DES Deutsche EuroShop

DES 13

ANNUAL REPORT

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Shopping experience of the future

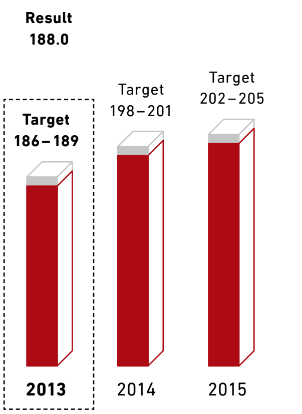
Life doesn't just happen online

Deutsche EuroShop Overview

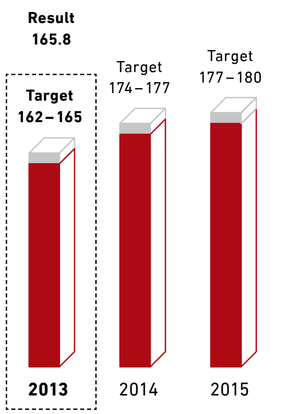
KEY DATA IN € MILLION	2013	2012	DIFFERENCE
Revenue	**188.0**	178.2	6%
EBIT	**165.8**	151.6	9%
Net finance costs	**-34.1**	-62.1	45%
Measurement gains / losses	**56.0**	13.9	302%
EBT	**187.6**	103.4	81%
Consolidated profit	**171.0**	122.5	40%
FFO per share (€)	**2.08**	1.68	24%
Earnings per share (€)[1]	**3.17**	2.36	34%
Equity[2]	**1,642.4**	1,606.1	2%
Liabilities	**1,752.5**	1,741.5	1%
Total assets	**3,394.9**	3,347.6	1%
Equity ratio (%)[2]	**48.4**	48.0	
LTV-ratio (%)	**43**	41	
Gearing (%)[2]	**107**	108	
Cash and cash equivalents	**40.8**	161.0	-75%
Net asset value (EPRA)	**1,650.4**	1,538.9	7%
Net asset value per share (€, EPRA)	**30.59**	28.53	7%
Dividend per share (€)	**1.25**[3]	1.20	4%

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

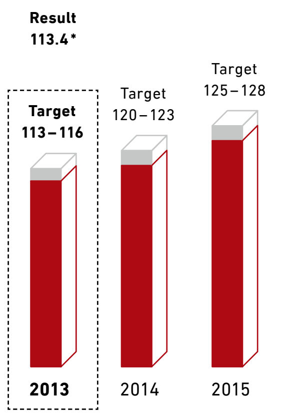
REVENUE IN € MILLIONS



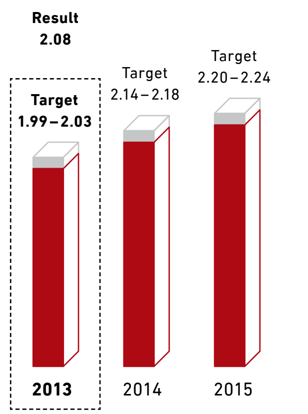
EBIT IN € MILLIONS



EBT excluding valuation IN € MILLIONS



FFO per share IN €



* Adjusted for sale proceeds

Editorial

Dear Readers,

Many of us will have done it at some point: browsed, clicked and purchased online. A few days – if not a few hours – later, the doorbell rings, and it's the friendly courier. We open the parcel, and there it is: the item we ordered. It is just as we imagined it. And it was a real bargain, too.

There's no doubt that e-commerce has benefits for all of us – provided everything works out as in this ideal scenario. Of course, in reality, I may well end up sending back items that I have ordered, because I don't like them or they are unsuitable. Or it may turn out to be too much effort for the delivery company to send the goods up to the third floor, so I have to collect my package from a branch instead. And because I'm not the only one picking up or returning a package, there is quite a long queue. It can be a real hassle.

Yet the inexorable rise of online shopping continues. But does this trend mean that physical retailers will disappear within a few years, so that the space currently used for our shopping centers will no longer be needed?

Claus-Matthias Böge,
CEO

In recent times, we have had many discussions with investors about questions like these regarding the potential impact of the e-commerce boom. And we are sure that you, too, would like to know how secure our business model is. In this annual report, we would like to give you a closer insight into the current developments.

And right from the outset, I can tell you that, yes, things are happening in retail! But it was ever thus. The old German saying, "Handel ist Wandel" – "trade is change" – is more relevant today than ever. We are confident that we are well-positioned with our portfolio, currently made up of 19 shopping centers. And we see not only risks, but also opportunities.

Customers and visitors should be offered the best of both worlds. An increasing number of retailers are pushing ahead with a blend of online and traditional, physical retailing, known as multi-channel marketing. So for instance, you pick out the item of clothing you want in the store, try it on in your size and then have it sent in the colour of your choice either to your home or to the store, where you can pick it up at your leisure and look it over again. Alternatively, you place your order online and have the item sent to a store near you, where you can see it and try it on. If you don't like it, you don't have to wait in a queue to return it: just leave it in the shop and perhaps look at something else.

There is no doubt in my mind that the online world will never replace a good old shopping spree with family and friends, or the pleasure of finding something completely by chance.

In addition to this and other topics, you will as usual find detailed information on the past financial year in this annual report. And of course we also take a look ahead and give you our forecasts for our business up until 2015.

If you have any questions, praise or criticism regarding this report, your comments are always very welcome.

For the time being, however, I hope that you find it both an enjoyable and interesting read!

Best regards

Claus-Matthias Böge
CEO

Deutsche EuroShop 2013

Our values our goals

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.

Highlights 2013

MAY

Increase of the shareholding in Altmarkt-Galerie, Dresden to 100%

JUNE

Annual General Meeting

Distribution of a dividend of €1.20 per share

AUGUST

Disposal of Galeria Dominikanska Wroclaw, Poland

SEPTEMBER

5th anniversary of Stadt-Galerie Passau

NOVEMBER

Determination of the dividend policy up to 2016

“We have ideas that we would like to put into practice.”

Interview with the Executive Board

CLAUS-MATTHIAS BÖGE
CEO

OLAF BORKERS
MEMBER OF THE EXECUTIVE BOARD

In this Executive Board interview, Claus-Matthias Böge and Olaf Borkers explain the highlights of financial year 2013, which included not only the pleasing operating profit but also the newly introduced Kapitalanlagegesetzbuch (KAGB – German Capital Investment Code), changes in the portfolio, the flood disaster at the start of June, measurement gains, the dividend policy and plans for further growth.

Interview: Nicolas Lissner, photos: Christian Schmid

THE RESTRUCTURING OF THE GROUP WAS A MAJOR FOCUS IN FINANCIAL YEAR 2012. WERE YOU ABLE TO FOCUS MORE ON DEUTSCHE EUROSHOP'S ACTUAL BUSINESS AGAIN IN 2013?

CLAUS-MATTHIAS BÖGE: Yes, we were. The optimisation of the Group structure has been largely completed. I certainly do find shopping centers more interesting than taxes – and a lot more fun.

OLAF BORKERS: But we will always keep the tax issue in the back of our minds in everything we do.

CLAUS-MATTHIAS BÖGE: In fact, I need to qualify my first statement, because another issue caused us some concern in the second half of the year, and only a short time ago: the new Kapitalanlagegesetzbuch (KAGB – German Capital Investment Code), which entered into force on 22 July 2013.

The KAGB constitutes extensive regulation of investment managers and their investment funds, and it affects self-managed investment funds as well as external managers of investment funds. In principle, the regulations can also impact structures like Deutsche EuroShop: companies that acquire and hold real estate.

However, our structure as a holding company, our activities and the strategy we have pursued to date mean that the KAGB should not apply to Deutsche EuroShop, which was confirmed in writing by the Federal Financial Supervisory Authority at the end of March this year.

LET'S TURN TO ISSUES THAT WE ALL ENJOY TALKING ABOUT: SHOPPING CENTERS AND LEASING. HOW HAS OPERATING BUSINESS PERFORMED?

OLAF BORKERS: Like clockwork. We are very pleased. To be more specific, we budgeted sales of €186 million to €189 million and we hit €188.0 million exactly, which represented an increase of over 5%. We anticipated earnings before interest and taxes (EBIT) of between €162 million and €165 million; at €165.8 million, they were actually slightly above the forecast range and rose by over 9% year on year.

We allowed for earnings before taxes (EBT) without measurement gains / losses of between €113 million and €116 million. At €129.2 million, they were also significantly above the forecast range and 41% higher year on year, thanks to a gain on disposal.

★ There is no guarantee that the value of real estate will carry on rising. ★

We initially expected funds from operations to fall within a range of €1.99 to €2.03 per share. By the end of the year, we had increased the forecast to €2.06 to €2.09, and the actual figure was €2.08.

YOU JUST MENTIONED A GAIN ON DISPOSAL. CAN YOU GIVE US ANY DETAILS?

CLAUS-MATTHIAS BÖGE: At the end of August, we sold our 33% stake in the Galeria Dominikanska in Wroclaw, Poland, which was our smallest shareholding. This enabled us to further optimise our portfolio, and importantly, we were able to generate a profit of €15.8 million.

HAVE THERE BEEN OTHER CHANGES IN THE PORTFOLIO?

CLAUS-MATTHIAS BÖGE: Yes, on 1 May we invested €132 million and purchased our partner's 33% stake in the Altmarkt-Galerie in Dresden. We now have full ownership of this excellent shopping center, which has around 200 shops and attracts over 16 million visitors every year.

We should also mention that we added the Herold-Center in Norderstedt to our portfolio on 1 January 2013, and it made a significant contribution to our growth in the previous financial year.

TALKING OF DRESDEN, HOW DID THE DES SHOPPING CENTERS LOCATED IN THE CITIES AFFECTED BY THE TERRIBLE FLOODING IN JUNE SURVIVE THE DISASTER?

OLAF BORKERS: There was no danger of flooding in the Altmarkt-Galerie in Dresden and its underground garage. Luckily, the flood disaster of 2002 did not repeat itself in the centre of Dresden.

We were particularly pleased with the value increases of the Altmarkt-Galerie in Dresden, the Rhein-Neckar-Zentrum and the City-Galerie Wolfsburg.

Passau was one of the first cities to be affected by the flooding. Historical high-water marks that hadn't been breached for hundreds of years were exceeded by metres rather than centimetres. Disaster alerts were raised. As a result, the Stadtgalerie remained closed on 4 June, but water damage in the shopping center was averted thanks to the unstinting work of the on-site technicians.

In Dessau-Roßlau, some of the bridges to the city centre were closed for safety reasons. This situation had a detrimental effect on sales at the Rathaus-Center, since accessibility was considerably reduced from the north, south and east. The center itself is located at one of the highest points in the city centre, so there was no serious danger of flooding. There was also no threat from groundwater, since the center has a strong protective sub-floor layer.

Fortunately, the Allee-Center in Magdeburg also escaped the main impact of the disaster: here it was mainly the flooded access paths that affected business in the center. For a short time, groundwater penetrated the car park in the basement, so traffic routing had to be changed. But no other major damage was observed.

CLAUS-MATTHIAS BÖGE: Fundraising campaigns were quickly launched in the centers affected by the flooding and space was given to aid organisations in order to support campaigns such as "Nachbarn in Not" (neighbours in need). We contributed financially to these spontaneous solidarity groups for those affected by the flooding via our property companies.

LET'S GO BACK TO THE RESULTS FOR THE FINANCIAL YEAR. WHAT DO YOU FEEL ARE THE KEY THINGS TO MENTION?

OLAF BORKERS: The financial results were positively affected by the sale of the stake in the Wroclaw shopping center and at €56 million, the measurement gain was also very high. We were particularly pleased with the value increases of the Altmarkt-Galerie in Dresden, the Rhein-Neckar-Zentrum and the City-Galerie Wolfsburg. The average value increase across all centers was 1.9%.

CLAUS-MATTHIAS BÖGE: And as I always emphasise: there is no guarantee that the value of real estate will carry on rising. Even though the returns for comparable shopping centers in current transactions are sometimes significantly below the average return for our portfolio (5.97%), we feel we are well positioned with the rather conservative approach of the independent appraisers.

Of course, we are happy about the increase of 34 percent

In any case, we are focusing more on the development of the funds from operations, which is a cash-based indicator, because this is all we can use for a dividend payment, investments in the portfolio and servicing debt. Earnings per share can also include measurement gains from valuation that only exist on paper.

OLAF BORKERS: I agree with Mr Böge on this. There is also one-off tax income as a result of the Group restructuring. We therefore had several special factors that cannot be expected every year in this form.

This also puts the "record consolidated profit" of €171 million or €3.17 per share into perspective slightly. Of course, we are happy about the increase of 34%, but we shouldn't use this as a benchmark for the future.

STILL: FFO ALSO POSTED A STRONG INCREASE OF 24%. HOW ARE SHAREHOLDERS BENEFITING FROM THIS ONCE AGAIN VERY GOOD RESULT?

CLAUS-MATTHIAS BÖGE: Together with the Supervisory Board, we have slightly altered our dividend policy. We are intending to increase the dividend by 5 cents each year up to €1.40 by the 2017 distribution. This enables us to achieve reliable predictability for the participation of our shareholders in our operating profit as it increases further.

WHAT CAN SHAREHOLDERS EXPECT FROM DEUTSCHE EUROSHOP IN 2014?

OLAF BORKERS: We are planning to invest around €19 million in order to keep our shopping centers in a good condition. No refinancing arrangements are scheduled for this year, but we are already discussing the topics for 2015 with our banks. The dividend is to rise to €1.30 per share in line with the planning we have just presented.

CAN WE ALSO LOOK FORWARD TO GROWTH IN THE PORTFOLIO?

CLAUS-MATTHIAS BÖGE: I think so. We still have three opportunities to make our portfolio grow: the purchase of new shopping centers, extensions of centers that are already in the portfolio, and finally stake increases for centers that we do not yet fully own.

For all three options, we have ideas that we would like to put into practice. You'll have to wait and see.

THANK YOU FOR TALKING TO US!

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 Düsseldorf-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 Aus trian industrial plant construction group VA Technologie AG, where he was responsible for the fi nancial 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.

OLAF BORKERS
Member of the Executive Board

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

Report of the Supervisory Board

★ Dear Shareholders, ★

During financial year 2013, the Supervisory Board performed the duties incumbent on it according to the law and the Articles of Association and closely followed 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.

On the day of the Annual General Meeting in 2013, Dr Jörn Kreke ended his eleven-year membership of the Company's Supervisory Board on grounds of age. Through all these years, he closely supervised and supported the development of Deutsche EuroShop AG. The Supervisory Board thanked Dr Kreke for his dedication and wished him all the best.

Focus of advisory activities

We examined the Company's net assets, financial position and results of operations, as well as its risk management, regularly and in detail. In this context, we 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 trends, the accounts receivable and occupancy rates, and the Company's liquidity position. As the mandates of six members of the Supervisory Board expired in 2013 or will expire in 2014, we discussed our succession ideas and made preparations for the Board's future composition.

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 also 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. In addition, circular resolutions were passed in writing by the Supervisory Board for transactions of the Executive Board requiring approval. All resolutions in the reporting period were passed unanimously.

Meetings

Four scheduled Supervisory Board meetings took place during financial year 2013. The only absences were recorded at the meetings held on 20 June 2013 and 26 November 2013: one member of the Supervisory Board was excused from attending each meeting.

At the first scheduled meeting, on **23 April 2013**, the Supervisory Board's annual review of efficiency was completed and the agenda for the Annual General Meeting was approved. We selected the auditor, who was proposed to the shareholders for election. In relation to the audit of the annual financial statements, we once again attached great importance to the explanations of the Executive Board and those of the auditor on the real estate appraisals. In addition, the Executive Board explained the financial, accounting and tax impact on the Group of the corporate restructuring undertaken in 2012. The Executive Board also reported on the conclusion of efforts to restructure the investment structure in the Main-Taunus-Zentrum and on the progress made on the sale of the investment in the Galeria Dominikanska in Poland. The Executive Board also presented the possibility of acquiring the stake (33%) in the Altmarkt-Galerie in Dresden. The Executive Board explained the possible negative repercussions that implementation of the European AIFMD via the KAGB might have for Deutsche EuroShop.

At the constituent meeting on **20 June 2013 following the Annual General Meeting**, we elected members by open ballot to various functions on the Supervisory Board and its committees. The following were elected and returned to office:

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

The Executive Board then reported on the sale of the stake in Galeria Dominikanska. We approved the sale unanimously.

The Executive Board also reported on the acquisition of the 33% stake in the Altmarkt-Galerie in Dresden, which had already been approved and carried out.

At the third meeting on **25 September 2013**, the Executive Board reported again on the occupancy situation of the property in Pécs and on a restructuring concept for the center. At this meeting we approved a new €150 million credit line to replace the existing credit line, which was due to expire in early 2014. A discussion also took place regarding the question of whether the Company falls within the scope of the Kapitalanlagegesetzbuch (KAGB – German Capital Investment Code) in force since July 2013. The Executive Board shared with us its view that the Company should be excluded from the scope of the KAGB and reported that a formal application had been submitted to the Federal Financial Supervisory Authority. We agree with the Executive Board's assessment and assume that the Federal Financial Supervisory Authority will also confirm this view.

At the last meeting on **26 November 2013**, the Executive Board reported on preparations for a possible expansion of the properties in Danzig and Hamburg-Harburg. 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. The Company's future dividend policy was also discussed, and a decision was taken to increase the dividend proposal to the shareholders for the 2013 – 2016 financial years by €0.05 each year. In the absence of the Executive Board we discussed the future composition of the Supervisory Board and examined in detail the status of preparations required for this change.

Committees

The Supervisory Board has established three committees: the Executive Committee of the Supervisory Board, the Audit Committee and the Capital Market Committee. Each of these is made up of three members. The Executive Committee of the Supervisory Board functions simultaneously as a nomination committee. Given the size of the Company and the number of Supervisory Board members, we 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 12 April 2013.

The Audit Committee also discussed the quarterly financial reports with the Executive Board in conference calls on 14 May, 12 August and 11 November 2013. The Capital Market Committee did not meet in 2013.

Corporate Governance

In November 2013, 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 2014 that no conflicts of interest had arisen.

Manfred Zaß

Chairman of the Supervisory Board

Financial statements of Deutsche EuroShop AG and the Group for the period ending 31 December 2013

At the Audit Committee meeting on 15 April 2014 and the Supervisory Board meeting on 23 April 2014, 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 2013, as well as the management report and group management report for financial year 2013.

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 20 June 2013 – BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg – had already audited the financial statements and issued an unqualified audit opinion in each case. The auditor also confirmed that the accounting policies, measurement methods and methods of consolidation in the consolidated financial statements complied with the relevant accounting provisions. In addition, the auditor determined in the course of its assessment of the risk management system that the Executive Board had undertaken all required measures pursuant to section 91 (2) AktG to promptly identify risks that could jeopardise the continued existence of the Company.

The auditor's representatives took part in the discussion of the annual financial statements and the consolidated financial statements on the occasions of the Audit Committee meeting on 15 April 2014 and the Supervisory Board meeting on 23 April 2014 and explained the main findings.

Following its own examination of the annual financial statements of Deutsche EuroShop AG, the consolidated financial statements and the corresponding management reports, the Supervisory Board did not raise any objections. It agreed with the findings of the auditor's examination and approved the annual financial statements of Deutsche EuroShop AG and the consolidated financial statements. The annual financial statements have thus been adopted. The Supervisory Board endorses the Executive Board's proposal for the utilisation of the unappropriated surplus and distribution of a dividend of €1.25 per share.

The Company's success in financial year 2013 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, 23 April 2014

Manfred Zaß, Chairman

Members of the Supervisory Board

Name	Manfred Zaß (Chairman)	Dr. Michael Gellen (Deputy Chairman)	Thomas Armbrust
Born:	1941	1942	1952
Place of residence:	Königstein im Taunus	Cologne	Reinbek
Nationality:	German	German	German
End of appointment:	2015 Annual General Meeting	2014 Annual General Meeting	2014 Annual General Meeting
Committee activities:	Chairman of the Executive Committee, Member of the Audit Committee, Chairman of the Capital Market Committee	Member of the Executive Committee	Member of the Executive Committee, Member of the Audit Committee, Deputy Chairman of the Capital Market Committee
Membership of other statutory supervisory boards:	–	–	C.J. Vogel Aktiengesellschaft für Beteiligungen, Hamburg (Chairman) Platinum AG, Hamburg (Chairman) TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich (Chairman) Verwaltungsgesellschaft Otto mbH, Hamburg
Membership of comparable supervisory bodies of business enterprises in Germay or other countries:	–	–	ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Chairman)
Profession:	Banker	Independent lawyer	Member of Management, CURA Vermögensverwaltung G.m.b.H., Hamburg
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	1971–1983: Deutsche Bank AG, Düsseldorf, Frankfurt 1984–1995: Deutsche Centralbodenkredit-AG, Cologne, Member of the Executive Board 1995–1997: Europäische Hypothekenbank AG, Luxembourg, Member of the Executive Board 1997–2000: Deutsche Bank AG, Frankfurt, Managing Director 2001–2003: DB Real Estate GmbH, Frankfurt, Managing Director	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)
Relationship to majority / major shareholders:	none	none	Shareholder representative of the Otto family
Deutsche EuroShop securities held as at 31 December 2013:	10,000	0	

Members of the Supervisory Board

Continuation

Name	Karin Dohm	Dr. Henning Kreke	Alexander Otto
Born:	1972	1965	1967
Place of residence:	Kronberg im Taunus	Hagen / Westphalia	Hamburg
Nationality:	German	German	German
End of appointment:	2017 Annual General Meeting	2018 Annual General Meeting	2018 Annual General Meeting
Committee activities:	Chairwoman of the Audit Committee / Financial Expert	–	–
Membership of other statutory supervisory boards:	–	–	Verwaltungsgesellschaft Otto mbH, Hamburg
Membership of comparable supervisory bodies of business enterprises in Germay or other countries:	–	–	Peek & Cloppenburg KG, Düsseldorf
Profession:	Head of Group External Reporting, Deutsche Bank AG, Frankfurt	Chairman of the Executive Board, DOUGLAS HOLDING AG, Hagen / Westphalia	CEO, 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 since 2011: Deutsche Bank AG, Frankfurt, Head of Group External Reporting	Studied business (BBA and MBA) at the University of Texas at Austin, USA Doctorate (political science) from the University of Kiel, Kiel 1993 until today: DOUGLAS HOLDING AG, Hagen / Westphalia of which 1993-1997: Executive assistant 1997-2001: Member of the Executive Board since 2001: Chairman of the Executive Board	Studied at Harvard University and Harvard Business School, Cambridge, USA 1994 until today: Verwaltung ECE Projektmanagement G.m.b.H., Hamburg since 2000: Chief Executive Officer
Relationship to majority / major shareholders:	none	none	Major shareholder
Deutsche EuroShop securities held as at 31 December 2013:	0	0	5,247,124

Reiner Strecker	Klaus Striebich	Dr. Bernd Thiemann
1961	1967	1943
Wuppertal	Besigheim	Münster
German	German	German
2017 Annual General Meeting	2017 Annual General Meeting	2014 Annual General Meeting
Mitglied des Kapitalmarktausschusses	–	–
akf Bank GmbH & Co. KG, Wuppertal	MEC Metro-ECE Centermanagement GmbH & Co. KG, Düsseldorf (Chairman of the Advisory Board) Unternehmensgruppe Dr. Eckert GmbH, Berlin	Deutsche Pfandbriefbank AG, Unterschleißheim (Chairman) Hypo Real Estate Holding AG, Unterschleißheim (Chairman) M.M. Warburg & Co. KGaA, Hamburg (Deputy Chairman) Wave Management AG, Hamburg (Deputy Chairman) IVG Immobilien AG, Bonn VHV Vereinigte Hannoversche Versicherung a.G., Hanover VHV Lebensversicherung AG, Hannover Hannoversche Direktversicherung AG, Hanover
–	–	Würth Gruppe, Künzelsau (Deputy Chairman) Würth Finance International B.V., Amsterdam (The Netherlands)
Managing Partner, Vorwerk & Co. KG, Wuppertal	Managing Director Leasing, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg	Management consultant
1981 – 1985: Studied business in 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 until today: Vorwerk & Co. KG, Wuppertal since 2010: Personally liable / managing partner	Studied business in Mosbach 1990: Kriegbaum Gruppe, Böblingen, Assistant to the Management Board 1992 until today: Verwaltung ECE Projektmanagement G.m.b.H., Hamburg since 2003: Managing Director Leasing	1976 – 1991: NORD / LB Norddeutsche Landesbank Girozentrale, Hanover of which 1976 – 1981: Member of the Executive Board 1981 – 1991: Chairman of the Executive Board 1991 – 2001: DG Bank Deutsche Genossenschaftsbank AG, Frankfurt, Chairman of the Executive Board
none	Member of the Management Board of Verwaltung ECE Projektmanagement G.m.b.H., Hamburg (Alexander Otto (major shareholder) is the Chairman of the Management Board)	none
3,975	20,500	6,597

Dark side of the new shopping paradises

Not everything brought by the parcel service elicits a scream of delight. Downside of the online shopping boom.

Shopping from the comfort of your own sofa is like romping around in a modern-day land of milk and honey: just a few clicks, a short wait, and then whatever products might have caught your fancy start arriving via parcel services and piling up on your living room floor. While traditional merchants are still pondering on whether it is even possible to make money online, growth in revenues generated by digital sales channels is picking up speed. Depending on statistics, in terms of their share of Germany's total retail sales these channels already cleared the 10% hurdle in 2013. And with forecasts predicting growth rates of up to 23%, the sense of excitement in the world of digital retail is palpable. Yet, in the wake of the deluge of online orders, there are some dark clouds moving in.

"Scream with delight or send it back!", is what online shoppers think with amazing frequency. According to calculations by the Returns Management research group of the University of Bamberg, while a billion packages containing online purchases might roll through Germany every year, retailers will see nearly a third of those again. Björn Asdecker of the Chair of Logistics in Bamberg helps visualise just how enormous this amount is: "Assuming a parcel length of 40 cm, the 286 million returns could circle the Earth's 40,000 km circumference 2.9 times." Broken down by sector, one in two fashion parcels, one in five electronics parcels and one in ten book parcels finds its way back to the sender. What these averages fail to reveal is that returns for gift items are in the single-digit percentage range whereas return rates for fashionable women's attire can be up to 80%.

The unrestrained frenzy of online orders is currently producing some rather outlandish consumer behaviours: In the new sharing economy, a smart consumer is a user, not an owner, and online merchants are not immune to this trend. The perfect dirndl for Oktoberfest or the little black dress for a reception is ordered just in time for an event and sent back the very next day. Groups of teenagers place veritable tidal waves of orders to transform their home living rooms into catwalks for just a few hours. Another similar nuisance are frivolous buyers who might order five handsets when a new mobile phone is launched, then only keep the one that arrives first. According to the Bamberg study, nearly one in five (18.6%) of the 538 people surveyed under the age of 30 admits to having exploited cancellation rights. And merchants are left to foot the bill, namely between €5 and €17 for processing a return, postage and handling. Plus, generally speaking, the smaller the online shop and parcel volume, the more expensive this becomes. If you add to that the fact that one in every ten returns can no longer be offered as new merchandise or might even be unsellable, doubts arise as to the potential of this kind of business model to turn a profit.

Hassle-free online consumption is causing retailers a lot of hassle. Whether this business model even pays off in segments with high return rates remains to be seen.


Versand
eShop
ONLINE
www
dicht
zu
Schreib' ma wieder!
BESTELLT!
Another wrong order? No problem! Simply send it right back!
Returns
Always at your service!
Opening times:
Mon.–Fri.
11 am–1 pm
Closed Tues.
and Weds.
Stamps
SCHWARZ
war leider
ausverkauft


IN
OUT
BESTELLT!
ONLINE
Retoure
98,9 kg
weg
Sonder-
marke
Please be discreet
Returns
Please drop
off here
Versand
Super!
0,01% Zinsen!
Ihre Postbank
Vorsicht!
Line forms here!
Max. wait from
this point: 120 min.
eShop

Returns for gift items are in the single-digit percentage range whereas return rates for fashionable women's attire can be up to 80%.

"Distance selling without returns doesn't work",

returns Martin Barde, who has been advising distance selling retailers of all sizes for 15 years, calms anxieties surrounding. He makes a clear distinction, however, between returns of merchandise ordered for the purpose of trying something on and those prompted by disappointment in the product. The first is a customer service and unavoidable outside of bricks and mortar stores. The second is negligence on the part of the merchant – either the quality is lacking, images of the product are not clear enough or the goods are faulty. In other words, causes that can and should be fixed. Yet this still does not happen often enough. "Quite a few merchants would rather undercalculate their return costs, only a few work on systematically reducing them and even fewer try to prevent returns prompted by dissatisfaction," is Barde's sobering conclusion.

The easiest way to reduce this unnecessary carting around of merchandise would be to demand payment in advance and charge return postage. That would put a damper on the enthusiasm of anybody with the "trying it is free" mentality. Yet, for 38% of Germans, purchase on account is their preferred payment method (BVH – German E-Commerce and Distance Selling Trade Association). And even once merchants have been legally freed from the obligation to cover the cost of returns for merchandise valued at under €40, from summer 2014, Dr Georg Wittmann, a logistics professor in Regensburg, is sceptical that this will have any impact on standard practices: "According to our research, large merchants want to continue allowing free returns. If that is the case, small merchants will have to play along to avoid losing customers." In other words: Eliminating privileges would mean losing sales and customers to competitors with more attractive terms and conditions. Environmentally-minded players like Trigema are willing to take that chance, but they are fairly alone on this. Barde sees yet another reason to hold on to the standards: "Full shopping baskets are the goal. As orders grow in size, experience shows that the total value will also increase. The more each individual customer purchases, the less impact returns will have," is the logical conclusion drawn by this consultant.

Prospective buyers need to touch. Sensory experiences are a given at local retailers, returns are inevitable at virtual ones.

Environmentally-friendly shopping looks different!

If the calculations of DHL, the market leader, are correct, the delivery of each of its packages causes the emission of nearly 500 grams of environmentally hazardous greenhouse gases. While that might sound manageable at first, extrapolating this figure to reflect the total number of orders reveals that the 800,000 returns alone release a whopping 400 tonnes of CO_2 into the air every day. The business magazine Plusminus calculated that these emissions are equivalent to 255 car trips from Frankfurt to Beijing.

If sofa shopping replaced a trip to a bricks and mortar store, however, online purchases could actually be more environmentally friendly. A privately owned medium-sized car would travel about 3.5 km to produce 500 grams of CO_2 emissions. Yet, according to the Institute for Applied Ecology in Darmstadt, consumers travel an average of 6 km to go shopping. That would mean that an online order would be 2.5 km more environmentally friendly – assuming no return is made and only one delivery attempt is needed. Otherwise the balance shifts in favour of local retailers. Another point in their favour: Shopping trips usually satisfy multiple requirements, while one of the charms of online shopping lies in the ability to place ad hoc orders. And since more and more online shoppers want to have everything delivered immediately, clicking the "Order" button causes even more trees to suffer. Express shopping reduces full vehicle utilisation, generates additional traffic and causes single orders to be shipped out in multiple parcels if individual products are not in stock.

If you add to that the boxes and crates, packaging materials and plastic wrapping, without which no merchandise can be delivered, a merchant around the corner is clearly the greener alternative. Not only that, but if several providers' current plans to enter the grocery business on a large scale this year prove successful, other environmental sins are inevitable. Fresh produce and refrigerated items cannot be transported safely without Styrofoam sleeves and bubble wrap.

Click-to-buy is simple, finding a solution to our environmental problems is not. And sometimes online merchants add to the garbage and pollution problem.

Time saved or lost?

Efficiency and convenience are the main promises made by e-commerce. After all, 57% of respondents in DHL's e-Commerce 4.0 study considered it to be a real time-saver. That concurs with the famous "scream with delight" ad featuring an unfailingly smiling package delivery person bringing parcels to euphoric online shoppers who always happen to be home when the doorbell rings. But aren't digital buyers deceiving themselves? In real life the buying process is often quite different. High return rates and home delivery mistakes surely put a damper on any feelings of joy. More and more neighbours and managers have begun refusing to accept parcels for frequent orderers and spending Saturdays standing in endless queues at the post office has become a national sport. How convenient really is a weekend shopping trip with a bulky package under your arm? Not only that, but if the merchandise fails to live up to what its photo promised, the size is wrong or the item has a flaw, all the effort was in vain. Then you have to put everything back in the box, print out the return ticket and head to the parcel shop.

Make no mistake – online shopping is extremely efficient in ideal circumstances. How likely these are to arise depends on the product. For mailbox-sized books the chances are good, but the same cannot be said about frequently exchanged fashions arriving in large boxes. Since it would be better from an economic, environmental and service perspective if the postman only had to ring once, delivery services are working hard to come up with solutions. Pack and pick-up station networks are becoming denser, parcel boxes are being installed in front gardens and delivery appointments are arranged in advance. Yet, depending on the service used, this increases the cost of delivery for customers.

Check before placing an order. Only people who know exactly what they are getting and have made arrangements to receive their parcels save time by buying online.

Job motor or parcel slaves?

Logistics centres are popping up all over Germany, and parcel services are expanding. While the country's largest online retailer refuses to specify how many people it employs, around 14,000 seasonal workers were helping the company cope with order peaks at the end of the year. On the busiest days, up to 450,000 items are packed at fulfilment centres that can be as large as eleven football pitches. That clearly positions e-commerce closer to industry than to traditional retailing. The price for this amazing logistical achievement is paid not least by its employees. The market leaders repeatedly come under fire for putting enormous pressure on workers to perform and paying meagre wages. For anybody who considers the ARD report entitled "Ausgeliefert!" (a German word that can mean both "delivered" and "at somebody's mercy") too sensationalistic might find that the documentary by BBC reporter Adam Littler paints a more realistic picture. Littler is a journalist who had a temp job working at the British branch of a large U.S. mail order company during the Christmas season. There he rushed around spacious halls, sometimes covering distances of up to 17 km every night. He climbed steep metal ladders in occasionally dark hallways to scan ordered merchandise and load it into his cart. And because workers are tasked with packaging up to 110 products every hour, it all has to happen in seconds. If they miss their target, a report is filed. Interconnected scanners display real-time performance curves to the line manager. If performance drops, the manager recommends an energy drink. Calling in sick will earn an employee one penalty point, coming in two minutes late is worth half a point. At two points, the

On the busiest days, up to 450,000 items are packed at fulfilment centres that can be as large as eleven football pitches.

FACTS & FIGURES

500 g

Greenhouse gas emissions caused by the delivery of one package

400 t

Total CO_2 emissions released by 800,000 returns every day

255

Number of car trips from Frankfurt to Beijing which would generate an equivalent amount of CO_2 emissions

line manager will issue a "final warning". Littler's summary: He feels like a robot, not a person. Michael Marmot, an expert on stress at work consulted by the BBC, stated that this way of working increases the risk of mental and physical illness.

The U.S. group issued an official statement in which it vehemently denied allegations of exploitation and labour law violations. Yet, even if the documentary was exaggerated and circumstances were exceptional due to the Christmas season, one thing is clear: the many thousands of online orders are creating packing machines working against the clock. Granted, €400 jobs at a bakery or as a discount store cashier before the holidays are neither stress-free nor well-paid. But the pressure they experience is still far removed from that of a packer.

The more quickly and cheaply consumers want their merchandise, the more stressful and time-oriented the working conditions become for people working in logistics.

Growth or downward spiral?

E-commerce is growing, that much is certain. Yet, the extent of this growth is unknown. The German Retail Federation (HDE), for instance, puts sales at €33.1 billion and expects a 17% increase in the year ahead to €38.7 billion. According to a representative of the German E-Commerce and Distance Selling Trade Association (BVH), e-commerce already hit this mark last year when it generated €39.1 billion in sales. Anticipating a whopping 25% growth in 2014, to €48.8 billion, he looks ahead to the current year with confidence. "Official statistics don't capture the phenomenon correctly, the studies are rather vague in places," admits Dr Kai Hudetz, Managing Director of the E-Commerce Center (ECC) at the Center for Research in Retailing (IFH) in Cologne. His center has been studying the rise of e-commerce for 15 years. Deviations could stem from differences between gross and net amounts, adjustments for returns, different definitions of distance selling and even the quality of the data provided: "A lot of market data is based on statistical projections because only very few online merchants are required to disclose their figures. The majority of this information is provided on a voluntary basis and only a few multi-channel retailers break their earnings down by sales channel," he explains. Certainly, online sales account for over 8% of total retail sales, over 15% not including groceries, and this share is growing steadily across all segments.

Market figures indicate trends, yet are no substitute for a differentiated focus on products, segments and business models.

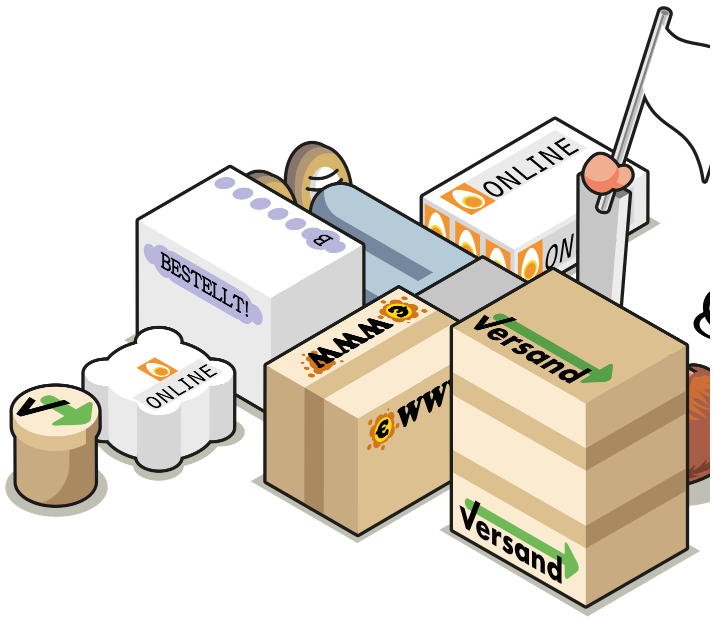
The uptrade that is a downtrade in actuality

But who is winning the market share game? "The clear winners in terms of sales are the market-leading pure players, clever niche concepts and manufacturers' brands. E-commerce works extremely well for vertical retailers like H&M or Zara, but sellers of third-party brands with interchangeable products are struggling against price-sensitive online competitors," says Hamburg-based e-commerce consultant Alexander Graf as he explores the reasons behind the success of various business models.

According to the ECC in Cologne, pure players have the biggest slice of the online pie with 35.4% of the market – followed closely by the online sales channels of bricks and mortar retailers (29.3%). Cause for concern, however, is the growing concentration of power with three major pure players. The six-letter market leader alone generated sales of €7.8 billion last year, which represents nearly a quarter of all e-commerce revenue in Germany. Business might be booming, yet profits are a rarity. The race for power and market share takes its toll. So far, no market analyst has disproved the notion that the price and service strategies of the megaplayers are not subsidised business models. Not to mention the tax loopholes, paltry wages, unfair working conditions and unfair terms and conditions for merchants that cause an uproar time and time again.

In order to persuade more and more buyers to get on board, the online giants invest enormous amounts of money in perfecting their customer journey, delivery services and returns management. eBay and Amazon alone spent a total of $4.75 billion on R&D in 2012. Being first movers, they might bear high development risks, however they also push the rest of the industry to adopt a never-ending stream of new standards.

Following “big data” and “same day/hour delivery”, “dynamic pricing” is the latest battle cry. Future prices will be adjusted to reflect the competitive situation in an effort to topple old pricing schemes and maximise profit margins. If traffic is high but sales are low, prices will drop. If money is rolling in, products will become more expensive.



With the business climate becoming harsher, whether or not these giants will continue their triumphal march is uncertain: A harmonisation of e-commerce laws is pending in the USA, which will close lucrative tax loopholes; in Great Britain, citizens’ initiatives are demanding the same be done in Europe. In mid-2013, the giant retailer yielded to the German competition authority. Marketplace merchants no longer have to offer their wares at the lowest price. And the competition authority is also looking into whether DHL delivers under cost for certain key account customers.

Large pure players have proven that huge budgets can buy market share. What they have yet to prove is whether this makes sense from an economic, environmental or social perspective.

Bustling cities doomed to obsolescence?

Michael Groschek, the Transport Minister for North Rhine-Westphalia, recently declared “sofa shopping” to be the new greenfield destroying city centres. Communities were complaining more and more about declining numbers of pedestrians walking through city centres and increased congestion due to delivery traffic. “Shoes ordered online aren’t sent through the Internet, they travel our real-world streets to get to peoples’ homes,” explains this politician from Germany’s Social Democratic Party (SPD). While Amazon and DHL are already contemplating out loud the use of delivery drones, politicians are busy finding ways of easing the urban traffic situation, whether this solution involves presorting in city logistics centres, a parcel toll or even local access restrictions. But what about pedestrian traffic? Footfall, a company that performs ongoing measurements of the number of people entering its customers’ shops, recorded a total decline of 2.6% in 2013.

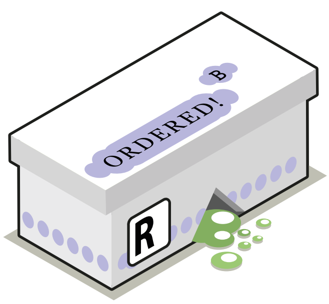
According to a representative of the German E-Commerce and Distance Selling Trade Association (BVH), e-commerce already hit this mark last year when it generated €39.1 billion in sales.

“Prime locations remain prime. Pressure on mid-range locations is increasing. Action needs to be taken in rural areas,” is how the German Retail Federation (HDE) sums up the different situations faced in city centres. Yet, even in locations with consistently high levels of pedestrian traffic, this transformation is leaving its marks: “Tenants in prime locations are changing, and retail spaces are becoming more like showrooms. Particularly retailers with weak concepts are unable to withstand the massive pressure on margins. Instead, the future will bring even more vertical concepts, manufacturers’ stores offering their own brand or even retailers with strong private labels,” summarises Elaboratum’s retail and multi-channel expert, Stefan Mues.

What remains unsaid is that the competitive situation is undergoing a shift. In the past, cities once fought against greenfield projects and traditional retailers against shopping malls. While it might hold true that communities still protect their city centres against overly ambitious specialist store projects, they let logistics centres sprout up almost unchecked. And that despite the fact that a delivery person is indifferent to whether his or her deliveries might include products that could negatively impact local sales or goods ordered after closing time. In Retail Real Estate Report No. 166, Prof. Wolfgang Christ of the Urban Index Institute sums up the competitive situation as follows: Today, it is high street vs. high tech or, in other words, the locations in a city where customers can walk or drive to vs. the omnipresent online locations of the pure players. With an eye to successful efforts to prevent urban decay in Bath, Bristol and Liverpool, he pleads the case for urban transformation as a way of dealing with the retail transformation. Locations that have proven attractive are those that blend the traditional features of a shopping mall, such as brand-name labels, store diversity, convenience, atmosphere and professional management, with small-scale urbanity and local flair. Loosely interpreted, this means that the highest-paying tenants alone will not be enough to lure online shoppers away from their screens. The only way to ensure that shopping venues attract customers in future is by offering not only a lively blend of catering, leisure activities and fun but also health and wellbeing providers and public services. Anybody following the evolution of modern shopping centers in Germany can see precisely these trends reflected.

Online retailing is autistic, yet cities and retailing are mutually dependent. If we want to avoid being wholly dependent on the Internet someday, investing in cities and retail is more worthwhile than ever.

Don't ignore, integrate!



Amazon has been active in the book market since 1998, and in 2014 the company plans to enter the food retail segment. With revenue in this area only accounting for less than 0.3% of total online sales, it is considered the last bastion of bricks and mortar retail – unlike media and fashion which, according to Statista, have already lost 29% and 18%, respectively, to the Internet. But shopkeepers are capable of learning! Ten years ago, the bookstore Thalia countered the cyber attack by offering larger stores and a bigger selection. In doing so, it not only underestimated the seemingly infinite range of products available online but also customers' need to order whenever they want and their demand for convenience. Whether Edeka, Rewe or Tengelmann – these food retailers have long since begun testing their own delivery and click-and-collect services (online orders with in-store pick-ups) and are ready to meet customers' changing needs.

These are referred to as multi-channel and omni-channel concepts, and they mesh e-commerce with bricks and mortar shops. And they are booming among chain stores, not least because click-and-collect pick-up stations prompt customers to visit the store. "We've now reached a point where one in every ten online orders is placed from a physical store because customers see an item and then order it via a mobile device," explains Marcel Beelen, Vice President Business Development at DHL. Not only that, but investments in the shopping environment are at record highs as bricks and mortar stores' key competitive advantage over the world of virtual shopping. The EHI Retail Institute reported that €4.8 billion have been spent on store expansions and renovations. Also positive is the fact that local retailers are developing a strong sense of what they have to offer customers: Merchants in Hamburg protested against the practice of showrooming – looking offline and buying online – and its detrimental impact on business by covering up their windows and refusing to accept parcels. The owner of one photo shop in Munich charges up to €25 for a consultation which can then be credited towards the customer's purchase. Retailers in Augsburg, with the support of a local TV and radio station, promoted shopping locally with a campaign entitled "Leave the click in your city", which aroused quite a bit of sympathy for many longstanding traditional retailers! After all, 38% of those surveyed after the campaign had decided to change their shopping habits. Since then, the station has been inundated with enquiries from other communities and additional campaigns will be launched soon in cities from Aschaffenburg to Würzburg.

Every day, bricks and mortar retailers are getting a little better at bringing together the best of both worlds of shopping.

SUMMARY:

It is a well-known fact that, while progress cannot be stopped, it can be steered. Convenient clicks of the mouse have long since become an established part of modern shopping experiences. Luckily, physical retail has realised that it has a pole position when it comes to linking customers' shopping enjoyment with their love of ordering online. This puts retailers in a position not only to defend their own market share but also to solve problems like parcel pick-up, exchanges and try-ons in a way that is more time-efficient and environmentally friendly than pure-play online merchants. When all is said and done, whether they are destined to win the race against the pure players' ample war chests will also depend on whether they make far-sighted investments in software, real estate and communications.

ABOUT THE AUTHOR

Rahel Willhardt has been working as a freelance journalist for national newspapers, professional journals and magazines for twelve years. She has become a well-established professional writer who specialises in the areas of retail, architecture, the real estate industry and marketing. Ms Willhardt follows two principles in her work: articles should be informative and entertaining (professional feature articles), and the stories they present should risk a glimpse at the bigger picture.


TREND
-30%
gratis
QR
TREND
-30%
Café

The digital shopping center

Is the end nigh for bricks and mortar retailers? Won't we soon all be shopping online rather than on foot? The market research company GfK expects to see intelligent coexistence of physical and online retailing. It would be fruitless and blinkered to try to hold back the march of internet shopping. Rather, the smart linking of physical and virtual contact interfaces, particularly in managed retail properties, is opening up new opportunities to support consumers any time, any place, and to offer them a seamless, attractive and innovative shopping experience across all channels.

One thing is clear: people will continue to enjoy visiting shops, but at the same time will also appreciate the benefits of making web purchases. Online shopping is especially practical for goods that are similar and interchangeable. The way in which well-designed shop concepts have always led us to spend more money that we originally planned is staggering. The online channel is simply making the market narrower, like every structural change before. However, different sectors and retailers are not equally affected by the shift in business to the net. What is happening is that the gulf between strong and weak concepts is widening:

There are both very successful online-only stores such as Amazon and very successful offline-only stores such as Primark, and the future of getgoods.de is no more questionable than that of ProMarkt.

Smart linking of the respective benefits of the online and offline spheres holds vast promise. It is clear that multi-channel concepts are growing in significance, and where they make sense – which is not the case for all products and all brands – online spending can boost sales in stores, and vice versa. You then get something greater than the sum of the parts.

GfK surveys show that customers regard the freedom to decide when, where and how to make purchases as the greatest benefit of multichannelling. Retailers that offer customers the option of the most convenient or advantageous way to shop can more than make up for declining sales at bricks and mortar stores through online orders. The future sales structure of a traditional retailer following the successful rollout of a multi-channel model might look as follows:

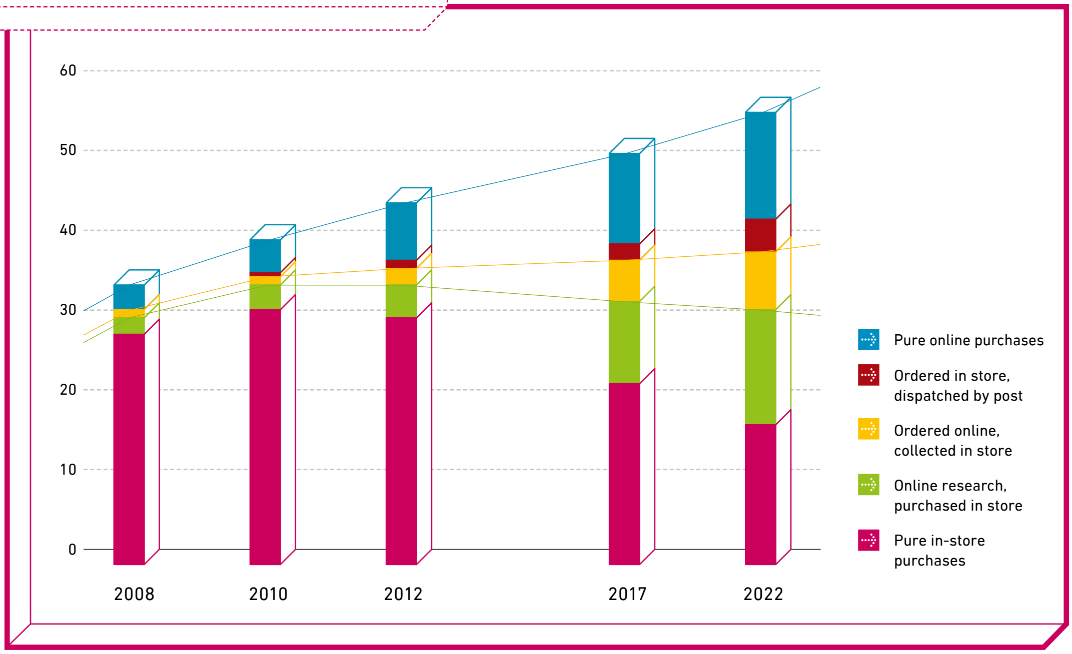
in just a few years, making up for possible decreases in pure in-store sales. Gravis puts the pick-up rate of its click and collect concept at just under 30%, while the equivalent programmes at MediaMarkt and Saturn represent as much as 40 – 45% of all online sales.

IMPACT: Retailers will increasingly need more small stores, in order to have a dense network of collection locations; additional branches or collection-only points could be set up at high-footfall locations and transport hubs. Some stores will, however, need greater storage space to hold goods ordered online.

2. DIGITAL SHOPPING CENTERS

Center managers operate an online store for the tenants of their shopping centers or for a portfolio of shopping centers. This online shop can be used to prepare for a physical visit to one of the centers, to check products and

BREAKDOWN OF A FASHION RETAILER'S SALES

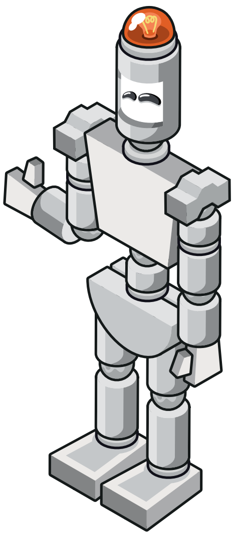


There are already a whole host of different multi-channel concepts in operation. Here are just a few examples of the forms they take, bearing in mind that this is a very fast-evolving area.

1. CLICK & COLLECT

Goods are ordered online and collected from or returned to a store. The benefit is that unlike when orders are delivered to the doorstep, customers retain the autonomy to accept the goods, obtain additional support and if necessary return the item immediately. UK figures suggest that this business could grow to around 20% of total store sales

prices or to make a direct purchase. It enables the shopping center to expand its breadth of services and products. The boundaries between offline and online are disappearing, and both channels benefit from this process. Altarea Cogedim was a trail-blazer in this regard, with its "Rue du Commerce", established in 2011. ECE and Unibail are contemplating similar models.



⊙ IMPACT: Depending on the terms of the contracts underlying the online shops, shopping centers may also be able to share in their tenants' online revenues. Tenants in turn can attract less web-savvy customers to their online shops and offer products that are not physically available at the center.

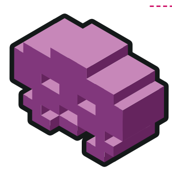
3. AUGMENTED REALITY

This heading encompasses virtual displays and trying-on/testing functionalities, be that of clothes, shoes, toys or furniture. While out shopping, consumers can access the online offering via QR codes and then use video kinetic scans in the form of moving images adapted to their own bodies or a chosen environment, test the goods out and then, of course, order and pay for them. Although virtual applications have to date been regarded as high-tech toys, technical innovation is now delivering tangible benefits. In Germany, for example, Görtz, Adidas and Lego are testing virtual shoe fitting, a virtual shopping wall and a digital box respectively.

⊙ IMPACT: The area required for selected locations will go up where virtual applications taking up large amounts of space are implemented.

4. ONLINE GOES OFFLINE

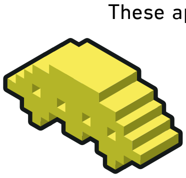
In an ideal scenario, a multi-channel strategy brings together the strengths of offline retailing with its online counterpart. A network of shops enables online retailers to reach digital refuseniks, gives them an edge in terms of service by offering a collection option and makes it easier for customers to exchange goods. This offline presence also strengthens trust in the brand, which is additionally reinforced in shoppers' mindsets through increased awareness. Examples include the concepts from Cyberport, Globetrotter, MyMüsli, Planet Sports and SuitSupply.



⊙ IMPACT: Online retailers will look for shop sites at selected locations and will increase the diversity of and innovation in store structures in cities and shopping centers. The number of flagship stores will go up, and rents on these need not be covered by in-store purchases alone.

5. MOBILE APPLICATIONS – COUPONING

Discounts on store entry: Even online bargain hunters shop in bricks and mortar stores from time to time. Smartphone apps enable users to participate in reward programmes when shopping in stores. Loyalty points are earned through certain behaviours, such as entering a store, walking toward a shelf, checking a product or ultimately making a purchase. The app also sends the customer customised offers. These applications require transmitter devices in the cooperating stores.



⊙ IMPACT: Sophisticated bonus programmes attract online fans back into physical stores. Caution is advisable, however, as smartphone customers are some of the best-informed and therefore most challenging out there.

What does that mean for retail property of the future?

We have developed three hypotheses on the implications of multi-channel concepts for physical retail locations.

1. Physical stores will evolve from points of purchase into touch points. Branches will remain a key element in the multi-channel strategy, as they are the only place where the physical brand experience can be felt.
2. When customer types are broken down, by far the greatest share of spending is by "dual customers", who make both online and offline purchases. Managed retail locations offer the best conditions for implementing and linking up their tenants' multi-channel concepts.
3. Multi-channel will intensify the requirements in terms of professionalism on both the property and the tenant sides. The customer journey – that is to say, customers' decision-making and purchasing processes – must be understood if their needs are to be seamlessly latched on to.

ABOUT THE AUTHOR

Manuel Jahn is Head of Consulting in the geomarketing solution area of GfK. He has worked for GfK since 2004 and gathered extensive expertise in the retail and real estate industries through consulting on locations and properties across the whole of Europe. He was previously involved in project development for shopping centers in association with Westdeutsche ImmobilienBank. Mr Jahn is responsible for retail property within the "Rat der Immobilienweisen" (Council of Real Estate Experts) of Germany's Central Real Estate Association (ZIA) and advises HypZert on retail matters.

This is an extract from the more extensive GfK German-language white paper "Online versus Stationär? Lieber Komplementär!" (Online versus offline retailing – together is better!). You can download this at **http://bit.ly/GfKJahnWP2013**

What I bought in 2013

CLAUS-MATTHIAS BÖGE,
Executive Board Spokesman,
Deutsche EuroShop

"We found a nice picture for our entranceway und indulged ourselves. It's called "On the Beach" and it just radiates good energy. I look forward to seeing it every single day!"

PATRICK KISS,
Head of Investor & Public Relations,
Deutsche EuroShop

"In 2013, I wanted to change something about my "look" – literally: with two new pairs of glasses (reading glasses and sunglasses). The optician's in the shopping center offered advice, measurement and adjustment. The glasses were comparable with online offers in terms of price but you only get that extra bit of service offline."

OLAF BORKERS,
Member of the Executive Board, Deutsche EuroShop

"An awning for the terrace. Our old one was already 30 years old and its age showed even though it was still in great technical shape! The new awning has a lot more to offer – spot lights, side section, completely electrically operated – hopefully it will last the next 30 years."

KIRSTEN KAISER,
Head of Accounting,
Deutsche EuroShop

"I bought a new rug for my bathroom: it looks great and is also made of an extremely unusual material: paper."

BIRGIT SCHÄFER,
Secretary to the
Executive Board,
Deutsche EuroShop

"I added to my crockery collection and bought a six-piece dinner service. Simple, elegant and white. A purchase that has made me very happy."

NICOLAS LISSNER,
Manager Investor & Public
Relations, Deutsche EuroShop

"Buy me a Pie! With this app, I always have my grocery list on my iPhone. And the app syncs with my girlfriend's phone which is really practical. I can update the list or check items off at any time."

MANUEL JAHN,
Head of Consulting,
GfK GeoMarketing

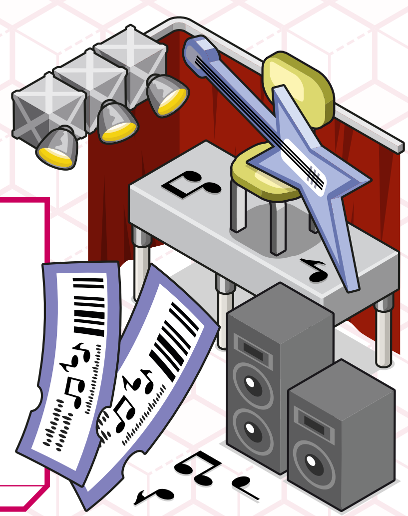
"A fixie single-speed from a Dusseldorf-based bike manufacturer. For weeks, I scoured bike shops in Hamburg looking for a bike shop that could create a bike based on my specs. The only response I heard was no. I had always been a committed offline customer but now I was thrust into the maelstrom of the World Wide Web against my will. A well-designed website and a clever bike configurator quickly made my wish come true. A brief discussion among my network of friends – and the click to place to order was just a minor detail. Am I just another grave-digger contributing to the death of the retail store? No way. But I am convinced that competition stimulates business! Instead of DHL, I set off from Hamburg to Dusseldorf to take my pride and joy into possession in person in the workshop. Incidentally, the visit to the manufacturer was a true shopping experience: all-in-one workroom, shop and gallery. I took the opportunity to buy handlebars for my second bike on the spot."

ROLF BÜRKL,
Senior Research Consultant
Business & Technology, GfK

"At the end of last year, I bought trainers rumoured to work miracles from a sporting goods manufacturer in Herzogenaurach. Apparently they make you faster and you don't tire out as quickly. These shoes should help me come in under the four-hour limit at my marathon in Vienna in April."

RAIMUND ELLROTT,
Member of the Management Board,
GMA Gesellschaft für Markt- und Absatzforschung

"One of the best experiences of 2013 was the Bruce Springsteen concert in the AWD Arena in Hannover at the end of May 2013 which I had bought tickets for together with friends. A 3½ hour concert, great songs and a lead singer who shows impressive stamina at the age of 64."

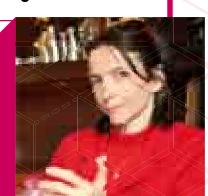


DIRK RIEDEL,
Project Manager,
GMA Gesellschaft für Markt- und Absatzforschung

"I bought myself new hiking shoes. Shortly before my holidays, I was able to choose the right shoes with the help of an intensive stress test on imitation terrain in the flagship store of a leading outdoor retailer. Try that on the Internet! Since then, they have carried me comfortably and reliably through Cinque Terre and to the top of Etna in Italy, from hut to hut in Austria and through the jungle in Costa Rica."

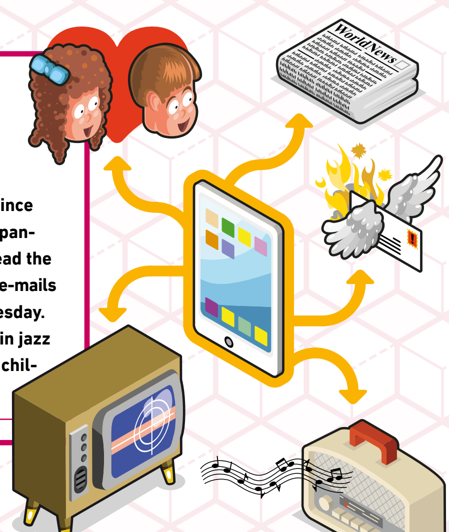
RAHEL WILLHARDT,
Freelance Journalist

"My purchase of the year was in the organic supermarket Temma. Instead of just scanning my groceries, the cashier commented on every item that he put through the till with a cheery sing-song voice. I headed home not only with healthy food but also a big smile."



DR. STEPHANIE RUMPFF,
Senior Manager Retail & Consumer,
PwC

My purchase of the year was an iPad which has since become one of my most important everyday companions. This companion gives me flexibility: I can read the newspaper "hot off the press" in the evening, write e-mails on the train and watch my crime series on Wednesday. And it gives me moments of true happiness: Berlin jazz radio in the Rhineland and close contact with my children on every trip thanks to FaceTime."




Style
Style
Style
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Style
LCD-TV
Super Mega 3D
SCHUL-START
STOP
Natur
Flowers
bling-bling
230PS
%

Stores are surviving

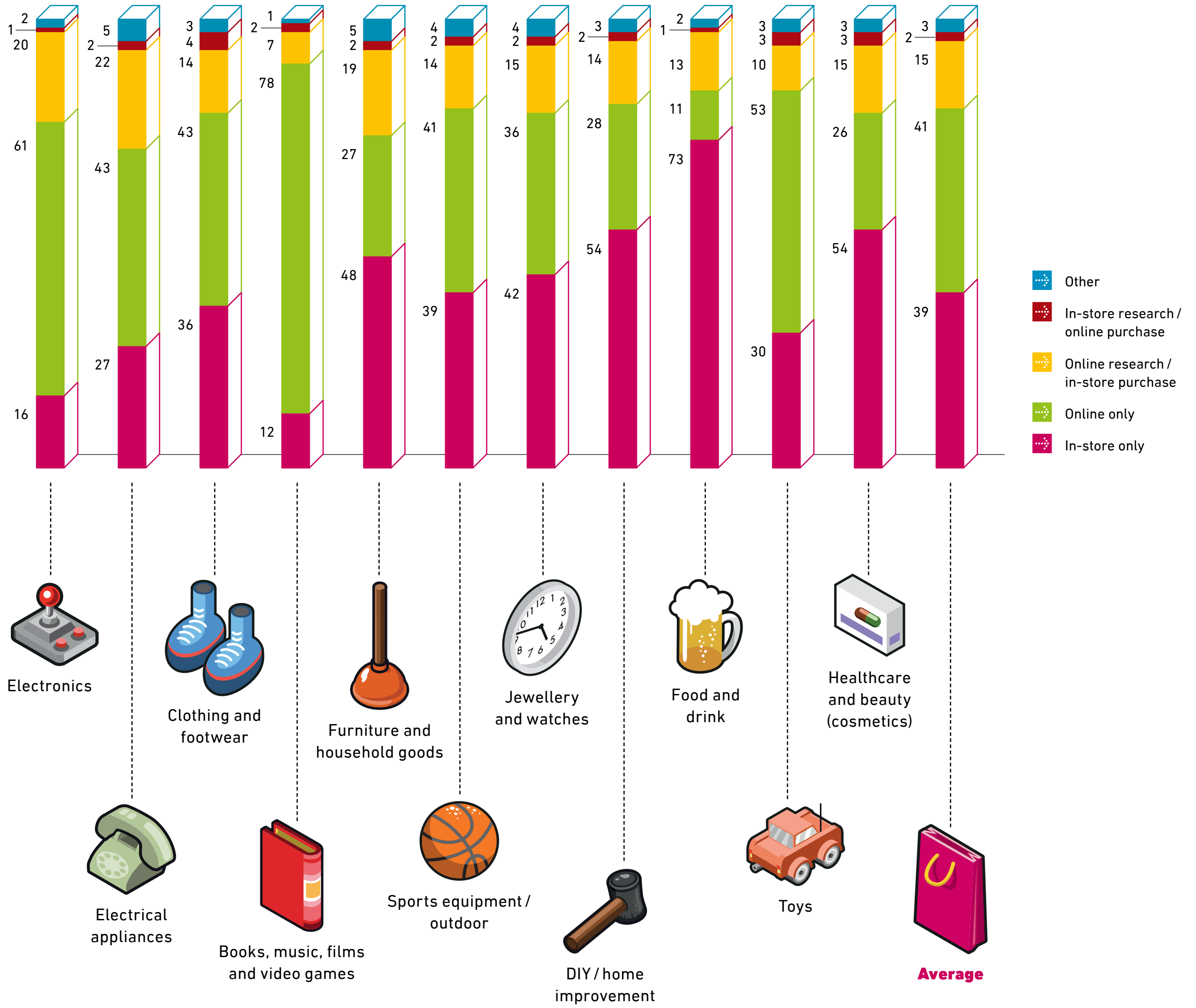
customers value bricks and mortar businesses even in the digital shopping age

Online sales are the driving force behind Germany's retail sector. E-commerce revenues posted double-digit growth for the third year in a row, at 12%, in 2013, while the Handelsverband Deutschland (HDE – German Retail Association) is forecasting an even higher 17% for 2014. One key influencer of and a clear winner from this trend is Amazon. This pure player from the US, which commands nearly 24% of Germany's e-commerce market, generated more than 20% revenue growth in 2013, considerably outstripping market growth as a whole. Amazon has mastered the ins and outs of digitalisation like no other retailer: customer analytics, agile technology and efficient processes offer customers an easy, convenient and personalised shopping experience – from a home PC today or a smartphone tomorrow, wherever and whenever they choose.

Our latest survey of German online shoppers has revealed that consumers already shop online more frequently than they go to bricks and mortar stores: 73% purchase products online via their home computer at least once a month, compared with 69% in a store. Across all sectors, 41% of online shoppers prefer to make their purchases only via web shops whereas 39% prefer to shop in physical stores. While nearly a quarter of the world's consumers are already utilising multiple channels when shopping, the percentage of multi-channel shoppers in Germany is still much lower: 15% (+2 percentage points versus 2012) prepare their purchases online and then go to a store to buy or collect their selected products. Just 2% go to a store first and then buy a product online. A clear majority of consumers prefer the internet for purchases of books, music, films and video games (78%), consumer electronics (61%) and toys (53%).

[1] www.einzelhandel.de/index.php/presse/zahlenfaktengrafiken/internetunde-commerce/item/110185-e-commerce-umsaetze.html
[2] www.sec.gov/Archives/edgar/data/1018724/000101872414000006/amzn-20131231x10k.htm
[3] For PwC's survey "Total Retail – How multi-channel consumption is changing the retail business model of tomorrow", a representative sample of 1,005 German online shoppers were questioned in July and August 2013 in online interviews.

Multi-channel shopping behaviour – from research to purchases (in %)

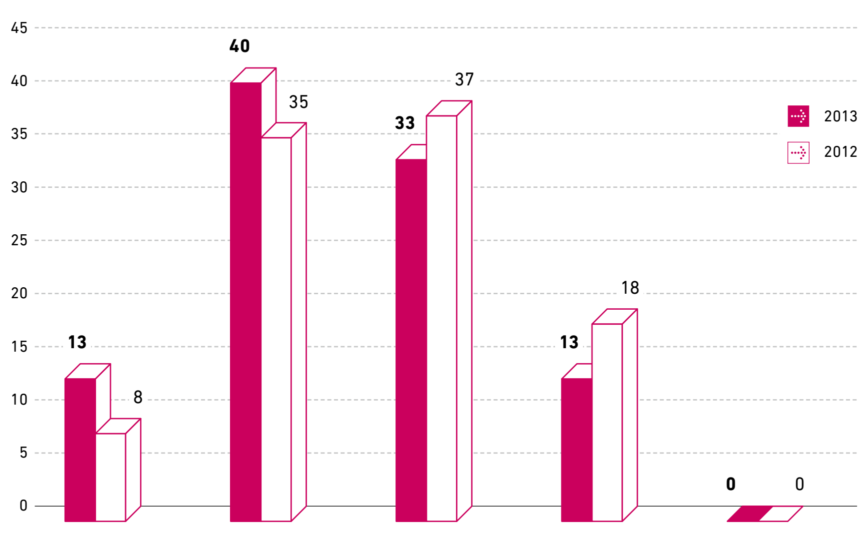


The considerable online penetration in individual sectors is not necessarily a death sentence for bricks and mortar stores, however. Physical stores have their place even in the digital world – or maybe even especially in the digital world. The majority of consumers visit shops mainly to buy everyday products, such as food, toiletries and cosmetics, DIY supplies and household goods. However, physical shopping also chimes into the emotive side of shopping: the opportunity to see, touch and try on products or to make spontaneous purchases. Aspects such as these mean that the attraction of the experience of shopping in city centers and flourishing centrally located shopping centers will not diminish. Stores of the future will look different, however, and will serve a new function: they will have smaller sales floors and product ranges and become one of many points of customer contact in an integrated multi-channel business model. Physical stores can act as interactive experiences and showrooms or as pick-up points for products ordered online – or indeed both at once. What is important is that they meet the expectations of digital consumers, who have almost unlimited information and shopping opportunities at their fingertips via their smartphones.

Physical stores can act as interactive experiences and showrooms or as pick-up points for products ordered online – or indeed both at once.

Amazingly enough, digital consumers only use a fraction of the wide range of possibilities at their disposal. Our survey reveals that German online shoppers tend to spend their money at an extremely small group of multi-channel providers: over half of those surveyed (53%) had shopped with no more than five online retailers in the past 12 months. This represents a considerable year-on-year increase of 10 percentage points. If we narrow our focus to true multi-channel shoppers, defined as those consumers who use at least two shopping channels[4] when making purchases, this selectiveness becomes even more pronounced: 53% only make purchases with one single retailer (+9 percentage points versus 2012), another 45% with two to five providers (+4 percentage points).

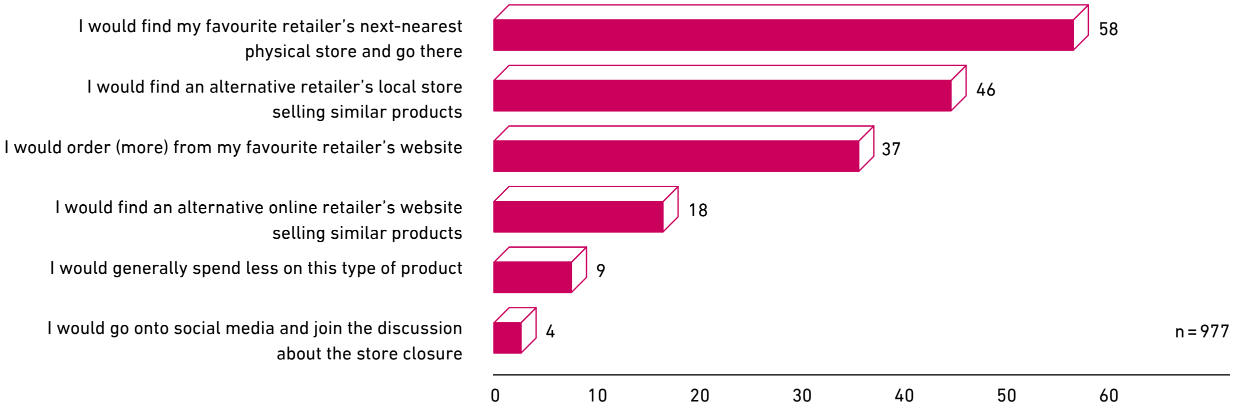
Number of retailers used in the last 12 months



NB: These figures relate exclusively to a defined list of German retailers (not including online-only retailers). n = 1.005 (2013) / 1.003 (2012)

[4] Shopping channels are store, online with PC or tablet computer, online with mobile phone / smartphone.

What would you do if your favourite retailer closed its nearest physical store? (in %)



Price was by no means the sole determining factor in consumers' selection of online retailers. Rather, retailers can escape price competition and set themselves apart from their competitors by offering a broader, more diverse range of products than consumers can find elsewhere. One aspect that is nearly as important to them is that the products can be delivered at any time or are in stock at the physical stores. In addition, since confidence in retailers also plays a key role in customer loyalty, investments made by those retailers in brand strengthening and differentiation pay off every bit as much as they do for brand manufacturers.

Bricks and mortar stores remain a key factor in customer retention. If a favourite retailer were to close its nearest store, around half of German consumers would decide to shop in another of the retailer's stores: 58% would shop at their favourite retailer's next-nearest physical store and 46% would find an alternative retailer selling similar products. Only just over a third of consumers (37%) would shift their shopping activity to their favourite retailer's online store.

An international comparison reveals that German online shoppers are less loyal to their favourite retailers across different shopping channels. Average global consumers are more likely to switch to their favourite retailer's online store (44%) than to another retailer's physical store (42%). While shopping with their favourite retailer is a key factor for international consumers, German consumers place greater value on shopping in a physical store. This can certainly be attributed in part to the dense store network in Germany, which generally makes it easy to find another location, but the finding also reveals that the online stores of German consumers' favourite retailers are currently less attractive than their physical counterparts.

This means that German retailers need to keep working on developing both their brands and their products and services across all sales channels and to make these attractive to customers. The future belongs to multi-channel retailing, and almost all retailers need to operate both offline and online, and to do so actively. An individual online shop is not necessarily a must for smaller retailers if marketing and distribution can take place just as successfully through a cooperation partner or marketplaces like Amazon or eBay. If retailers close a bricks and mortar store and can succeed in motivating fickle customers to shop at their online shop, they need not fear customers shifting to their rivals.

An integrated, customer-centric business model ("total retail") is essential for successfully generating customer loyalty in the retail business. This calls not only for an integrated sales structure and culture, but also for technological agility and a customer-oriented supply chain, to give consumers compelling access to the retailer's shopping experience across all contact points and end-devices.

ABOUT THE AUTHORS

By Gerd Bovensiepen, Head of the Competence Center Retail & Consumer, Germany and Europe at PricewaterhouseCoopers AG, and Dr Stephanie Rumpff, Senior Manager, Retail & Consumer at PricewaterhouseCoopers

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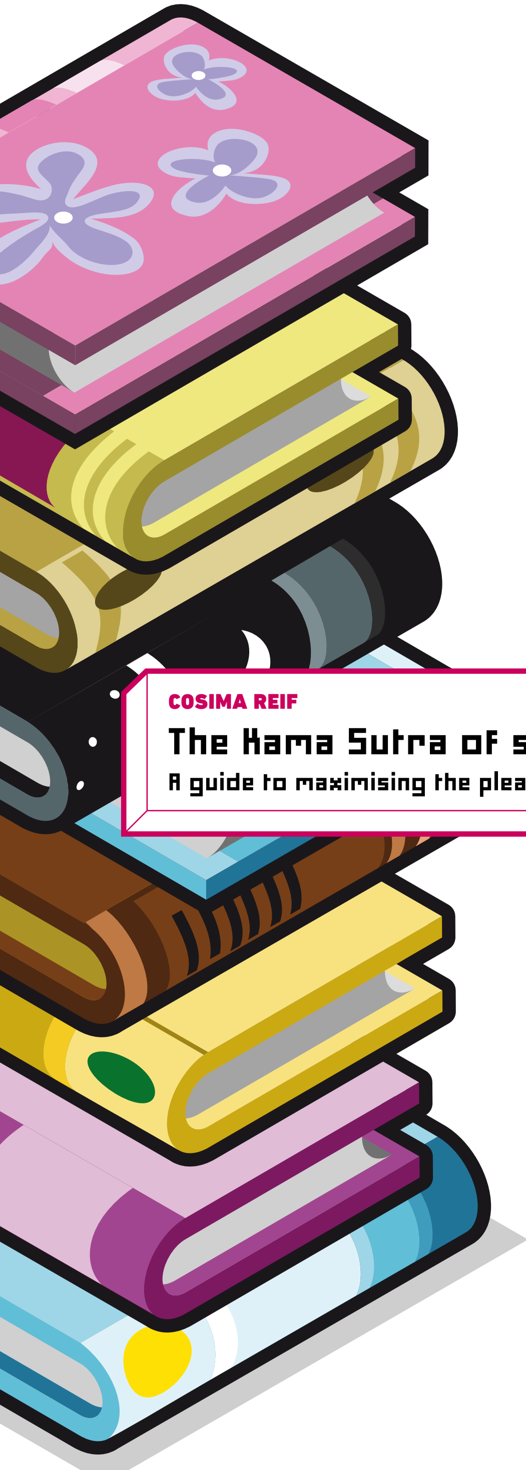


Books

on the subject of shopping

COSIMA REIF

The Kama Sutra of shopping

A guide to maximising the pleasure of purchases

80 pages, bound, with extensive four-colour illustrations
ISBN: 978-3-99300-159-9
Store price: €16.90

This is a long-overdue work, given that over our lifetimes, each of us will reach into a wallet or purse some 500,000 times to make a purchase. Often we do this not of our own volition, but because we have been manipulated into it. That is why the heady rush that comes with shopping can often turn into a hangover, replete with the accompanying headache. The Kama Sutra of shopping offers emancipation from mindless consumption and the pressure to buy and instead celebrates taboo-free shopping with the aim of maximising the pleasure derived from the act. Fun, colourfully illustrated and somewhat tongue-in-cheek at times. On completing the book readers will be able to congratulate themselves on a purchase well made!

This Kama Sutra of shopping is essentially a relationship manual. It sheds an intimate light on the relationship between shopper and merchandise. There are resolutions to anything that could stand in the way of a happy union between the two. The book contains ten golden rules for successful shopping, tips on getting the necessary cash and decision-making aids for wavering shoppers.

PRIZE DRAW:

For your chance to win a copy of “Das Shopping-Kamasutra” (available in German only), just send an e-mail with the subject line “Buchverlosung” to **ir@des.ag** by 15 July 2014. The winner will be notified in writing and no appeals will be entertained.

GUIDO MARIA KRETSCHMER

Attraction

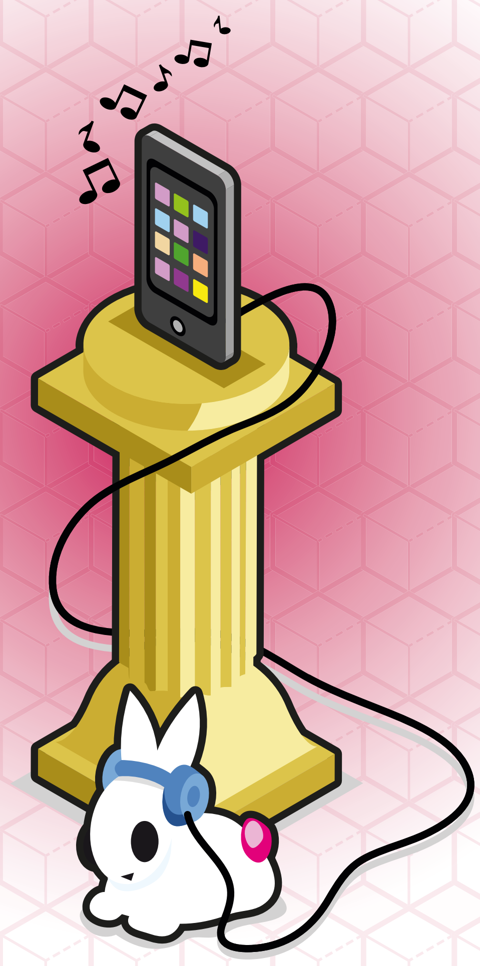
Style has nothing to do with size

237 pages, bound, 50 images
ISBN: 978-3-84190-239-9
Store price: €17.95

Fashion designer Guido Maria Kretschmer has dressed countless stars and models with dream figures. But that has not always been the case. Right from the early days of his own fashion label, Kretschmer would take private orders from women who were well-heeled but had exactly the same problem areas as the rest of us.

“Style has nothing to do with standard sizes,” says Kretschmer whose book “Anziehungskraft” (or “Attraction” in English) describes ten typical shapes. Each has its little weaknesses but also its assets, and the trick is maximise these. This book advises on how to achieve this and also includes tales, in the best Kretschmer tradition, of his experiences with “elf”, “meerkat” and “Valkyrie” types.

CHARTS 2013



presented by Thalia.de
Entdecke neue Seiten.

Bestsellers non-fiction

1
Guido M. Kretschmer
Anziehungskraft ("Attraction")

2
Florian Illies **1913**

3
Rolf Dobelli **The Art of Thinking Clearly**

4
Randi Crott **Erzähl es niemandem! ("Tell No One!")**

5
Jamie Oliver **Jamie's 15-Minute Meals**

Bestsellers fiction

1
Jojo Moyes **Me Before You**

2
E. L. James **Shades of Grey 01**

3
Jonas Jonasson
The 100-Year Old Man Who Climbed Out of the Window and Disappeared

4
E. L. James **Shades of Grey 02**

5
E. L. James **Shades of Grey 03**

Top 5 music albums

(20.12.2013–09.01.2014)

1
Robbie Williams **Swings Both Ways**

2
Helene Fischer **Farbenspiel ("Interplay of Colours")**

3
Max Herre
MTV Unplugged – Kahedi Radio Show

4
Helene Fischer **Best of**

5
Santiano **Bis ans Ende der Welt ("To the Ends of the Earth") (Second Edition)**

presented by SATURN

presented by Media Markt

Top 5 blu-ray discs

(23.12.2013)

1
Lone Ranger

2
Pacific Rim

3
X-Men Origins: Wolverine

4
Despicable Me 2

5
The Smurfs 2

Top 5 classical music

(December 2013)

1
Jonas Kaufmann:
The Verdi Album

2
David Garrett:
Garrett vs. Paganini

3
Anne-Sophie Mutter: **Dvořak**

4
Luciano Pavarotti:
50 Greatest Tracks

5
Jonas Kaufmann: **Verdi Requiem**

Top 5 audio CDs

(December 2013)

1
Jojo Moyes: **The Last Letter From Your Lover**

2
Jonas Jonasson: **The Girl Who Saved The King of Sweden**

3
Robert Galbraith alias J.K. Rowling:
The Cuckoo's Calling

4
Suzanne Collins: **The Hunger Games – Catching Fire**

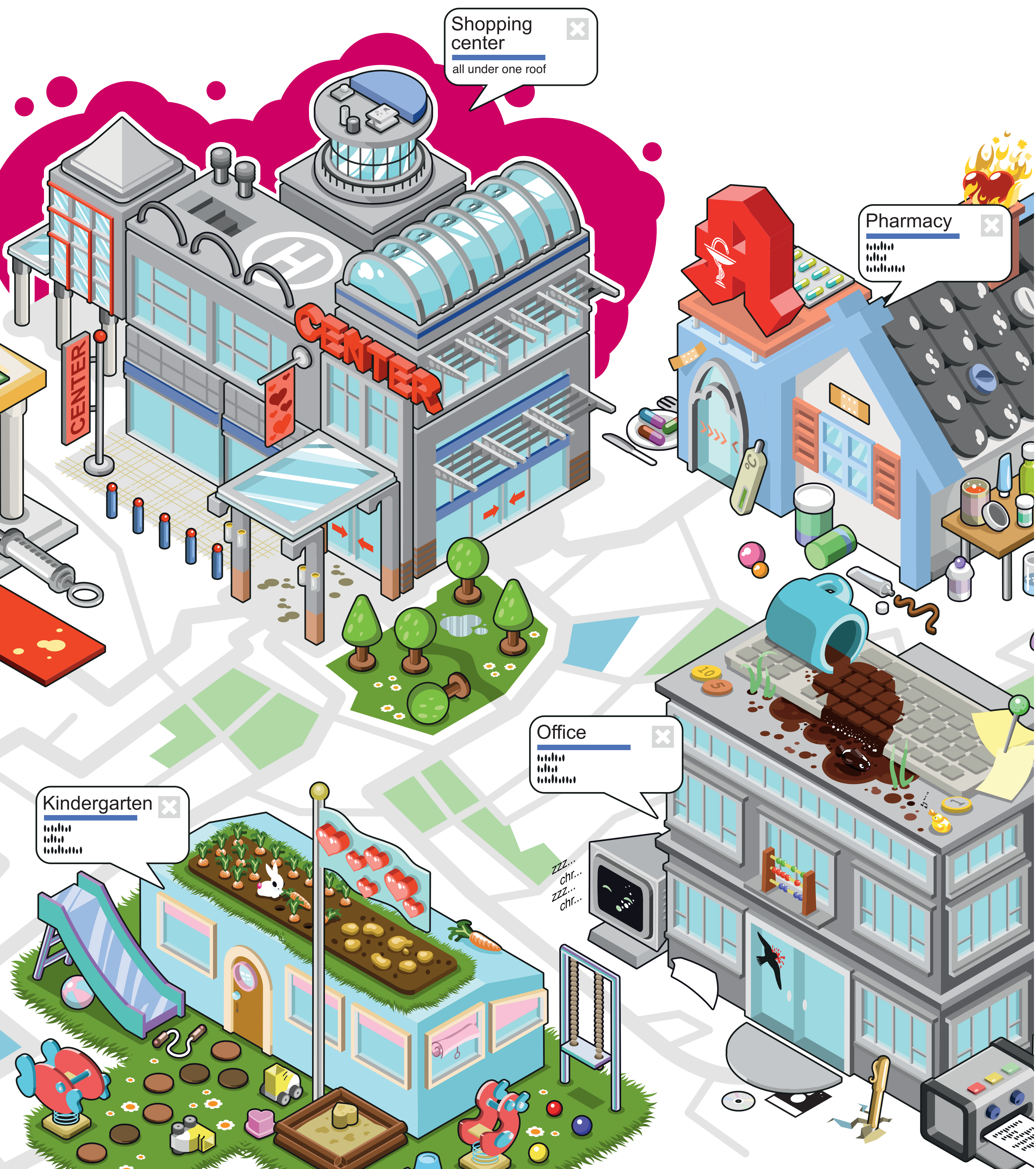
5
Rachel Joyce: **Perfect**

RETAIL WITHOUT BOUNDARIES AND SHOPPING CENTERS

OUTLOOK OF RETAIL PROPERTY IN THE E-COMMERCE AGE

Shopping centers in Germany are enjoying unbridled demand – both from investors as a home for their money and from tenants as retail locations. However, the boom in online retailing is also producing considerable uncertainty over bricks and mortar retailing. How will online retailing evolve? Which locations will lose out, and might there also be some winners? And what will this mean for the model of the shopping center, often a town or city's no. 1 retail destination? Will it be able to counter the threat from these new ways of shopping, or even be able to capitalise on them for its own ends?

Here are three core arguments


Shopping center
all under one roof
CENTER
CENTER
Pharmacy
Office
zzz...
chr...
zzz...
chr...
Kindergarten

ARGUMENT 1:

Online retailing will continue to grow at pace, but not all sectors will be equally affected

Click & Collect:
Customers go online for information, order online ...

Online retailing is and will remain the overwhelming megatrend dominating site development in retail. There is no disputing that the shrinking market share of physical retail could have a neg-ative impact on real estate and city centers. But what will the drivers behind this process be, and where will the limits lie? The rise in the market share of online retail is also being support-ed by technological developments and the popularity of smartphones. Whereas just under 6 million smartphones and tablet PCs were sold in Germany in 2009, the equivalent figure for 2012 was already over 20 million, with higher-performance devices and faster internet connec-tions boosting the appeal of mobile commerce even further. Physical retailers might not be able to prevent customers from taking advantage of in-store advice only to make their pur-chase online in the end, sometimes even while still in the store thanks to increasingly powerful mobile devices. Offline retailers need not yet fear their shops are becoming nothing more than showrooms, however. A Roland Berger / ECE study showed that sales volumes for which the groundwork is done online and the transactions take place in a physical store are ten times higher than in the reverse scenario.

Nevertheless, it would not do to rely on this figure staying that way: it is expected that offline retailers will in future be used increasingly as sources of information, on which basis a transact tion will ultimately be made via an online channel. The market share of e-commerce is current-ly just under 10%, and forecasts suggest that this could double by 2020, although it will vary between different areas of retail. In light of the synergies available between online and offline business, existing pure players (e.g. eBay, Zalando, myMüsli, etc.) will look to create new physical models, generating demand for properties in prime, well-established locations, i.e. well-situated shopping centers.

The main growth drivers behind online retailing are goods that consumers do not need to see, touch, try on or smell in order to test the quality. That is why online sellers of products such as appliances, consumer electronics and media devices (17%) have grown their market share in recent years, as have online book retailers (23%), although distance sales of books actually dipped slightly in 2013 for the first time since the dawn of e-commerce. The fashion segment was wholly unaffected by e-commerce, and saw an 11% jump in online sales between 2011 and 2012. The market shares for products such as watches/jewellery and medication are still low, and in fact declining. Even food is proving surprisingly resistant to online distribution, despite viable attempts on the market by national chains. A Lührmann study (Retail Trend Ba-rometer 2014), which surveyed 2,200 executives with responsibility for expansion at interna-tionally, nationally and regionally active companies, suggests that that will remain the case. In this environment, total offline retail sales are also holding steady and there is high consistency of demand, in part because Germany has survived the financial crisis relatively unscathed. That is one reason why the German market is continuing to attract a great deal of interest from foreign investors.

... and pick the product up in a local shop.

ARGUMENT 2:

Well-situated retail locations need not be afraid

However, investment security takes top priority. In the wake of the financial crisis, online retail-ing has been another factor pushing investors towards risk aversion and a greater focus on core/core plus real estate, with the result that high street properties in prime locations have come into the spotlight more than ever, with prices rising accordingly. Similarly, well-positioned shopping centers will continue to operate with a fairly low degree of cyclicality, whereas weak retail locations will lose out, in part because national and international retailers will cease to need blanket coverage in the long term due to the rise of online shopping and will be able to thin out their store networks. The expectation is that retail properties in large and medium-sized cities will have better market prospects in future than those in smaller towns or in class C or D locations. At present, only the scarce supply of available properties is acting as a brake on investment transaction volumes in German shopping centers (2012: approx. €3 billion). The high demand for good centers naturally has implications for yields, with peak yields remaining stable at around 5%.

ARGUMENT 3:

The shopping experience and adaptability of shopping centers will become increasingly important

The competition against e-commerce will force bricks and mortar retailers, and even shopping centers that are currently operating well, to keep up with the times. In so doing, it is less helpful to attempt to lure in customers and try to "train" them by demonstrating the benefits of physical retailing than it is to address the "modern consumer" via a good multi-channel strategy, gener-ating revenues from cross-selling by linking together attractive online and offline forms of dis-tribution. Physical retail needs to make clear what sets it apart from online sellers and cannot be replicated. For shopping centers, that means concentrating even more squarely on shopping as an experience. That means a new generation of shopping centers that engage the senses of hearing, touch and smell as well as sight (such as the Mönchengladbach Arcaden), along with those making the shopping experience more interactive (such as the Alterstal center in Hamburg and Limbecker Platz in Essen, offering "Future Labs" with 3D orientation systems and virtual customer information) will be in a stronger position.

Shopping centers must strive for the status of "third place", after the home and the workplace, for the catchment areas that they serve. Not only critical mass, but above all a mix of sectors appropriate to the location and the market are central to achieving this. As explained above, there are increasing shifts taking place in the segment mix and product concepts on offer in shopping centers in the e-commerce age. The following chart provides an illustration of this.

Typical sector breakdown within shopping centers in % and expected future trend

Sector	Typical space in % (as range)	Expected future trend
Food and consumables	7 – 14	↑
Healthcare, beauty	7 – 11	↑
Flowers, pet supplies	1 – 2	→
Books, stationery and toys	8 – 12	↓
Clothing, footwear, sport	48 – 60	↑
Electrical appliances	16 – 20	↓
Household, furniture, furnishings	5 – 7	→
DIY, construction and garden supplies	–	→
Glasses, watches, jewellery	1 – 2	→
Other retail	–	→

GMA presentation. Basis: numerous expert discussions/evaluation of center structures
Plus services: 1 – 2% and catering outlets: 6 – 7%

The ability of retail property to respond to market trends and changes will be critically important in future. A high degree of flexibility in rental space, particularly with regard to the arrangement of space and product structures, will therefore be more crucial than ever for the long-term success of shopping centers. Those centers that fail to adapt adequately to the dynamic shifts in retail and consumer behaviour will find the going much tougher. Pressure to renovate and re-fresh will increase substantially, in part because the lifecycle of shop concepts will shorten considerably. Sonae Sierra / GMA studies from 2010 / 2011 already indicated that the market volume for shopping center renovations in Germany alone was running at €2.5 to €3.5 billion.

Mastering the full gamut of multi-channel selling possibilities, from bricks and mortar stores to online sales via PCs, smartphones and tablets, is the ultimate challenge facing the retail industry. However, distance selling cannot be expected to completely supplant physical stores. Well-located shopping centers in good locations and physical retailers with sustainable models in good locations will in the authors' view continue to operate profitably in the market. Flexibility and the ability to adapt to fast-changing operating and product range concepts will be the key challenges for the future.

ABOUT THE AUTHORS


Raimund Ellrott **Dirk Riedel**
GMA Gesellschaft für Markt- und Absatzforschung mbH

Consumer spending in 2014

the end of the crisis?

GfK forecasts suggest that private household spending in Germany is set to increase by 1.5% in real terms in 2014. The organisation expects increases of between 0.5% and 1.0% for the European Union as a whole. This means that private consumer spending in Germany is forecast to grow much more strongly than last year, providing sustained support to the domestic economy. GfK is predicting significant rises in food and drink sales, whereas other areas of retail are expected to enjoy only modest growth.

German consumers are of the opinion that the repercussions of the financial crisis are over, at least in their own country, and that the economy will continue to perform well over the next 12 months. This view is in line with forecasts by economic research institutions and businesses. The economic upturn promises a continuation of good prospects for the German labour market. Consumers' hopes are therefore high that this will feed through into wages. In light of the general economic situation, consumers believe that the time is right to make larger purchases. Interest rates on both deposits and loans are at very low levels, with the result that propensity to save is at a historical low. The tourism industry is also benefiting from the upbeat consumer sentiment, with spending on holidays and private travel rising by 8%, or roughly €5.9 billion, last year.

Positive, though less dramatic, trend in online sales

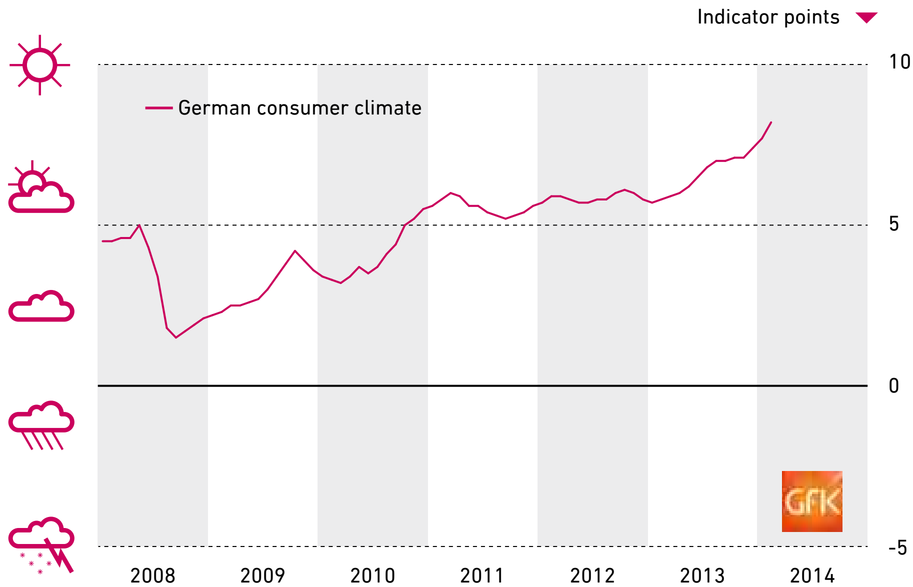
Divergent trends are in play within German retail. Food and drink retailers and chemists recorded 2.7% sales growth in 2013, mainly thanks to higher prices. Consumers are prepared to pay more for quality and service. However, volumes sold decreased again, by 0.5%. Sales in non-food retail, which includes textiles, electronic devices, furniture and home improvement products, increased by just 0.2% in 2013 to a little under €151 billion. Online sales performed well, albeit not as dramatically as in previous years, up 8%. There was a correspondingly negative impact on physical retail.

Price rises are expected to soften again in 2014. The European financial crisis is not yet entirely over, and so German consumers are once again unlikely to substantially change their purchasing habits this year. For 2014, GfK is forecasting nominal sales growth of 2.3% for food retailers and chemists, while volumes are expected to continue to fall. Non-food retail sales are predicted to grow by 0.6%.

Stable labour market is an indispensable ingredient in consumer confidence

The most important contributor to positive consumer sentiment is the labour market. According to the country's Federal Employment Agency, an average of 2.95 million people were registered as unemployed in Germany across 2013, corresponding to an unemployment rate of 6.9%. A comparison with Germany's European neighbours confirms how strong these figures are. Germany is in fact the only country in which the number of people out of work has dropped since the pre-crisis 2007 level, and by an impressive 37%. By contrast, unemployment rates have doubled or tripled in crisis-struck Greece, Spain and Ireland. The economic outlook around the world, and most notably in Europe, has brightened for the first time in years. Even though the recovery remains very soft, German exports were up by 3% last year. An increase of 4% is forecast for 2014. Exports to other EU countries are also predicted to rise again. The European Commission forecasts that German GDP will increase by 1.7% this year, from 0.4% in 2013. Germany should not be alone in enjoying renewed economic strength either: the Commission expects Europe to grow by an average of 1.4%, after stagnating last year. European consumers also share this optimism.

A lively start to 2014 for the consumer climate indicator



Source: GfK | European Commission

However, it will take at least into 2015 for economic growth to translate into a labour market recovery, as is borne out by propensity to buy in Europe. Consumer sentiment significantly improved in some areas between the fourth quarters of 2012 and 2013, but propensity to consume is still well below average in Europe. Only when companies are in a position to create new jobs, pushing down unemployment, will consumer willingness to spend pick up again. And only then will the people of the European Union be in a position to reinforce the economic upturn via their consumption.

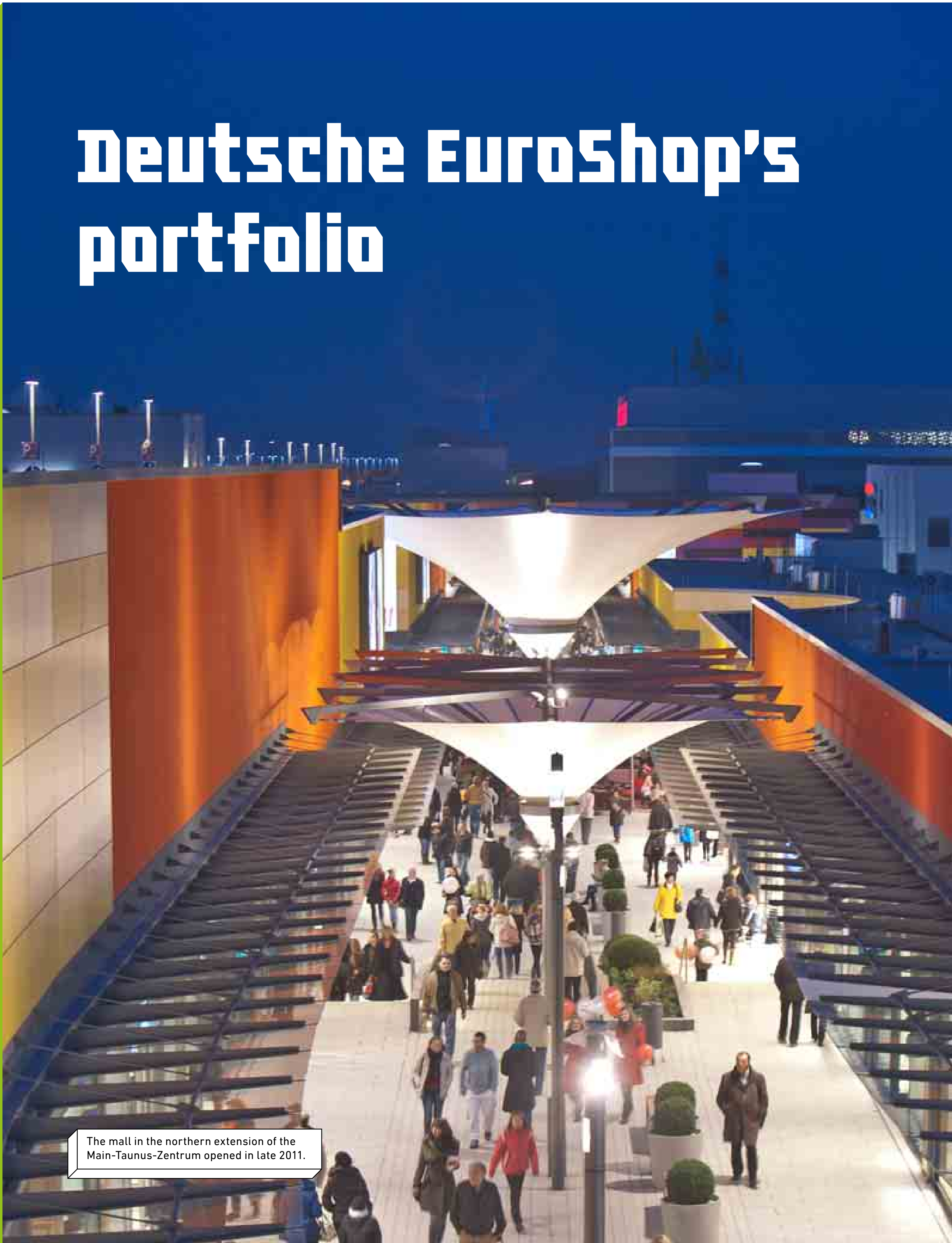
Consumer sentiment significantly improved in some areas between the fourth quarters of 2012 and 2013.

The consumer climate indicator is signalling that consumer spending will go up again in 2014. The GfK is also forecasting a real-terms increase in private consumption for the EU as a whole for the first time since 2011. This is set to be between 0.5% and 1.0% and to make a significant contribution to higher economic growth in Europe. Private households in Germany are also set to spend more: GfK calculations point to a 1.5% real-terms rise in German consumer spending this year.

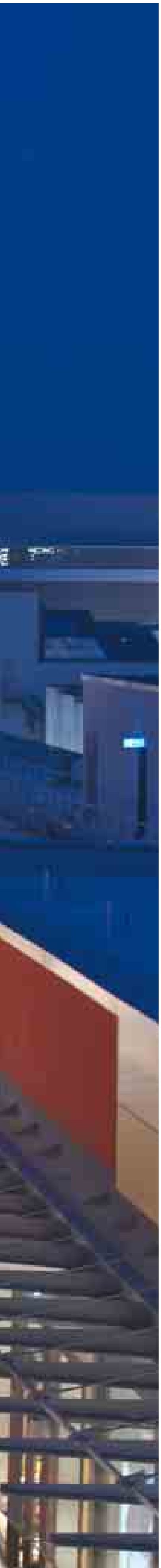
ABOUT THE AUTHOR

Rolf Bürkl, Senior Research Consultant, Financial Services, GfK. Mr Bürkl's responsibilities include the regular production of and commentary on the GfK consumer climate indicator.

Deutsche EuroShop's portfolio



The mall in the northern extension of the Main-Taunus-Zentrum opened in late 2011.



In 2013, there was again movement in our portfolio: in May, we managed to increase our share in the Altmarkt-Galerie Dresden, one of the most successful shopping centers on our books, to 100%. In August, we disposed of our investment in the Galeria Dominikanska in Wroclaw / Poland, in which we had previously held a one-third stake. As a result, our portfolio now comprises 19 properties: 16 centers in Germany and one each in Poland, Austria and Hungary. These offer an area of 927,500 m^2 for a total of 2,350 shops.

The bus station in Norderstedt is integrated into the Herold-Center for customers' convenience.

At 91%, the focus of our investment activity clearly lies in Germany. As in previous years, we are particularly proud of our consistently high average occupancy rate of 99%, which is testament to the quality of our portfolio.

Location, location, location

In real estate, and particularly in retail, location has always played a pivotal role. Our tenants want to be wherever their customers are. Each of our 19 shopping centers represents a prime location: the majority of our properties are in city centres, in places where people have been coming together for centuries to ply their trades. Often our centers are immediately adjacent to local pedestrian zones. Our portfolio also includes shopping centers in established out-of-town locations. These properties offer customers a welcome change from shopping in the city and they each have a reputation that extends well beyond the region.

Right from the beginning, our focus in any investment process is on the transport links for the center in question: in city centres, we seek out locations close to local public transport hubs. These might be central bus stations, which in Hameln and Passau, for example, are right alongside our properties. The Herold-Center Norderstedt is built directly above an underground train station, while a major bus station with numerous connecting services is located right in front of the main entrance. What is more, all our centers have their own parking facilities that offer visitors convenient and affordable parking, even in city centres, thereby ensuring good accessibility by car. Our out-of-town properties offer a large number of free parking spaces. These particular locations are alongside motorways, making them very easy to reach, like the Rhein-Neckar-Zentrum by the Viernheimer Kreuz junction. Parking spaces reserved for women and the disabled are offered as part of the service at all our shopping centers.

	Domestic	International	Total
No. of centers	16	3	**19**
Leasable space in m^2	806,700	120,800	**927,500**
No. of shops	1,910	443	**2,353**
Occupancy rate*	99%	99%	**99%**
Inhabitants in catchment area in millions	13.4	2.5	**15.9**

* including office space

Collective strength

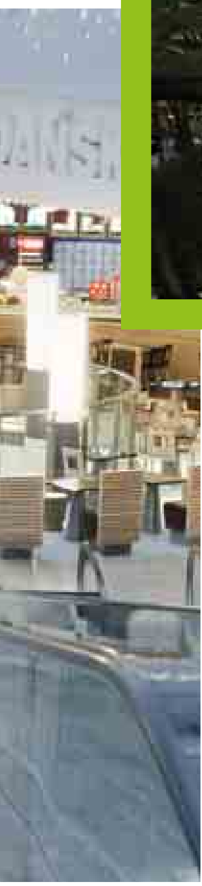
The tenant structure at each of our 19 properties is the result of a permanent and intensive process that is geared towards meaningfully complementing the offering of the city centre in question. Our goal is always to work with traders in the neighbourhood to make the entire location more attractive so that everyone can benefit from the increased appeal of the city centre as a whole. Our centers often play an active role in the marketing and management of the city concerned, both financially and from the perspective of creative and personnel input. We are always keen to work with others in a spirit of fairness and partnership.

Intelligent architecture

When we are designing our locations, one factor that always receives special attention is the architecture: specific plot requirements are just as important as the functional needs of our tenants. We also have a responsibility to the city that we are keen to fulfil. The shopping centers should blend in with their surroundings as much as possible, while also having an exterior that meets the requirements of modern architecture. We work on this very closely with the relevant local authorities. The outcome is often an architectural gem, where even historical buildings can be carefully integrated into the center if possible, as is the case, for example, with the listed Kreishaus building, which is part of the Stadt-Galerie in Hameln.

Our shopping centers need to be especially impressive inside, first and foremost so that visitors, customers and employees enjoy spending time there and find them a pleasant place to be. To achieve this, we adopt a simple and timeless architecture that makes use of premium and sustainable materials. Quiet rest areas and fountains invite people to take a moment to relax, innovative lighting concepts create the right atmosphere in the mall to suit the time of day, and state-of-the-art climate control technology provides a pleasant temperature all year round. Everything is designed to make each visitor feel good and want to keep coming back. Ongoing maintenance, modernisation and optimisation also ensure that our centers remain competitive and retain their value.

It goes without saying that we design our properties to suit all generations and that every visitor should feel they are in good hands, no matter what their age. Thanks to wide avenues, escalators and lifts, it is possible to reach every corner of the center without too much effort, even with a pushchair or wheelchair. There are play areas for our smallest visitors, where shoppers can enjoy some time out. Massage chairs are available for customers to use in the mall for a small fee, providing relaxation as a break from shopping.



Above: The Stadt-Galerie in Hameln is located in the heart of the city and conveniently connected to the pedestrian.

Left side: The food court in the Galeria Baltycka. Names of Hanseatic cities adorn the walls.

Environmentally friendly energy supply

We are proud of the fact that all our German centers have been operating on certified green electricity since 2011. We are planning to switch our foreign properties to energy from renewable sources over the next few years. It is also our goal to continuously reduce the overall energy consumption of our properties and in so doing to cut CO_2 emissions. To achieve this aim, we are using ultramodern technologies, such as heat exchangers and environmentally friendly lighting systems. We are also conducting ongoing discussions with our tenants aimed at reducing energy consumption in the individual shops as well.

Securing the future through flexibility

Retail has always involved change. In recent years, in particular, increasing numbers of retailers have been enquiring about the possibility of expanding their premises, so they can convert the shop from purely a retail area into an experience arena. For instance, retailers are increasingly allowing customers to take the time to try out and experience the product at length before buying. A further trend is the tendency towards more in-depth consultations. The role these factors play is growing steadily, particularly in this age of increasing online shopping.

We are able to provide customised solutions to meet the demand for ever more varied spaces: in our centers we try to provide all tenants with the exact floor plan they need to realise their concepts. And it is important that we are also able to be flexible here as the years go by. It is possible, as a rule, to adapt virtually any retail space, making it bigger or smaller, without major effort or expense by shifting the internal walls. Reducing a larger retail space, for example, creates a chance to integrate a new concept into the shopping center or to enable another retailer to expand. It may also make sense to help the tenant look for a new shop area elsewhere in the center.

This flexibility is one of the main distinctions between our concept and the traditional shopping street with its rigid floor plans that have to be put up with the way they are. It is often the case that certain retailers wait until they have been offered space in a shopping center before entering the market in a city simply because of a lack of suitable spaces for them elsewhere in the city. The whole of the retail sector in the city centre ultimately benefits from the resulting addition to the offering.

Below: Shop designs and product presentation are becoming increasingly important.

Above: Play area for children at the Stadt-Galerie in Passau.

170 million visitors a year

The catchment areas around our centers are home to nearly 16 million people, over 13 million of whom in Germany. This gives us access in theory to 16% of the German population – one in six people. A location's catchment area is a major factor for us when it comes to selecting a property for our portfolio: this is ascertained scientifically 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 2013 we welcomed a total of around 170 million visitors to our 19 properties.

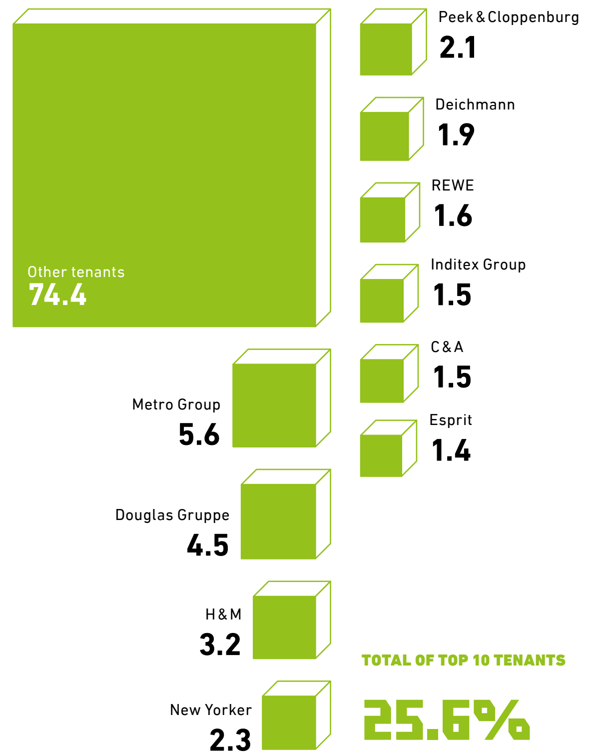
Our largest tenants

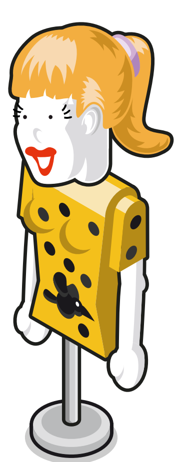
With a share of 5.6%, the Metro Group is our biggest tenant. It is one of the most important international retailers and is represented in a large number of our centers by its retail brands Media Markt and Saturn (consumer electronics), Real-SB-Warenhaus and Galeria Kaufhof Warenhaus. Behind this in second place is the Douglas Group, one of Europe's leading retailers, which, with its divisions Douglas perfumeries, Thalia bookshops, Christ jewellery shops, AppelrathCüpper fashion stores and Hussel confectioners, is a tenant of our centers and has a share of 4.5% in our overall rental volume (as at 31 December 2013).

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

THE TEN LARGEST TENANTS SHARE OF RENTAL INCOME IN %

As at: 31 December 2013

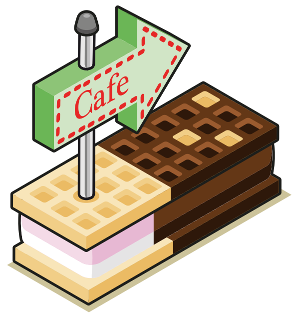




The fountain in the Rhein-Neckar-Zentrum: a popular meeting point.

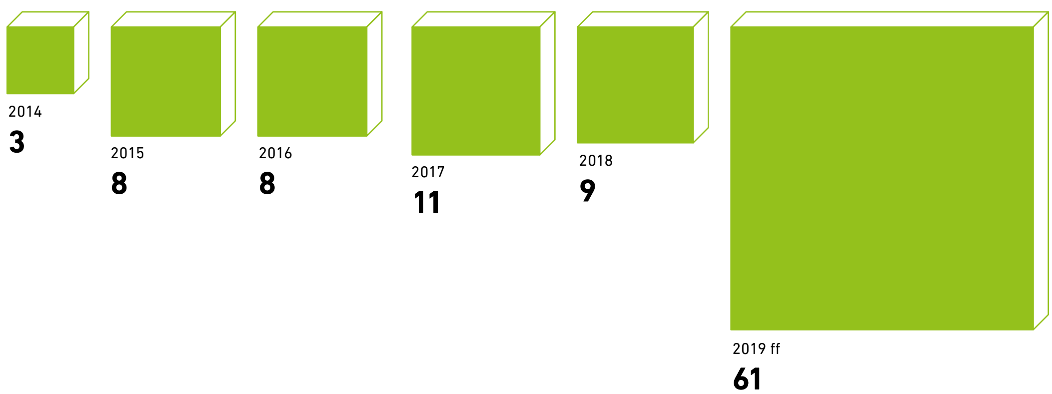
Long-term rental contracts

The rental contracts that we sign with our tenants tend to have a standard term of ten years. As at 31 December 2013 the weighted residual term of the rental contracts in our portfolio was almost seven years, with 61% of our rental contracts being secured until at least 2019.



LONG-TERM RENTAL CONTRACTS TERM OF CONTRACTS, SHARE IN %

As at: 31 December 2013



External center management

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

ECE has been developing, planning, implementing, renting out and managing shopping centers since 1965. With 189 facilities currently under its management, the company is Europe's leader in the area of shopping malls.

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

www.ece.com

Rent optimisation rather than maximisation

One of the core tasks of center management is putting together the right combination of shops to suit the property and the local area. This mix of tenants and sectors is tailored perfectly to the location in each case and is constantly refined. It is the result of a precise analysis of the local retail sector.

Center management is also about identifying the wishes and needs of customers. We always create space in our centers for retailers from sectors that, on account of current rental costs in prime locations, can scarcely be found in city centres anymore, such as toy and porcelain shops. This also enables us to give new businesses and niche concepts an opportunity.

There is one key area in which we set ourselves apart from the majority of landlords in a pedestrian zone: as long-term investors, it is our goal to achieve permanent rent optimisation rather than short-term maximisation. 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.

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 the latest fashion concepts to accessories and health and beauty retailers, right through to professional services such as bank and post office branches. There are also various food and drink options for visitors, with cafés, fast-food restaurants and ice-cream parlours offering satisfying snacks and refreshments to enjoy while shopping.

Diversity among tenants

The fashion industry dominates our retail mix at around 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 the quality of the in-store advice.

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 the various consumer needs of the whole family.

Famous tenants

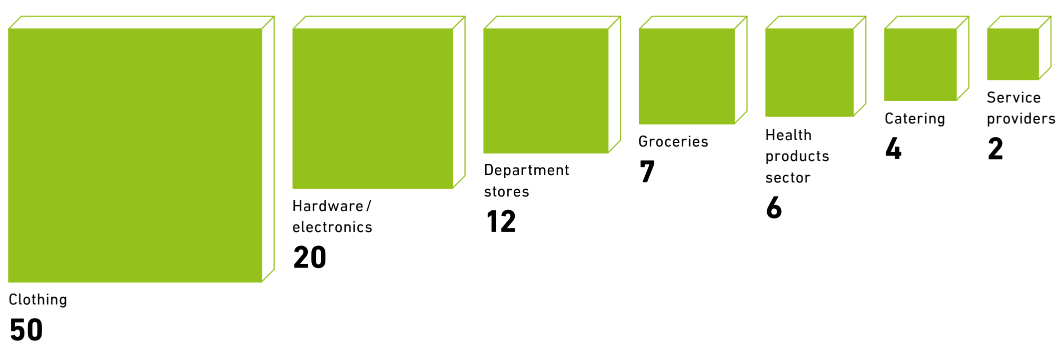
Our tenants are a key factor in our success. They include Aldi, Apple, Bershka, Bijou Brigitte, Breuninger, Burger King, C&A, Christ, dm-drogerie markt, Deutsche Post, Deutsche Telekom, Douglas, Esprit, Fielmann, Gerry Weber, Görtz, H&M, Hollister, Jack&Jones, Media Markt, Marc O'Polo, New Yorker, Nordsee, Peek & Cloppenburg, REWE, Saturn, s.Oliver, Subway, Thalia, Timberland, TK Maxx, Tom Tailor, Tommy Hilfiger, Villeroy & Boch, Vero Moda, Vodafone, WMF and Zara.

Buying and experiencing

In our centers, visitors can always rely on standard opening hours, unlike in the traditional city centre where each individual retailer decides for itself when it will be open. Whether it is an optician or travel agency, fashion company or electronics retailer, every tenant will be 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.

RETAIL MIX — **IN % OF LEASABLE SPACE**

As at: 31 December 2013



In the center itself, the focus is always on service. There are Information Points manned by friendly staff who can answer any questions about the center. Gift vouchers can be purchased here, for example, and in many of our centers there is also the opportunity to hire pushchairs. Customers can feel safe at all times thanks to the deployment of discreet security personnel. Baby changing rooms, customer toilets and cash machines complete the offering. 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 shopping 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, constantly making the shopping center a lively marketplace: fashion shows, photo and art exhibitions, country-themed weeks and information events dealing with a whole range of topics offer visitors new and fresh experiences time and again. Local associations and municipal authorities are also involved in the plans and are given the opportunity to represent themselves in the center. The lavish center decorations for the Easter and Christmas periods are among the projects handled by the marketing associations.

Another important area of the work is coordinating coherent advertising 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 ads, adverts on and inside local public transport, and illuminated advertising posters ensure that the advertising campaigns reach a large audience.

Investment Guidelines

Deutsche EuroShop's key investment guidelines can be summarised as follows:

- Deutsche EuroShop invests exclusively in shopping centers.
- The minimum property size is 15,000 m² of which no more than 15% may be office space or other non-commercial usage.
- The locations should feature a catchment area of at least 300,000 inhabitants.
- Shopping center projects are only purchased when an executable construction authorization can be produced and 40% of the leasable space is secured by long-term legally binding lease contracts.
- Project developments without the right to build or that cannot facilitate pre-letting can be taken over as a joint venture. Project development costs may not exceed 5% in individual cases or 10% in total of the Deutsche EuroShop equity.
- The main country of investment is Germany. In the long-term, investments in the rest of Europe may not exceed 25% of the total investment volume.


Today!
Crazy Golf
Competition
DESSOUS
MODEN
SCHAU
Forever
I ♥ you
Oktoberfest
O'zapft is!
forever

Activities in the centers 2013

WILDLIFE AND WOODLAND IN WILDAU

In August 2013, green was, for a while, the dominant colour in the A10 Center in Wildau / Berlin. Under the motto of "Fascination of Woodland – Discovering Nature" customers were able to discover and get to know the forest in various scenarios.

The exhibition spaces transformed the center into various wooded areas, each with a different emphasis. Alongside the forest plantation, woodland glade, predators and voices of the forest, the topics also included tree evolution and forestry. Another exhibition space addressed the eco-system of the forest. A forest school invited people to explore, educate themselves and experience. The daily guided tours proved very popular with school classes and interested visitors.

THE WORLD OF THE SEMPER OPERA HOUSE IN DRESDEN

What does a make-up artist actually do? Where do the costumes that singers and dancers wear on stage come from? And how is a stage set created? Answers to these questions were provided for visitors to the Altmarkt-Galerie Dresden in June. An exhibition took a detailed look at the work that goes on behind the curtain of the neighbouring Semper Opera House to ensure that the symphonies, operas and ballets succeed in bringing joy and pleasure. It quite literally provided a peak "behind the scenes". Various exhibits, such as an oversized teapot from the set of the ballet "Coppélia", brought the atmosphere of a stage production to the mall. Visitors with an interest in the subject were also able to learn a lot about the composers Richard Wagner and Richard Strauss, whose careers were closely associated with the Dresden opera house.

A PRINCESS IN THE RHEIN-NECKAR-ZENTRUM

For carnival lovers from Mannheim and the local area, 12 November 2013 was a very special day: the Freudenheim carnival society "Lallehaag" presented its new City Princess in the Rhein-Neckar-Zentrum.

In her "civic life" Jana I. works as a department manager for our tenant engelhorn, and her close connection with her place of work was also reflected in her title: "Jana I, Princess of the City of Mannheim and the Electoral Palatinate from the Rhein-Neckar-Zentrum" was her name during her reign.

The programme in the center included autograph sessions, public appearances and children's dance competitions at which donations were collected for research into childhood cancers.

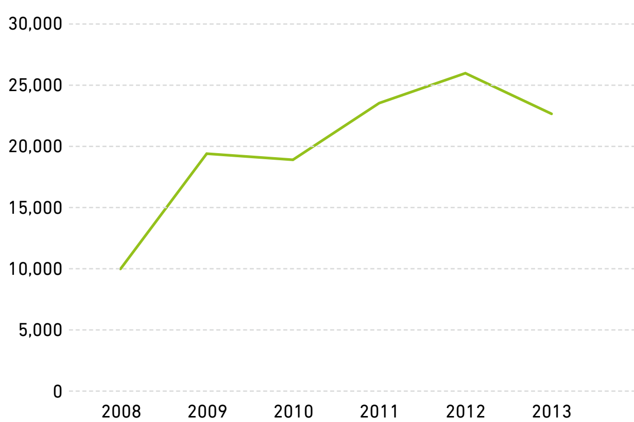
Environment

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 2013, 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 2013. We also plan to switch our centers in other countries over to green electricity wherever possible within the next few years.

Reduction in CO_2 emissions

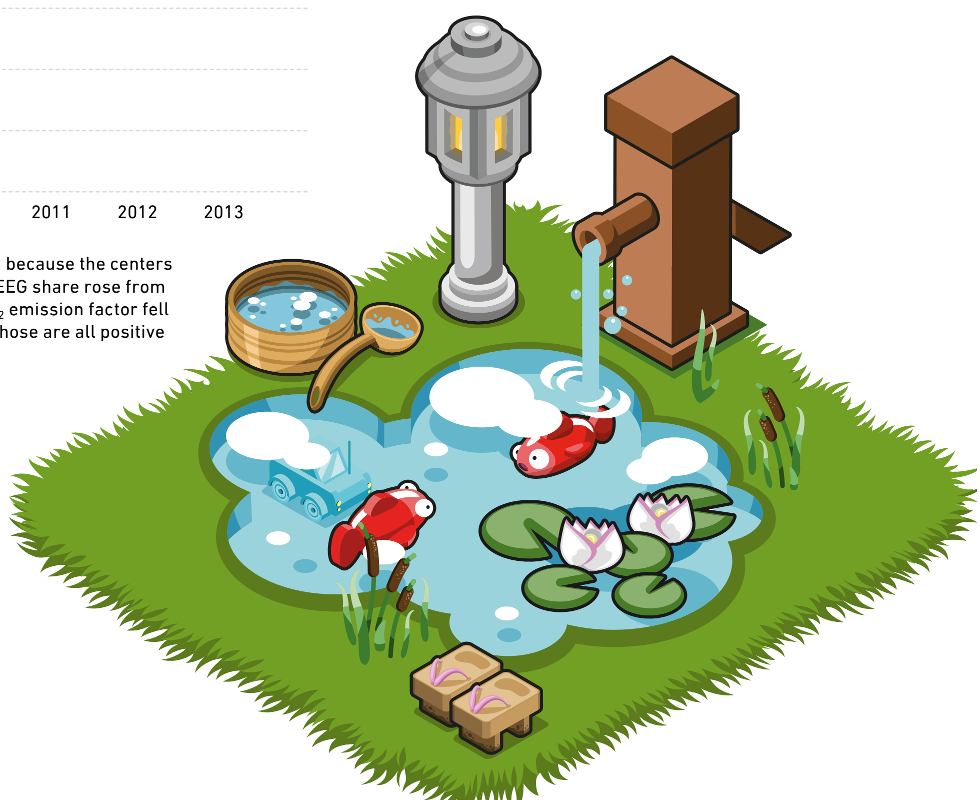
Tonnes



CO_2 savings were down slightly in 2013 because the centers consumed less electricity overall, the EEG share rose from 24.0% to 29.4% and the electricity's CO_2 emission factor fell from 0.491 kg / kWh to 0.474 kg / kWh. Those are all positive developments for our environment.

The German centers used a total of around 67.4 million kWh of green electricity in 2013. This represented 100% of the electricity requirements in these shopping centers, Based on conservative calculations, this meant a reduction of around 22,500 tonnes in carbon dioxide emissions, which equates to the annual CO_2 emissions of around 1,020 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.



The future at Douglas: from multi-channel and cross-channel to

omni channel

In 2000, this industry pioneer launched Germany's first authorised online beauty shop (douglas.de), and its online business is still growing strongly both in Germany and abroad.

Douglas perfumery,
Schloss-Arkaden, Braunschweig

Douglas has operated attractive perfumeries in the shopping centers of Deutsche EuroShop for many years. One aspect which has always been important to Douglas is ensuring that the online shop and stores are not "either / or" solutions, rather that the products and services they offer complement each other perfectly.

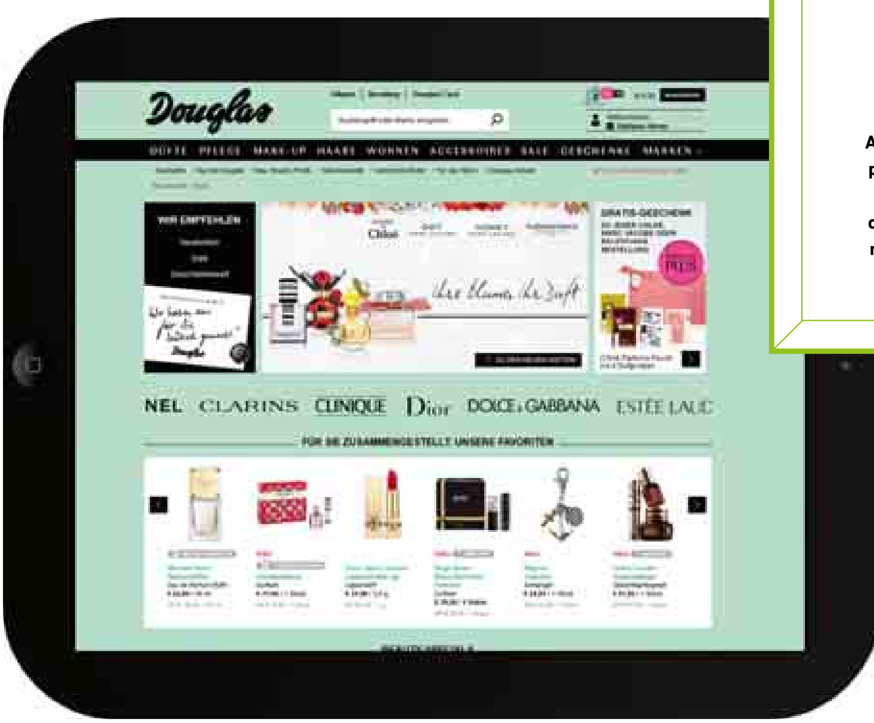
Perfumeries are and always will be the customer's first stop when looking for sensual experiences and scents, body care products and decorative cosmetics to make a personal impression. For even in the future, the Internet will never be able to completely simulate or replace a trip to a perfumery. As a result, the company continuously strives to mesh its business in the perfumeries with the online shop and other channels.

The stores have online terminals, for instance, where customers can order products that are out of stock and have them sent to their home address or the perfumery. Conversely, every Douglas perfumery has its own profile in the online shop so that customers can go online to find information about products, current offers, services and events in the stores. Not only that, but they can also check online to see whether a product is available in individual stores. If a product is currently out of stock at one store, they can choose to visit another store or order the product online.

Douglas has also integrated many interactive features into its online shop that can give customers some valuable guidance when visiting one of the stores as well. One of these, for example, is the opportunity to rate purchases in the online shop and share their product experiences with other customers.

A Douglas smartphone app enables mobile beauty shopping and offers a variety of service-related functions. Internet and social media can support stationary business superbly as all channels share the same goal: to make the customer's shopping experience as attractive and pleasant as possible.

The cross-channel concept employed by Douglas has already won numerous awards in trade magazines and is being expanded continuously.



Here are three examples that illustrate just how well online and offline elements interact at Douglas:

1.

Products ordered online can be delivered to any address or to the customer's store of choice, where the customer can pick the product up, pay for it if necessary and even exchange or return it.

2.

The online shop's availability check feature lets customers see whether the product they want is in stock at the perfumery before they set out on their shopping trip. Beginning in summer 2014, this product can even be reserved online for pick-up in the store.

3.

At douglas.de, customers can rate products purchased in the perfumery or online shop and share their experiences with other customers who can then consult this information when making their own purchases.

24/7 ONLINE-SHOPPING
DOUGLAS.DE

La Maison du Pain

Short holiday in France in the middle of the Main-Taunus-Zentrum

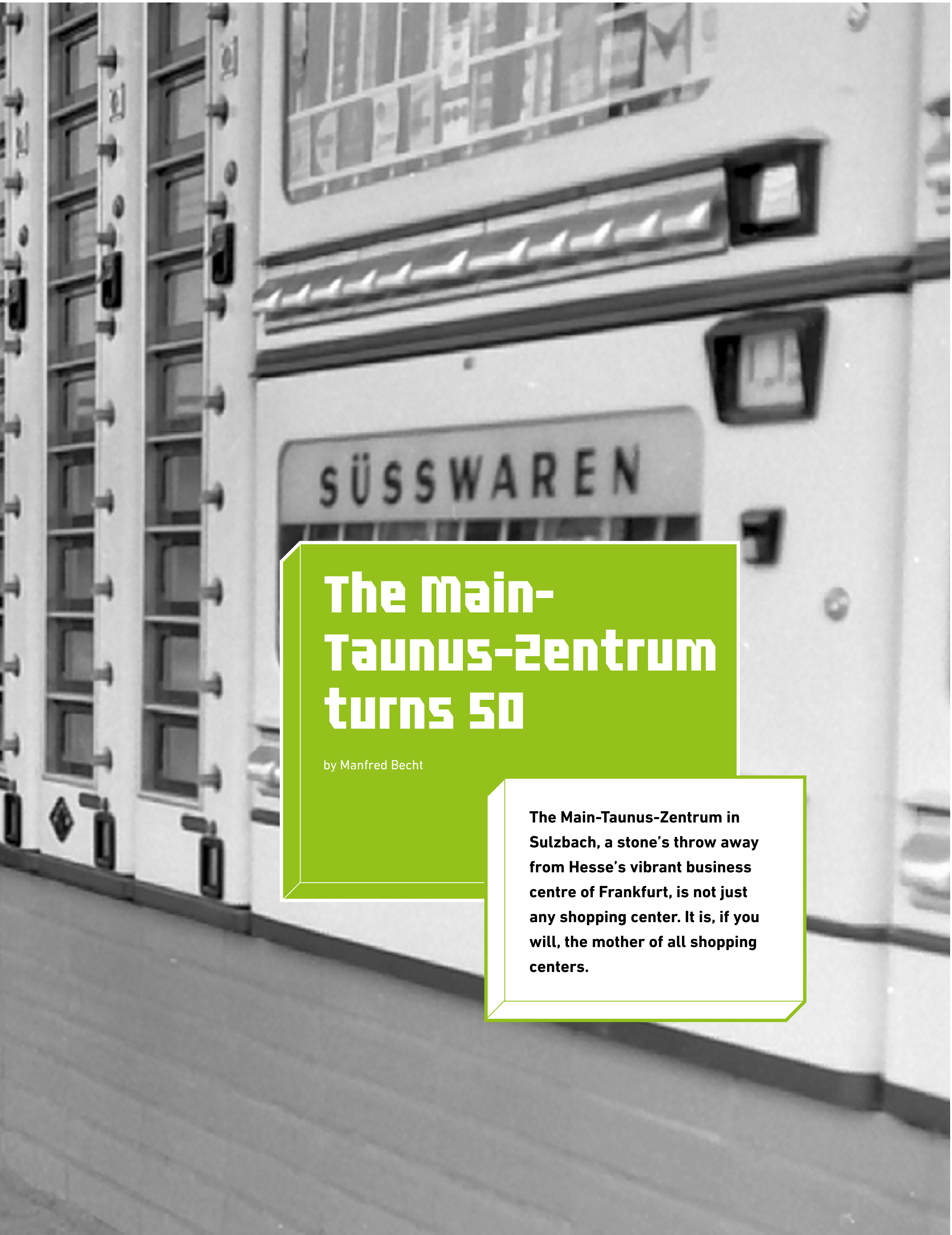
Boulangerie, pâtisserie and brasserie – visitors to La Maison du Pain, which has been a tenant in the new northern mall of the Main-Taunus-Zentrum since November 2011, are greeted with this blend and the charm of a provincial bakery infused with a French ambience.

Guests will find croissants, beignets, pains au chocolat, petits fours, warm and cold tartines, filled baguettes, delicious soups, hearty quiches and salads. Choosing between them isn't always easy, regardless of whether you are looking for breakfast, lunch or an evening snack. Baked using original French recipes, these specialities are offered fresh all day long and are produced exclusively for La Maison du Pain or baked on site. Even if you just need a quick snack, you've come to the right place. Since February, the shop has had a pick-up window that lets customers grab a coffee or croissant to go which they can consume while window shopping.

This chain now has five shops in the Rhine-Main area. Owner Bernd Steiner, who just acquired the group in early 2014, wants to create spaces that give customers the impression of being on a short holiday in France and plans to open other shops soon throughout Germany. He considers the Maison du Pain in the MTZ to be a true flagship shop featuring a special kind of French flair: rustic furniture made of solid wood, stained oak floors and crystal chandeliers lend the restaurant a cosy atmosphere, and French songs can be heard in the background. Guests can also relax on the shop's own terrace in summer. The friendly staff look extremely authentic in their chef's hats. And the icing on the cake is the unmistakable scent emanating from the ovens – one you would really only expect to find in a country bakery in southern France.

The specialities are produced exclusively for La Maison du Pain or baked on site.

The Main-Taunus-Zentrum once offered a row of vending machines for round-the-clock shopping.



The Main-Taunus-Zentrum turns 50

by Manfred Becht

The Main-Taunus-Zentrum in Sulzbach, a stone's throw away from Hesse's vibrant business centre of Frankfurt, is not just any shopping center. It is, if you will, the mother of all shopping centers.

It was the very first of its kind in Europe in 1964 and as such it has now reached a significant milestone – its 50th birthday. But this does not mean that it has become outdated; nothing could be further from the truth. When the Frankfurter Rundschau newspaper put the region's shopping centers to the test early this year, the Main-Taunus-Zentrum scored maximum points, achieving first place. And that despite fierce competition from new and well-established shopping centers in the Rhine-Main area.

Canadian Jerry Shefsky and American Vincent Cariste could not have imagined this when they travelled around metropolitan areas in the Federal Republic of Germany in 1959 in search of the best place to erect a shopping center. In April 1961, the two managing directors of the newly formed Deutsche Einkaufszentrum GmbH (DEZ) announced that their first project would be built in the municipality of Sulzbach.

Far from everyone in the local area was happy. But the mayor argued that the municipality would receive considerable revenues from trade tax, presenting it with new and exciting opportunities. The farmers, too, were happy because they wanted to be paid well for their fields. Once the building permit was on the table, everything happened quickly; not even the discovery of bombs from the Second World War could hold up the workers, of whom at times more than 1,000 were involved in building 80 shops and service outlets, a medical practice and a nursery. The Main-Taunus-Zentrum or simply MTZ, as it has always been called, started out with 45,000 m² of retail floor space. One notable attraction was the largest row of vending machines in Germany, with a choice of 1,200 articles around the clock.

The MTZ became an instant success and was constantly extended and expanded accordingly. Each time, the approach was innovative: 1968 saw the opening of a drive-in cinema – another idea imported from the USA. It was during this phase that the MTZ began to redefine its strategy: contracts for very cheap discount stores were not extended and the standard of the offering was raised. In 1994, the Kinopolis was opened; this, too, was a response to the changing times.

The year 1998 heralded a new era, when the management of the Main-Taunus-Zentrum was taken over by ECE. The expansion work continued in Sulzbach – the row of shops was lengthened to 500 metres and the retail floor space was extended even further. The appearance also changed. The cold structure of the early years gave way to a more decorative and cheerful architecture. The covered indoor market provided the boulevard with a focal point and a meeting place. The MTZ is majority-owned by Deutsche EuroShop, which has had a stake in the property since it was founded in 2000.

The motorway was a special attraction for the mall's youngest visitors during the MTZ's early years.

Only a few years after that it was not only the offering that was expanded. A new, attractive supplier of consumer electronics, household appliances and computers came on board in the form of MediaMarkt. The construction of the Breuninger clothing store also attracted new consumer groups to the MTZ. Breuninger alone expanded the retail floor space of the MTZ by 9,000 m^2. All these businesses with their high-end products are making the Main-Taunus-Zentrum increasingly attractive, particularly to discerning customers from an affluent region. To meet the needs of this increased customer traffic, a car park with 1,700 spaces was built.

The Main-Taunus-Zentrum underwent the greatest expansion since its opening with the construction of a second row of shops opened in 2012. €75 million were invested, and the retail floor space was expanded by 12,000 m^2 to its current size of 91,000 m^2. Seventy new businesses were opened, bringing the total number of shops that now offer their goods and services there to 170. Tenants like Hollister and Apple ensure that young people feel drawn to the Main-Taunus-Zentrum more than before. Above all, fashion, which remains a focal point in the MTZ, is now represented by an even wider range, and the catering facilities are also far larger. What is more, additional parking spaces were created – there are now 4,500 spaces and all are free of charge.

The northern expansion quickly became a huge success. Revenue rose by €80 million to around €400 million a year. An average of 40,000 people pass through its doors daily, making the Main-Taunus-Zentrum one of the most heavily frequented retail locations in Germany.

An enormous crowd descended on the Main-Taunus-Zentrum on its very first day, even before the construction signs had come down.

And there is every reason to believe that the MTZ will continue its successful development. Some 2.2 million people live inside its catchment area, and the Rhine-Main area is the only region of Hesse that is predicted to keep on growing for some time to come. The Main-Taunus district in which the MTZ lies has the fourth-highest spending power of all the German administrative districts, while the neighbouring Hochtaunus district actually has the second-highest income per capita. The location right on the outskirts of Frankfurt, visible from the busy A66 motorway, would be even better if plans could be realised to build a suburban rail station alongside the MTZ.

The retail concept of the Frankfurt / Rhine-Main Regional Association stipulates that no additional retail space is to be created "on greenfield sites". But policy guidelines are not meant to last forever …

CALENDAR OF EVENTS OF THE MAIN-TAUNUS-ZENTRUM FOR 2014:

02.–04.01.:	Worlds of Ice
14.02.:	Valentine's Day
01.–03.03.:	Carnival
28.–29.03.:	Spring-Summer
03.–19.04.:	Easter
26.06.–05.07.:	Puzzling & Riddling
10.06.–16.08.:	Holiday Games
21.–30.08.:	The Beatles
04.–20.09.:	50 Years MTZ
02.–11.10.:	Fashion Star
24.11.–24.12.:	Christmas

Above: Celebrities can be seen from time to time at the Main-Taunus-Zentrum – here is Heino, a German singer, in his early years

Left side: The fountain with the penguins was a central meeting point at MTZ for decades, and many still remember it fondly.

The Stadt-Galerie Passau turns 5

September 2008 saw the grand opening of the Stadt-Galerie Passau after just 23 months of building work. Since then it has been offering locals and tourists a unique retail attraction in the Neue-Mitte ("New Centre") quarter of the city

As a result, the Stadt-Galerie celebrated its 5th birthday in autumn 2013 with a full programme of events aimed at customers, employees and visitors. The festivities began on 26 September 2013 with a reception with the Lord Mayor of Passau as well as a giant birthday cake that was cut into more than 1,000 slices, which were offered to every visitor free of charge.

Various raffles took place during a period of two weeks, with quality prizes awarded daily. The main prize for the grand finale on 12 October 2013 was a Volkswagen Beetle including a parking space at the Stadt-Galerie, which was won by 23-year-old Kathrin Kreitmeier from Passau.

A further highlight was a midnight shop, during which the stores stayed open until midnight while the latest trends in current clothing collections were also presented at various extravagant fashion shows. Here, too, there was a prize draw. The prize on offer was a luxury shopping day, which began at the home of the lucky winner, who was collected by limousine and driven to the Stadt-Galerie, where she received a makeover, including hair styling and make-up, and €555 to spend with the help of a personal shopper.

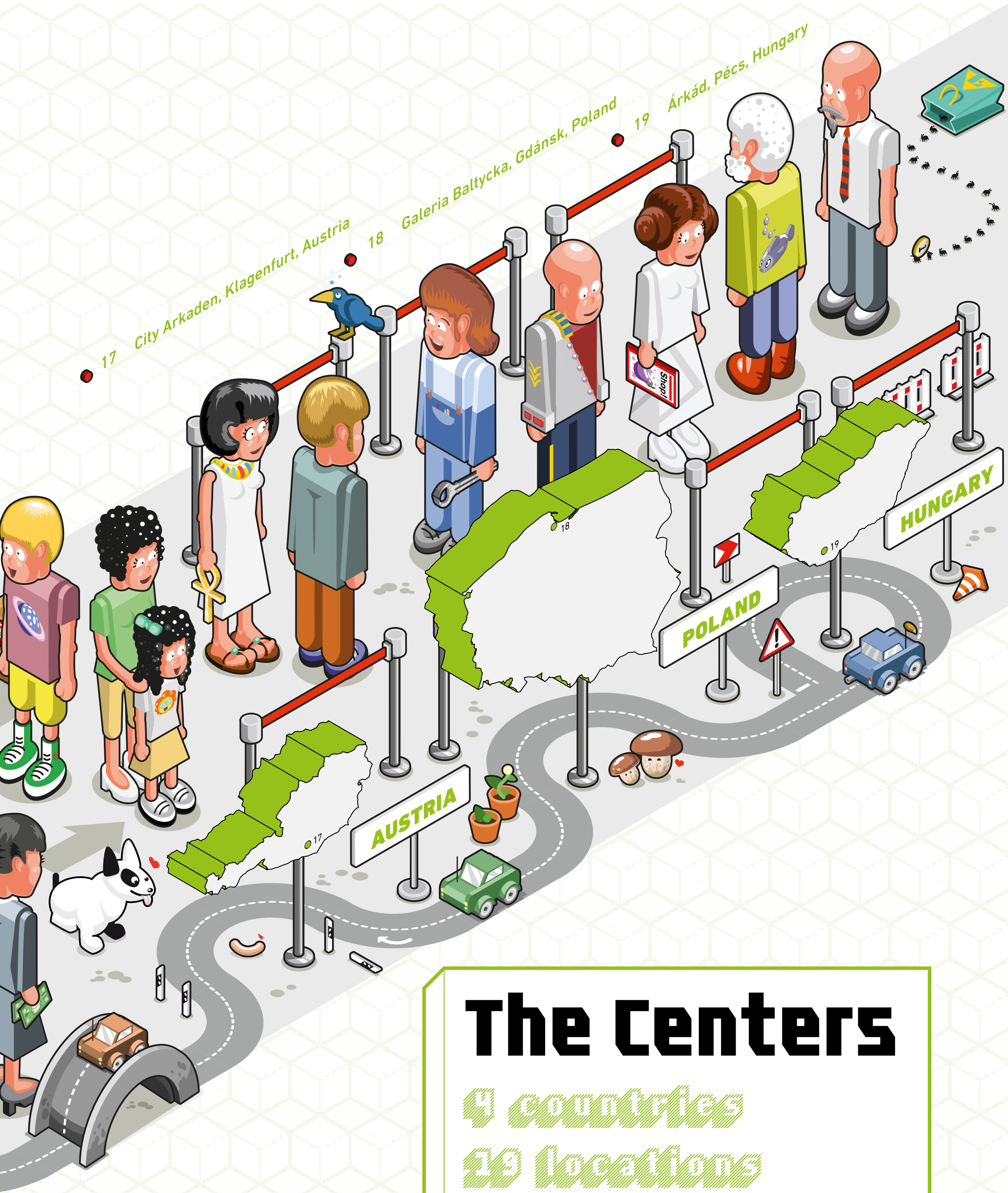
As well as the Stadt-Galerie, a birthday girl was another focus of attention: little Lena also turned five and was randomly picked as the winner of a very special party. She was allowed to invite 10 friends who were all treated to presents, cake and even their own magician.

The birthday celebrations were accompanied by numerous events at the center as well as activities hosted by tenants who served up special offers or culinary highlights.

Above: Jürgen Dupper, the Lord Mayor of Passau, cutting the birthday cake

Right side: Like the Stadt-Galerie, Lena turned 5 years old and was allowed to invite her friends to a very special party

1. Herold-Center, Norderstedt
2. Billstedt-Center, Hamburg
3. Phoenix-Center, Hamburg
4. City-Galerie, Wolfsburg
5. Stadt-Galerie, Hameln
6. Allee-Center, Hamm
7. Allee-Center, Magdeburg
8. City-Point, Kassel
9. Forum, Wetzlar
10. Main-Taunus-Zentrum, Sulzbach / Frankfurt
11. Rhein-Neckar-Zentrum, Viernheim
12. Allee-Center, Magdeburg
13. Rathaus-Center, Dessau
14. A10 Center, Wildau / Berlin
15. Altmarkt-Galerie, Dresden
16. Stadt-Galerie, Passau



The Centers

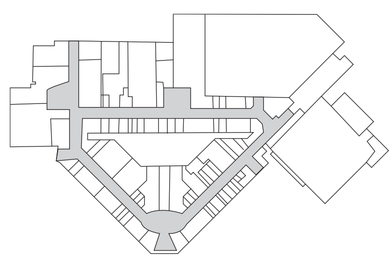
4 countries
19 locations

⋆ A10 Center ⋆

Wildau/Berlin

Investments:	100%
Leasable space:	about 120,000 m^2
Of which retail space:	67,800 m^2
Parking:	4,000
No. of shops:	200
No. of Occupancy rate:	99%
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

Chausseestr. 1
15745 Wildau



6.84

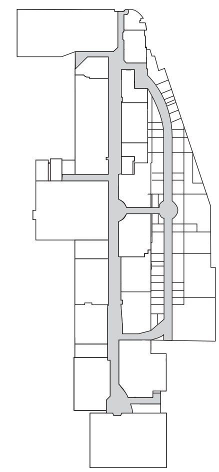
Visitors 2013 (million)

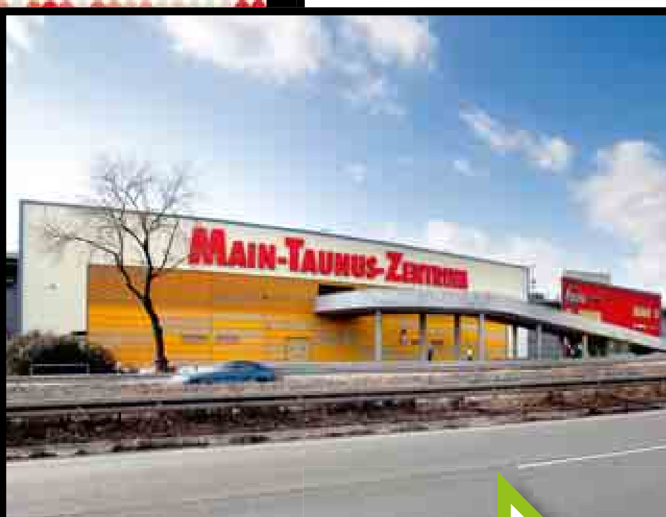
www.a10center.de

Investments:	52%
Leasable space:	about 118,400 m^2
Of which retail space:	98,500 m^{2*}
Parking:	4,500
No. of shops:	170
No. of 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, Media Markt, REWE

* plus C&A

Königsteiner Str.
65843 Sulzbach (Taunus)





6.61

Visitors 2013 (million)

www.main-taunus-zentrum.de

★ Main-Taunus-Zentrum ★

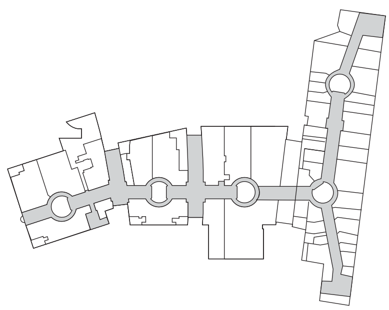
Sulzbach/Frankfurt

15.81

Visitors 2013 (million)

Investments:	100%
Leasable space:	about 77,000 m^2
Of which retail space:	51,300 m^2
Parking:	500
No. of shops:	200
No. of Occupancy rate:	95%
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

Webergasse 1
01067 Dresden



★ Altmarkt-Galerie ★

Dresden

www.altmarkt-galerie-dresden.de

★ Rhein-Neckar-Zentrum ★

Viernheim/Mannheim

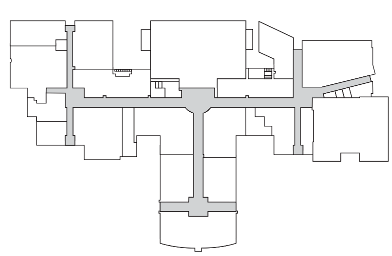
7.05

Visitors 2013 (million)

Investments:	100%
Leasable space:	about 64,300 m²
Of which retail space:	60,000 m²*
Parking:	3,800
No. of shops:	110
No. of Occupancy rate:	99%
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

* plus Karstadt and C&A

Robert-Schumann-Str. 8a
68519 Viernheim



www.rhein-neckar-zentrum-viernheim.de

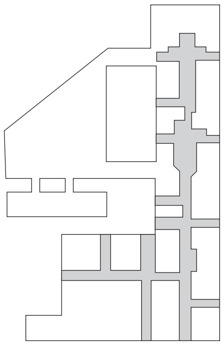
★ Herold-Center ★

Norderstedt

Investments:	100%
Leasable space:	about 56,200 m²
Of which retail space:	28,100 m²*
Parking:	850
No. of shops:	140
No. of 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

* plus Karstadt

Berliner Allee 34–44
22850 Norderstedt



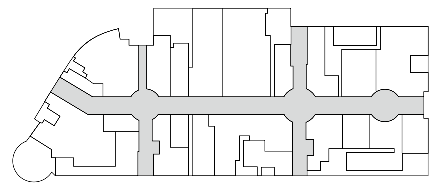
11.40

Visitors 2013 (in million)

www.herold-center.de

Investments:	50%
Leasable space:	about 51,300 m^2
Of which retail space:	36,000 m^2
Parking:	1,300
No. of shops:	150
No. of 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

Ernst-Reuter-Allee 11
39104 Magdeburg



9.79

Visitors 2013 (million)

★ Allee-Center ★

Magdeburg

www.allee-center-magdeburg.de

★ Billstedt-Center ★

Hamburg-Billstedt

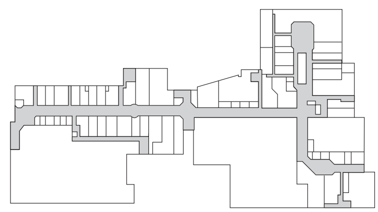
10.42

Visitors 2013 (million)

Investments:	100%
Leasable space:	about 42,800 m²
Of which retail space:	30,000 m²*
Parking:	1.500
No. of shops:	110
No. of Occupancy rate:	99%
Catchment area:	0.7 million residents
Purchased by DES:	January 2011
Grand opening:	1969 / 1977
Restructuring:	1996
Anchor tenants:	C&A, H&M, Media Markt, TK Maxx, Toom

* plus Karstadt

Möllner Landstr. 3
22111 Hamburg



www.billstedt-center.de

★ Phoenix-Center ★

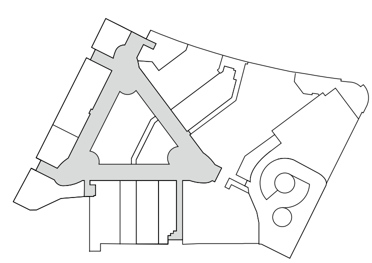
Hamburg-Harburg

9.99

Visitors 2013 (million)

Investments:	50%
Leasable space:	about 39,200 m^2
Of which retail space:	30,600 m^2
Parking:	1,600
No. of shops:	110
No. of 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, Media Markt, New Yorker, REWE, SinnLeffers

Hannoversche Str. 86
21079 Hamburg



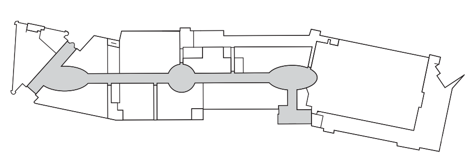
www.phoenix-center-harburg.de

* Forum *

Wetzlar

Investments:	65%
Leasable space:	about 34,400 m²
Of which retail space:	29,300 m²
Parking:	1,700
No. of shops:	110
No. of Occupancy rate:	100%
Catchment area:	0.5 million residents
Purchased by DES:	October 2003
Grand opening:	2005
Anchor tenants:	Kaufland, Media Markt, Sporthaus Kaps, Thalia

Am Forum 1
35576 Wetzlar



7.02

Visitors 2013 (million)

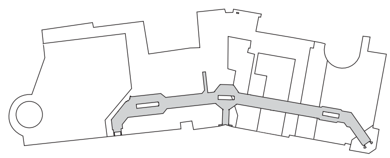
www.forum-wetzlar.de

6.29

Visitors 2013 (million)

Investments:	100%
Leasable space:	about 33,900 m²
Of which retail space:	28,000 m²
Parking:	1,300
No. of shops:	90
No. of Occupancy rate:	99%
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

Richard-Matthaei-Platz 1
59065 Hamm



★ Allee-Center ★

Hamm

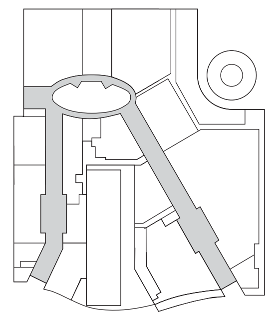
www.allee-center-hamm.de

7.74

Visitors 2013 (million)

Investments:	100%
Leasable space:	about 30,800 m²
Of which retail space:	24,000 m²
Parking:	800
No. of shops:	100
No. of 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

Porschestr. 45
38440 Wolfsburg



★ City-Galerie ★

Wolfsburg

www.city-galerie-wolfsburg.de

★ Rathaus-Center ★

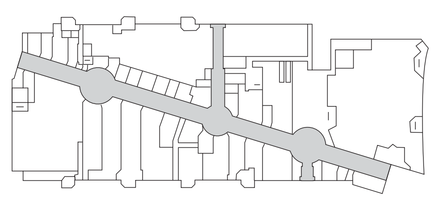
Dessau-Roßlau

5.85
Visitors 2013 (million)

Investments:	100%
Leasable space:	about 30,400 m²
Of which retail space:	20,400 m²*
Parking:	850
No. of shops:	90
No. of Occupancy rate:	98%
Catchment area:	0.6 million residents
Purchased by DES:	November 2005
Grand opening:	1995
Anchor tenants:	H&M, Modehaus Fischer, Thalia, TK Maxx

* plus Karstadt

Kavalierstr. 49
06844 Dessau-Roßlau



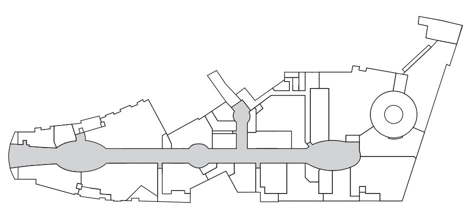
www.rathaus-center-dessau.de

* City-Arkaden *

Wuppertal

Investments:	100%
Leasable space:	about 28,700 m^2
Of which retail space:	22,700 m^2
Parking:	650
No. of shops:	80
No. of Occupancy rate:	99%
Catchment area:	0.8 million residents
Purchased by DES:	September 2000
Grand opening:	2001
Restructuring:	2011
Anchor tenants:	Akzenta, H&M, Thalia, Zara

Alte Freiheit 9
42103 Wuppertal



9.95

Visitors 2013 (million)

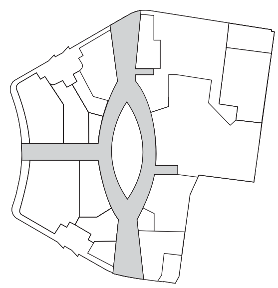
www.city-arkaden-wuppertal.de

10.62

Visitors 2013 (million)

Investments:	100%
Leasable space:	about 28,300 m²
Of which retail space:	22,800 m²
Parking:	220
No. of shops:	60
No. of Occupancy rate:	97%
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

Königsplatz 61
34117 Kassel



★ City-Point ★
Kassel

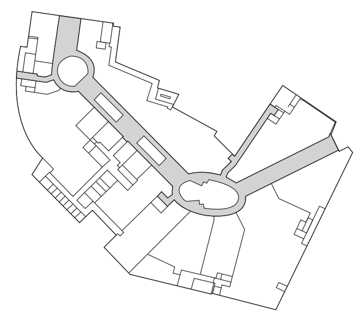
www.city-point-kassel.de

7.76

Visitors 2013 (million)

Investments:	75%
Leasable space:	about 27,600 m²
Of which retail space:	23,000 m²
Parking:	500
No. of shops:	90
No. of Occupancy rate:	100%
Catchment area:	0.7 million residents
Purchased by DES:	December 2006
Grand opening:	2008
Anchor tenants:	C&A, Esprit, Saturn, Thalia

Bahnhofstr. 1
94032 Passau



⋆ Stadt-Galerie ⋆

Passau

www.stadtgalerie-passau.de

★ Stadt-Galerie ★

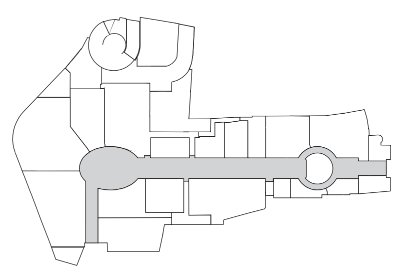
Hameln

5.75

Visitors 2013 (million)

Investments:	100%
Leasable space:	about 26,000 m^2
Of which retail space:	20,400 m^2
Parking:	500
No. of shops:	100
No. of Occupancy rate:	100%
Catchment area:	0.4 million residents
Purchased by DES:	November 2005
Grand opening:	2008
Anchor tenants:	Müller Drogerie, New Yorker, real, Thalia

Pferdemarkt 1
31785 Hameln



www.stadt-galerie-hameln.de

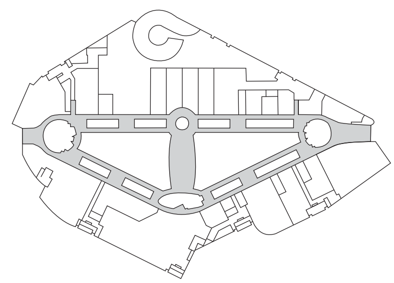
Centers abroad

10.21

Visitors 2013 (million)

Investments:	74%
Leasable space:	about 48,700 m^2
Of which retail space:	42,600 m^2
Parking:	1,050
No. of shops:	193
No. of Occupancy rate:	99%
Catchment area:	1.1 million residents
Purchased by DES:	August 2006
Grand opening:	2007
Anchor tenants:	Carrefour, H&M, Peek & Cloppenburg, Saturn, Zara

al. Grunwaldzka 141
80-264 Gdánsk, Poland



★ Galeria Baltycka ★

Gdansk/Poland

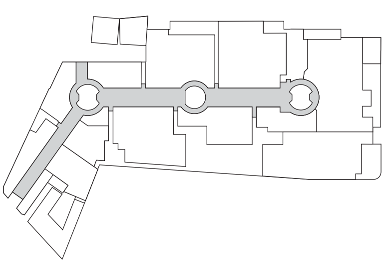
www.galeriabaltycka.pl

★ City-Arkaden ★

Klagenfurt/Austria

Investments:	50%
Leasable space:	about 36,900 m²
Of which retail space:	31,500 m²
Parking:	880
No. of shops:	120
No. of 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

Heuplatz 5
9020 Klagenfurt, Austria



6.91

Visitors 2013 (million)

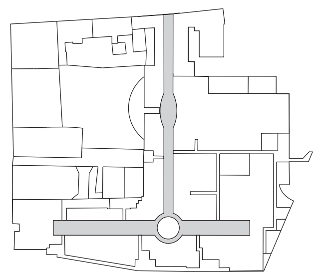
www.city-arkaden-klagenfurt.at

12.85

Visitors 2013 (million)

Investments:	50%
Leasable space:	about 35,400 m^2
Of which retail space:	29,200 m^2
Parking:	850
No. of shops:	130
No. of Occupancy rate:	96%
Catchment area:	1.0 million residents
Purchased by DES:	November 2002
Grand opening:	2004
Anchor tenants:	C&A, H&M, Media Markt, Spar

Bajcsy Zs. U. 11/1
7622 Pécs, Hungary



★ Árkád ★

Pécs/Hungary

www.arkadpecs.hu

Investor Relations

The Shopping Center Share

Share price: sideways trend with increasing volatility

Deutsche EuroShop shares started 2013 in a strong position on the stock market: at €31.64, the 2012 year-end closing price was the highest to date. In the first four months, the shares hovered between €30.50 and €32.00, before reaching a new all-time high in mid-May (Xetra closing price of €34.48 on 20 May 2013). In a declining stock market environment, the price of the shopping center shares then fell as low as €29.45 on 24 June. Shortly after the distribution of the dividend, the shares reached an annual low at this level. In the following weeks, they fluctuated within a slightly broader range, between €30.50 and €33.20. At the end of the year, the price was €31.83, and the shares ended the year on a positive trend. The market capitalisation of Deutsche EuroShop rose by almost €10 million to €1,717 million in 2013.

STOCK MARKET PERFORMANCE

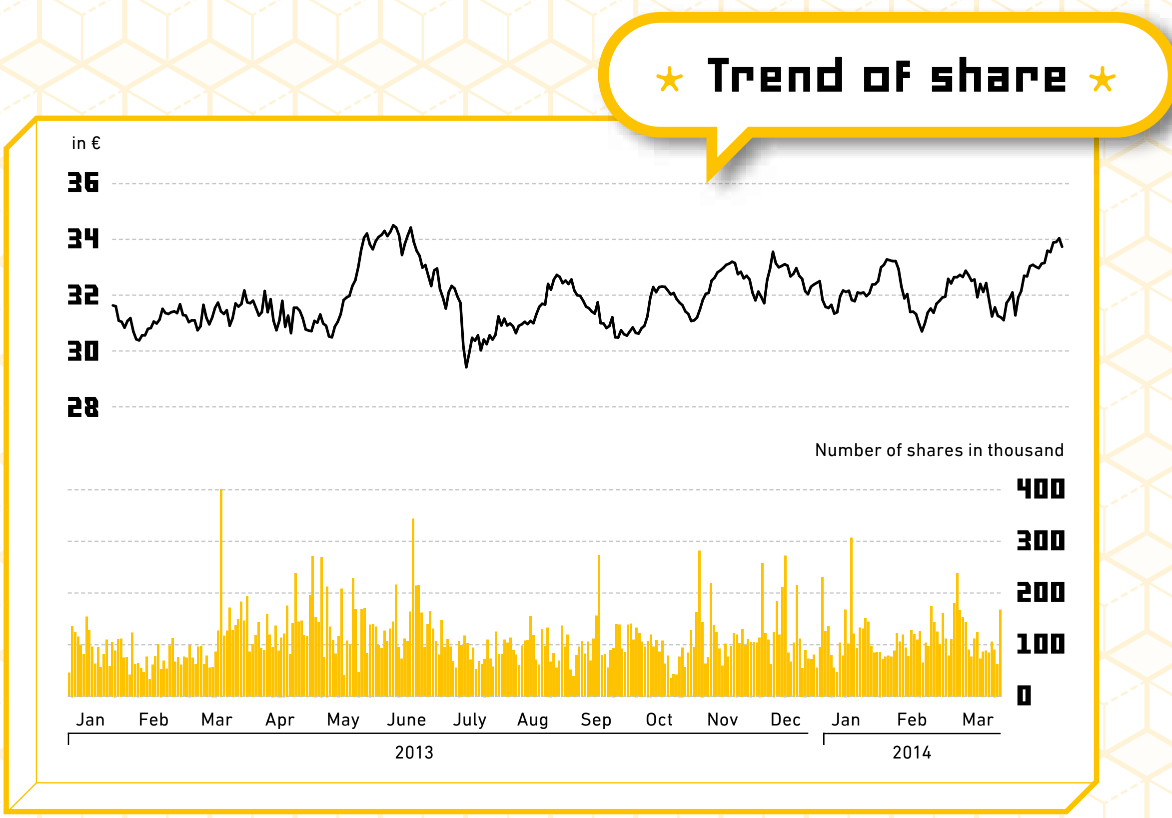
	2013	2012
DES share	4.5%	32.7%
DAX	25.5%	29.1%
MDAX	39.1%	33.9%
TecDAX	40.9%	20.9%
EPRA	9.6%	19.2%
EURO STOXX 50 (Europe)	17.6%	13.7%
Dow Jones (USA)	26.5%	7.2%
Nikkei (Japan)	56.7%	22.9%

Keeping pace with the peer group

The price of Deutsche EuroShop shares rose by 0.6%. Taking into account the dividend paid of €1.20 per share, the year-on-year performance of Deutsche EuroShop shares amounted to 4.5% (2012: 32.7%). Our shares were therefore below the European benchmark for listed real estate companies, the EPRA index (+9.6%, previous year: +29.2%), and in the upper-middle range of the European peer group companies* in 2013. The benchmark index for medium-sized companies, the MDAX, gained 39.1% in the year under review.

German open-ended property funds achieved an average performance of +1.1% in the past year (2012: -0.7%) and attracted cash inflows of around €3.4 billion (2012: €2.9 billion).

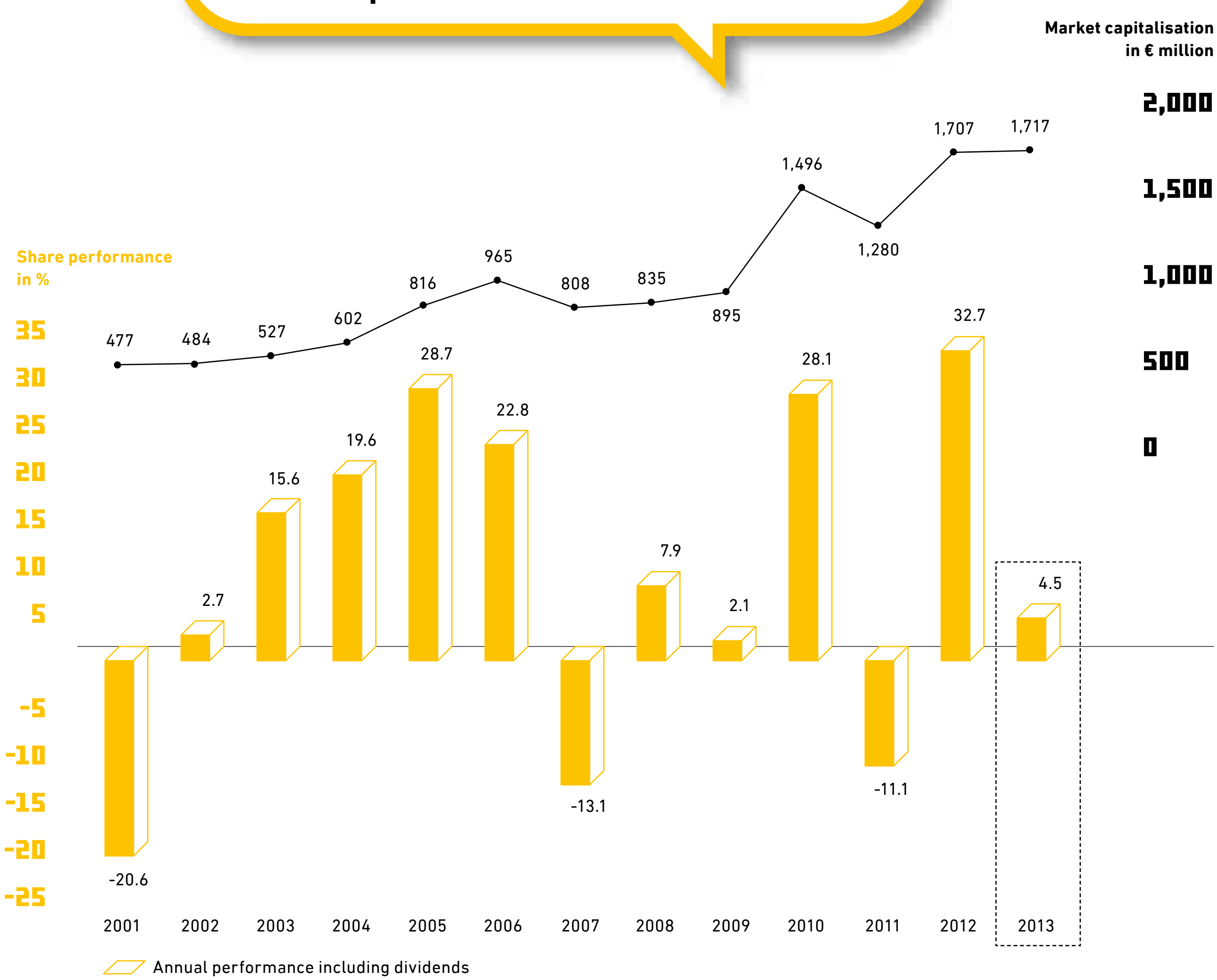
* Corio, Eurocommercial Properties, Klepierre, Mercialys and Unibail-Rodamco.


Trend of share
in €
36
34
32
30
28
Number of shares in thousand
400
300
200
100
0
Jan
Feb
Mar
Apr
May
June
July
Aug
Sep
Oct
Nov
Dec
Jan
Feb
Mar
2013
2014

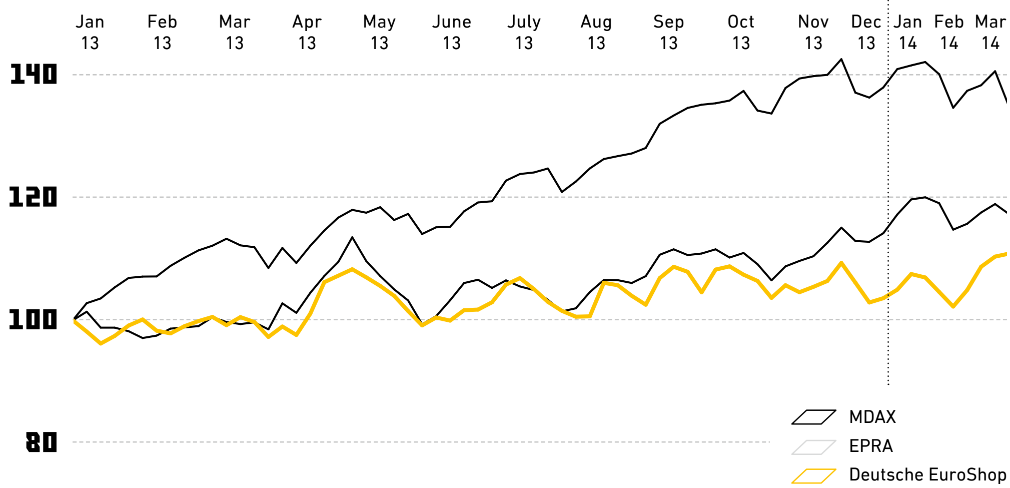
Deutsche EuroShop Shares – key figures

WKN / ISIN	748 020 / DE 000 748 020 4
Ticker-Symbol	DEQ
Share capital in €	53,945,536.00
Number of share (non-par value registeres shares)	53,945,536
Indices	MDAX, EPRA, GPR 250, MSCI Small Cap, EPIX 30, HASPAX, F.A.Z.-Index, DivMSDAX, EURO STOXX, STOXX Europe 600
Official market	Prime Standard Frankfurter Wertpapierbörse and Xetra
OTC markets	Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich and Stuttgart

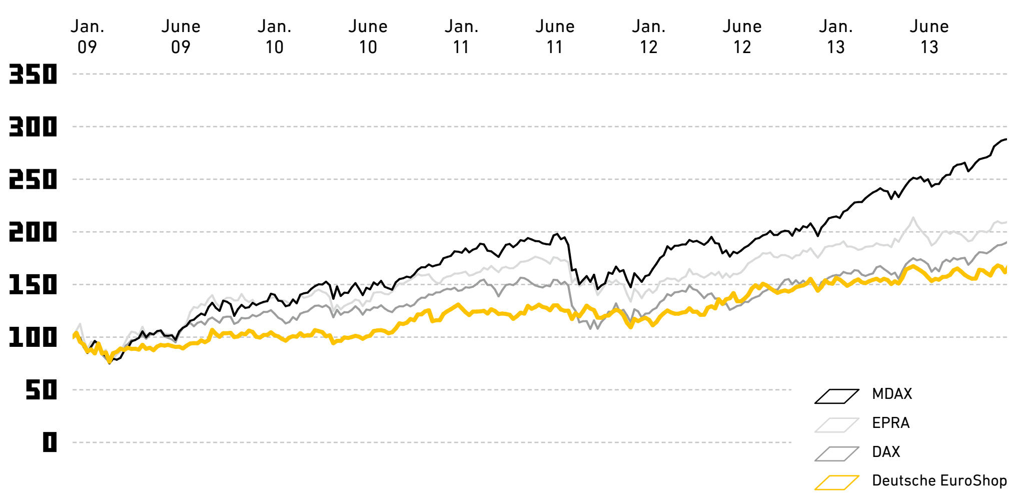
Share performance and market capitalisation since the IPO



Trend of share (indexed) since the start of 2013



Trend of share (indexed) – 5 year overview



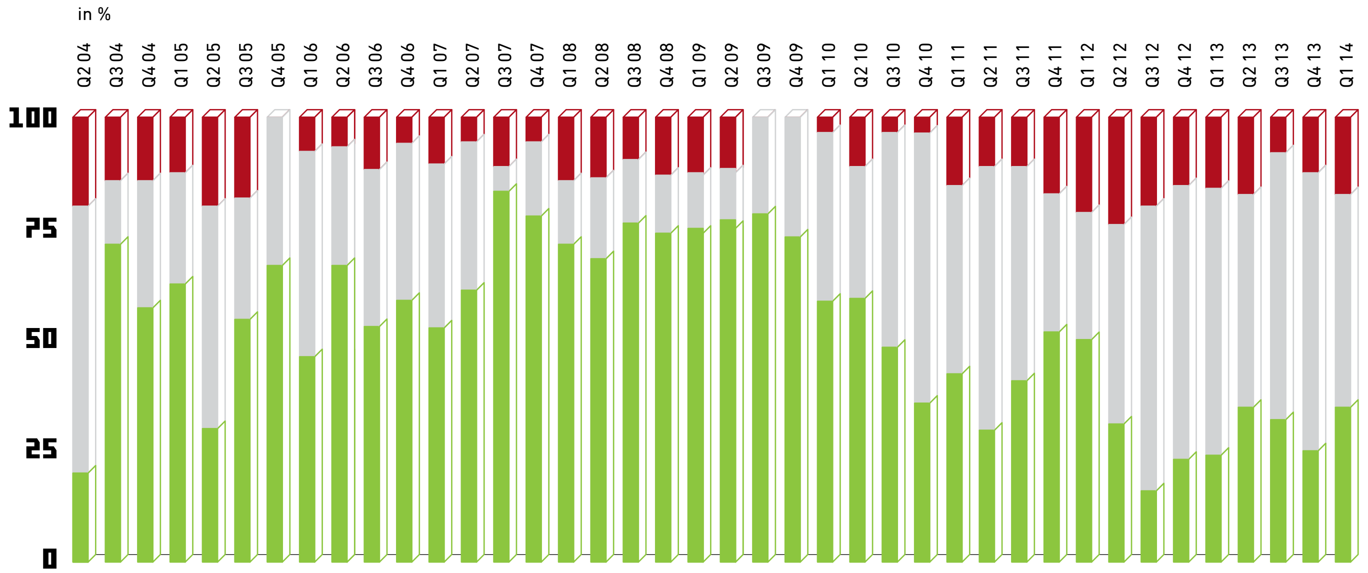
Attendance at Annual General Meeting falls slightly

The Annual General Meeting was held in Hamburg on 20 June 2013. Around 200 shareholders were in attendance at the Handwerkskammer, representing 56.7% (previous year: 63.2%) of the capital, and they approved all the items on the agenda.

Broad coverage of the shares

Our shares are now regularly followed by 23 analysts (as at 15 April 2014) from respected German and international financial 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.com/research

Diversity of analyst's opinion



The analysts are neutral to positive on the prospects for the DES share (as at 15 April 2014).

Annual report receives "platinum" and "red dot"

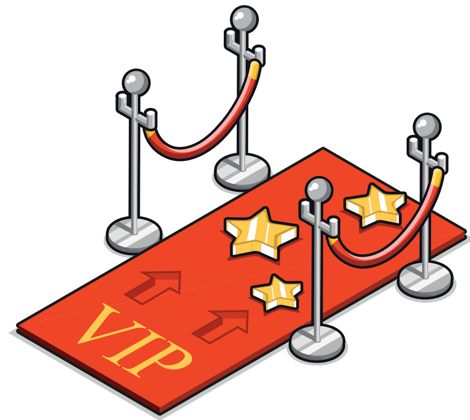
In the **"LACP 2012 Vision Awards Annual Competition"** run by the LACP (League of American Communications Professionals), our 2012 annual report was awarded platinum in the "Real Estate" category, with 99 out of a possible 100 points. It was also chosen as one of the 50 best annual reports in the world.

In addition, our 2012 annual report was awarded the highly acclaimed **"red dot design award"** for its excellent design. The "red dot" is one of the largest and most prestigious design competitions in the world.

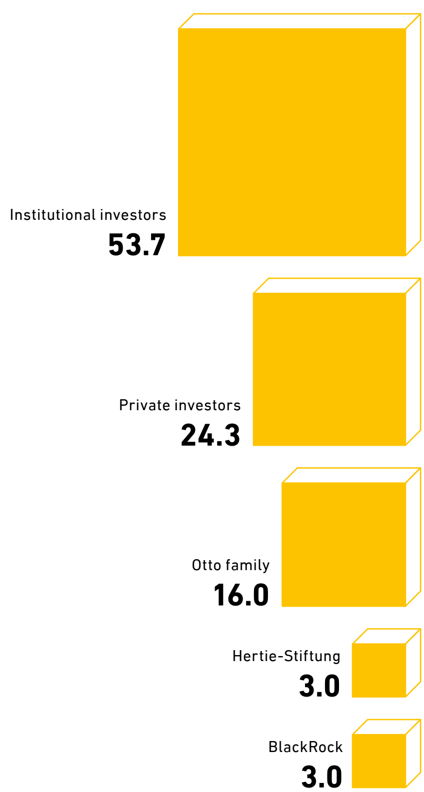
Further awards for our capital market communications can be found on our website at
www.deutsche-euroshop.com/ircommunication

Shareholder structure slightly changed

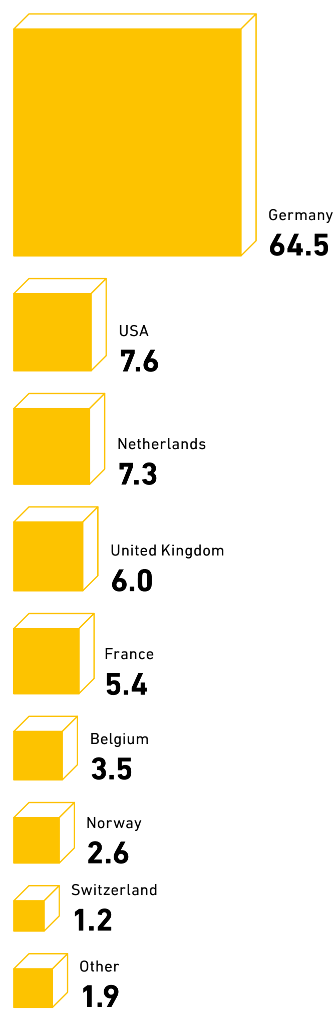
The number of investors rose slightly in 2013: Deutsche EuroShop now has around 9,300 shareholders (as at 15 April 2014, previous year: 9,050, +3%). The structural breakdown has barely changed: institutional investors still hold around 53.7% of the shares, and private investors around 24.3% (previous year: 24.4%). The Otto family's stake is 16.0%. The charitable Hertie Foundation and BlackRock report that they currently each hold slightly over 3% of the shares and are therefore still the largest institutional investors.



SHAREHOLDER'S STRUCTURE IN %



SHAREHOLDER'S STRUCTURE REGIONAL IN %



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 (just under 65%) 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.

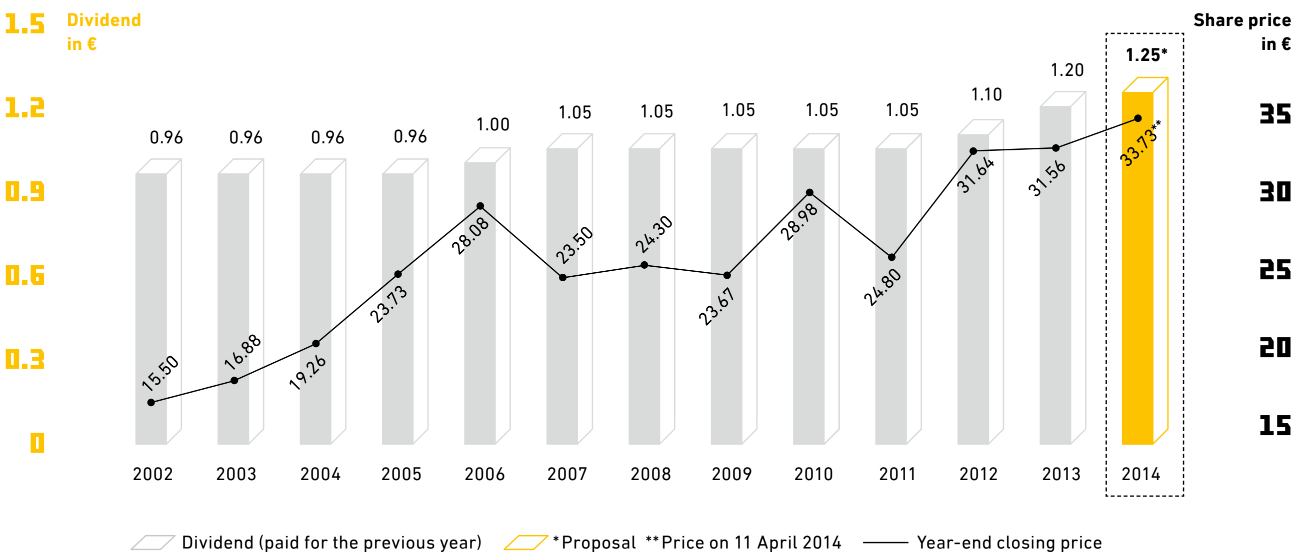
★ Dividend ★

New distribution strategy

The Executive and Supervisory Boards will propose payment of a dividend of €1.25 per share for financial year 2013 to the Annual General Meeting in Hamburg on 21 June 2014; this represents an increase of €0.05 per share.

With our long-term strategy of a dividend policy based on continuity and a yield of 3.9% (based on the 2013 year-end closing price of €31.83), we hope to cement the confidence of our existing shareholders and attract new investors. Our intention to further increase the dividend by €0.05 per share each year up to a total of €1.40 per share by financial year 2016 should also help to achieve this. This would correspond to an absolute increase of 16.6% by 2016 and an average annual increase of 3.9%.

By taking this measure, we are responding to frequent requests for a dividend policy that can be planned for over the long term.



Tax situation regarding the dividend

Dividends paid to shareholders domiciled in Germany are subject to income or corporation tax. From 2009 onward, the uniform flat-rate withholding tax of 25% plus a solidarity surcharge applies to private investors. Under certain conditions, exceptions apply to dividend payments that are regarded as equity repayments from a tax perspective (dividend from EK04 or, since 2001, from a contribution account for tax purposes). The Deutsche EuroShop dividend meets these conditions in part. Pursuant to Section 20 (1) no. 1 sentence 5 of the Einkommensteuergesetz (German Income Tax Act), the dividend payment represents non-taxable income (i.e. not subject to tax) in part.

However in accordance with revised legislation in place since 2009, dividend payments are tax relevant since gains from the sale of shares purchased after 31 December 2008 are subject to tax. In this case, the payments reduce the cost of the investment in Deutsche EuroShop and thus lead to higher capital gains at the time of sale.

Would you like additional information?

Then visit us online or call us:

Patrick Kiss and Nicolas Lissner

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Patrick Kiss

Nicolas Lissner

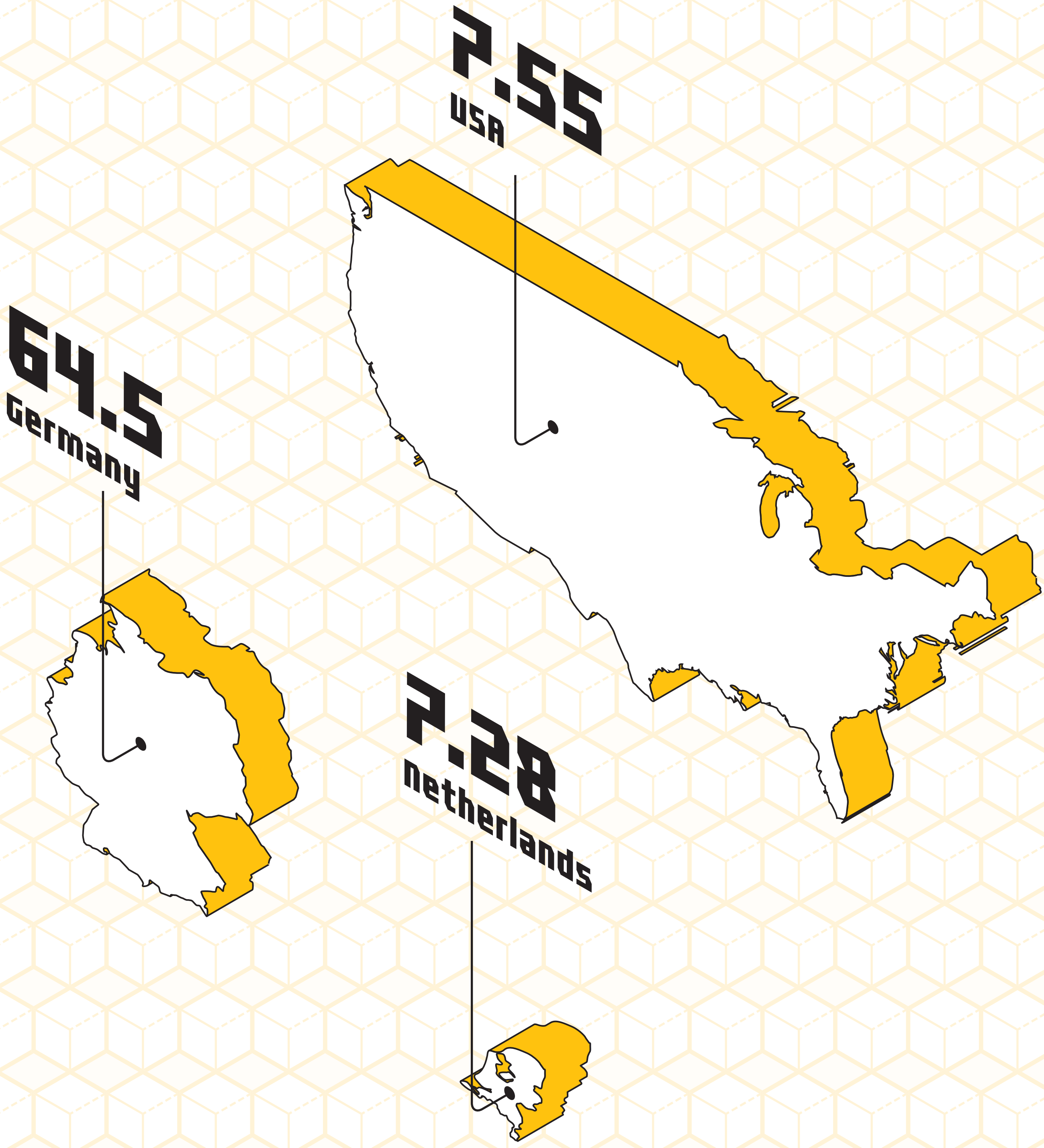
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Market capitalisation (basis: year-end closing price) (€ m)	**1,717**	1,707	1,280	1,496	895	835	808	965	816	602	527
Number of shares (year-end)	**53,945,536**	53,945,536	51,631,400	51,631,400	37,812,496	34,374,998	34,374,998	34,374,998	34,374,998	31,250,000	31,250,000
Weighted average number of shares	**53,945,536**	51,934,893	51,631,400	45,544,976	36,799,402	34,374,998	34,374,998	34,374,998	31,575,340	31,250,000	31,250,000
High (€)	**34.48 (20.05.13)**	32.03 (01.11.12)	29.06 (01.06.11)	28.98 (30.12.10)	26.00 (06.01.09)	28.40 (13.05.08)	30.09 (23.04.07)	29.12 (31.03.06)	25.25 (27.07.05)	19.44 (29.12.04)	17.35 (18.11.03)
Low €	**29.45 (24.06.13)**	23.72 (06.01.12)	22.94 (23.11.11)	21.72 (01.07.10)	18.66 (06.03.09)	18.50 (20.11.08)	23.22 (20.08.07)	23.89 (02.01.06)	19.12 (05.01.05)	16.45 (12.08.04)	14.85 (03.03.03)
Year-end closing price (31 Dec) (€)	**31.83**	31.64	24.80	28.98	23.67	24.30	23.50	28.08	23.73	19.26	16.88
Dividend per share (€)	**1.25**[1]	1.20	1.10	1.10	1.05	1.05	1.05	1.05	1.00	0.96	0.96
Dividend yield (31 Dec) (%)	**3.9**	3.8	4.4	3.8	4.4	4.3	4.5	3.7	4.2	5.0	5.7
Annual performance excl. / incl. dividend	**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%	8.9% / 15.6%
Average daily trading volume (shares)	**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	12,438
EPS (€) (undiluted)	**3.17**	2.36	1.92	-0.17	0.93	2.00	2.74	2.92	1.55	0.89	0.61

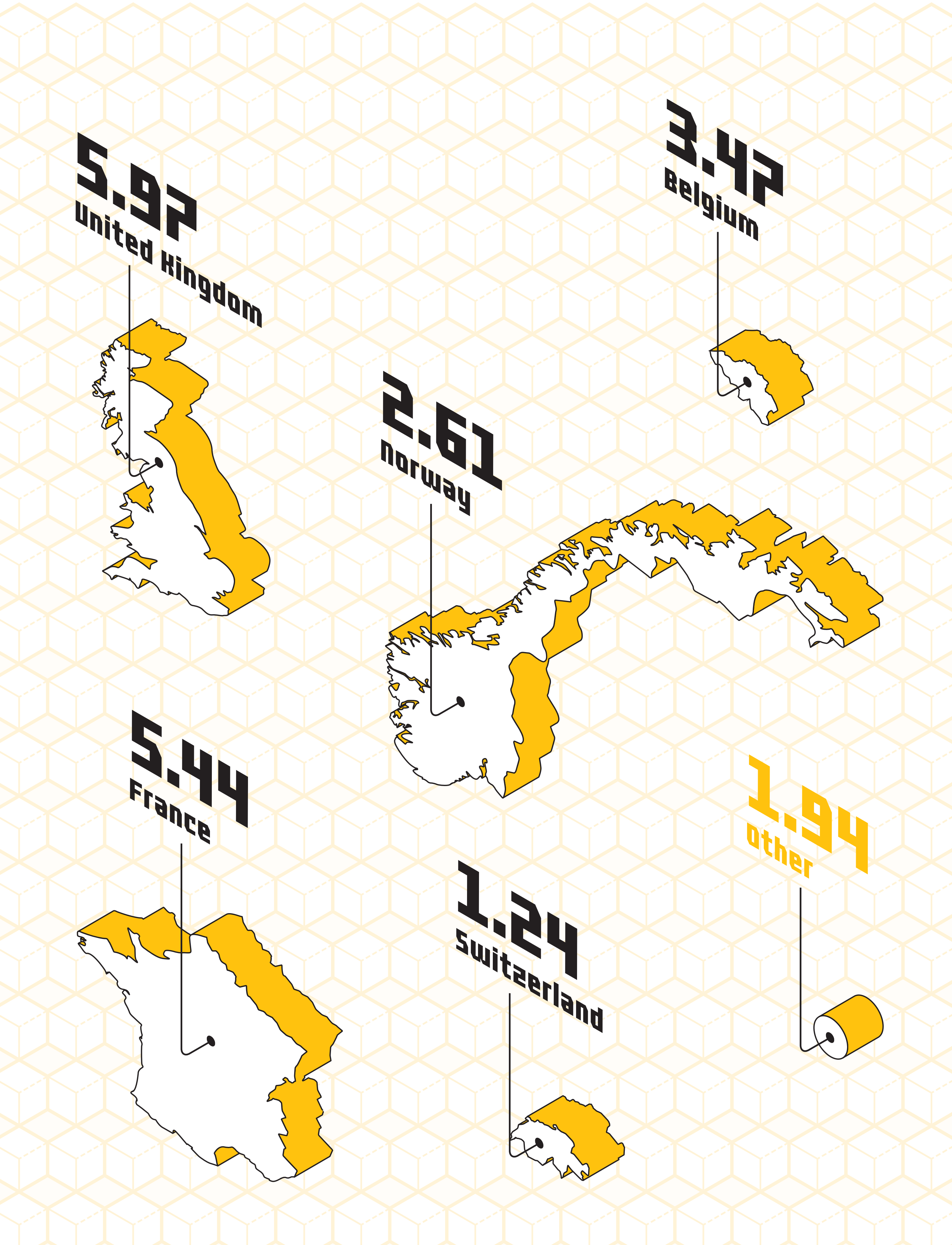
All information onwards relates to Xetra.

[1] proposal

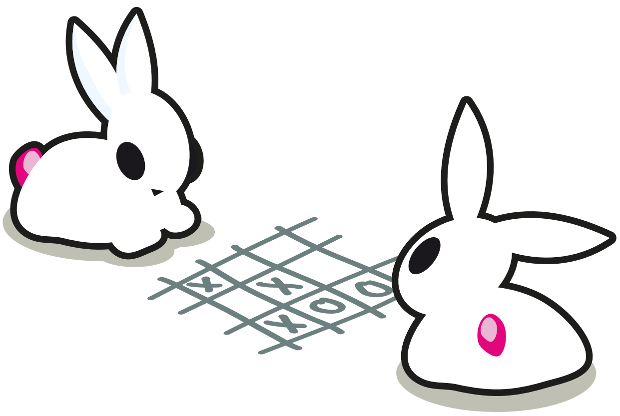
Breakdown of Deutsche EuroShop shares

(in %)




5.97
United Kingdom
3.47
Belgium
2.61
Norway
5.44
France
1.94
Other
1.24
Switzerland

Annual General Meeting



The Annual General Meeting of Deutsche EuroShop was held, in the historic rooms of the Handwerkskammer Hamburg as it had been before, on 20 June 2013.

At least 200 shareholders were in attendance to hear Executive Board Spokesman Claus-Matthias Böge talk about the events and results of the previous financial year. The Group's figures in relation to general economic data and the situation in the real estate market were examined in detail. The meeting also discussed the acquisition of the Herold-Center in Norderstedt and the increase in our shareholding in the Altmarkt-Galerie Dresden to 100%.

The speech and presentation were already available at the website address given below very soon after the event. Interested parties will also find there a large archive of agendas and other information relating to our recent Annual General Meetings.

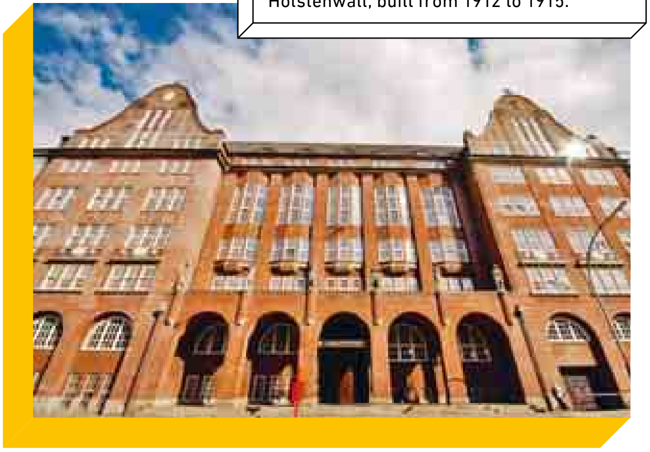
The agenda 2013 for this meeting included the election of three Supervisory Board members: Manfred Zaß and Alexander Otto were returned to office, while Dr Henning Kreke was elected to the Board as a new member for a term of five years. New authorised capital was also created. The attendance at the time of the vote was 56.7%.

Shareholders made use of the opportunity to talk with the Supervisory Board, the Executive Board and employees before the Annual General Meeting and at the refreshments that followed it.

The Annual General Meeting for the 2013 financial year will be held on 18 June 2014 at the Handwerkskammer Hamburg. The invitation as well as all the documents needed for ordering entry tickets and for voting via the Internet will be posted out to our shareholders in good time.

www.deutsche-euroshop.de/agm

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



Deutsche EuroShop

Real Estate Summer

Upper left: Entrance to the City-Arkaden in Klagenfurt

Left: Tour of the City Arkaden

Right: Lecture by Dr. Gerold Doplbauer, Senior Consultant, GfK GeoMarketing

We ran the third Deutsche EuroShop Real Estate Summer on 22 and 23 August 2013. We launched this series of events in the summer of 2009 with the aim of giving our analysts and others an in-depth, up-to-date insight into the Deutsche EuroShop portfolio through presentations covering all aspects of shopping and real estate. The first Deutsche EuroShop Real Estate Summer was held in Dresden in 2009, and in 2011 we visited our centers in Wolfsburg, Magdeburg and Wildau.

Last year, we invited institutional investors and financial analysts who currently cover our stock to Klagenfurt on Lake Wörthersee, where the event kicked off on 22 August with presentations on the Austrian real estate market as well as on the challenges of leasing at a time when more and more shopping is being done online. These were followed by an introduction to the City Arkaden Klagenfurt, a tour of the city centre and an excursion to the competitive environment.

More presentations were on the agenda for the following day: Stephan Jung from the German Council of Shopping Centers spoke about the future of retailing, Wolfgang Kubatzki from Feri Euro Rating addressed the evaluation of shopping centers, and Dr. Gerold Doplbauer of GfK GeoMarketing explained his forecasts for the shopping center concept within the context of current dynamic changes in retail habits. The event closed with a Questions & Answers session with Claus-Matthias Böge, CEO.

Marketing

"An investment with stability"

In 2013 we placed advertisements in the trade press designed for highly specific target groups that were perfectly timed to coincide with the publication of our current financial figures and referred to our motto for the year, "Hamburg³". At the same time, we made a play on the "safe haven" aspect, which is how many describe our share.

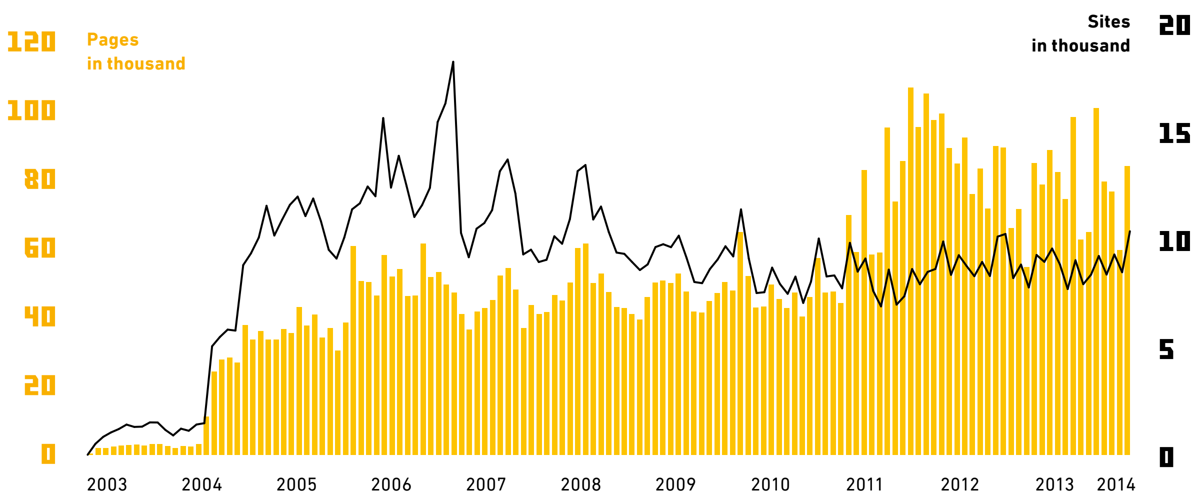
New blow-up at Main-Taunus-Zentrum

After two years in which our giant poster "Main Taunus, Mein Zentrum, Meine Aktie", brought a smile to the lips of thousands of drivers every day, hurricanes "Christian" and "Xaver" forced us to replace the blow-up. We took the opportunity to change the motif as well. Now, the 14 x 9 m blow-up not only refers to the MTZ (as the Main-Taunus-Zentrum is often called), but also creates a link with Deutsche EuroShop, via whose shares investors can obtain an indirect stake in the Main-Taunus-Zentrum.

Stable hit figures for website

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. Our website can be found at **www.deutsche-euroshop.com**

Visitors and page hits per month



Social media on an upward trend

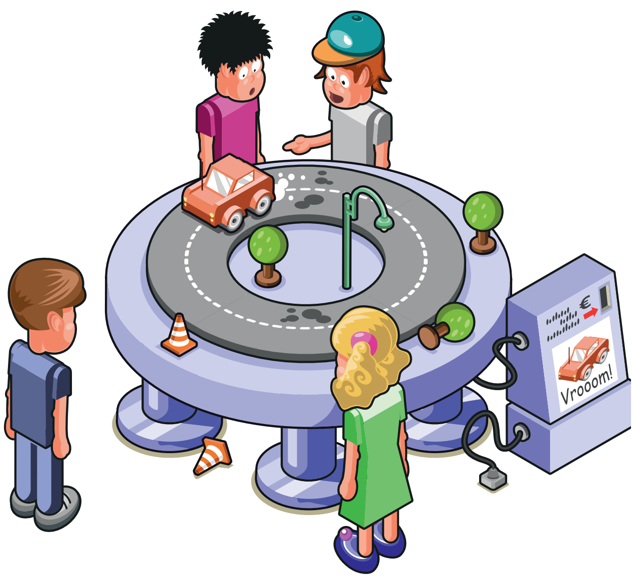
Social media are establishing themselves as a channel of communication – including for capital market participants. For many years we have shown ourselves to be open to technical innovations and use social media actively to provide our investors and interested parties with news and supplementary information 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:

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 and follow 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/DeutscheEuroShop**

The brand

In addition to share marketing, we also 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.

Conferences and roadshows in 2013



In order to discuss Deutsche EuroShop's strategy with its present investors and to present the Company to potential new investors, the Executive Board and the Investor Relations team again participated in various conferences and held numerous roadshows last year.

Direct contact with our investors is very important to us: by engaging in frank discussions with analysts as well as fund and portfolio managers, we seek to understand the requirements of the capital market and to learn which issues are seen as most important. Conversely, investment by fund management companies is often dependent on their being able to meet, on a regular basis, the Executive Board members of companies in which they invest.

In 2013, we participated in nine roadshows in Frankfurt, Munich, Amsterdam, Geneva, London, Milan, Paris and Zurich. We also attended 13 conferences in Baden-Baden, Frankfurt, Hamburg, Munich, Amsterdam, London, Lyons and New York.

During all these events we had around 250 one-to-one discussions. We also held teleconferences, which organised regularly, for example, for the publication of the annual and quarterly figures.

Many investors also visited us at the new Deutsche EuroShop head offices in Hamburg-Poppenbüttel, often also visiting our properties in and around Hamburg. We also, as part of a property tour, gave investors an on-site introduction to our center in Wuppertal.

We are once again planning a diverse range of investor relations activities for 2014, in order to cultivate contacts with our existing investors and tap new investor groups. You can find an overview in our financial calendar on page 194. A constantly updated version can also be found on our website, at
www.deutsche-euroshop.com/ir

ROADSHOWS

A roadshow involves a team, usually consisting of an Executive Board member and an Investor Relations manager of Deutsche EuroShop, travelling together with representatives of the organising bank (such as analysts and client advisors) to a financial 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. This allows up to 10 meetings to be held in one city on a single day.

CAPITAL MARKET CONFERENCES

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

10 reasons to invest in Deutsche EuroShop share

1.
The only public company in Germany to invest solely in shopping centers

2.
Prime locations

3.
Proven, conservative strategy

4.
Stable cash flow with long term visibility

5.
Shareholderfriendly dividend policy

6.
Experienced management team

7.
Excellent track record

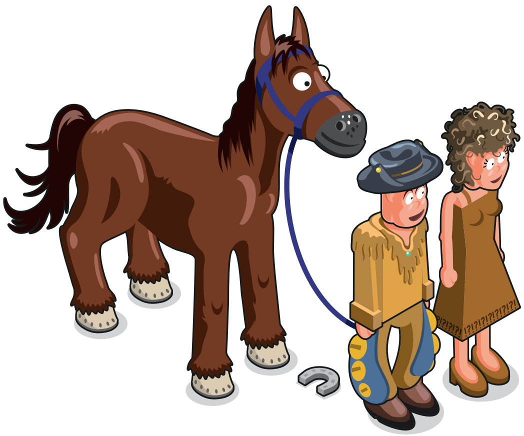
8.
Centers almost 100% let

9.
Inflation-protected rental agreements

10.
Solidity combined with growth potential

Declaration on Corporate Governance

Deutsche EuroShop AG is a transparent company that operates in accordance with a strategy geared towards long-term success. This focus on permanence is a key aspect of our corporate culture. We strive to promote the trust of investors, creditors, staff, business partners and the public in the leadership and supervision of our Company on the basis of legal and company-specific conditions governing the management of a listed 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

Corporate governance focuses on investments in high-quality shopping centers in city centres and well-established locations that have the potential to appreciate steadily over time. Another important investment objective is to generate high surplus liquidity from long-term leases of shopping center space which can then be distributed to shareholders in the form of annual dividends. To achieve these objectives, the Company diversifies its risk by investing in shopping centers in a number of European regions; the main focus is on Germany. Indexed, revenue-based commercial rents guarantee the desired high return.

The Company invests in shopping center project developments at an early stage and can invest up to 10 percent of its equity as part of joint ventures.

Financing for new investments should be balanced, and the Group's long-term debt-to-equity ratio must not exceed 55%. When taking out or extending loans, interest rates must be locked in for an extended period of time with the goal of keeping the duration (average fixed interest period) at over five years.

Profitable portfolio with a stable value

Deutsche EuroShop AG holds a balanced, diversified portfolio of shopping centers in Germany and other parts of Europe. We focus our investment activities on prime locations in cities with a catchment area of at least 300,000 residents in order to guarantee a sustained high level of investment security.

Seize opportunities, maximise 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.

Differentiated rental system

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 GmbH & Co. KG (ECE). ECE has been developing, planning, implementing, leasing and managing shopping centers since 1965. With 189 shopping centers currently under management, the company is Europe's market leader in this segment. We consider professional center management to be the key to the success of a shopping center. Not only does it ensure uniform opening hours and a consistently friendly, bright, safe and clean shopping atmosphere, it also makes shopping an experience with occasionally extraordinary presentations of merchandise, promotions and exhibitions. 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. These transform shopping centers into marketplaces where something new and spectacular is always 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 2013

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 13 May 2013. 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 2013 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 2013 financial year can be found in its report on pages 14 to 19.

In financial year 2013, 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 much older than 70.

Thus, Dr Henning Kreke succeeded his father Dr Jörn Kreke in office after his election to the Supervisory Board at the Annual General Meeting on 20 June 2013. The goals regarding the Board's composition are to be adhered to in 2014 as well.

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 AG 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 different 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.

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 an **Executive Committee** (which simultaneously serves as a nomination committee), 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
Thomas Armbrust
Karin Dohm
Dr. Jörn Kreke (until 20 June 2013)
Dr. Henning Kreke (as of 20 June 2013)
Alexander Otto
Reiner Strecker
Klaus Striebich
Dr. Bernd Thiemann

The members of the **Executive Committee** are Mr Zaß, Dr Gellen and Mr Armbrust. The Executive Committee is chaired by the Chairman of the Supervisory Board. The Committee discusses urgent business matters and passes relevant resolutions. It is also responsible for preparing human resources issues concerning the Executive Board and for reviewing the Company's corporate governance principles. The Executive Committee of the Supervisory Board also fulfils the function 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 2013, 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 2013, the Supervisory Board held a total of 5,308,996 shares, 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 2013 in accordance with section 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act):

		Date	Share price in €	Number
Claus-Matthias Böge	Sale	03.05.2013	33.63	6,000
Carlotta Böge	Sale	03.05.2013	33.30	2,500
Thomas Armbrust	Purchase	24.06.2013	29.64	3,600
Annette Armbrust	Purchase	24.06.2013	29.49	1,250
Gabriele Cattarius-Armbrust	Purchase	24.06.2013	29.44	600
Klaus Striebich	Purchase	24.06.2013	29.55	500
AROSA Vermögensverwaltungsgesellschaft m.b.H.	Purchase	25.06.2013	29.91	60,000
AROSA Vermögensverwaltungsgesellschaft m. b. H.	Purchase	26.06.2013	29.93	1,000

Relationships with shareholders

Shareholders exercise their rights in matters concerning the Company at the Annual General Meeting. The Annual General Meeting elects the members of the Supervisory Board and passes resolutions approving the actions of the Executive and Supervisory Boards. It decides on the appropriation 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 AG 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 Chairwoman of the Audit Committee commissions the auditor of the annual financial statements, as elected by the Annual General Meeting. The stricter requirements for auditor independence are met in this process.

Outlook

The composition of the Supervisory Board will continue to change in 2014 in line with the recommendations and requirements of the Corporate Governance Code.

Declaration of conformity

In November 2013, 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 2013 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 13 May 2013), 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 (Code 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 is not necessary, in particular as this has no effect on the level of the insurance premium.

- **The Supervisory Board did not select a senior management team for a comparison of compensation (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 (Code 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 (Code 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. Therefore, there is no stipulated age limit, though members should not be much older than 70 years of age.

- **The remuneration of the Supervisory Board does not include any performance-based elements (Code Section 5.4.6).**
  The Company believes that fixed remuneration for members of the Supervisory Board best reflects the Company's business model. The selection of shopping centers to be acquired and held and the quality of long-term leases represent the key factors determining the Company's long-term success.

- **The consolidated financial statements are published within 120 days of the end of the financial year (Code 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, 28 November 2013

The Executive Board and the Supervisory Board
Deutsche EuroShop AG

Group Management Report

Basic information about the Group

GROUP BUSINESS MODEL, TARGETS AND STRATEGY

Deutsche EuroShop AG is the only public company in Germany to invest solely in shopping centers in prime locations. On 31 December 2013, 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 floor space that it leases in the shopping centers.

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

The Company's registered office is in Hamburg. Deutsche EuroShop is a 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.

TARGETS 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 rent 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 range of sources, and external financing may not exceed 55% of long-term Group liabilities. As a general rule, long-term interest rates are fixed when loans are taken out or renewed. The aim is to keep duration (i.e. average fixed interest rate period) at over five years.

HIGH-YIELD, STABLE PORTFOLIO

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 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 allows 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. When the economy is weak, Deutsche EuroShop's revenue is protected from falling below a lower threshold (based on the consumer price index).

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 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 and a wide range of activities for children. As a result, the shopping centers become market places where there is always something new 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. The indicators are revenue, EBT excluding valuation gains / losses and FFO.

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 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. The Supervisory Board is also authorised to amend the Articles of Association in line with 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 without a resolution of the Annual General Meeting.

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 0.4% in 2013, according to the German Federal Statistical Office's calculations. The German economy continued to benefit from strong foreign trade and stable domestic demand. The labour market remained strong in the year under review. On average, 2.95 million people were registered as unemployed during the year, putting the unemployment rate at 6.9%. Consumer prices in Germany rose by an average of 1.5% versus 2012. Domestic demand was mainly driven by private household spending, which rose for the third year in a row.

In 2013, gross pay per employee rose by 1.3% according to the German Federal Statistical Office. In an environment marked by high employment and low interest rates, the propensity to consume continued to rise, and the savings rate dropped to 10.0% of disposable income in 2013 (2012: 10.3%). The last time the savings rate was lower was in 2001 (9.5%). Private consumer spending, which accounted for 57.5% of GDP, rose by a nominal 2.5% in 2013 (real: +0.9%). We anticipate a similar trend in 2014. The federal government forecasts that the German economy will grow by 1.8% in 2014.

According to provisional calculations from the German Federal Statistical Office, German retail sales posted nominal growth of 1.4% and real growth of 0.1% year-on-year. The German Retail Federation (HDE) forecasts that retail sales will increase by 1.5% in Germany in 2014. After price adjustments, this amounts to a stagnation, with prices on a par with 2013.

The expansion of online trading remains the main focus of attention in terms of sales growth in the stationary retail sector. According to figures from the German Retail Federation (HDE), online sales grew a further above-average 12% to around €33.1 billion. HDE anticipates that online sales will continue to climb in 2014, rising to €38.7 billion – an increase of approximately 17% year-on-year. Competition with online retailers is already intensifying in some sectors. For example, online transactions accounted for well over one quarter of total Christmas sales from consumer electronics, toys and books in 2013.

Since disposable income growth is muted or stagnant, there is very limited scope for sales growth in the stationary retail sector. As many customers see leisure and the experience as important factors when shopping, more floor space will need to be dedicated to staging shopping experiences than to the straight sale of goods. With ancillary costs rising, notably with the increased renewable energy levy (EEG), retailer margins will come under further pressure. Meanwhile, investments are expected to deliver ever-higher returns.

The centers' competitive position is determined both by business in the relevant city centers and – in the case of the Billstedt-Center Hamburg and the Herold-Center in Norderstedt – by the presence of other shopping centers in neighbouring districts of Hamburg. 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 Hamm and Dessau centers, while an existing outlet complex in Wolfsburg is being extended.

RETAIL SECTOR

Based on calculations from Jones Lang LaSalle, rental turnover on retail spaces leased in Germany in 2013 decreased by 17% to 492,000 m². Rental spaces in excess of 1,000 m² accounted for 12% of rental contracts. Demand for smaller retail premises of under 250 m² remained high, accounting for 53% of all leases.

With 39% of rented floor space, textile retailers were the most significant demand group. General clothing and women's clothing were the dominant segments within this group. Second place went to the catering and food industry at 21%; health and beauty took third place with 12%.

REAL ESTATE MARKET

Transaction volumes rose by 21% to €30.7 billion according to figures from Jones Lang LaSalle, meaning that Germany's commercial real estate investment market continued to grow in 2013. Retail real estate accounted for just under 26% of transactions. Investments in German shopping centers totalled €2.8 billion in 2013. This came close to the €3.0 billion posted in 2012, but does not reflect demand, which far exceeded the range of suitable properties available for sale. More than one third of all commercial real estate investment in euros went into shopping centers in 2013, compared with 40% in 2012.

As real estate investors continued to focus on security in 2013, top returns on shopping center investments remained at record-high levels in Germany. According to figures from Jones Lang LaSalle, top returns came in at 4.70% in 2013, down slightly year-on-year (4.75%).

SHARE PRICE PERFORMANCE

Deutsche EuroShop shares started the year at €31.64. In the first four months, share prices hovered between €30.50 and €32.00 before reaching a new record-high in mid-May, with an Xetra closing price of €34.48 on 20 May 2013. Stock markets then lost ground and Deutsche EuroShop shares dropped down to €29.45 on 24 June. The share price hit a year-to-date low shortly after the dividend distribution. In the ensuing weeks, share prices moved within a slightly broader range of €30.50 to €33.20. The share price closed the year up at €31.83, which represented a gain of 4.5% including dividends (2012: +32.7%).

EVALUATION OF THE FINANCIAL YEAR

The Executive Board of Deutsche EuroShop is satisfied with the past financial year. Growth was boosted by the acquisition of the Herold-Center in Norderstedt on 1 January 2013. The acquisition of third-party interests in the Altmarkt-Galerie in Dresden on 1 May 2013 also pushed up earnings.

In May 2013, we adjusted the forecasts published in the Annual Report 2012. Target revenue was revised to between €186 million and €189 million and came in at €188.0 million (2012: €178.2 million) on the reporting date, corresponding to an increase of 5.5%. Earnings before interest and taxes (EBIT) were forecast at between €162 million and €165 million, and actual EBIT was slightly above both the forecast range and the 2012 results at €165.8 million, an improvement of 9.4% (2012: €151.6 million). We expected earnings before taxes (EBT) excluding valuation gains / losses (including at-equity investments) of €113 to €116 million. At €129.2 million, EBT came in well above the forecast range, due to €15.8 million in exceptional proceeds from sales, representing an improvement of 41% year-on-year (2012: €95.1 million). Funds from operations (FFO) also exceeded the forecast, coming in at €2.08 per share (forecast: €1.99 to €2.03 per share).

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

COURSE OF BUSINESS

As reported on previous occasions, the amendments to the International Accounting Standards regarding the permissibility of proportional consolidation of our joint ventures have been approved, but the changes only became mandatory as at 2014. Nevertheless, as previously announced, we have chosen to recognise these companies using the equity method from 1 January 2013 pursuant to IAS 31.

Consequently, the share in the revenue and costs of these companies will no longer be included in the consolidated financial statements. Instead, only the at-equity earnings of these shopping centers will be reported under net finance costs. The change will affect four joint ventures previously reported using the proportional method.

The change in the accounting method has entailed a restatement of the 2012 annual financial statements, which also affects the figures provided by way of comparison in this report. Details of the changes to the 2012 consolidated financial statements can be found in the notes (changes in accounting policies).

In addition, Stadt-Galerie Passau KG and Immobilien KG FEZ Harburg – which were previously included in the consolidated financial statements under a voting agreement – are now recognised as at-equity joint ventures from 1 January 2013. The voting agreements were terminated by mutual agreement at the end of 2012.

FINANCIAL POSITION

Deutsche EuroShop can look back on another successful financial year. Revenue and profit advanced significantly versus 2012. The acquisition of the Herold-Center in Norderstedt on 1 January 2013 boosted earnings considerably, as did the sale of our one-third interest in Galeria Dominikanska in Breslau. The acquisition of third-party interests in Altmarkt-Galerie Dresden and the subsequent consolidation of the center have also allowed us to optimise the Group's legal structure.

Net assets and our financial structure remain solid. Favourable refinancing arrangements have made a positive contribution to earnings.

Revenue rose by 5.5% to €188.0 million, while consolidated profit came to €171.0 million (2012: €122.5). Earnings per share came in at €3.17 compared with €2.36 in 2012. Operating profit per share advanced 28% from €1.36 to €1.74.

Valuation gains improved considerably in 2013 to €56.0 million, up from €13.9 million in 2012. The valuation gains on equity-accounted joint ventures came to €2.4 million, up €8.4 million versus 2012 (€–6.0 million). Earnings before tax climbed around 36% year-on-year to €129.2 million (2012: €95.1 million). After adjustments for the proceeds of the sale of the interest in Ilwro Sp.zo.o (Galeria Dominikanska) totalling €15.8 million, earnings before tax were up around 19% at €113.4 million.

The EPRA net asset value per share rose by 7.2% from €28.53 to €30.59.

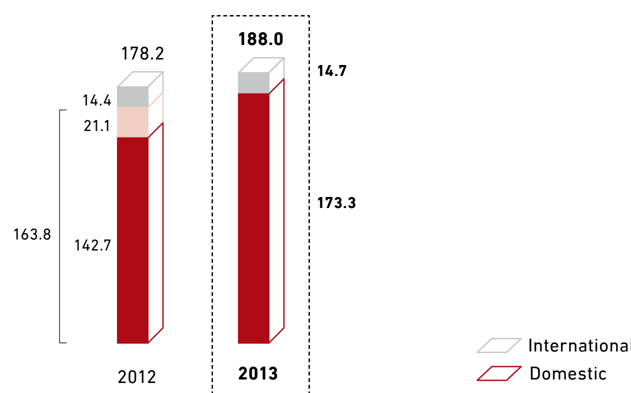
RESULTS OF OPERATIONS

Revenue in the German retail trade (excluding the vehicle trade) rose by a nominal 1.4% over the reporting year, while the revenue of the tenants in our German shopping centers slipped 0.1%. In contrast, tenants in foreign properties posted revenue growth of 3.3%.

CONSOLIDATED REVENUE UP 5.5%

Consolidated revenue was up 5.5%, from €178.2 million to €188.0 million, in the financial year. The Herold-Center in Norderstedt, which was acquired on 1 January 2013, and the Altmarkt-Galerie Dresden, which was fully consolidated from 1 May 2013, contributed significantly to revenue growth. Meanwhile, revenue from the Stadt-Galerie in Passau and the Phoenix-Center in Hamburg are no longer recognised due to the switch to at-equity reporting in the year under review. These two properties generated revenue totalling €21.1 million in 2012.

REVENUE € MILLION



For ten properties, the rise in revenue was largely due to index-related rental increases. Renovation work at the Rhein-Neckar-Zentrum and one-off effects in the A10 Center saw revenues fall slightly. Overall, comparable revenue rose by 1.4% (1.3% in domestic, 2.4% international) on a like-for-like basis over the reporting year.

REVENUE IN € THOUSAND	31.12.2013	31.12.2012	Difference	Change in %
Main-Taunus-Zentrum, Sulzbach	33,646	33,184	462	1.4
A10 Center, Wildau	20,216	20,646	-430	-2.1
Rhein-Neckar-Zentrum, Viernheim	17,382	17,654	-272	-1.5
Altmarkt-Galerie, Dresden	16,129	0	16,129	
Herold-Center, Norderstedt	13,199	0	13,199	
Billstedt-Center, Hamburg	11,366	11,040	326	3.0
Allee-Center, Hamm	10,194	9,975	219	2.2
City-Galerie, Wolfsburg	9,647	9,290	357	3.8
Forum, Wetzlar	9,164	8,992	172	1.9
City-Arkaden, Wuppertal	9,016	8,929	87	1.0
Rathaus-Center, Dessau	8,291	8,166	125	1.5
City-Point, Kassel	8,141	7,934	206	2.6
Stadt-Galerie, Hameln	6,891	6,889	2	0.0
Phoenix-Center, Hamburg	0	12,003	-12,003	
Stadt-Galerie, Passau	0	9,101	-9,101	
Total domestic	**173,282**	**163,803**	**9,478**	**5.8**
Galeria Baltycka, Danzig	14,489	14,017	472	3.4
Caspia	216	341	-125	-36.7
Total international	**14,705**	**14,358**	**347**	**2.4**
Overall total	**187,987**	**178,161**	**9,825**	**5.5**

VACANCY RATE REMAINS STABLE AT UNDER 1%

As in previous years, the vacancy rate for retail spaces remained stable at under 1%. At €0.6 million (2012: €0.6 million) or 0.3% of revenue (2012: 0.4%), write-downs for rent losses remained at a very low level.

INCREASE IN PROPERTY OPERATING AND ADMINISTRATIVE COSTS

Property operating costs were down €1.5 million year-on-year at €8.5 million (2012: €10.0 million), while property administrative costs increased by €0.8 million to €9.3 million (2012: €8.5 million). The lower property operating costs were mainly linked to a sharp decline in maintenance costs (down €2.6 million) in the year under review. However, the savings were offset by higher non-allocable ancillary costs. Property operating costs were also affected by the first-time consolidation of certain properties in 2013 (Herold-Center from 1 January 2013 and Altmarkt-Galerie from 1 May 2013) and the deconsolidation of other properties (Passau and Hamburg-Harburg). Higher property administration costs were also linked to the four properties. Overall, the cost ratio came in at 9.5% of revenue (2012: 10.4%).

OTHER OPERATING INCOME AND EXPENSES

Other operating income came to €2.8 million, slightly higher than in the previous year (€2.7 million), while other operating expenses fell significantly, down €3.5 million to €7.3 million (2012: €10.8 million). The decrease resulted from an exceptional real estate transfer tax of €2.9 million incurred in connection with the restructuring of the Group in 2012 and lower ancillary financing costs.

MARKED IMPROVEMENT IN NET FINANCE COSTS

Net finance costs improved significantly, up €28.0 million to €–34.1 million (2012: €–62.1 million). The improvement reflected the proceeds of the sale of the interest in Ilwro Sp.zo.o (Galeria Dominikanska) amounting to €15.8 million, the effects of the new accounting method and the first-time consolidation of the Altmarkt-Galerie in Dresden.

Interest income was on a par with the previous year at €0.4 million. The deconsolidation of the Passau and Hamburg-Harburg centers generated interest expenses totalling €5.8 million, which brought interest expenses to €57.8 million – an increase of €0.5 million year-on-year. The first-time consolidation of the Altmarkt-Galerie in Dresden from 1 May 2013 created an exceptional charge arising from the derecognition of a cumulative valuation gain / loss previously recognised in equity for an interest rate hedge (swap) to the value of €6.8 million and offset by current earnings of €2.3 million from the value of the swap up to the reporting date. The net charge arising from the swap therefore came to €4.5 million in 2013. The interest expenses will be offset by corresponding income until 2018.

Earnings from at-equity investments climbed considerably, up €12.7 million to €27.0 million (2012: €14.3 million). The improvement also reflects a marked hike in valuation gains, which were up €2.4 million year-on-year at €8.4 million (2012: €−6.0 million). The change in accounting methods also affected these figures.

The profit share for third-party shareholders increased by €0.6 million from €15.3 million to €15.9 million.

CHANGES IN VALUATION GAINS / LOSSES

Valuation gains were up €42.0 million year-on-year at €56.0 million (2012: €13.9 million). The average value of Group properties after ongoing investments advanced 2.1%; valuation gains came in at between 0.0% and 4.8%.

Valuation of the portfolio properties led to valuation gains of €60.5 million. The share of valuation gains attributable to third-party shareholders amounted to €4.5 million in the reporting year (2012: €18.7 million).

ANOTHER SIGNIFICANT CHANGE IN TAX POSITION

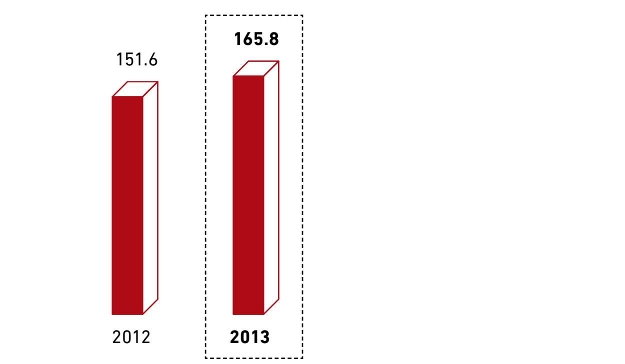
Taxes on income and earnings amounted to €16.6 million compared to tax income of €19.1 million in 2012. Deferred trade tax provisions totalling €49.1 million were released in 2012. In 2013, deferred trade tax provisions were reduced by a further €12.6 million when another company met the criteria for the extended trade tax deduction. Meanwhile, allocations for deferred income taxes generated expenses of €28.7 million during the year under review. Tax expense for income tax payments amounted to €2.4 million (Germany: €1.5 million, international: €0.9 million) in the year under review.

€ THOUSAND	31.12.2013	31.12.2012	Difference	Change in %
Allee-Center, Magdeburg	7,945	7,762	183	2.4
Phoenix-Center, Hamburg	6,144	0	-6,144	100
Stadt-Galerie, Passau	6,938	0	6,938	100
Altmarkt-Galerie, Dresden	5,636	16,096	-10,460	-65.0
City-Arkaden, Klagenfurt	5,890	5,635	255	4.5
Árkád, Pécs	3,487	3,577	-90	-2.5
Others	676	678	-2	-0.3
Revenue	**36,716**	**33,748**	**2,969**	**8.8**
Property operating costs	-1,739	-1,415	-324	
Property management costs	-1,904	-2,079	175	
Net operating income	**33,073**	**30,253**	**2,820**	
Other operating income	65	204	-139	
Other operating expenses	-322	-906	584	
Earnings before interest and taxes (EBIT)	**32,816**	**29,551**	**3,265**	
Interest income	19	40	-21	
Interest expense	-8,147	-9,110	963	
Net finance costs	**-8,127**	**-9,070**	**942**	
Valuation gains / losses	**2,410**	**-6,029**	**8,439**	
Earnings before tax (EBT)	**27,099**	**14,453**	**12,646**	
Taxes on income and earnings	-76	-107	32	
Share in the profit / loss of joint ventures	**27,024**	**14,346**	**12,678**	

SIGNIFICANT INCREASE IN CONSOLIDATED PROFIT

Earnings before interest and taxes (EBIT) climbed 9.4%, from €151.6 million to €165.8 million, in the year under review. At €187.6 million, earnings before taxes (EBT) were 81% higher than in the previous year (€103.4 million) for the reasons given above. Consolidated profit amounted to €171.0 million, up 40% against 2012 (€122.5 million).

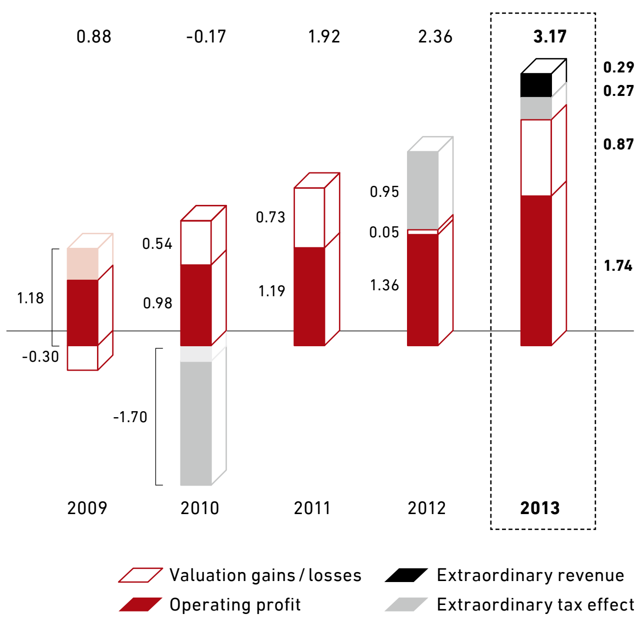
EBIT € MILLION



STRONG OPERATIONS DRIVE EARNINGS PER SHARE

Earnings per share (consolidated net profit per share) amounted to €3.17 in the reporting year, compared with €2.36 in 2012, an increase of 34% Of this amount, €1.74 was attributable to operations (2012: €1.36) and €0.87 to valuation gains / losses (€0.05). Earnings per share were also boosted by €0.27 in tax income (2012: €0.95) and proceeds from sales at €0.29 in 2013.

EARNINGS PER SHARE €, UNDILUTED



€ PER SHARE	2013	2012
Consolidated net profit	**3.17**	**2.36**
Valuation in accordance with IAS 40	-1.03	-0.27
Valuation gains / losses for equity-accounted companies	-0.04	0.12
Deferred taxes	0.20	0.10
Tax income from past years	-0.27	-0.95
Proceeds from sales	-0.29	0.00
EPRA* earnings	**1.74**	**1.36**
Weighted no. of shares in thousands	53,946	51,935

* European Public Real Estate Association

FUNDS FROM OPERATIONS (FFO) UP 24%

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 €112.0 million was generated (2012: €87.0 million). The FFO per share rose by 24% from €1.68 to €2.08.

€ THOUSAND	2013	2012
Consolidated profit	171,043	122,484
Proceeds from sales	-15,799	0
Valuation gains / losses	-55,982	-13,934
Valuation gains / losses for equity-accounted companies	-2,410	6,029
Bond conversion expense	940	0
Deferred taxes	14,208	-27,545
FFO	112,000	87,034
FFO per share	**2.08 €**	**1.68 €**

DIVIDEND PROPOSAL: €1.25 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 2014 that a dividend of €1.25 per share be distributed for the financial year 2013, an increase of 4% or €0.05 year-on-year. An estimated €0.40 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. Any cash not needed is invested in time deposits for the short term until it is used for investments, to finance ongoing costs or to pay dividends.

FINANCING ANALYSIS: IMPROVED INTEREST RATE CONDITIONS

As at 31 December 2013, Deutsche EuroShop Group reported the following key financial data:

€ MILLION	2013	2012	Change
Total assets	3,394.9	3,347.6	+47.3
Equity (including third-party interests)	1,642.4	1,606.1	+36.3
Equity ratio (%)	48.4	48.0	0.4
Net financial liabilities	1,445.9	1,306.6	+139.3
Loan to value ratio (%)	43	41	2

At €1,642.4 million, the Group's economic equity capital, which comprises the equity of the Group shareholders (€1,428.9 million) and the equity of the third-party shareholders (€213.4 million), was €36.3 million higher than in the previous year. At 48.4%, the equity ratio was up slightly year-on-year.

FINANCIAL LIABILITIES IN € THOUSAND	2013	2012
Convertible bond	93,556	91,943
Non-current bank loans and overdrafts	1,295,996	1,184,360
Current bank loans and overdrafts	97,207	191,298
Total	**1,486,759**	**1,467,601**
Cash and cash equivalents	**-40,810**	**-161,006**
Net financial liabilities	**1,445,949**	**1,306,595**

Current and non-current financial liabilities rose from €1,467.6 million to €1,486.8 million in the year under review, an increase of €19.2 million. At the same time, cash and cash equivalents dropped €120.2 million, pushing net financial liabilities up €139.4 million, from €1,306.6 million to €1,445.9 million. Following the takeover of the Altmarkt-Galerie Dresden and its subsequent consolidation, financial liabilities added €187.1 million, while loans amounting to €109.9 million were deconsolidated. Meanwhile, loans amounting to €59.7 million were repaid.

During the year under review, 13 existing loans taken out to finance the Main-Taunus-Zentrum were replaced by a new loan in the amount of €220.0 million. Whereas the average residual maturity when the loans were replaced was 0.9 years with average interest at 3.88%, the new loan was taken out for 10 years at an interest rate of 2.99%. As a result, we have again significantly improved the maturity and interest rate structure of our loan portfolio.

The net financial liabilities existing at the end of the year are used exclusively to finance non-current assets. As a result, 43% 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, €77.0 million had been drawn down.

Net debt finance terms (including the convertible bond) as at 31 December 2013 remained fixed at 3.88% p.a. (2012: 4.25% p.a.) for an average residual maturity of 7.0 years (6.4 years). Deutsche EuroShop maintains credit facilities with 21 banks, all of which are German banks.

LOAN STRUCTURE AS AT 31 DECEMBER 2013	AS % OF LOAN	€ MILLION	AVERAGE RESIDUAL MATURITY (YRS)	AVERAGE INTEREST RATE
Up to 1 year	6.4	95.2	1.0	1.67
1 to 5 years	25.2	372.5	3.4	3.88
5 to 10 years	62.3	924.4	7.9	3.72
Over 10 years	6.1	91.0	13.7	5.07
Total	**100.0**	**1,483.1**	**7.0**	**3.88**

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 €18.2 million will be made from current cash flow during the 2014 financial year. Over the period from 2015 to 2018, average annual repayments will be around €17.0 million.

No loans are due to expire in 2014. One loan in the amount of €61.9 million is due for renewal in 2015 and another €77.0 million loan is due for renewal in 2016. The convertible bond must be repaid in 2017 if the bond holders have not made use of their conversion rights by then. Another loan in the amount of €72.0 million is due for renewal in 2018.

Short and long-term financial liabilities totalling €1,486.8 million were recognised in the balance sheet at the reporting date. The difference between the total and the amounts stated here is €3.7 million, which relates to deferred interest and repayment obligations that were settled at the beginning of 2014.

INVESTMENT ANALYSIS: INVESTMENTS ABOVE PREVIOUS YEAR'S LEVEL

Investments made during the 2013 financial year amounted to €89.4 million, compared with €197.4 million in the previous year. After adjustments for cash and cash equivalents acquired, the consolidation of Altmarkt-Galerie Dresden contributed €59.4 million. Ongoing investments in portfolio properties amounted to €18.1 million. Other investments came to €1.1 million.

LIQUIDITY ANALYSIS: HIGHER LIQUIDITY DUE TO FINANCING

The Group's operating cash flow of €129.8 million (2012: €99.8 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 €99.3 million (2012: €121.9 million) and comprises operating cash flow and changes in receivables, other assets, other liabilities and provisions. The decline was primarily due to the payment of tax liabilities.

Cash flow from financing activities fell from €178.9 million to €–136.8 million. Cash outflows from financial liabilities totalling €59.7 million essentially reflected the repayment of a credit line used in 2012. Dividends paid to shareholders totalled €64.7 million. Dividend payments to third-party shareholders came to €12.3 million.

Cash and cash equivalents dropped by €120.2 million in the year under review to €40.8 million (2012: €161.0 million).

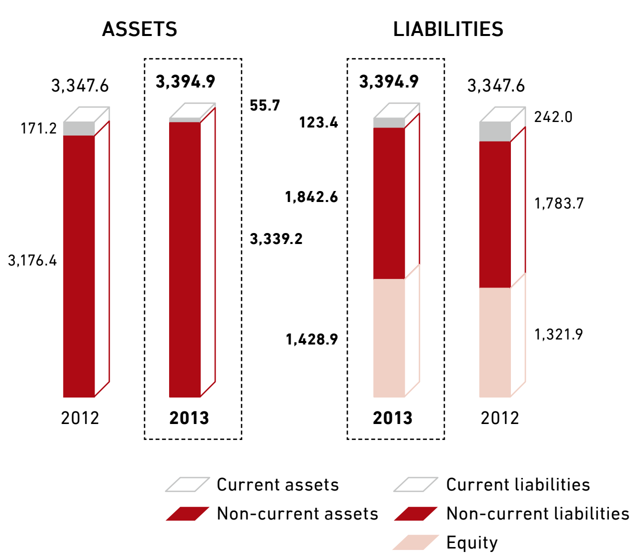
NET ASSETS

BALANCE SHEET ANALYSIS

The Group's total assets increased by €47.3 million from €3,347.6 million to €3,394.9 million.

€ THOUSAND	2013	2012	Change
Current assets	55,698	171,160	-115,462
Non-current assets	3,339,165	3,176,400	162,765
Current liabilities	123,353	241,958	-118,605
Non-current liabilities	1,842,561	1,783,688	58,873
Equity	1,428,949	1,321,914	107,035
Total assets	**3,394,863**	**3,347,560**	**47,303**

BALANCE SHEET STRUCTURE € MILLION



Any inconsistencies in the total are due to rounding

MARKED DROP IN CURRENT ASSETS

At the end of the year, current assets amounted to €55.7 million, down €115.5 million compared to the previous year (2012: €171.2 million). The reduction was exclusively due to lower cash and cash equivalents as at the reporting date. By contrast, trade receivables advanced €1.8 million year-on-year to €5.6 million (€3.8 million). Other assets slipped €0.1 million, from €6.4 million to €6.3 million.

Cash and cash equivalents amounted to €40.8 million on the reporting date, down €120.2 million year-on-year (€161.0 million). There was also a time deposit as at the balance sheet date, which was recognised under other financial investments.

NON-CURRENT ASSETS INCREASED AS A RESULT OF INVESTMENT

Non-current assets rose by €162.8 million, from €3,176.4 million to €3,339.2 million, in the year under review.

Investment properties gained €138.0 million. The Altmarkt-Galerie contributed €392.7 million, which was offset by cash disposals totalling €333.4 million from the deconsolidation of the Passau and Hamburg-Harburg properties. Costs of investments in portfolio properties amounted to €18.1 million. The revaluation of our property portfolio resulted in valuation gains of €60.5 million.

At-equity investments increased by €20.4 million from €321.5 million to €341.9 million. The recognition of the Passau and Hamburg-Harburg investments generated an addition of €148.9 million, which was offset by a €134.6 million reduction due to the first-time consolidation of Altmarkt-Galerie from 1 May 2013. The difference between the share in the earnings and losses resulted in a €6.1 million gain in at-equity investments.

Other non-current assets increased by €4.4 million net versus 2012.

CURRENT LIABILITIES DOWN

Current liabilities fell by €118.6 million, from €242.0 million to €123.4 million, largely due to lower short-term bank loans and liabilities (down €94.1 million) and a decline in tax liabilities (down €23.2 million).

Other current liabilities declined €1.3 million in net terms.

NON-CURRENT LIABILITIES UP DUE TO FINANCING

Non-current liabilities rose by €58.9 million, from €1,783.7 million to €1,842.6 million. The increase was essentially driven by the first-time consolidation of Altmarkt-Galerie Dresden and deconsolidations (€73.7 million). Non-current liabilities advanced €113.3 million in total. Deferred tax liabilities also rose, up €18.0 million to €198.5 million. At €213.4 million, third-party interests in the equity of the property companies was up €70.8 million year-on-year due to deconsolidations. Other liabilities slipped €1.6 million to €41.1 million (2012: €42.7 million), largely due to interest rate swap measurements.

EQUITY

At €1,428.9 million, Group equity was up €107.0 million against the previous year (€1,321.9 million).

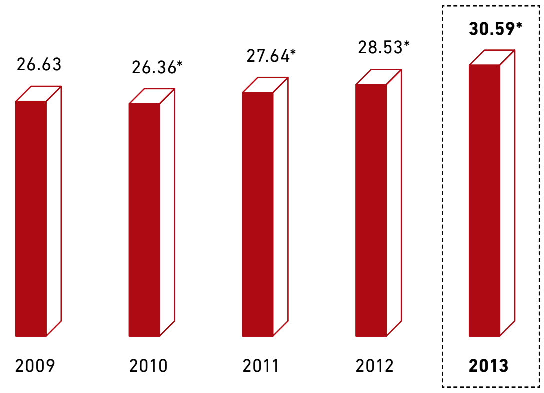
The change in equity over the year under review primarily comprises the difference between consolidated profit at €171.0 million and the €64.7 million paid as a dividend in June 2013.

EPRA NET ASSET VALUE FURTHER INCREASED

Net asset value (NAV) amounted to €1,650.4 million or €30.59 per share as at 31 December 2013, compared with €1,538.9 million or €28.53 per share in 2012. Net asset value per share was therefore 7.2% higher year-on-year.

€ THOUSAND	31.12.2013	31.12.2012
Equity	1,428,949	1,321,914
Deferred taxes	198,491	180,525
Negative swap values	30,760	49,496
Resulting deferred taxes	-7,762	-13,057
EPRA NAV	1,650,438	1,538,878
EPRA NAV per share	**30.59 €**	**28.53 €**

NET ASSET VALUE PER SHARE €



*EPRA NAV

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 2013, EPRA NNNAV amounted to €1,377.7 million, compared with €1,250.3 million in 2012. EPRA NNNAV per share was therefore €25.54 (2012: €23.18), which corresponds to an increase of 10.2%.

€ THOUSAND	31.12.2013	31.12.2012
EPRA NAV	1,650,438	1,538,878
Negative swap values	-30,760	-49,496
Negative present value of bank loans and overdrafts	-62,862	-89,522
Total deferred taxes	-179,080	-149,607
EPRA NNNAV	1,377,736	1,250,253
EPRA NNNAV per share	**25.54 €**	**23.18 €**

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.

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

The economic review produced by the federal government predicts positive growth for Germany in 2014, although economic imbalances are expected to persist within the eurozone. Gross domestic product (GDP) is forecast to grow by 1.8%. Growth is likely to be driven by sustained strong domestic demand and a sharp rise in exports. The unemployment rate is set to remain at the current level while inflation will be modest. Economic activity could rise slightly – to 42.1 million in employment – and salaries may increase slightly. The German Retail Federation (HDE) predicts that retail sales will advance by 1.1%.

The Stability and Growth Pact adopted by the EU member states in 2012 and associated debt brake have essentially eliminated government investment in some countries, meaning that no significant growth is expected in the foreseeable future in southern EU member states.

The global economy remains very delicate. Although the financial market turbulence experienced in 2013 has largely abated, many market participants and the general population are not yet convinced that the crisis is over.

Consequently, global demand for capital investments that retain their value remains strong, particularly in financially strong 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 2013, the occupancy rate for all types of space was 98.6%, on a par with 2012 (98.6%). The occupancy rate for retail space stood steady at 99.5%. The remaining vacancies consisted largely of office and storage space.

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

AGREED TRANSACTIONS ARE THE FOUNDATION FOR REVENUE AND EARNINGS PLANNING

The Deutsche EuroShop Group's revenue and earnings planning for 2014 and 2015 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 sales in the retail sector that would prevent a large number of retailers from meeting their obligations under existing leases.

REVENUE SET TO RISE BY 6% IN 2014

We anticipate that revenue will increase by around 6% to between €198 and €201 million in the 2014 financial year. The figures will be boosted by revenue from the Altmarkt-Galerie, which will be included in the full-year figures for the first time. In the 2015 financial year, revenue is likely to rise slightly to between €202 million and €205 million.

FURTHER GROWTH IN EARNINGS IN THE NEXT TWO YEARS

Earnings before interest and taxes (EBIT) amounted to €165.8 million in 2013. According to our forecast, EBIT will come in at between €174 million and €177 million (up 6%) in the current financial year. EBIT should increase again to between €177 million and €180 million in 2015 (up 2%).

Earnings before tax after adjustments for the exceptional proceeds from the sale of Galeria Dominikanska in Breslau (EBT excluding valuation gains) came to €113.4 million. We expect to achieve EBT of between €120 million and €123 million in 2014 (an increase of 7%) and €125 to €128 million in 2015 (up 4%).

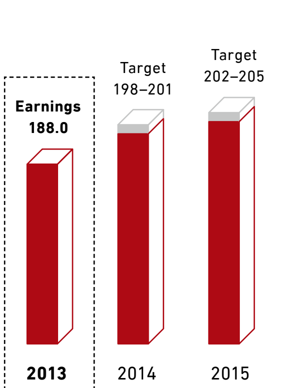
FFO UP SLIGHTLY

Funds from operations (FFO) amounted to €2.08 per share in the year under review. We expect this figure to come to between €2.14 and €2.18 in 2014 (+4%) and between €2.20 and €2.24 (+3%) in 2015.

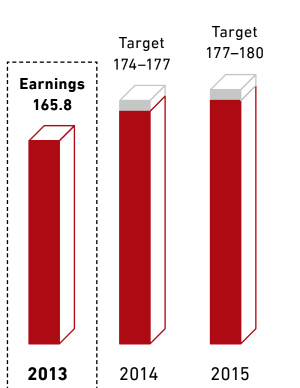
DIVIDEND POLICY

We intend to maintain our long-term, reliable dividend policy and anticipate that we will be able to pay dividends at €1.30 per share in 2014 and €1.35 in 2015 to our shareholders.

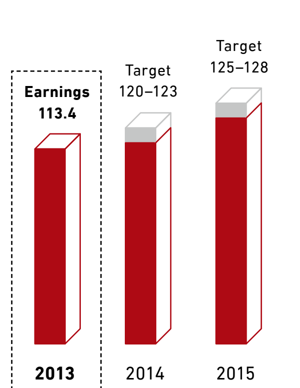
REVENUE € MILLION



EBIT € MILLION

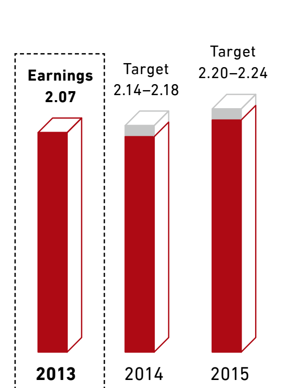


EBT excluding valuation € MILLION



* Adjusted for sale proceeds

FFO per share €



Risk report

PRINCIPLES GOVERNING THE RISK MANAGEMENT SYSTEM AND GROUP-WIDE 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 are the focus of the internal control system, which at Group level is essentially the responsibility of the Executive Board. The internal control system is an integral part of the risk management system.

Within the framework of 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. Existing 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

In accordance with IFRS 8.12, segment reporting is presented as a geographical breakdown: domestic and international.

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

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

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

PRESENTATION OF MATERIAL INDIVIDUAL RISKS

CYCLICAL AND MACROECONOMIC RISKS

The German economy posted moderate growth in 2013. According to data published by the German Federal Statistical Office, GDP rose by 0.4% after price, seasonal and calendar adjustments (2012: 0.7%). Strong experts and robust domestic demand were the main growth drivers. The federal government forecasts GDP growth of 1.8% in Germany in 2014.

The labour market remained relatively strong. Employment was at a record high of 42.0 million. The annual average unemployment rate for the active population was 6.9% in 2013 (2012: 6.8%). The unemployment rate is expected to fall slightly in 2014.

In contrast, gross domestic product (GDP) in the eurozone fell by 0.4%. However, economic developments varied considerably from one EU member state to another. Southern European countries are still struggling with high debt-to-GDP ratios and a lack of competitiveness. To date, they have been unable to reduce debt levels significantly. Unemployment is at a record high of 12% in the eurozone. At around 50%, youth unemployment in countries such as Greece and Spain is particularly worrying. However, the eurozone economy should pick up in 2014 – the World Bank forecasts that economic output will rise by 1.1%.

Inflation slowed year-on-year in 2013. Germany and the eurozone posted identical inflation rates: 1.5%. Energy and food prices remained the main price drivers.

Economic imbalances within the eurozone will persist. The Stability and Growth Pact adopted by the EU member states in 2012 and associated debt brake have essentially eliminated government investment, meaning that no significant growth is expected in the foreseeable future in southern EU member states.

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 saw nominal growth of 1.4% and 0.1% in real terms (2012: 1.9% nominal growth; down 0.3% in real terms). The German Retail Federation (HDE) predicts nominal retail sales growth of 1.5% to €439.7 billion in 2014.

The Internet and online trading are now established economic factors. 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 trading advanced 12% to €33.1 billion in 2013. The German Retail Federation anticipates a further 17% rise in 2014 to €38.7 billion.

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 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. Long-term trends such as the growing impact of e-commerce on stationary retail will affect our business in the medium term, however. 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 trading 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 into account cost models in the calculation for all identifiable risks in the planning stage as a precautionary measure. 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 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 3.88% (2012: 4.25%), this does not currently present a significant risk within the Group, particularly since the most recent refinancing was concluded at lower interest rates than the original financing and the current 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. 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 ongoing 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.

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.

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%. with the amount of the bonus limited to 150% of the basic annual remuneration.

The non-performance-related basic annual remuneration is €300,000 for Mr Böge and €168,000 for Mr Borkers. In addition, Mr Böge is expected to receive a bonus of €450,000 and Mr Borkers €231,000 for financial year 2013. 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. In such a case, the Supervisory Board decides at its own discretion on the extent to which remuneration will be reduced.

In the event that the employment contract is terminated prematurely by the Company without any good cause, the members of the Executive Board 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). The annual remuneration amount is determined on the basis of the average annual remuneration for the previous financial year and the probable annual remuneration for the current financial.

A long-term incentive (LTI) remuneration component was agreed for the first time in 2010. The amount of the LTI is based on the changes in the market capitalisation of Deutsche EuroShop AG between 1 July 2010 and 30 July 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, over the five-year period, there is a positive change in market capitalisation 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 2013, the market capitalisation of the Company rose to €1,717.1 million (end-2012: €1,706.8 million), an increase of €733.6 million against 1 July 2010 (end-2012: €723.3 million) The present value of the potential entitlement to the long-term incentive arising therefrom was €1.302 million at year-end (31 December 2012: €1.272 million). An allocation to the provision of €306,000 (2012: €305,000) was included for this purpose during the financial year.

REMUNERATION OF THE EXECUTIVE BOARD 2013

The remuneration of the Executive Board totalled €1.237 million, which can be broken down as follows:

€ THOUSAND	Non-performance-related remuneration	Performance-related remuneration	Ancillary benefits	Total	Total Previous year
Claus-Matthias Böge	300	447	80	**827**	829
Olaf Borkers	168	230	12	**410**	364
	468	**677**	**92**	**1,237**	**1,193**

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 (€ −4,000).

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 2013

The remuneration of the members of the Supervisory Board came to €312,000 in the period under review, which can be broken down as follows:

€ THOUSAND	2013	2012
Manfred Zaß	59.50	59.50
Dr. Michael Gellen	44.62	44.62
Thomas Armbrust	29.75	29.75
Karin Dohm	29.75	13.98
Dr. Jörn Kreke	13.94	29.75
Dr. Henning Kreke	15.81	0
Alexander Otto	29.75	29.75
Reiner Strecker	29.75	13.98
Klaus Striebich	29.75	13.98
Dr. Bernd Thiemann	29.75	29.75
Including 19% value added tax	**312.37**	**265.06**

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 dependents.

Acquisition reporting

Deutsche EuroShop shares are traded on the Frankfurt Stock Exchange and other exchanges. As at 31 December 2013, 9.73% of shares were owned by Alexander Otto (2012: 9.57%).

The share capital amounts to €53,945,536 and comprises 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 2.9 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 12 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, 15. April 2014

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 (-).

Consolidated Financial Statements

Consolidated balance sheet

ASSETS IN € THOUSAND	Note	31.12.2013	31.12.2012 after adjustment	01.01.2012 after adjustment
ASSETS				
Non-current assets				
Intangible assets	1.	8	16	20
Property, plant and equipment	2.	413	112	137
Investment properties	3.	2,962,163	2,824,133	2,596,131
Investments accounted for using the equity method	4.	341,907	321,534	326,699
Other financial assets	5.	34,519	30,293	27,815
Other non-current assets	6.	155	312	459
Non-current assets		**3,339,165**	**3,176,400**	**2,951,261**
Current assets				
Trade receivables	7.	5,595	3,772	4,912
Other current assets	8.	6,293	6,382	14,207
Other financial investments	9.	3,000	0	0
Cash and cash equivalents	10.	40,810	161,006	57,613
Current assets		**55,698**	**171,160**	**76,732**
Total assets		**3,394,863**	**3,347,560**	**3,027,993**

EQUITY AND LIABILITIES IN € THOUSAND	Note	31.12.2013	31.12.2012 after adjustment	01.01.2012 after adjustment
EQUITY AND LIABILITIES				
Equity and reserves				
Issued capital		53,945	53,945	51,631
Capital reserves		961,970	961,987	890,482
Retained earnings		413,034	305,982	250,928
Total equity	**11.**	**1,428,949**	**1,321,914**	**1,193,041**
Non-current liabilities				
Financial liabilities	12.	1,389,552	1,276,303	1,185,613
Deferred tax liabilities	13.	198,491	180,525	210,587
Right to redeem of limited partners		213,422	284,176	280,078
Other liabilities	18.	41,096	42,684	32,288
Non-current liabilities		**1,842,561**	**1,783,688**	**1,708,566**
Current liabilities				
Financial liabilities	12.	97,207	191,298	97,962
Trade payables	14.	3,351	2,135	2,389
Tax liabilities	15.	1,357	24,569	5,913
Other provisions	16.	6,804	12,495	8,281
Other liabilities	17.	14,634	11,461	11,841
Current liabilities		**123,353**	**241,958**	**126,386**
Total equity and liabilities		**3,394,863**	**3,347,560**	**3,027,993**

Consolidated income statement

€ THOUSAND	Note	2013	2012 after adjustment
Revenue	19.	187,987	178,161
Property operating costs	20.	-8,452	-9,983
Property management costs	21.	-9,323	-8,502
Net operating income (NOI)		**170,212**	**159,676**
Other operating income	22.	2,837	2,733
Other operating expenses	23.	-7,285	-10,830
Earnings before interest and taxes (EBIT)		**165,764**	**151,579**
Income from investments	24.	16,688	1,400
Interest income		448	500
Interest expense		-57,827	-63,066
Other financial expenses		-4,550	0
Income from the disposal of financial assets		23	0
Share of the profit or loss of associates and joint ventures accounted for using the equity method	25.	27,024	14,346
Profit / loss attributable to limited partners	26.	-15,939	-15,271
Net finance costs		**-34,133**	**-62,091**
Measurement gains / losses	**27.**	**55,982**	**13,934**
of which excess of identified net assets acquired over cost of acquisition in accordance with IFRS 3 €0 thousand (previous year: €4,410 thousand)			
Earnings before taxes (EBT)		**187,613**	**103,422**
Income tax expense	28.	-16,570	19,062
Consolidated profit		**171,043**	**122,484**
Earnings per share (€), basic	32.	3.17	2.36
Earnings per share (€), diluted	32.	3.05	2.35

Consolidated statement of comprehensive income

€ THOUSAND	Note	2013	2012 after adjustment
Consolidated profit		**171,043**	**122,484**
Items which under certain conditions will be reclassified to the income statement in future periods:			
Changes in cash flow hedge	11., 30.	**11,217**	-12,073
Change in investments accounted for using the equity method	11.	**7,519**	-2,395
Change due to IAS 39 measurement of investments	4., 11., 30.	**3,606**	2,478
Disposal due to IAS 39 measurement of investments	11., 30.	**-15,799**	0
Deferred taxes on changes in value offset directly against equity	11., 13.	-5,354	1,344
Total earnings recognised directly in equity		**1,189**	**-10,646**
Total profit		**172,232**	**111,838**
Share of Group shareholders		172,232	111,838

Consolidated cash flow statement

€ THOUSAND	Note	2013	2012
Profit after tax		**171,043**	**122,484**
Expenses / income from the application of IFRS 3	27.	0	-5,289
Income from the disposal of shareholdings	24.	-15,822	0
Profit / loss attributable to limited partners	26., 27.	20,431	33,946
Depreciation of intangible assets and property, plant and equipment	1., 2.	65	40
Unrealised changes in fair value of investment property	26.	-60,539	-36,518
Net loss from derivatives		4,550	0
Other non-cash income and expenses		1,662	484
Profit / losses of joint ventures and associates	25., 31.	-5,849	2,984
Expenses from investment activities to be allocated to the cash flow	27.	64	9,198
Deferred taxes	28.	14,208	-27,545
Operating cash flow		**129,813**	**99,784**
Changes in receivables	6., 7., 8., 30.	-1,402	-128
Change in other financial investments	16.	-3,000	0
Changes in current provisions	14., 15., 17.	-29,657	22,871
Changes in liabilities	18., 30.	3,642	-667
Cash flow from operating activities		**99,396**	**121,860**
Payments to acquire property, plant and equipment / investment properties	2., 3.	-18,491	-11,735
Expenses from investment activities to be allocated to the cash flow		-64	-9,198
Payments to acquire shareholdings in consolidated companies and business units		-59,438	-176,250
Inflows / outflows to / from the financial assets		-600	-210
Cash flow from investing activities		**-78,593**	**-197,393**
Outflow from the repayment of financial liabilities	12.	-59,739	190,684
Contributions of Group shareholders	11., 29.	0	66,198
Payments to limited partners	29.	-12,285	-21,161
Payments to Group shareholders	11., 29.	-64,735	-56,795
Cash flow from financing activities		**-136,759**	**178,926**
Net change in cash and cash equivalents		**-115,956**	**103,393**
Cash and cash equivalents at beginning of period		**161,006**	**57,613**
Changes in the financial resources fund due to consolidation changes		-4,240	0
Cash and cash equivalents at end of period		**40,810**	**161,006**

Statement of changes in equity

€ THOUSAND	Note	Number of shares outstanding	Share capital	Capital reserves	Other retained earnings	Statutory reserve	Available-for-sale reserve	Cash flow hedge reserve	**Total**
01.01.2012		**51,631,400**	**51,631**	**890,482**	**262,538**	**2,000**	**9,715**	**-23,325**	**1,193,041**
IAS 8 Amendment					-3,136			3,136	
01.01.2012 after amendment		51,631,400	51,631	890,482	259,402	2,000	9,715	-20,189	**1,193,041**
01.01.2012 after adjustment		**51,631,400**	**51,631**	**890,482**	**259,402**	**2,000**	**9,715**	**-20,189**	**1,193,041**
Total earnings recognised directly in equity					-1,968		2,478	-11,156	**-10,646**
Consolidated profit					122,484				**122,484**
Total profit					120,516	0	2,478	-11,156	**111,838**
Dividend payments	11.				-56,795				**-56,795**
Bond conversion right	12.			7,140					**7,140**
Capital increase		2,314,136	2,314	64,365					**66,679**
Other changes					11				**11**
31.12.2012		**53,945,536**	**53,945**	**961,987**	**323,134**	**2,000**	**12,193**	**-31,345**	**1,321,914**
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				0	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**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL YEAR 2013

GENERAL DISCLOSURES

The Group parent company is Deutsche EuroShop AG, Hamburg, Germany. The Company's registered office is Heegbarg 36, 22391 Hamburg, 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 of 31 December 2013 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.

The consolidated financial statements as at 31 December 2013 were approved by the Audit Committee of the Supervisory Board on 15 April 2014 and are expected to be approved at the Supervisory Board's financial statements review meeting on 23 April 2014. Until the consolidated financial statements are adopted there is still a possibility that they may be amended.

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 2013, 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 2013, the basis of consolidation comprised, in addition to the parent company, twelve (previous year: 12) fully consolidated domestic and foreign subsidiaries.

Suspension of the voting trust agreement with two property companies

A voting trust agreement was in place with a co-shareholder of Immobilien Kommanditgesellschaft FEZ Harburg and Stadt-Galerie Passau KG until 31 December 2012 which granted Deutsche EuroShop controlling interest of these companies. These voting trust agreements were terminated by mutual agreement at midnight on 31 December 2012. As a result, Deutsche EuroShop no longer has the necessary majority voting interest. The two companies in which Deutsche EuroShop AG holds a 50% and 75% stake respectively, were previously fully consolidated. After their deconsolidation they were also switched to the equity-accounted method as of 1 January 2013, with the result that the following asset and liability items from the consolidated balance sheet are no longer shown:

€ THOUSAND	
Investment properties	333,370
Receivables and other assets	1,114
Cash and cash equivalents	2,812
Provisions	124
Financial liabilities	109,872
Other liabilities	581
Minority interests	77,666

The fair value of disposed net assets was accounted for as “investments accounted for using the equity method”.

Withdrawal of Deutsche EuroShop AG from DB 12 Immobilienfonds 12 Main-Taunus-Zentrum KG, Hamburg

As of 31 December 2012, Deutsche EuroShop withdrew as a limited partner from DB Immobilienfonds 12 Main-Taunus-Zentrum KG (DB 12 KG). As compensation, Deutsche EuroShop received its limited partnership interest in the Main-Taunus-Zentrum KG, which had previously been held directly via DB 12 KG, plus a proportionate share of cash and cash equivalents in the amount of €1.5 million. DB 12 KG had previously been fully consolidated. The company was deconsolidated on 1 January 2013, with the result that the following asset and liability items from the consolidated balance sheet as of 31 December 2012 are no longer shown:

€ THOUSAND	
Cash and cash equivalents	-2,973
Provisions and liabilities	155
Deconsolidation amount	-2,818

This event did not have an impact on earnings. It increases the Company's direct shareholding in Main-Taunus-Zentrum KG from 5.74% to 52.01%.

Shareholding in Altmarkt-Galerie Dresden KG increased to 100%

With effect from 1 May 2013, Deutsche EuroShop AG acquired 33% of the Altmarkt-Galerie Dresden KG, thus taking its shareholding to 100%. The purchase price was €70.2 million. The property company was fully consolidated as of 1 May 2013. No excess of identified net assets acquired over cost of acquisition resulted from the first-time consolidation. In the whole of 2013 the company posted revenue of €24,540 thousand and a loss of €31,639 thousand. In the period from 1 May to 31 December 2013, turnover amounted to €16,129 thousand and the profit for the year to €28,592 thousand.

€ THOUSAND		Carrying amounts	Fair value
Purchase price		70,216	70,216
Fair value net assets prior to effective control		111,637	111,637
Full amount of consideration		**181,853**	**181,853**
Net assets acquired:			
Property assets	392,735		392,735
Cash and cash equivalents	10,778		10,778
Receivables and other assets	1,342		1,342
Loan liabilities	187,107		187,107
Deferred taxes	21,743		21,743
Provisions	885		885
Other liabilities	13,267	181,853	13,267
Excess of identified net assets acquired over cost of acquisition		**0**	**0**

Sale of Kommanditgesellschaft PANTA Achtundvierzigste Grundstücksgesellschaft GmbH & Co., Hamburg

With effect from 30 September 2013 the shares in Kommanditgesellschaft PANTA Achtundvierzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg were sold for a purchase price of €25 thousand. The previously equity-accounted net asset value of €437 thousand was offset against outstanding obligations to make capital contributions of €435 thousand, resulting in sales proceeds in the amount of €23 thousand. By 30 September 2014 the company generated a net loss amounting to €6 thousand, which is included in the net finance costs.

JOINT VENTURES

Joint ventures in which Deutsche EuroShop AG has a majority of the voting rights together with third parties are accounted for using the equity method. Six companies fall into this category as at the balance sheet date. Please also note the explanations of the "Changes in accounting and valuation methods".

ASSOCIATES

In accordance with IAS 28, where Deutsche EuroShop AG can exercise a significant influence but not control over companies, these are accounted for using the equity method. Five companies fall into this category as 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. These include the investment in Ilwro Holding B.V. Amsterdam, into which the investment in Ilwro Joint Venture Sp zo.o. was incorporated in the year under review.

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 accounted for using the equity method. The cost of the investment is recognised 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.

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 that are recognised in income 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 296.91 (previous year: HUF 291.29) and an average rate of HUF 296.92 (previous year: HUF 289.42) 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 4.1472 (previous year: PLN 4.0822) and an average rate of PLN 4.1975 (previous year: PLN 4.185) were taken as a basis for translating the separate financial statements of the Polish property company.

CHANGES IN ACCOUNTING POLICIES

Switch from the proportionate consolidation method to equity method accounting from 1 January 2013
Joint ventures in which Deutsche EuroShop AG has a majority of the voting rights together with third parties have up until now been proportionately included as joint ventures in the consolidated financial statements. Proportional consolidation is no longer allowed given the adoption of the new IFRS 11. In future, joint ventures will be accounted for using the equity method. Adoption of this standard is compulsory as of 1 January 2014. Regardless of this, we exercised our right as set forth in IAS 31 and switched to equity accounting as of 1 January 2013.

The comparative amounts of fiscal year 2012 have been altered as though in 2012 and in previous periods equity accounting had been applied. This means that the capital market now has a clearer picture of the asset, financial and earnings position of the Group with a view to the upcoming changes induced by IFRS 11.

The transition from proportional to equity accounting has an impact on the structure of our consolidated financial statements. Assets, liabilities, expenses and income are no longer recognised proportionally in the corresponding balance sheet or income statement items.

The following companies are affected by the switch:

- Altmarkt-Galerie Dresden KG, Hamburg (until 30 April 2013)
- Allee-Center Magdeburg KG, Hamburg
- CAK City Arkaden Klagenfurt KG, Hamburg
- EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OG, Vienna
- Einkaufs-Center Arkaden Pécs KG, Hamburg

RECONCILIATION OF THE CONSOLIDATED BALANCE SHEET USING THE EQUITY METHOD AS AT 1 JANUARY 2012

ASSETS IN € THOUSAND	01.01.2012 before adjustment	01.01.2012 adjustment	01.01.2012 after adjustment
ASSETS			
Non-current assets			
Intangible assets	20	0	20
Property, plant and equipment	137	0	137
Investment properties	3,106,832	-510,701	2,596,131
Investments accounted for using the equity method	4,514	322,185	326,699
Other financial assets	27,815	0	27,815
Other non-current assets	459	0	459
Non-current assets	**3,139,777**	**-188,516**	**2,951,261**
Current assets			
Trade receivables	5,606	-694	4,912
Other current assets	15,334	-1,127	14,207
Cash and cash equivalents	64,408	-6,795	57,613
Current assets	**85,348**	**-8,616**	**76,732**
Total assets	**3,225,125**	**-197,132**	**3,027,993**

EQUITY AND LIABILITIES IN € THOUSAND	01.01.2012 before adjustment	01.01.2012 adjustment	01.01.2012 after adjustment
EQUITY AND LIABILITIES			
Equity and reserves			
Issued capital	51,631	0	51,631
Capital reserves	890,482	0	890,482
Retained earnings	250,928	0	250,928
Total equity	**1,193,041**	**0**	**1,193,041**
Non-current liabilities			
Financial liabilities	1,335,986	-150,373	1,185,613
Deferred tax liabilities	210,587	0	210,587
Right to redeem of limited partners	280,078	0	280,078
Other liabilities	38,451	-6,163	32,288
Non-current liabilities	**1,865,102**	**-156,536**	**1,708,566**
Current liabilities			
Bank loans and overdrafts	136,163	-38,201	97,962
Trade payables	2,835	-446	2,389
Tax liabilities	5,935	-22	5,913
Other provisions	8,859	-578	8,281
Other liabilities	13,190	-1,349	11,841
Current liabilities	**166,982**	**-40,596**	**126,386**
Total equity and liabilities	**3,225,125**	**-197,132**	**3,027,993**

RECONCILIATION OF THE CONSOLIDATED BALANCE SHEET USING THE EQUITY METHOD AS AT 31. DECEMBER 2012

ASSETS IN € THOUSAND	31.12.2012 before adjustment	31.12.2012 adjustment	31.12.2012 after adjustment
ASSETS			
Non-current assets			
Intangible assets	16	0	16
Property, plant and equipment	112	0	112
Investment properties	3,330,289	-506,156	2,824,133
Investments accounted for using the equity method	4,109	317,425	321,534
Other financial assets	30,293	0	30,293
Other non-current assets	316	-4	312
Non-current assets	**3,365,135**	**-188,735**	**3,176,400**
Current assets			
Trade receivables	4,738	-966	3,772
Other current assets	7,115	-733	6,382
Other financial investments	4,355	-4,355	0
Cash and cash equivalents	167,511	-6,505	161,006
Current assets	**183,719**	**-12,559**	**171,160**
Total assets	**3,548,854**	**-201,294**	**3,347,560**

EQUITY AND LIABILITIES IN € THOUSAND	31.12.2012 before adjustment	31.12.2012 adjustment	31.12.2012 after adjustment
EQUITY AND LIABILITIES			
Equity and reserves			
Issued capital	53,945	0	53,945
Capital reserves	961,987	0	961,987
Retained earnings	305,982	0	305,982
Total equity	**1,321,914**	**0**	**1,321,914**
Non-current liabilities			
Financial liabilities	1,463,097	-186,794	1,276,303
Deferred tax liabilities	180,525	0	180,525
Right to redeem of limited partners	284,176	0	284,176
Other liabilities	51,242	-8,558	42,684
Non-current liabilities	**1,979,040**	**-195,352**	**1,783,688**
Current liabilities			
Bank loans and overdrafts	194,137	-2,839	191,298
Trade payables	2,331	-196	2,135
Tax liabilities	24,572	-3	24,569
Other provisions	12,749	-254	12,495
Other liabilities	14,111	-2,650	11,461
Current liabilities	**247,900**	**-5,942**	**241,958**
Total equity and liabilities	**3,548,854**	**-201,294**	**3,347,560**

RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENT USING THE EQUITY METHOD AS AT 31 DECEMBER 2012

€ THOUSAND	01.01.–31.12.2012 before adjustment	01.01.–31.12.2012 adjustment	01.01.–31.12.2012 after adjustment
Revenue	211,231	-33,070	178,161
Property operating costs	-11,256	1,273	-9,983
Property management costs	-10,547	2,045	-8,502
Net operating income (NOI)	**189,428**	**-29,752**	**159,676**
Other operating income	2,905	-172	2,733
Other operating expenses	-11,316	486	-10,830
Earnings before interest and taxes (EBIT)	**181,017**	**-29,438**	**151,579**
Income from investments	1,400	0	1,400
Interest income	540	-40	500
Interest expense	-72,064	8,998	-63,066
Profit / loss attributable to limited partners	-15,271	0	-15,271
Share of the profit or loss of associates and joint ventures accounted for using the equity method	-589	14,935	14,346
Net finance costs	**-85,984**	**23,893**	**-62,091**
Measurement gains / losses	**8,495**	**5,439**	**13,934**
of which excess of identified net assets acquired over cost of acquisition in accordance with IFRS 3 €4,410 thousand			
Earnings before taxes (EBT)	**103,528**	**-106**	**103,422**
Income tax expense	18,956	106	19,062
Consolidated profit	**122,484**	**0**	**122,484**
Earnings per share (€), basic	2.36	0	2.36
Earnings per share (€), diluted	2.35	0	2.35

RECONCILIATION OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME USING THE EQUITY METHOD AS AT 31 DECEMBER 2012

€ THOUSAND	01.01.–31.12.2012 before adjustment	01.01.–31.12.2012 adjustment	01.01.–31.12.2012 after adjustment
Changes in cash flow hedge	-14,468	2,395	-12,073
Change in investments accounted for using the equity method	0	-2,395	-2,395

APPLICATION OF THE PREVIOUS ACCOUNTING METHOD

The consolidated financial statements were switched to equity accounting from 2012 as permitted by IAS 31. Using the previous accounting method, the companies switched to equity accounting would have been incorporated proportionately in the consolidated financial statements. The balance sheet and income statement for 2013 would then have appeared as follows:

CONSOLIDATED BALANCE SHEET

ASSETS IN € THOUSAND	31.12.2013 before adjustment	31.12.2013 adjustment	31.12.2013 after adjustment
ASSETS			
Non-current assets			
Intangible assets	8		8
Property, plant and equipment	413		413
Investment properties	3,413,203	-451,040	2,962,163
Investments accounted for using the equity method	4,080	337,827	341,907
Other financial assets	34,519		34,519
Other non-current assets	155		155
Non-current assets	**3,452,378**	**-113,213**	**3,339,165**
Current assets			
Trade receivables	6,327	-732	5,595
Other current assets	7,006	-713	6,293
Other financial investments	3,000		3,000
Cash and cash equivalents	44,624	-3,814	40,810
Current assets	**60,957**	**-5,259**	**55,698**
Total assets	**3,513,335**	**-118,472**	**3,394,863**

EQUITY AND LIABILITIES IN € THOUSAND	31.12.2013 before adjustment	31.12.2013 adjustment	31.12.2013 after adjustment
EQUITY AND LIABILITIES			
Equity and reserves			
Issued capital	53,945		53,945
Capital reserves	961,970		961,970
Retained earnings	413,034		413,034
Total equity	**1,428,949**	**0**	**1,428,949**
Non-current liabilities			
Financial liabilities	1,505,054	-115,502	1,389,552
Deferred tax liabilities	198,491		198,491
Right to redeem of limited partners	213,422		213,422
Other liabilities	41,096		41,096
Non-current liabilities	**1,958,063**	**-115,502**	**1,842,561**
Current liabilities			
Financial liabilities	98,657	-1,450	97,207
Trade payables	3,495	-144	3,351
Tax liabilities	1,357		1,357
Other provisions	7,074	-270	6,804
Other liabilities	15,740	-1,106	14,634
Current liabilities	**126,323**	**-2,970**	**123,353**
Total equity and liabilities	**3,513,335**	**-118,472**	**3,394,863**

CONSOLIDATED INCOME STATEMENT

€ THOUSAND	01.01.–31.12.2013 before adjustment	01.01.–31.12.2013 adjustment	01.01.–31.12.2013 after adjustment
Revenue	224,027	-36,040	187,987
Property operating costs	-10,081	1,629	-8,452
Property management costs	-11,191	1,868	-9,323
Net operating income (NOI)	**202,755**	**-32,543**	**170,212**
Other operating income	2,899	-62	2,837
Other operating expenses	-7,572	287	-7,285
Earnings before interest and taxes (EBIT)	**198,082**	**-32,318**	**165,764**
Income from investments	16,688	0	16,688
Interest income	467	-19	448
Interest expense	-65,866	8,039	-57,827
Derivative expense	-4,550	0	-4,550
Income from the disposal of financial assets	23	0	23
Share of the profit or loss of associates and joint ventures accounted for using the equity method	428	26,596	27,024
Profit / loss attributable to limited partners	-15,939		-15,939
Net finance costs	**-68,749**	**34,616**	**-34,133**
Measurement gains / losses of which excess of identified net assets acquired over cost of acquisition in accordance with IFRS 3 €0 thousand (previous year: €4,410 thousand)	**58,355**	**-2,373**	**55,982**
Earnings before tax (EBT)	**187,688**	**-75**	**187,613**
Income tax expense	-16,645	75	-16,570
Consolidated profit	**171,043**	**0**	**171,043**

€ THOUSAND	01.01.–31.12.2013 before adjustment	01.01.–31.12.2013 adjustment	01.01.–31.12.2013 after adjustment
Changes in cash flow hedge	18,736	-7,519	11,217
Changes in investments accounted for using the equity mehtod	0	7,519	7,519

REPORTING PRINCIPLES

The following standards and interpretations or amendments to these were applicable for the first time in financial year 2013:

1. Presentation of items of Other comprehensive income (amendment to IAS 1)
2. Employee Benefits (amendments to IAS 19)
3. IFRS 13 Fair Value Measurement
4. Deferred Tax: Realisation of underlying assets (amendment to IAS 12)
5. Hyperinflation and removal of fixed dates of application for first-time adopters (amendment to IFRS 1)
6. Explanatory notes – Offsetting financial assets and financial liabilities (amendment to IFRS 7)
7. Public-sector loans (amendment to IFRS 1)
8. Annual improvements to IFRS 2009-2011
9. IFRIC 20 Accounting for stripping costs in mining

REVISION OF IAS 1: PRESENTATION OF ITEMS OF OTHER COMPREHENSIVE INCOME (SINCE 1 JULY 2012)

The amendments to IAS 1 mean that new terminology is now used for the profit and loss account previously called the statement of comprehensive income. The statement of comprehensive income is now called the "income statement and other results". This however is not compulsory. The company has not adopted this new terminology.

The amended IAS 1 continues to allow the income statement and other results to be disclosed in one profit and loss account or in two directly consecutive profit and loss accounts. However, changes to IAS 1 require the grouping of items of Other comprehensive income into two categories:

a) Items which are not subsequently reclassified into the income statement and
b) Items which under certain conditions in the future will be reclassified into the income statement.

Applicable income taxes are to be allocated to Other results items. This does not preclude the possibility of presenting Other results items before tax, however. The changes have been applied retroactively by the Group and the Other results items altered accordingly. Apart from the above-mentioned presentational changes, no consequences for the presentation of the income statement and other earnings arise from the application of the amended IAS 1.

EMPLOYEE BENEFITS, AMENDMENTS TO IAS 19 (SINCE 1 JULY 2012)

The revised version of IAS 19 requires the immediate equity recognition of actuarial gains / losses on pension obligations under Other comprehensive income. The management too may in future no longer apply the expected long-term return on plan assets to the plan assets portfolio. Instead it must apply the discount rate used for the liability. Also, companies must in the future provide more explanatory notes. Among other things, the financing strategy should be described and quantified. Also, a sensitivity analysis is required to clarify the influence of significant parameter changes on the pension liability.

IFRS 13 FAIR VALUE MEASUREMENT (SINCE 1 JANUARY 2013)

IFRS 13 lays down uniform guidelines regarding evaluation at fair value and associated information. The scope of application of IFRS 13 is wide-ranging and covers both financial and non-financial items. IFRS 13 is always used when another IFRS requires or permits valuation at fair value or information on the calculation of fair value is required. This does not apply to share-based remuneration that falls within the scope of IFRS 2 Share-based remuneration, leases that fall within the scope of IAS 17 Leases and evaluations similar to fair value but not fair value (such as net realisable value under IAS 2 Inventories or use value under IAS 36 Impairment of assets).

IFRS 13 defines fair value as the price the reporting entity would receive in a normal transaction between market participants on the capital market (or the most advantageous market) on the measurement date under current market conditions when selling an asset, or would have to pay when transferring a debt. The fair value as per IFRS 13 is the price on the market, regardless of whether this price is directly observable or estimable using another evaluation method. In addition, IFRS 13 contains far-reaching disclosure requirements. IFRS 13 is to be applied prospectively from 1 January 2013.

DEFERRED TAXES: REALISATION OF UNDERLYING ASSETS, AMENDMENTS TO IAS 12
(Date of application: Start of the first financial year on or following the ordinance's entry into effect)

The valuation of deferred tax liabilities and entitlements depends on whether the carrying amount of the asset is realised through use or sale. Real estate that is held as a financial investment at fair value is particularly subject to evaluation issues and especially high discretion. The amendment introduces the rebuttable presumption that such real estate can also be realised by sale. However, this does not apply to assets newly evaluated under IAS 16 or 38.

SEVERE HYPERINFLATION AND REMOVAL OF FIXED DATES OF APPLICATION FOR FIRST-TIME ADOPTERS, AMENDMENTS TO IFRS 1
(DATE OF APPLICATION: START OF THE FIRST FINANCIAL YEAR ON OR FOLLOWING THE ORDINANCE'S ENTRY INTO EFFECT)

Following the amendment, the previously used reference to the date 1. January 2004 as the fixed conversion date has been replaced by the general wording "Date of transition to IFRS". Also, for the first time regulations have been created for cases where companies for some time prior to the changeover were unable to comply with IFRS regulations because the functional currency was highly inflationary (high inflation).

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES, AMENDMENT TO IFRS 7 (SINCE 1 JANUARY 2013)

The amendment introduces comprehensive explanatory notes requirements with the aim of clarifying the way in which netting agreements work.

PUBLIC-SECTOR LOANS, AMENDMENT TO IFRS 1 (SINCE 1 JANUARY 2013)

The amendments relate to public-sector loans at interest rates which are not market interest rates. The amendment means that IFRS first-time adopters are offered a derogation to the full retrospective application of IFRS when accounting for such loans during the transition to IFRS.

ANNUAL IMPROVEMENTS TO IFRS 2009 – 2011 (SINCE 1 JANUARY 2013)

IFRS 1 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS: REPEATED APPLICATION OF IFRS 1 AND INTEREST ON BORROWED CAPITAL

Repeated application of IFRS 1: Clarification of the scope of application. IFRS is also to be applied by companies whose last financial statements did not comply with the IFRS. Interest on borrowed capital: Capitalisation of borrowing costs relating to qualified assets whose activation date was before the transition to IFRS may be continued. After the transition date, only borrowing costs that comply with IAS 23 may be capitalised.

IAS 1 PRESENTATION OF FINANCIAL STATEMENTS: PRIOR-PERIOD AMOUNTS

Clarification of when preparation of a third balance sheet at the start of the comparative period and the provision of associated explanatory notes are necessary. The amendments to IAS 1 clarify that a third balance sheet is only required when

(a) a company retroactively applies principles of accounting and valuation or retroactively adjusts or reclassifies balance sheet items and

(b) retroactive modification, adjustment or reclassification significantly affects the information in the third balance sheet.

Moreover, it states that explanatory notes on the third balance sheet are unnecessary.

In the current financial year the Group has carried out a change to its accounting policy which has had a significant impact on the information in the consolidated balance sheet as at 1 January 2012. In accordance with the amended IAS 1, the Group has therefore drawn up a third balance sheet as at 1 January 2012. Explanatory notes that go beyond the requirements of IAS 8 have not been included.

IAS 16 PROPERTY, PLANT AND EQUIPMENT: CLASSIFICATION OF MAINTENANCE / SPARE PARTS

Maintenance devices will be accounted for in the future as per IAS 16.8, unless they are, as expected, used for more than one period. Otherwise they represent inventories.

IAS 32 FINANCIAL INSTRUMENTS: DISCLOSURE AND PRESENTATION

Clarification of IAS 32 35a that the accounting for tax effects for distributions to equity investors and for costs related to an equity transaction must be in accordance with IAS 12. This involves the removal of a redundancy.

IAS 34 INTERIM FINANCIAL REPORTING: TOTAL ASSETS OF THE SEGMENTS

Clarification in IAS 34.16A (iv) with regard to the total assets of the segments in the interim financial reporting. These only need to be represented if the assets of the responsible business instance are available and differ substantially from the value in the accounts for the last financial year.

IFRIC 20 ACCOUNTING OF STRIPPING COSTS IN MINING (SINCE 1 JANUARY 2013)

The interpretation refers exclusively to stripping costs during the dismantling phase of an open cast mine. The wide-ranging accounting treatment of these in practice means that uniform guidelines are required. IFRIC 20 describes the capitalisation requirements for stripping costs and initial or subsequent measurement. Insofar as the benefits of stripping are considered inventories, the associated costs are to be capitalised as inventories (IAS 2). If the stripping results in improved access to the ores or minerals that can be extracted, the cost of extraction may be included as a non-current asset. The interpretation is to be applied to stripping costs incurred at the beginning of the earliest illustrated reporting period or afterwards.

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

In 2013, the IASB issued standards and interpretations of and amendments to existing standards not yet compulsory for consolidated financial statements in this period.

BALANCE SHEET

Amendment / standard	Date of publication	Date of adoption under EU law	Date of application EU
IFRS 10 Consolidated financial statements	12 May 2011	11 December 2012	1 January 2014
IFRS 11 Joint Arrangements	12 May 2011	11 December 2012	1 January 2014
IFRS 12 Disclosures of Interests in Other Entities	12 May 2011	11 December 2012	1 January 2014
IAS 27 Separate Financial Statements	12 May 2011	11 December 2012	1 January 2014
IAS 28 Investments in associates	12 May 2011	11 December 2012	1 January 2014
Details of the recoverable amount for non-financial assets (amendments to IAS 36)	29 May 2013	20 December 2013	1 January 2014
Renovation of derivatives and continuation of accounting for hedging instruments (amendments to IAS 39)	27 June 2013	20 December 2013	1 January 2014
Transitional guidelines (amendments to IFRS 10, IFRS 11 and IFRS 12)	28 June 2012	4 April 2013	1 January 2014
Investment companies (amendments to IFRS 10, IFRS 12 and IAS 27)	31 October 2012	20 November 2013	1 January 2014
Offsetting of financial assets and liabilities (amendments to IAS 32)	16 December 2011	13 December 2012	1 January 2014

The official announcements that did not yet have to be applied in 2013 will be implemented in the year in which their application becomes compulsory for the first time. The effects of these individual amendments are being examined by the Group. Due to the switch of the joint ventures from proportionate consolidation to equity accounting in 2013, no significant impact on the Group is expected from the first-time application of IFRS 11.

The following standards as well as interpretations of and amendments to existing standards were issued by IASB. However, their application was not yet compulsory for the preparation of the consolidated financial statements dated 31 December 2013. Application requires that they are endorsed by the EU within the scope of the IFRS endorsement process.

Amendment / standard	Date of publication	Anticipated date of adoption into EU law	IASB date of application
IFRS 9 Financial Instruments and subsequent amendments (Amendments to IFRS 9 and IFRS 7)	2 November 2009 / 16 December 2011	postponed	–
Defined Benefit Plans: Employee Contributions (Amendments to IAS 19	21 November 2013	Q3 / 2014	1 July 2014
Annual Improvements to IFRSs 2010-2012 Cycle	12 December 2013	Q3 / 2014	1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle	12 December 2013	Q3 / 2014	1 July 2014
IFRIC Interpretation 21 Levies	20 May 2013	Q2 / 2014	1 January 2014

The official announcements that did not yet have to be applied in 2013 will be implemented in the year in which their application becomes compulsory for the first time. The effects of these individual amendments are being examined by the Group.

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, leasehold improvements, 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 that is 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 assessment). 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 Euro-Rating 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, 10.9% (2012: 11.0%) of rental income is deducted for management and administrative costs, with the result that net income equates to 89.1% (2012: 89.0%) of rental income. Actual management and administrative costs amounted to 9.5% of rental income in the year under review (2012: 10.3%).

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 6.65%, compared with 6.67% in the previous year. It is composed of an average yield of 4.24% on a ten-year German federal government bonds (2012: 4.30%) and an average risk premium of 2.41% (2012: 2.37%). 2,37 %).

On the basis of the expert appraisals, the property portfolio has a net initial yield of 5.97% for financial year 2014, compared with 5.98% 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.

Details and information on the levels of the fair value of the Group's investment property as at 31 December 2013 are shown below as per IFRS 13:

€ THOUSAND	Level 1	Level 2	Level 3
Investment Properties			2,962,163

No reclassifications between the levels of the hierarchy have been made 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 the price that would in an orderly transaction between market participants on the measurement date have been received for the sale of an asset or paid for the transfer of a liability. When measuring the fair value it is assumed that the transaction underlying the price is taking place in a main market to which the Group has access. The price is calculated on the basis of the assumptions that market participants would make when determining the price.

When determining fair value, three assessment categories are differentiated 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 instruments, 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 also based on parameters that are not observable on the market.

For financial instruments regularly recorded at fair value, a reassessment at the end of the financial year determines whether there has been a regrouping between the hierarchy levels. For financial instruments recognised at amortised cost the fair value is determined on the basis of expected cash flows, using the risk and maturity-congruent reference interest rates prevailing on 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 assessment) 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 regularly conducted. If the effectiveness between the basic and the hedging transaction is absent, the hedging instrument will be recognised as a derivative in profit or loss at fair value. 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 assessment) in line with the provisions of IAS 39. The holding company has sold its major assets in the year under review. The carrying amount of the investment is essentially the pro rata credit balance with banks.

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 on the balance sheet date. They are written off if the receivable becomes uncollectable.

D. RIGHT TO REDEEM OF LIMITED PARTNERS

The distinction between equity and liabilities 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 in greater detail, but not 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 right. 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
Shares in associates and joint ventures are recorded in the balance sheet at investment cost, altered to reflect changes in the Group's share of the associate's / joint venture's equity after the acquisition date. The Group assesses at each balance sheet date whether there is evidence of a need for impairment in relation to the amortised carrying amounts of the shares. Please also note the explanations of the "Changes in accounting and valuation methods".

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

€ THOUSAND	2013	2012
Costs as at 1 January	**64**	**64**
Additions	4	9
Disposals	-4	-9
as at 31 December	**64**	**64**
Depreciation as at 1 January	**-48**	**-44**
Additions	-11	-12
Disposals	3	8
as at 31 December	**-56**	**-48**
Carrying amount at 1 January	**16**	**20**
Carrying amount at 31 December	**8**	**16**

This item consists mainly of software licences.

2. PROPERTY, PLANT AND EQUIPMENT

OTHER EQUIPMENT, OPERATING AND OFFICE EQUIPMENT

€ THOUSAND	2013	2012
Costs as at 1 January	**205**	**204**
Additions	361	2
Disposals	-36	-1
as at 31 December	**530**	**205**
Depreciation as at 1 January	**-93**	**-67**
Additions	-54	-28
Disposals	30	2
as at 31 December	**-117**	**-93**
Carrying amount at 1 January	**112**	**137**
Carrying amount at 31 December	**413**	**112**

This includes the office equipment of Deutsche EuroShop AG, two company vehicles and tenant improvements.

3. INVESTMENT PROPERTIES

€ THOUSAND	2013	2012
Carrying amount at 1 January	**2,824,133**	**2,596,131**
Additions	18,127	11,724
Disposals from deconsolidations	-333,370	0
Additions to basis of consolidation	392,735	179,760
Unrealised changes in fair value	**60,538**	**36,518**
Carrying amount at 31 December	**2,962,163**	**2,824,133**

The properties are secured by mortgages. There are land charges in the amount of €1,393,203 thousand (previous year: €1,375,658 thousand). The rental income of the properties valued in accordance with IAS 40 was €187,987 thousand (previous year: €178,161 thousand). Directly associated operating expenses were €17,775 thousand (previous year: €18,485 thousand).

Additions mainly include ongoing investments in portfolio properties.

Disposals from deconsolidations mainly concern the Stadt-Galerie Passau and Immobilienkommanditgesellschaft FEZ Harburg, which on 1 January 2013 were switched to the equity-accounted method.

The increased shareholding in Altmarkt-Galerie Dresden KG means that since 1 May 2013 the company has been fully consolidated and reported as an addition to the basis of consolidation.

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

4. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

€ THOUSAND	2013	2012
Carrying amount at 1 January	**321,534**	**326,699**
Additions for equity-accounted companies	148,949	0
Deposits / withdrawals	-21,188	-17,117
Share of profit / loss	27,024	14,344
Appreciations / depreciations recognised directly in equity	670	-2,392
Disposals	**-135,082**	**0**
Carrying amount at 31 December	**341,907**	**321,534**

Stadt-Galerie Passau and Immobilienkommanditgesellschaft FEZ Harburg were switched over to the equity-accounted method on 1 January 2013 and are included in the additions.

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

In the year under review the shares in a property company were sold. The increased shareholding in Altmarkt-Galerie Dresden KG means that since 1 May 2013 the company has been fully consolidated and is included under disposals at €134,639 thousand.

5. OTHER FINANCIAL ASSETS

€ THOUSAND	2013	2012
Costs as at 1 January	**15,381**	**15,381**
Additions	34,519	0
Disposals	-15,381	0
as at 31 December	**34,519**	**15,381**
Amortisation / impairment losses and reversals as at 1 January	**14,912**	**12,434**
Reversals of impairment losses	3,606	2,478
Additions	0	0
Disposals	-18,518	0
as at 31 December	**0**	**14,912**
Carrying amount at 1 January	**30,293**	**27,815**
Carrying amount at 31 December	**34,519**	**30,293**

During the reporting year, a reversal of impairment losses, recognised directly in equity, on the stake in Ilwro Joint Venture Sp. z o.o. was made in the amount of of €3,606 thousand.

In the year under review, the investment in Ilwro Joint Venture Sp. zo.o. was included in Ilwro Holding B.V. at fair value and contributions of €620 thousand made.

6. OTHER NON-CURRENT ASSETS

€ THOUSAND	31.12.2013	31.12.2012
Other non-current assets	155	312
	155	**312**

This item consists mainly of the present value of a non-current receivable of €127 thousand (previous year: €282 thousand) belonging to our Polish property company.

7. TRADE RECEIVABLES

€ THOUSAND	31.12.2013	31.12.2012
Trade receivables	6,880	4,760
Allowances for doubtful accounts	-1,285	-988
	5,595	**3,772**

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

€ THOUSAND	31.12.2013	31.12.2012
Value added tax receivables	230	43
Deductible withholding tax on dividends / solidarity surcharge	0	136
Interest rate swaps	207	207
Other current assets	5,856	5,996
	6,293	6,382

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

RECEIVABLES

€ THOUSAND	Total	Up to 1 year	Over 1 year
Trade receivables	5,595	5,595	0
	(3,772)	(3,772)	(0)
Other assets	6,448	6,293	155
	(6,694)	(6,382)	(312)
	12,043	11,888	155
Previous year's figure in brackets	(10,466)	(10,154)	(312)

MATURITY OF TRADE RECEIVABLES AND OTHER ASSETS

€ THOUSAND	Carrying amount	Not overdue
Trade receivables	5,595	5,595
	(3,772)	(3,772)
Other assets	6,448	6,448
	(6,694)	(6,694)
	12,043	12,043
Previous year's figure in brackets	(10,466)	(10,466)

9. OTHER FINANCIAL INVESTMENTS

€ THOUSAND	31.12.2013	31.12.2012
Time deposits with a term of over 3 months	3,000	0

10. CASH AND CASH EQUIVALENTS

€ THOUSAND	31.12.2013	31.12.2012
Short-term deposits / time deposits	24,378	29,462
Current accounts	16,419	131,531
Cash	13	13
	40,810	161,006

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 and is composed 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 €67,432 thousand. The Executive Board and the Supervisory Board will propose to distribute this amount as a dividend of €1.25 per share at the Annual General Meeting on 18 June 2014.

€64,735 thousand of the previous year's unappropriated surplus of €80,643 thousand was distributed to the shareholders. The dividend paid was €1.20 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). The 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:

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**

2012 IN € THOUSAND	Before taxes	Taxes	Net
Measurement of investments (AfS) IAS 39	2,478	0	2,478
Cash flow hedge	-12,073	917	-11,156
Investments accounted for using the equity method	-2,395	438	-1,957
Other	0	-11	-11
	-11,990	**1,344**	**-10,646**

12. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

€ THOUSAND	31.12.2013	31.12.2012
Non-current bank loans and overdrafts	1,295,996	1,184,360
Current bank loans and overdrafts	97,207	191,298
Bonds	93,556	91,943
	1,486,759	**1,467,601**

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 €1,446,517 thousand (previous year: €1,470,844 thousand).

Bank loans and overdrafts relate to loans raised to finance property acquisitions and investment projects. Land charges on Company properties totalling €1,393,203 thousand (previous year: €1,375,658 thousand) serve as collateral.

Discounts are amortised over the term of the loan. In the year under review, €1,531 thousand (previous year: €2,141 thousand) 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 2014 – 2016 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 €33.79; 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 2,959,455 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 2013.

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

€ THOUSAND	as at 01.01.2013	Utilisation	Reversal	Addition	as at 31.12.2013
Deferred taxes on properties	194,316	0	-14,556	28,666	208,426
Deferred taxes on derivatives	0	0	2,300	-3,799	-1,499
Deferred taxes recognised directly in equity	-13,791	0	5,355	0	-8,436
	180,525	**0**	**-6,901**	**24,867**	**198,491**

Deferred tax liabilities relate primarily to properties reported at fair value in accordance with IAS 40. At the reporting date, they totalled €220,754 thousand (previous year: €206,012 thousand) and were partially offset by deferred tax assets on tax loss carryforwards of €12,329 thousand (previous year: €11,696 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 on 1 May 2013.

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 2014 another property company fulfils the conditions for taking advantage of the extended trade tax reduction. For this reason, the previously formed deferred trade tax provisions in the amount of €12,619 thousand can be released.

€ THOUSAND	as at 01.01.2013	Utilisation	Reversal	Addition	as at 31.12.2013
Deferred taxes on domestic companies	153,427	0	-6,901	22,317	168,843
Deferred taxes on foreign companies	27,098	0	0	2,550	29,648
	180,525	**0**	**-6,901**	**24,867**	**198,491**

14. TRADE PAYABLES

€ THOUSAND	31.12.2013	31.12.2012
Construction services	976	418
Other	2,375	1,717
	3,351	**2,135**

15. TAX LIABILITIES

€ THOUSAND	as at 01.01.2013	Utilisation	Reversal	Addition	as at 31.12.2013
Income taxes	12,731	12,646	12	423	496
Real estate transfer tax	11,750	11,210	0	0	540
Real property tax	88	0	0	233	321
	24,569	**23,856**	**12**	**656**	**1,357**

16. OTHER PROVISIONS

€ THOUSAND	as at 01.01.2013	Utilisation	Additions / disposals – consolidation basis	Reversal	Addition	as at 31.12.2013
Maintenance and construction services already performed but not yet invoiced	3,179	2,546	43	553	2,731	2,854
Fees	150	150	0	0	2	2
Other	9,166	7,863	10	506	3,141	3,948
	12,495	**10,559**	**53**	**1,059**	**5,874**	**6,804**

Other provisions contain the present value (€1,069 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 by 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

€ THOUSAND	31.12.2013	31.12.2012
Value added tax	2,414	3,751
Rental deposits	1,001	895
Service contract liabilities	1,045	404
Debtors with credit balances	685	77
Other	9,489	6,334
	14,634	**11,461**

Other mainly comprises liabilities for heating and ancillary costs, prepaid rent for the following year and tax payments that were not made until the beginning of 2014.

18. OTHER NON-CURRENT LIABILITIES

€ THOUSAND	31.12.2013	31.12.2012
Interest rate swaps	40,481	42,339
Other	615	345
	41,096	**42,684**

In connection with borrowing, interest rate hedges were concluded to hedge against higher capital market interest rates (interest rate swaps). Their present value totalled €40,481 thousand as at the reporting date.

LIABILITIES

€ THOUSAND	Total	Current	Non-current
Financial liabilities	1,486,759	97,207	1,389,552
	(1,467,601)	(191,298)	(1,276,303)
Trade payables	3,351	3,351	0
	(2,135)	(2,135)	(0)
Other liabilities	55,730	14,634	41,096
	(54,145)	(11,461)	(42,684)
of which taxes	4,080	4,080	0
	(3,865)	(3,865)	(0)
	1,545,840	**115,192**	**1,430,648**
Previous year's figure in brackets	(1,523,881)	(204,894)	(1,318,987)

NOTES TO THE CONSOLIDATED INCOME STATEMENT

19. REVENUE

€ THOUSAND	2013	2012
Minimum rental income	185,818	174,640
Turnover rental income	1,591	2,571
Other	578	950
	187,987	**178,161**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	187,987	178,161

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

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

€ THOUSAND	2013	2012
Maturity within 1 year	194,474	186,576
Maturity from 1 to 5 years	635,747	632,234
Maturity after 5 years	366,143	368,939
	1,196,364	**1,187,749**

20. PROPERTY OPERATING COSTS

€ THOUSAND	2013	2012
Center marketing	-2,636	-2,590
Operating costs that cannot be passed on	-2,297	-1,277
Maintenance and repairs	-1,462	-4,057
Real property tax	-651	-653
Insurance	-312	-275
Write-downs of rent receivables	-583	-626
Other	-511	-505
	-8,452	**-9,983**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	-8,452	-9,983

21. PROPERTY MANAGEMENT COSTS

€ THOUSAND	2013	2012
Center management / agency agreement costs	**-9,323**	**-8,502**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	-9,323	-8,502

22. OTHER OPERATING INCOME

€ THOUSAND	2013	2012
Income from the reversal of provisions	1,059	692
Exchange rate gains	231	903
Other	1,547	1,138
	2,837	**2,733**

23. OTHER OPERATING EXPENSES

€ THOUSAND	2013	2012
Real estate transfer tax	-22	-2,937
Personnel expenses	-2,153	-2,135
Legal, consulting and audit expenses	-1,238	-1,735
Ancillary financing costs	0	-1,391
Exchange rate losses	-331	-367
Marketing costs	-363	-399
Appraisal costs	-277	-330
Supervisory Board compensation	-312	-265
Write-downs	-65	-40
Other	-2,524	-1,231
	-7,285	**-10,830**

Legal and consulting costs, tax consultant fees and audit expenses include €293 thousand (€328 thousand) in fees for the audit of Group companies.

24. INCOME FROM INVESTMENTS

€ THOUSAND	2013	2012
Income from investments	16,688	1,400

The proceeds from the sale of Ilwro Sp. zo.o. as well as residual distributions for the previous year are recognised.

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

€ THOUSAND	2013	2012
Profit / loss from equity-accounted associates	27,024	14,346

These are the share in the profits / losses of joint ventures and associates in which Deutsche EuroShop AG together with third parties has a majority of the voting rights. These are six shopping centre companies and five smaller property companies.

26. PROFIT / LOSS ATTRIBUTABLE TO LIMITED PARTNERS

€ THOUSAND	2013	2012
Profit / loss attributable to limited partners	-15,939	-15,271

27. MEASUREMENT GAINS / LOSSES

€ THOUSAND	2013	2012
Unrealised changes in fair value	60,538	36,518
Profit / loss attributable to limited partners	-4,492	-18,675
Ancillary acquisitions costs	-64	-9,198
Excess of identified net assets acquired over cost of acquisition in accordance with IFRS 3 (increased shareholdings)	0	5,289
	55,982	13,934

28. INCOME TAX EXPENSE

€ THOUSAND	2013	2012
Current tax expense	-2,362	-8,483
Domestic deferred tax expense	-11,636	28,791
Foreign deferred tax expense	-2,572	-1,246
	-16,570	**19,062**

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 2013, 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 latent trade tax liabilities in the amount of €12.6 million in deferred trade tax liabilities which had been formed in previous years.

TAX RECONCILIATION

Income taxes in the amount of €-16,570 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%.

€ THOUSAND	2013	2012
Consolidated profit before income tax	**187,613**	**103,422**
Theoretical income tax 32.28%	**-60,561**	**-33,379**
Tax rate differences for foreign Group companies	1,226	2,190
Tax rate differences for domestic Group companies	20,568	2,057
Tax-free income / non-deductible expenses	4,705	531
Effect of tax rate changes	12,619	49,357
Aperiodic tax income	4,843	0
Other	30	-1,694
Current income tax	**-16,570**	**19,062**

After fulfilling the requirements of the extended trade tax reduction for one more property company, a portion of the deferred trade tax provisions built up during previous years in the amount of €12,619 thousand could be released. Aperiodic tax income contains a trade tax refund in the amount of €2,334 thousand.

In financial year 2013, the effective income tax rate was 18.1%. This figure does not include the effect from tax rates changes and the aperiodic tax income amounting to €17,462 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 and 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

€ THOUSAND	31.12.2013	31.12.2012
Cash and cash equivalents	**40,810**	**161,006**

OPERATING CASH FLOW

After adjustment of the annual profit for non-cash income and expenses, operating cash flow was €129,813 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 €0.4 million (previous year: €0.5 million)
- interest expense of €56.1 million (previous year: €62.5 million)
- income taxes paid of €1.8 million (previous year: €1.0 million)
- net allocations to provisions of €4.8 million (previous year: €11.2 million)

CASH FLOW FROM INVESTING ACTIVITIES

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

In the year under review, investments totalling €18.1 million were made in the portfolio properties. In addition, investment in operating and office equipment totalled €0.4 million.

The purchase price for the shares in Altmarkt-Galerie Dresden amounted to €70.2 million and was paid at the end of April 2013. Cash and cash equivalents of €10.8 million were recognised during initial consolidation.

CASH FLOW FROM FINANCING ACTIVITIES

Moreover, loan reductions resulted in a cash outflow in the amount of €59.7 million.

Payments to third-party shareholders include the distributions paid of €12.3 million.

In financial year 2013, a dividend of €64.7 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, so 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 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

€ THOUSAND	Domestic	International	Reconciliation	Total
Revenue	**173,282**	**14,705**	**0**	**187,987**
(previous year's figures)	(163,803)	(14,358)	(0)	**(178,161)**

€ THOUSAND	Domestic	International	Reconciliation	Total
EBIT	**156,577**	**13,435**	**-4,248**	**165,764**
(previous year's figures)	(142,057)	(13,507)	-(3,985)	**(151,579)**

€ THOUSAND	Domestic	International	Reconciliation	Total
Net interest income	**-49,587**	**-3,834**	**-3,958**	**-57,379**
(previous year's figures)	-(56,926)	-(3,881)	-(1,759)	**-(62,566)**

€ THOUSAND	Domestic	International	Reconciliation	Total
Earnings before taxes (EBT)	**155,064**	**7,142**	**25,407**	**187,613**
(previous year's figures)	(90,025)	(7,405)	(5,992)	(103,422)

Profits and losses for equity-accounted companies in the amount of €27,024 thousand are primarily disclosed in the reconciliation statement, of which €19,529 thousand are domestic profit and losses and €7,495 thousand international profit and losses.

€ THOUSAND	Domestic	International	Total
Segment assets	**3,172,348**	**222,515**	**3,394,863**
(previous year's figures)	(3,128,778)	(218,782)	(3,347,560)
of which investment properties	**2,746,320**	**215,843**	**2,962,163**
(previous year's figures)	(2,610,110)	(214,023)	(2,824,133)

Other disclosures

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

CARRYING AMOUNTS, VALUATIONS AND FAIR VALUES ACCORDING TO MEASUREMENT CATEGORY

		Balance sheet amount in line with IAS 39			
€ THOUSAND	Measurement category pursuant to IAS 39	Carrying amount 31.12.2013	Amortised cost	Costs	Fair value recognised in equity
Financial assets					
Non-current financial assets**	AfS	34,519		34,519	
Trade receivables*	LaR	5,595	5,595		
Other assets*	LaR	1,587	1,228		359
Other financial investments*	HtM	3,000	3,000		
Cash and cash equivalents*	LaR	40,810	40,810		
Financial liabilities					
Financial liabilities*	FLAC	1,486,759	1,486,759		
Right to redeem of limited partners*	FLAC	213,422	213,422		
Trade payables*	FLAC	3,351	3,351		
Other liabilities*	FLAC	8,508	8,508		
Interest rate hedges not recognised in profit or loss*	FLAC	31,007			31,007
Interest rate hedges recognised in profit or loss**	FVTPL	9,474			
Aggregated according to measurement category pursuant to IAS 39:					
Loans and receivables (LaR)		47,992	47,633		359
Held to maturity (HtM)		3,000	3,000		
Available for sale (AfS)		34,519	0	34,519	0
Financial liabilities measured at amortised cost (FLAC)		1,743,047	1,712,040		31,007
Financial liabilities measured at fair value in income (FVTPL)		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 profit or loss for the period.

Trade receivables, other assets as well as cash and cash equivalents and other financial investments with the exception of interest rate swaps – which are recognised at present value – predominantly have short residual terms. The carrying amounts thus correspond to the fair value. The change in the present value of the long-term interest rate swap recognised was €155 thousand (previous year: €140 thousand)

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 €3,363 thousand (previous year: €483 thousand) and is recognised in net finance costs.

			Balance sheet amount in line with IAS 39				
Fair value recognised in income	**Fair value 31.12.2013**	**Carrying amount 31.12.2012**	**Amortised cost**	**Costs**	**Fair value recognised in equity**	**Fair value recognised in income**	**Fair value 31.12.2012**
	34,519	30,293		15,381	14,912		30,293
	5,595	3,772	3,772				3,772
	1,587	1,972	1,482		490		1,972
	3,000	0					0
	40,810	161,006	161,006				161,006
	1,540,073	1,467,601	1,467,601				1,562,787
	213,422	284,176	284,176				284,176
	3,351	2,135	2,135				2,135
	8,508	6,380	6,380				6,380
	31,007	42,339			42,339		42,339
9,474	**9,474**						
	47,992	166,750	166,260		490		166,750
	3,000	0	0				0
	34,519	30,293	0	15,381	14,912		30,293
	1,796,361	1,802,631	1,760,292		42,339		1,897,817
9,474	**9,474**						

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 €57,827 thousand (previous year: €63,066 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 (€4,550 thousand). In the year under review, € 6.849 thousand from Other comprehensive income was transferred to the income statement.

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 price and market price parameters applicable on the reporting date were applied.

The profit / loss share of third-party shareholders of €15,939 thousand (previous year: €15,271 thousand) is also included in net finance costs.

Impairment charges on receivables (€583 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 principal repayments of the original financial liabilities and derivative financial instruments are as follows as at 31 December 2013:

€ THOUSAND	Carrying amount 31.12.2013	Cash flows 2014	Cash flows 2015 to 2018	Cash flows from 2019
Convertible bond	93,556	1,750	105,053	0
Bank loans and overdrafts	1,393,203	151,635	481,074	1,142,475

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 2013.

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 €583 thousand (previous year: €626 thousand) were recognised under property operating costs.

The maximum default risk in relation to trade receivables and other assets totalled €12,043 thousand (previous year: €10,466 thousand) as at the reporting date.

CURRENCY AND MEASUREMENT RISK

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

A 25 bp change in a material parameter 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%	-111.5	116.8
Discount rate	6.65%	104.7	-99.6
Cost ratio	10.90%	9.7	-9.7

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 the associated interest rate hedges. An increase in the market interest rate of 100 basis points would lead to an increase in equity of €17,444 thousand (previous year: €19,112 thousand). The majority of the loan liabilities have fixed interest terms. On the reporting date, loans totalling €215,500 thousand (previous year: €194,651 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 its financial well-being are maintained in the future. The Group's financial policies are also based on the annual payment of a dividend.

€ THOUSAND	31.12.2013	31.12.2012
Equity	**1,642,371**	**1,606,090**
Equity ratio (%)	**48.4**	48.0
Net financial debt	**1,445,949**	**1,306,595**

Equity is reported here including the redemption entitlements of shareholders.

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 together with third parties has a majority of the voting rights have previously been proportionately included as joint ventures in the consolidated financial statements. The following companies are affected by the retroactive switch to equity accounting:

- Altmarkt-Galerie Dresden KG, Hamburg (until 30 April 2013)
- Allee-Center Magdeburg KG, Hamburg
- CAK City Arkaden Klagenfurt KG, Hamburg
- EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OG, Vienna
- Einkaufs-Center Pécs KG, Hamburg

Please also note the detailed explanations regarding "Changes in accounting and valuation methods".

Immobilienkommanditgesellschaft FEZ Harburg KG and Stadt-Galerie Passau KG have also since 1 January 2013 been accounted using the equity method after the voting trust agreement with a co-shareholder was revoked.

During the financial year, the equity-accounted joint ventures posted the following asset and liability items, expenses and income:

€ THOUSAND	31.12.2013	31.12.2012
Non-current assets	451,469	506,584
Current assets	5,282	12,565
Non-current liabilities	115,502	195,353
Current liabilities	2,970	5,942
Income	40,024	35,529
Expenses	-13,407	-20,588

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 asset and liability items, expenses and income:

€ THOUSAND	31.12.2013	31.12.2012
Non-current assets	8,603	8,551
Current assets	1,490	1,577
Non-current liabilities	0	5,940
Current liabilities	6,025	93
Income	774	826
Expenses	-345	-1,416

32. EARNINGS PER SHARE

	2013	2012
Group shareholders' portion of profits / losses (€ thousand)	171,043	122,484
Weighted number of no-par value shares issued	53,945,536	51,934,893
Basic earnings per share (€)	**3.17**	**2.36**
Group shareholders' portion of profits / losses (€ thousand)	171,043	122,484
Adjustment of interest expense for the convertible bond (€ thousand)	2,277	327
Profits / losses used to calculate the diluted earnings per share (€ thousand)	173,320	122,811
Weighted number of no-par value shares issued	53,945,536	51,934,893
Weighted adjustment of potentially convertible no-par value shares	2,909,710	326,935
Average weighted number of shares used to determine the diluted earnings per share	56,855,246	52,261,828
Diluted earnings per share (€)	3.05	2.35

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. 2.9 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 €81.7 million arising from service contracts.

There are financial obligations of €9.3 million which will arise in 2014 in connection with investment measures in our shopping centers.

OTHER DISCLOSURES

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

EVENTS AFTER THE BALANCE SHEET DATE

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

The Supervisory Board and Executive Board

SUPERVISORY BOARD

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

Manfred Zaß, Königstein / Ts., Chairman
Banker

Dr. Michael Gellen, Cologne, Deputy Chairman
Independent lawyer

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
b) ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Chairman)

Karin Dohm, Kronberg / Ts.
Head of Group External Reporting at Deutsche Bank AG, Frankfurt am Main

Dr. Jörn Kreke, Hagen (until 20.06.2013)
Businessman
a) Capital Stage AG, Hamburg
Douglas Holding AG, Hagen/Westphalia (Chairman)
b) Kalorimeta AG & Co. KG, Hamburg
Urbana AG & Co. KG, Hamburg

Dr. Henning Kreke, Hagen (since 20.06.2013)
Chairman of the Executive Board of Douglas Holding AG, Hagen/Westphalia

Reiner Strecker, Wuppertal
Managing Partner of Vorwerk & Co. KG, Wuppertal
b) akf Bank GmbH & Co. KG, Wuppertal

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

Alexander Otto, Hamburg
CEO, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg
a) Verwaltungsgesellschaft Otto mbH, Hamburg
b) Peek & Cloppenburg KG, Dusseldorf

Dr. Bernd Thiemann, Münster
Management consultant

a) Deutsche Pfandbriefbank AG, Unterschleißheim (Chairman)
VHV Lebensversicherung AG, Hanover
Hypo Real Estate Holding AG, Unterschleissheim (Chairman)
VHV Vereinigte Hannoversche Versicherung a.G., Hanover
Wave Management AG, Hamburg (Deputy Chairman)
IVG Immobilien AG, Bonn
M.M. Warburg & Co. KG aA, Hamburg (Deputy Chairman)
Hannoversche Direktversicherungs AG, Hanover

b) Würth Gruppe, Künzelsau (Deputy Chairman)
Würth Finance International B.V., Amsterdam

EXECUTIVE BOARD

Claus-Matthias Böge, Hamburg
Executive Board Spokesman

a) Douglas Holding AG, Hagen/Westphalia (until 28.05.2013)
Bijou Brigitte modische Accessoires AG, Hamburg (Deputy Chairman) (since 25.06.2013)

Olaf G. Borkers, Hamburg
Member of the Executive Board

The remuneration of the members of the Supervisory Board totalled €312 thousand in the period under review (previous year: €265 thousand).

The remuneration of the Executive Board totalled €1,237 thousand (previous year: €1,193 thousand), including performance-related remuneration of €677 thousand (previous year: €650 thousand). This remuneration is due on a short-term basis.

€306 thousand (previous year: €305 thousand) was allocated to the provision for the Executive Board's long-term incentive plan (LTI). Accrued interest was €19 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 2013.

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 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 €15,561 thousand (previous year: €16,719 thousand). This amount was partially offset by income from lease agreements with the ECE Group in the amount of €5,655 thousand (previous year: €5,797 thousand). Receivables from ECE were €3,982 thousand, while liabilities were €1,457 thousand.

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

Hamburg, 15 April 2014

Deutsche EuroShop AG
The Executive Board

Claus-Matthias Böge

Olaf Borkers

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 – German Securities Trading Act):

Shareholder	Shareholding report as at	Event	New voting rights share in %	of which own holdings in %	of which indirectly attributable in %
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
Société Fédérale de Participations et d'Investissement SA / Federale Participatie- en Investeringsmaatschappij NV, Brussels, Belgium	11.01.2013	Exceeds threshold (3%)	3.08	0.00	3.08
Ministry of Finance of the Kingdom of Belgium, Brussels, Belgium	11.01.2013	Exceeds threshold (3%)	3.08	0.00	3.08
Société Fédérale de Participations et d'Investissement SA / Federale Participatie- en Investeringsmaatschappij NV, Brussels, Belgium	08.04.2013	Falls below threshold (3%)	2.93	0.00	2.93
Ministry of Finance of the Kingdom of Belgium, Brussels, Belgium	08.04.2013	Falls below threshold (3%)	2.93	0.00	2.93
BlackRock Advisors Holdings, Inc., New York, USA	30.10.2013	Exceeds threshold (3%)	3.0003	0.00	3.0003
BlackRock International Holdings, Inc., New York, New York, USA	30.10.2013	Exceeds threshold (3%)	3.0003	0.00	3.0003
BR Jersey International Holdings, L.P., St. Helier, Jersey, Channel Islands	30.10.2013	Exceeds threshold (3%)	3,0003	0,00	3,0003
BlackRock Group Limited, London, United Kingdom	14.11.2013	Exceeds threshold (3%)	3.01	0.00	3.01
BlackRock Group Limited, London, United Kingdom	18.11.2013	Falls below threshold (3%)	2.96	0.00	2.96
BlackRock Group Limited, London, United Kingdom	29.11.2013	Exceeds threshold (3%)	3.01	0.00	3.01
BlackRock Group Limited, London, United Kingdom	12.12.2013	Falls below threshold (3%)	2.999	0.00	2.999
BlackRock Group Limited, London, United Kingdom	17.12.2013	Exceeds threshold (3%)	3.002	0.00	3.002

The total fees for the consolidated financial statements for the 2013 financial year amounted to €310 thousand. €293 thousand (previous year: €328 thousand) was for auditor services. The auditor also provided other consultancy services in the amount of €17 thousand.

Shareholdings

LIST OF SHAREHOLDINGS IN ACCORDANCE WITH SECTION 313 (2) NOS. 1 TO 4 OF THE HANDELSGESETZBUCH (HGB – GERMAN COMMERCIAL CODE) AS AT 31.12.2013:

Company name and domicile	Interest in equity	of which indirect	of which direct	Equity as at 31.12.2013	HGB profit / loss 2013
Fully consolidated companies:				in EUR	in EUR
DES Verwaltung GmbH, Hamburg	100.00%	–	100.00%	29,240,672.13	2,900,264.83
DES Management GmbH, Hamburg	100.00%	–	100.00%	52,951.03	27,951.03
DES Shoppingcenter GmbH & Co. KG, Hamburg	100.00%	–	100.00%	417,424,414.29	16,067,052.71
A10 Center Wildau GmbH, Hamburg	100.00%		100.00%	86,023,371.98	3,277,515.98
Objekt City-Point Kassel GmbH & Co. KG, Pullach	100.00%	100.00%	–	-24,024,805.44	2,747,557.39
Stadt-Galerie Hameln KG, Hamburg	100.00%	–	100.00%	24,450,503.65	2,349,882.21
Altmarkt-Galerie Dresden GmbH & Co. KG, Hamburg	100.00%	–	100.00%	40,562,836.19	3,345,348.38
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co.KG, Hamburg	74.00%	–	74.00%	40,562,027.75	5,020,995.50
Forum Wetzlar KG, Hamburg	65.00%	–	65.00%	9,888,976.60	2,670,443.33
Main-Taunus-Zentrum KG, Hamburg	52.01%		52.01%	-91,320,990.02	18,122,394.95
				in PLN	in PLN
Einkaufs-Center Galeria Baltycka G.m.b.H. & Co. KG, Sp. kom., Warsaw, Poland	99.99%	99.99%	–	564,636,737.01	46,922,149.44
CASPIA Investments Sp. z o.o., Warsaw, Poland	100.00%	100.00%	–	19,878,432.49	760,043.64
Joint ventures:				in EUR	in EUR
Stadt-Galerie Passau KG, Hamburg	75.00%	–	75.00%	112,787,455.07	4,734,039.77
Allee-Center Magdeburg KG, Hamburg	50.00%	–	50.00%	72,445,194.45	10,429,633.87
Immobilien Kommanditgesellschaft FEZ Harburg, Hamburg	50.00%	–	50.00%	-19,998,292.26	2,237,215.97
CAK City Arkaden Klagenfurt KG, Hamburg	50.00%	–	50.00%	4,748,040.81	1,375,792.60
EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OG, Vienna, Austria	50.00%	50.00%	–	-4,646,295.48	1,413,563.79
Einkaufs-Center Arkaden Pécs KG, Hamburg	50.00%	–	50.00%	22,737,326.55	1,646,903.18
Associates:				in EUR	in EUR
Kommanditgesellschaft Sechzehnte ALBA Grundstücksgesellschaft mbH & Co., Hamburg	50.00%	50.00%		1,832,141.19	-52,639.12
EKZ Vier Errichtungs- und Betriebs Ges.m.b.H., Vienna, Austria	50.00%	50.00%		795,702.87	32,592.35
Kommanditgesellschaft PANTA Fünfundsiebzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%		2,243,204.28	87,408.91
Kommanditgesellschaft PANTA Dreiunddreißigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50.00%	50.00%		2,793,654.54	349,746.72
City-Point Beteiligungs GmbH, Pullach	40.00%	–	40.00%	27,974.94	2,410.34
Investees:				in EUR	in EUR
Ilwro Holding B.V., Amsterdam, The Netherlands	33.00%		33.00%	103,555,930.00	15,169,948.00

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 January 2013 to 31 December 2013. The preparation of the consolidated -financial statements and the group management report in accordance with IFRS as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code) is the responsibility of the Company's 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 the HGB and German generally accepted standards for the auditing of financial statements promulga-ted 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 positi-on and results of operations in the consolidated financial statements in accordance with the applicab-le financial reporting standards and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on the basis of spot checks within the framework of the audit. The audit includes assessing the accounting information of the areas of the company included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements, the accounting and consolidation principles used, and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with 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 of operations of the Group in accordance with these requirements. The group ma-nagement report is consistent with the consolidated financial statements, as a whole provides a sui-table understanding of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 15 April 2014

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Dyckerhoff Auditor	signed Dr. Probst Auditor

Responsibility statement by the Executive board

We declare that to the best of our knowledge, in line with the accounting policies to be applied, the consolidated financial statements present a true and fair view of the net assets, financial position and results of operations of the Group and the Group Management Report presents the situation of the Group and the course of business including business performance which is a fair and accurate view, and describes the essential opportunities and risks of the likely development of the Group.

Hamburg, 15 April 2014

Claus-Matthias Böge

Olaf Borkers

GLOSSARY

A

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.

B

BENCHMARK. A standard of comparison, e.g. an index which serves as a guideline.

C

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.

D

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.

E

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.

F

FAIR VALUE. According to IFRS, a potential market price under ideal market conditions for which an asset value may be traded or an obligation between competent and independent business partners, willing to make a contract, may be settled.

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.

G

GEARING. Ratio which shows the relationship between liabilities and equity.

H

HEDGE ACCOUNTING. Financial mapping of two or more financial instruments that hedge one another.

I

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.

L

LOAN TO VALUE. Ratio that expresses the amount of a mortgage as a percentage of the market value of real property.

M

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 CHANNELLING. Using a combination of online and offline communication tools in marketing.

N

NET ASSET VALUE (NAV). Wert des Vermögens abzüglich der Verbindlichkeiten. Bezogen auf eine Aktie stellt der NAV deren inneren Wert dar. Zieht man vom NAV die latenten Steuern ab, erhält man den Net Net Asset Value (NNAV).

P

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.

R

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.

S

SAVINGS RATIO. Share of savings of the income available in households.

SUBPRIME. Mortgage loan to borrower with a low degree of creditworthiness.

T

TECDAX. The successor to the NEMAX 50, comprising the 30 largest German listed technology securities in terms of market capitalisation and market turnover.

V

VOLATILITY. Statistical measure for price fluctuations. The greater the fluctuations in the price of a security, the higher its volatility.

X

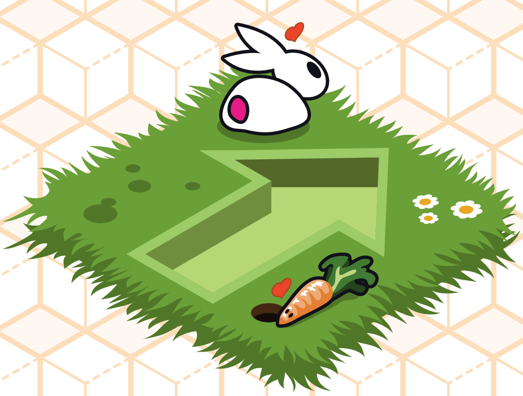
XETRA. An electronic stock exchange trading system that, in contrast to floor trading, uses and open order book, thus increasing market transparency. The trading hours are currently 9,00 a.m. to 5,30 p.m.

Financial Calendar 2014

09.–10.01.	Oddo Midcap Forum, Lyon
15.01.	J.P. Morgan European Real Estate CEO Conference, London
22.01.	Kepler Cheuvreux European Corporate Conference, Frankfurt
20.03.	**PRELIMINARY RESULTS FY 2013**
24.03.	Roadshow Paris, Kepler Cheuvreux
24.03.	Roadshow Zurich, Berenberg Bank
25.03.	Roadshow Brussels, DZ Bank
26.03.	Roadshow Munich, Baader Bank
27.03.	Bank of America Merrill Lynch Real Estate Conference, London
03.04.	HSBC Real Estate Conference, Frankfurt
09.04.	Roadshow Hamburg, Montega
15.04.	Audit Commitee meeting, Hamburg
23.04.	Supervisory Board meeting, Hamburg
25.04.	**PUBLICATION OF THE ANNUAL REPORT 2013**
14.05.	**INTERIM REPORT Q1 2014**
15.05.	Donner & Reuschel Hamburger Investmentkonferenz, Hamburg
20.05.	Roadshow London, M.M. Warburg
05.06.	Kempen & Co. European Property Seminar, Amsterdam
11.–13.06.	db Access Conference, Berlin
18.06.	**ANNUAL GENERAL MEETING, HAMBURG**
18.06.	Supervisory Board meeting, Hamburg
12.08.	**INTERIM REPORT H1 2014**
11.09.	ESN European Conference, Frankfurt
17.09.	Roadshow Luxemburg, Bankhaus Lampe
22.09.	Berenberg Bank and Goldman Sachs German Corporate Conference, Munich
23.09.	Baader Bank Investment Conference, Munich
24.09.	Supervisory Board meeting, Hamburg
30.09.	Roadshow London, Berenberg Bank
01.10.	Societe Generale Real Estate Conference, London
06.10.	ExpoREAL, Munich
13.11.	**NINE-MONTH REPORT 2014**
17.11.	Roadshow Paris, Deutsche Bank
18.11.	Roadshow Amsterdam, Kempen & Co.
19.11.	Roadshow Zurich, Baader Bank
26.11.	Supervisory Board meeting, Hamburg
27.11.	Roadshow Dusseldorf / Cologne, DZ Bank
01.12.–02.12.	Berenberg European Conference, Pennyhill

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

www.deutsche-euroshop.com/ir



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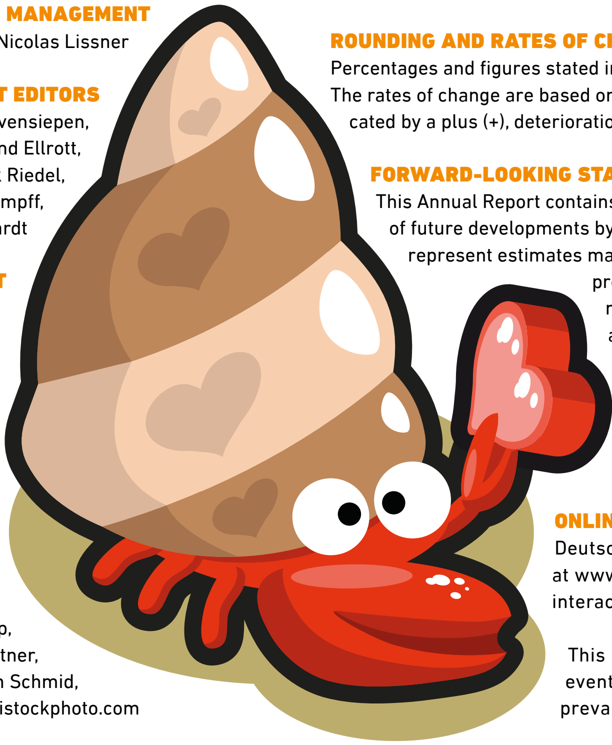

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Bylined texts do not necessarily represent the views of Deutsche EuroShop AG. The respective authors are responsible for the content of their own texts.

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All trademarks and product names referred to in this Annual Report are the property of their respective owners. This applies in particular to DAX, MDAX, SDAX, TecDAX and Xetra, which are registered trademarks and the property of Deutsche Börse AG.

ROUNDING AND RATES OF CHANGE
Percentages and figures stated in this report may be subject to rounding differences. The rates of change are based on economic considerations: improvements are indicated by a plus (+), deterioration 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 made on the basis of all available information at the present time. If the assumptions on which the statements and forecasts are based do not materialise, actual results may differ from those currently expected.

PUBLICATIONS FOR OUR SHAREHOLDERS
- Annual Report (German and English)
- Interim Reports Q1, H1 and 9M (German and English)

ONLINE ANNUAL REPORT
Deutsche EuroShop's Annual Report is available online at www.deutsche-euroshop.com in PDF format and as an interactive online version.

This annual report is also available in German. In the event of conflicts the German-language version shall prevail.

Multi-year overview

€ MILLIONS	2004	2005	2006	2007	2008	2009	2010	2011	2012 [1]	2013 [1]
Revenue	61.4	72.1	92.9	95.8	115.3	127.6	144.2	190.0	178.2	**188.0**
EBIT	49.8	57.5	86.3	78.5	98.1	110.7	124.0	165.7	151.6	**165.8**
Net finance costs	-19.2	-39.3	-41.0	-39.6	-49.4	-55.9	-60.2	-79.1	-62.1	**-34.1**
Measurement gains / losses	8.0	40.0	68.8	39.0	38.3	-14.8	33.1	50.1	13.9	**56.0**
EBT	38.6	68.1	117.7	77.8	87.0	40.1	97.0	136.7	103.4	**187.6**
Consolidated profit	27.7	48.7	100.3	94.2	68.9	34.4	-7.8	99.0	122.5	**171.0**
FFO per share (€)	0.86	0.97	1.08	1.12	1.38	1.40	1.35	1.61	1.68	**2.08**
Earnings per share (€) [2]	0.89	1.55	2.92	2.74	1.96	0.88	-0.17	1.92	2.36	**3.17**
Equity [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**
Liabilities	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**
Total assets	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**
Equity ratio (%) [3]	49.9	51.0	50.0	49.3	48.7	49.5	48.6	45.7	48.0	**48.4**
Gearing (%) [3]	100	96	100	103	105	102	106	119	108	**107**
Cash and cash equivalents	150.3	197.2	94.2	109.0	41.7	81.9	65.8	64.4	161.0	**40.8**
Net asset value [4]	686.8	794.5	877.4	925.1	942.8	1,006.9	1,361.1	1,427.3	1,538.9	**1,650.4**
Net asset value per share (€, EPRA) [4]	21.98	23.11	25.53	26.91	27.43	26.63	26.36	27.64	28.53	**30.59**
Dividend per share (€)	0.96	1.00	1.05	1.05	1.05	1.05	1.10	1.10	1.20	**1.25** [5]

[1] equity accounting
[2] undiluted
[3] incl. non controlling interest
[4] since 2010: EPRA
[5] proposal

2013 IN € MILLIONS	Q1 / 2013	Q2 / 2013	Q3 / 2013	Q4 / 2013
Revenue	42.4	46.4	49.3	49.9
EBIT	37.3	39.9	43.3	45.3
Net finance costs	-10.1	-12.5	2.5	-14.0
Measurement gains / losses	-1.4	-1.1	-4.3	62.8
EBT	25.8	26.4	41.5	93.9
Consolidated profit	20.1	21.7	35.4	93.8
EPS in € [2]	0.37	0.40	0.66	1.74

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