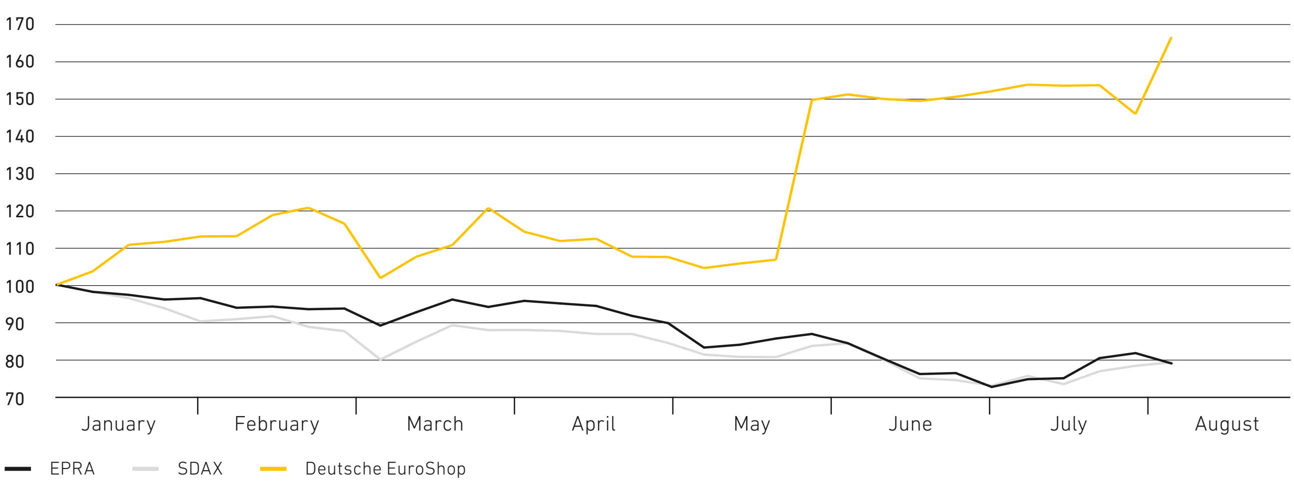
* Unless otherwise specified, all information and calculations are based on Xetra closing prices.

KEY SHARE DATA

Sector / industry group	Financial Services / Real Estate
Share capital on 30.06.2022	€61,783,594.00
Number of shares on 30.06.2022 (no-par-value registered shares)	61,783,594
Dividend for 2021 (proposed)	€1.00
Share price on 30.12.2021	€ 14.64
Share price on 30.06.2022	€ 22.20
Low / high for the period under review	€14.02 /€22.26
Market capitalisation on 30.06.2022	€1.37 billion
Prime Standard	Frankfurt and Xetra
OTC markets	Berlin, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart
Indices	SDAX, EPRA, GPR 250, EPIX 30, MSCI Small Cap, HASPAX, F.A.Z. Index
ISIN	DE 000748 020 4
Ticker-Symbol	DEQ, Reuters: DEQGn.DE

DEUTSCHE EUROSHOP VS SDAX AND EPRA
COMPARISON, JANUARY TO AUGUST 2022

indexed, base of 100, in %)



FINANCIAL CALENDAR **2022**

11 August	**Half-year Financial Report 2022**
30 August	**Annual General Meeting, Hamburg**
08 September	Commerzbank Oddo BHF Corporate Conference, Frankfurt
13 - 14 September	BofA Global Real Estate Conference, New York
19 September	Berenberg and Goldman Sachs German Corporate Conference, Munich
19 - 23 September	Baader Investment Conference, Munich
20 October	Société Generale The Pan-European Real Estate Conference, London
10 November	**Quarterly statement 9M 2022**

Our financial calendar is updated continuously. Please check our website for the latest events:
www.deutsche-euroshop.com/ir

WOULD YOU LIKE FURTHER **INFORMATION**?

Then visit us online or call us:

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Nicolas Lissner and Patrick Kiss

Forward-looking statements

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

Rounding and rates of change

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