Dear Readers,

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

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

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

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

Best regards

Claus-Matthias Böge, CEO

The rolls conspiracy

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

Complete article on page 12 >

The shopping center of the future: Technology gives the edge

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

Complete article on page 27 >

Editorial

How will we shop tomorrow?

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

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

Complete article on page 8 >

Beacons: A guiding light for customers

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

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

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

Complete article on page 6 >

The Shopping Center Share

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

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

Complete article on page 44 >

Further information

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

www.shoppingcenter.ag

www.facebook.com/euroshop

www.twitter.com/DES_AG

www.feelestate.de
4 COUNTRIES
19 LOCATIONS
### Deutsche EuroShop Overview

**Market value of the portfolio**
- **€ 3.7 billion**

**Retail shops**
- approx. **2,350**

**Lettable space**
- approx. **930,300 m²**

**Occupancy rate**
- 99%

**Weighted maturity of rental contracts**
- 6.4 years

### Highlights 2014

- **June**
  - Annual General Meeting
  - Distribution of a dividend of €1.25 per share

- **July**
  - Appointment of Wilhelm Wellner as member of the Executive Board with effect from 1 February 2015

- **September**
  - 50th anniversary of Main-Taunus-Zentrum
  - and 10th anniversary of Phoenix-Center

- **October**
  - Start of the construction works for the extension of Phoenix-Center

### Key data

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th>2013</th>
<th>Difference</th>
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<tr>
<td>Revenue</td>
<td>200.8</td>
<td>188.0</td>
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<tr>
<td>EBIT</td>
<td>177.5</td>
<td>165.8</td>
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<td>Measurement gains / losses</td>
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<td>EBT</td>
<td>214.7</td>
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<td>Consolidated profit</td>
<td>177.4</td>
<td>171.0</td>
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<tr>
<td>FFO per share in €</td>
<td>2.23</td>
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<tr>
<td>Earnings per share in €</td>
<td>3.29</td>
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<td>Equity</td>
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<tr>
<td>Liabilities</td>
<td>1,741.0</td>
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<tr>
<td>Total assets</td>
<td>3,492.2</td>
<td>3,394.9</td>
<td>3%</td>
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<td>Equity ratio in %</td>
<td>50.1</td>
<td>48.4</td>
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<tr>
<td>LTV ratio in %</td>
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<tr>
<td>Gearing in %</td>
<td>99</td>
<td>107</td>
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<td>Cash and cash equivalents</td>
<td>58.3</td>
<td>40.8</td>
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<td>Net asset value (EPRA)</td>
<td>1,789.4</td>
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<tr>
<td>Net asset value per share in € (EPRA)</td>
<td>31.17</td>
<td>30.59</td>
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<tr>
<td>Dividend per share in €</td>
<td>1.30</td>
<td>1.25</td>
<td>4%</td>
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</tbody>
</table>

1 undiluted  2 incl. non-controlling interests  3 proposal

### Our values

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

### Our goals

Deutsche EuroShop does not seek short-term success, but rather the stable increase in the value of our portfolio. Our objective is to generate a sustainably high surplus liquidity from the long-term 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.
Time to buy

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

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

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

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

Claus-Matthias Böge: When I joined the Executive Board of Deutsche EuroShop, a lot of things were new – and not just to me. Back in 2001, real estate companies in Germany were somewhat of an anomaly. I was interested in combining the multiple facets of the capital market with the shopping center business, where I had made my career up to that point. The fact that, under my leadership, the rather small and totally unknown DES evolved into a company, I would also have appreciated it if IFRS regulations had been less complex. Sometimes I had the feeling that I had been pushed to the limits of my understanding – in terms of both form and content. And I was fascinated by many formalisms. My overriding objective has always been to provide shareholders with adequate and pertinent information to enable them to understand how much cash was really generated and will be generated in future. Thankfully, we managed to create this transparency in spite of IFRS.

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

Claus-Matthias Böge: With regard to our existing business model, actually very little. It would have been nice if RET legislation had already existed in Germany when DES was founded. Then we wouldn’t have had to deal with some of the tax issues we were faced with. I would also have appreciated it if EBIT figures were presented as a statement of operations. The fact that, under my leadership, the rather small and totally unknown DES evolved into a company.

Let’s turn our attention now to financial year 2014 and the growth we mentioned at the outset. How do you think the opportunities and challenges will lie in your new role?

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

- Budgeted revenue – that is, rental income – was cut by almost €200 million to €201 million. At year-end, we had posted revenue of €200.8 million, up almost 7% on the prior year.
- Earnings before interest and taxes (EBIT) were forecast at between €174.4 million and €177 million. Ultimately, they slightly exceeded this forecast range with €177.5 million. This is also a year-over-year increase of 7%.

When it comes to earnings before tax (EBT) excluding valuation gains/losses (incl. at-equity investments), we had planned for between €120 million and €123 million. We succeeded in topping this slightly with €125 million. The same applies to funds from operations, which came in at €23.23 per share, versus the budgeted range of €2.14 to €2.18.

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

Interview with the Executive Board

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

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

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

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

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

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

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Is it time to buy?

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

In addition, this year we have already examined various options at home and abroad, but so far we have not found any centers that Deutsche EuroShop is actually prepared to add to its portfolio for the prices being asked. Our shareholders can assume that we will stick to and refine our current strategy of targeting high-quality shopping centers and seizing attractive opportunities as and when they arise.

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

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

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

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

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

Wilhelm Wellner: We will no doubt continue to focus our portfolio weighting on Germany, whose share currently accounts for around 90%. Nothing is set in stone, however. I, personally, would, however, not be averse to taking a closer look at investments in other European countries alongside our existing markets of Poland and Austria. These countries should be stable politically as well as economically and contribute to the centers’ long-term, stable development.

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

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

Building on this, we forecast earnings before interest and taxes to be between €177 million and €180 million, and earnings before tax excluding valuation gains/losses to be between €126 million and €129 million. This equates to an increase of 2%. For FFO, we expect between €2.14 and €2.28 per share. As a result, the increased dividend to €1.35 per share that has been earmarked for the 2015 financial year will not pose any problems.

Thank you for talking to us. And, Mr Böge, all the best for the future.
To date, smartphones have only been used in a retail context for e-commerce. But now, beacon technology allows bricks-and-mortar shops to communicate digitally with their customers – before they walk through the doors.

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

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

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

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

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

Beacons in retail stores
A guiding light for customers

From analysis to navigation
Although this scenario is still a vision of the future, the technology already exists. So-called “beacons” are digitalising bricks-and-mortar shops and are aiming to remove some of the disadvantages compared with online shopping. They allow retailers to communicate with customers before they have even entered the shop – or more precisely, encourage them to walk in. Beacons send signals to smartphones and tablets via Bluetooth, which has a number of possible uses, including:
• In-store navigation: helping customers in a shopping center or chain store get to where they want to go.
• In-store marketing: individualised offers. Advertising more products than there is room for on the shelves.

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

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

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

Will it work? The proof of the pudding will be in the eating. There is no single, "correct" way to use beacons. The technology leaves scope for marketing professionals to express their creativity. But there is a snag: the name. "We advise our clients to avoid the word 'beacon'. It just confuses most consumers," says Jensen. With words such as "WLAN", "app" and "Bluetooth", there are already enough tags to choose from. "I don’t like the name 'beacon'. It sounds too retro, too 90s," says Asandoo. With the transition to version 4.0, which is supported by nearly all common smartphone and tablet models, the "beacon" name might just be one of those: the "Click & Collect" feature currently being tested by ECE could be its German launch in October 2014, more than $30,000,000 (as at 13 January 2015) have downloaded the app, much to the joy of the partner branch. Shopkick rewards its users for visiting a partner store, referred to as a walk-in, by awarding bonus points (kicks).

Click & Collect

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

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

How do beacons work?

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

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

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

Mall navigation system

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

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

By the end of 2014, some 30 ECE shopping centers had already been provided with this individually selectable app, including a few centres from the portfolio of Deutsche EuroShop such as the Allee-Center Magdeburg, the Altmarkt-Galerie Dresden, the City Parkade Wupperthal, the Main-Taunus-Zentrum and the Rhein-Neckar-Zentrum. The app is available for iPhones and Android smartphones and can be downloaded from app stores at no charge under the name “Love to shop”. This app provides mall visitors with offers from retailers that are customised to reflect their own personal needs plus information about sales, events, news and services offered in the mall. With this app, customers only receive offers for product ranges that are of particular interest to them. A geo-fencing feature ensures that the information only actively appears on customers’ smartphones when they are in the vicinity of the mall.

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

Mall navigation system

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

Shopping not without my app

By Dirk Kunde
The Internet is ubiquitous and just how significantly it changes our everyday lives is something we experience first-hand on a daily basis: a quick look at our smartphones tells us whether or not our train is running on schedule, while scanning the QR code on a bottle of red wine helps us find out more about a vintner and lets us access coupons which we can then redeem at the checkout.

We have been straddling these two worlds – both online and offline – for some time now. Our day-to-day communications and shopping activities are being shifted online and the Internet is becoming an integral part of our everyday lives.

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

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

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

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

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

Sensual shoppers, on the other hand, love their brand and theatrical stagings on the sales floor. In this “Kiss me, touch me, seduce me” scenario, competitive prices leave these customers cold. They warm up to interactive shopping experiences, however, in bricks-and-mortar stores in particular but also online. Their shopping experience revolves around sensual stimuli – feeling, smelling and trying products out. Brand victims love their environments of tomorrow’s consumers to life and has deduced what consequences these will have on retail communications between now and 2025.

Types of shoppers in 2025

- Cyber browsers
- Pleasure shoppers
- Brand victims
- Bargain hunters

... consumer behaviour and living environments are becoming increasingly important.
or in the sense of “customers who purchased this also purchased...”

What’s more, these screens can be configured to run the latest making-of videos as soon as a customer approaches with a tagged product.

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

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

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

No magic bullet, but many go

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

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

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

The reason for the gradual shift is that after the Second World War, the annual birth rate rose sharply during that period when the birth rate was high – the baby boomers – until the mid-1960s. Those born at that time are now over 50 years old and the number of births per year fell again from the 1970s onwards.

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

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

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

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

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

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

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

Another trend emerging in the wake of demographic change is the rising number of single-person households in Germany. They already make up over a third of all households, according to a report by the Federal Statistical Office released in the summer. The changes in the make-up of the population will feed through into products. Pack sizes will become smaller. Price and information labels will get bigger. And there will be greater emphasis on health aspects.

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

“In future, customers will no longer make a distinction between online and traditional shopping.”

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

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

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

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

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

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

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

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

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

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

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

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

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

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

“The composition of the market basket of consumer goods is not reflecting the inflation that consumers are seeing. Bakery products are a case in point, with some of them having been subject to double-digit price increases for years,” comments Manfred Rath, portfolio manager at KSW Asset Management in Nuremberg. Consumers are noticing this fact and are running into it almost daily. “The figures from the Federal Statistical Office are pulling the wool over consumers’ eyes professionally speaking.”

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

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

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

This leads to a number of problems. One could be described as a rolls-of-the-mill, where the statistician only collect the price of the most popular product in each category. The large number of other goods in the same category are simply overlooked. At the bakery, the product sold most is the standard roll, which goes by different names in different parts of the country. The price change for other kinds of rolls isn’t reflected in the calculation at all. However, bakers avoid raising prices of the financial system that should sound an alarm. However, the Federal Statistical Office’s inflation index takes no account of either DAX stock market records or a boom in the real estate market.

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

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

As a result, any price increase between an old and a new washing machine is reduced before including it in the inflation calculation. In the following year, prices are then compared between the new generation of models. There’s another phenomenon that makes calculating inflation even more complicated. Psychologists have shown in studies that consumers are more aware of price increases than price decreases. As a result, “perceived inflation” is mostly higher than the figures that statisticians produce.

Conversely, economists from the Austrian School, who follow the economic theories of Friedrich August von Hayek and Ludwig von Mises, regard any increase in the money supply as inflation, arguing that more money means that its value in terms of products and services will inevitably decrease sooner or later. In this sense, any increase in the prices of real assets is also inflation. The Austrian School sees a surge in equity prices as indicating a distorting in the market.

The inflation “perceived” by citizens is usually higher than the inflation measured by statisticians.

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

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

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

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

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

Apples should not be compared with oranges, however, and these statistics need to be assessed in detail to prevent benchmarks from being applied out of context. GfK’s sales figures, for instance, and their trends (both online and over-the-counter) deviate from those published by Destatis and are based on numerous other sources, one main source being the analyses of GfK’s consumer panels. This permits a differentiation between the two sales channels (online and over-the-counter) while also enabling a differentiated assessment of individual stores.

by Wilfried Reinhardt, GfK GeoMarketing

Satisfied customers, satisfied tenants

All sales generated by the Douglas perfumery, which is comprised of revenue contributions from around 410 bricks-and-mortar stores as well as the online shop at www.douglas.de, are allocated to over-the-counter retail.

Yet as a tenant in the shopping centers of Deutsche EuroShop, Douglas only reports those sales generated within the shops. That precludes any comparison with the figures from Destatis: The revenue Douglas generates online when customers are led to an internet terminal where they can place orders for out-of-stock scents, which are then sent out by post, appear in Destatis’s statistics but not in the sales report sent to Deutsche EuroShop. Customers and tenants are both satisfied; that’s multi-channeling at its best.
We asked: Which shopping desires did you fulfil in 2014? And we found out that appetites could hardly have been more different.

Wilhelm Wellner, Member of the Executive Board, Deutsche EuroShop

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

Nicolas Lissner, Manager Investor & Public Relations, Deutsche EuroShop

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

Olaf Borkers, Member of the Executive Board, Deutsche EuroShop

“I bought Fat Boy table lamps. The lamps are battery operated so they don’t have to be plugged in and they are water-proof which means we can take outdoor living to a whole new level this summer!”

Patrick Kiss, Head of Investor & Public Relations, Deutsche EuroShop

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

Nicole Schäfer, Member of the Executive Board, Deutsche EuroShop

“I went on a trip to Laos in 2014 where I bought a beautiful Buddha made of rosewood, which was exquisitely hand-carved. A wonderful reminder of a sensational trip.”
Bestsellers non-fiction

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

Bestsellers fiction

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

Bestsellers music albums

(19 December 2014 – 15 January 2015)

01. Gipfelstürmer Unheilig
02. Rock or Bust AD/DC
03. Nichts ist für die Ewigkeit Böhse Onkelz
04. Dauern Jetzt Herbert Grönemeyer
05. Farbenspiel Live – Die Tournee Helene Fischer
06. The Endless River Pink Floyd
07. Sing my Song – The Christmas Concert Various Artists
08. Fairytales – Best Of 2006 – 2014 Sunrise Avenue
09. x Ed Sheeran
10. Schwarz blüht der Enzian Heino
Consumer spending in 2015 – is Europe on a growth trajectory?

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

Germany was considered the economic dynamo of Europe. The British enjoyed an economic upswing, the likes of which had not been seen for quite some time, and even consumers in Eastern Europe anticipated strong growth rates during the year.

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

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

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

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

If current conditions remain stable, the economy of Europe as a whole will experience substantial, renewed growth, which will also further boost the living conditions of consumers in many countries. Last year the labour market experienced its first turnaround since the start of the financial and economic crisis, with an increase in the number of people finding jobs. This trend will continue during the current year. In light of that, GfK expects private consumption to significantly underpin the economy, both in Germany as well as in Europe as a whole. It forecasts a real-term increase in private consumer spending in Europe of between 1.0% and 1.5%. Private consumer spending in Germany will rise in real terms by 1.5%, according to GfK calculations.

Retail to benefit little from good consumer sentiment

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

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

The trend is pointing up again. At 9.3 points, German GfK consumer sentiment reached its highest level in 13 years.

0.5%
Anticipated growth for food and drink retailers. Reasons: demographic changes and consumers adopting a more deliberate shopping style.

1.3%
2015 is expected to be a better year for the non-food retail sector. 2014 saw periods of unfavourable weather that impacted on the textile sector in particular.

2009
2010
2011
2012
2013
2014
2015
The GfK Consumer Confidence Index for Germany reached its highest level in Germany in 13 years.

9.3 points
The GfK Consumer Confidence Index reached 9.3 points in February, its highest level in Germany in 13 years.

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

by Rolf Bürkl
Successful gender marketing concepts from highly successful companies

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

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

Bestsellers Blu-ray discs (15 December 2014)
01. How to Train Your Dragon 2
02. Frozen
03. The Hobbit: The Desolation of Smaug Extendie Edition
04. Maleficent
05. Avatar
06. The Hobbit: The Desolation of Smaug
07. Iron Man 3
08. How to Train Your Dragon 1 & 2
10. Gravity

Bestsellers music albums (12 December 2014)
01. Rock or Bust AD/DC
02. Farbenspiel Live – Die Tournee Helene Fischer
03. Dauernd jetzt Herbert Grönemeyer
04. Sing meinen Song – Das Weihnachtskonzert Diverse Interpreten
05. The Endless River Pink Floyd
06. Crackstreet Boys 3 Trailerpark
07. Fairytales – Best Of 2006 – 2014 Sunrise Avenue
10. The One Sasha
11. Violetta – Musik meines Lebens Filmusik
10. Alles auf Anfang 2014 – 2004 Silbermond

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

Bestsellers audio books (December 2014)
01. Der Junge muss an die frische Luft (“The Boy Needs Some Fresh Air”) Hape Kerkeling
02. Die Känguruh-Chroniken (“The Kangaroo Chronicles”) Wane & uncut Marc-Uwe Kling
03. Passenger 23 Sebastian Fitzek
04. Das Känguru-Manifest (“The Kangaroo Manifesto”) Marc-Uwe Kling
05. Die Känguruh Offenbarung (“The Kangaroo Epiphany”) (Live & uncut) Marc-Uwe Kling
06. Darm mit Charme (“Charming Bowels”) Giulia Enders
07. Wunderheiler (“Miracle Healer”) Eckart von Hirschhausen
08. Edge of Eternity Ken Follet
09. Er ist wieder da (“He’s Back Again”) Christoph Maria Herbst/ Timur Vermes
10. One Plus One Jojo Moyes

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

<table>
<thead>
<tr>
<th>Domestic</th>
<th>International</th>
<th>Total</th>
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<td>No. of centers</td>
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<td>Leasable space in m²</td>
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<td>No. of shops</td>
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<tr>
<td>Inhabitants in catchment area in millions</td>
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<td>2.5</td>
</tr>
</tbody>
</table>

1 including office space

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

The same secret for all 19 success stories: location, location, location
Real estate and location: a combination that always go hand-in-hand. And when you add retail into the equation, location is more than an attribute, it is simply the basis for success.

Our tenants naturally want to be in the same place as their customers. They can be sure that each of our 19 shopping centers is a prime location for them.

Most of our properties are situated in city centers: places where people have been coming together for hundreds of years to meet and sell their wares. In many cases our centers are immediately adjacent to local pedestrian zones. Our portfolio also includes shopping centers in established out-of-town locations. These properties with their excellent transport links have offered customers a welcome change for many years and, in some cases, even replace city shopping sprees altogether. These centers often have an importance that extends well beyond the region.

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

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

Successful together

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

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

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

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

When we design our locations, architecture always has a special impact: specific plot requirements are just as important as the functional specifications of our tenants. We also have a responsibility to the city and its residents that we are keen to fulfil. This includes integrating into the urban landscape, combined with an exterior that is as attractive as the interior.

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

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

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

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

Environmentally sound: always part of the equation

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

Flexibility as a key factor in our success

Retail is driven by constant change. One particular challenge we face as the lessee is to be able to meet the frequently changing requirements and needs of our tenants. Some tenants significantly expand their retail spaces so they can convert the shop from purely a retail area into a true experience arena. The idea is to give customers more opportunities to take the time to try out and experience the product on site. This also includes more intensive consultations. The role all these factors play is growing steadily, particularly in the age of increasing online shopping.

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

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

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

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

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

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

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

More than six years of security

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

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

Our partner for center management

Management of our 19 shopping centers is outsourced to our partner ECE Projektmanagement. ECE has been designing, planning, building, renting and managing shopping centers since 1965. With 196 facilities in 16 countries currently under its management, the company is Europe’s leader in the area of shopping malls.

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

www.ece.com

LONG-TERM RENTAL CONTRACTS
Long-term rental agreements, share in %

<table>
<thead>
<tr>
<th>Year</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>23</td>
</tr>
<tr>
<td>2016</td>
<td>9.0</td>
</tr>
<tr>
<td>2017</td>
<td>10.4</td>
</tr>
<tr>
<td>2018</td>
<td>8.5</td>
</tr>
<tr>
<td>2019</td>
<td>6.3</td>
</tr>
</tbody>
</table>

as at: 31 December 2014
Our top 10 tenants

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

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

Optimised rent calculation

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

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

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

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

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

THE TEN LARGEST TENANTS

<table>
<thead>
<tr>
<th>Rank</th>
<th>Tenant</th>
<th>Share of rental income (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Metro Group</td>
<td>5.6</td>
</tr>
<tr>
<td>2</td>
<td>Douglas Group</td>
<td>3.8</td>
</tr>
<tr>
<td>3</td>
<td>H&amp;M</td>
<td>3.2</td>
</tr>
<tr>
<td>4</td>
<td>Deichmann</td>
<td>1.9</td>
</tr>
<tr>
<td>5</td>
<td>REWE</td>
<td>1.7</td>
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<td>6</td>
<td>Inditex</td>
<td>1.6</td>
</tr>
<tr>
<td>7</td>
<td>C&amp;A</td>
<td>1.5</td>
</tr>
<tr>
<td>8</td>
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<tr>
<td>9</td>
<td>Deichmann</td>
<td>1.3</td>
</tr>
<tr>
<td>10</td>
<td>Peek &amp; Cloppenburg</td>
<td>1.2</td>
</tr>
<tr>
<td></td>
<td>New Yorker</td>
<td>1.1</td>
</tr>
</tbody>
</table>

as at: 31 December 2014
New LED technology for greater sustainability

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

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

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

Diversified and stylish

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

Strong fashion expertise

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

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

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

As at: 31 December 2014
Offline shopping is and will remain strong

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

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

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

A strong community

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

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

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

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

For twelve years now, Kabel Deutschland has stood for “out of the box” television and fast Internet and telephony via the cable network. The goal is a sensible mix of local retail areas and premium sites. As a result, those responsible turned to ECE and Deutsche EuroShop last year and opened a shop in the Billstedt-Center in Hamburg. Kabel Deutschland has an outside spot at the entrance and, for the very first time, is offering product-related accessories in addition to the original services. This has further enhanced the appeal of the products and services and increased sales. There are currently 135 Kabel Deutschland shops. Bricks-and-mortar retail has since become the most successful sales channel for the provider’s modern product range. However, the yellow brand will disappear by the end of the year and be replaced by the parent company Vodafone. With the stronger brand name and a consolidated retail landscape, the Munich company is convinced that it will be able to continue its success of the last few years, including that achieved in the centers of Deutsche EuroShop.

Link

www.kabeldeutschland.de

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

For twelve years now, Kabel Deutschland has stood for “out of the box” television and fast Internet and telephony via the cable network. This listed company regularly has one of the highest rates of growth among telecommunications providers. A success story not only for the company but also for bricks-and-mortar retail. You would think that customers looking for Internet connections would simply order what they want online. After all, you only have to select the required speed of the data connection. However, it is clear that customers require considerably more.

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

As is the case for almost all retailers, the location of the shops is particularly important for the Munich-based telecommunications provider. The technical availability of the products in the shops’ catchment areas plays a role – and, of course, a highly frequented location. The sales concept also includes directly targeting specific customers, both inside and outside of the shops. As a result, the key factor is not always the surroundings but the number of passers-by. Kabel Deutschland goes to places where there’s a lot happening, regardless of whether the neighbour is a supermarket, a textile giant or a competitor from the telecommunications industry.
The Tom Tailor Group has focused on its new brand promise: “Life is a game, play it, be confident, dress in style”. Its collections are aimed at customers aged between 0 and 40. Bonita has been a part of the Tom Tailor Group since August 2012 and sells womenswear and menswear collections for the over-40 age group. The basis for its collections are high-quality items of clothing that can be mixed and matched to create new outfits. Colourful and stylish accessories round off the collections.

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

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

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

The diverse brand world of the Tom Tailor Group

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

The company revamped the brand identity of its Tom Tailor core brand in 2014 and lent it a more international profile. Since then, Tom Tailor has focused on its new brand promise: “Life is a game, play it, be confident, dress in style”. Its collections are aimed at customers aged between 0 and 40. Bonita has been a part of the Tom Tailor Group since August 2012 and sells womenswear and menswear collections for the over-40 age group. The basis for its collections are high-quality items of clothing that can be mixed and matched to create new outfits. Colourful and stylish accessories round off the collections.

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

Links
www.tom-tailor.de
www.bonita.de
Golden twenties in Dessau
Rathauscenter Dessau as the main sponsor of the 22nd Kurt Weill Festival

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

Crazy about shopping in Wolfsburg
ShoppingStar outfit contest at City-Galerie Wolfsburg

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

Wind and weather in Klagenfurt
Sun, storms, snow, etc. befall City Arkaden

Sun, ice, storms and more befell the City Arkaden in Klagenfurt in early February 2014. At the special “Our weather – and how it works” hands-on exhibit, visitors had the opportunity to gain an insight into weather phenomena and climate change at ten different stations. The exhibit focused not only on conveying information but also allowing visitors to experience the various phenomena first-hand as they stood face-to-face with a self-generated tornado or watched lightning strike, for instance. Visitors even had the opportunity to present a weather forecast in a simulated weather studio while simultaneously learning how to read a weather map. School groups, in particular, were thrilled to take advantage of the free, individual tours.
The shopping center landscape is undergoing a phase of fundamental change. This is true not only in Germany, but in Europe and the rest of the world. The C&W study was designed to identify the reasons for this change and to show where the journey could lead in future. One key insight was that market participants named e-commerce as the most important driver behind this transformation. Yet it is just one of many factors. All players agreed that the change is being driven by a combination of e-commerce, macroeconomic flows, demographic changes, sustainability and increasing globalisation.

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

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

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

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

Winners and losers
Given the many factors currently having an impact on shopping centers, it is hard for investors to identify the winners and losers of the future. The size of a center will not be a decisive factor in future. Large centers designed for the entire family and offering entertainment facilities will have their place, as will smaller city-center galleries that address a particular consumer segment. It is, however, essential for a center to have a strong identity and a proper justification for its existence. We also know now that a forward-looking center must be innovative, and the center manager must bring to the table a very good grasp of consumer needs, retail, technology and real estate. In Germany, we are currently seeing some very good ideas in this area. Our study shows that German investors have seized the challenge posed by e-commerce and are already responding on a wide scale. They are therefore positioned ahead and some UK shopping centers already provide interactive screens, dedicated websites and apps, as well as free Wi-Fi. However, others are already looking further ahead and some UK shopping centers broke new ground in 2014 by introducing so-called “beacons”: small transmitters that use Bluetooth Low Energy technology and are installed in shops or around the center. The transmitters can communicate with customers’ smartphones as soon as they enter the vicinity. If a customer has installed a smartphone app for the shop or center, the program can scan his or her purchase history and send suitable offers. And it is almost certain that beacons will soon be followed by “wearables”: portable computer systems that remain attached to the user’s body during use. Wearables can be sewn into clothing or worn as a bracelet (e.g. sports watch) or glasses. These wearables will make it possible to record the customer’s desired purchases and display corresponding product or service offers directly while shopping – embedded in social media.

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Modern market places – 50 ye

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

A good 50 years have passed, and there are now around 460 shopping centers (10,000 m² or more according to a standard definition from the EHI Retail Institute) that function as modern market places to meet a wide range of customer needs. In recent years, an increasing number of new shopping center projects have been developed in urban locations. This trend persists unabated, although the projects in the planning phase and the list of construction projects are becoming smaller due to the distinct shortage of potential development sites.

Integrated urban elements

The average size of a new shopping center is currently 38,000 m², with most falling in the range of 20,000–30,000 m². People want shopping centers to be closely and comprehensively integrated into the respective city or district and conveniently linked to the existing retail landscape of the city. The development of new shopping centers and thus new retail space is reaching a saturation point. Two main factors are responsible for this trend: First, retail spaces have grown faster than retail revenues in recent years and second, the ongoing boom in e-commerce has led to the biggest challenge in the short history of the industry.

Growth and shifts in revenue

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

Well-managed shopping centers with established roots in the region

The Main-Taunus-Zentrum, Sulzbach / Frankfurt

» Store opening hours in particular have faced growing competition from online shopping in recent years.
Shopping centers, however, only account for part of the stationary retail revenue and have to position themselves successfully, as do all retail stores in light of the growth of online shopping.

**Fair competition conditions? 24/7 vs. restrictions**

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

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

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

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

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

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

**Stationary retail can offer real emotions**

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

One way to increase the amount of time visitors spend in shopping centers is to add more restaurants – this often results in a double-digit percentage increase. This can also be successfully achieved in combination with entertainment and exciting activities, but the aspect of “convenience” should not be underestimated.

In today’s world, it is simply a must to provide an adequate number of parking spots, free of charge if possible (at least for a certain amount of time). Locations that are easily accessible by car have proven particularly successful.

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

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

**Online goes offline**

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

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

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von Ingmar Behrens, German Council of Shopping Centers e. V. (GCSC)
The Main-Taunus-Zentrum turns 50

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

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

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

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

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

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

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

Link

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

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

Tapping into basic consumer needs

The success of shopping centers is increasingly being driven by their ability to think beyond purely (and hopefully coherent) sales-related conditions (location, catchment area, purchasing power, population development, etc.) and tap into various basic consumer needs. The centers many’s refrigerators and wardrobes are already full. The centers of the future will need to do a careful balancing act, fine-tuning their emphasis on the shopping experience and shopping outcome to suit what motivates customers to visit the shopping centers.

The four customer motivations

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

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

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

Food and restaurants

From a less “sophisticated” and completely practical perspective, because food is currently not particularly suit-ed to online sales and is likely to rem ain that way, it offers shopping centers good potential to develop customer loyalty. Shopping centers that offer high quality and freshness will be able to increase fundamental frequen-cies. And, shopping centers with large enough catchment areas can accommodate the increasing importance of eating out, particularly if they also benefit from tertiary concentrations of employment in the surrounding area.

Centers with their own identity

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

Individuality and constant change

None of the aforementioned points are in any way novel. What will, how-ever, make the difference are the indi-vidual identities/combinations of the shopping centers. The developer and thereafter the center management have to choreograph all of these ele-ments in collaboration with the retail-ers and such (re)alignments obviously also need the approval of the owner.

The German shopping center in-dustry is therefore faced with chal-lenges and changes but it is by no means starting from scratch. It is more of an ongoing process. Already in the last few years, a higher level of profes-sionalism and a dedicated will to un-derstand and implement the afore-mentioned aspects has been evident. The shopping center of the future is no mirage: we will all experience it – in lots of different ways! 

A report from the GCSC ThinkTank

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

In its work the ThinkTank aims to develop hypotheses, analyse the themes of the future and identify ideas and opportun-unities for the industry. The observa-tions and findings of the ThinkTank are pre-sented to the members of the GCSC and professional circles and published in the form of specialist reports.
“We’d also like to use innovations from the digital world in our shopping centers”

Interview with Joanna Fisher, Managing Director Center Management, ECE

Ms. Fisher, you have been serving as Managing Director of Center Management at ECE since mid-2014 – is stationary retail still fun in an era when e-commerce is booming?

But of course. Shopping centers are pretty much predestined to pit themselves against the Internet. The virtual world will never be capable of replacing the real world. People still want to get together, they want to eat and drink, plus they want a haptic experience when selecting merchandise. As a shopping center operator, we can set the stage for these experiences and create a pleasant atmosphere.

How do you accomplish that?

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

So is fast food the solution to e-commerce?

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

But isn’t tenants’ need for space declining because many of them are now selling more online?

No, because even typical online retailers have acknowledged the importance of a stationary presence. A brand image can only be built up in the real world, aided by top-quality shop interiors and compelling merchandise displays. Shopping centers offer just the right ambiance for this.

How will this world of shopping evolve?

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

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

Center promotions in 2015

<table>
<thead>
<tr>
<th>Month</th>
<th>Center</th>
<th>Date</th>
<th>Promotion</th>
</tr>
</thead>
<tbody>
<tr>
<td>05</td>
<td>Phoenix-Center, Hamburg</td>
<td>08 – 17.05.2015</td>
<td>Red hot for the 2024 Olympic Games in Hamburg</td>
</tr>
<tr>
<td>02</td>
<td>Heralds-Center, Norderstedt</td>
<td>02 – 14.02.2015</td>
<td>The Beatles</td>
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<td>02</td>
<td>Stadt-Galerie, Passau</td>
<td>02 – 07.02.2015</td>
<td>The Giants of the Prehistoric Age</td>
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<tr>
<td>03</td>
<td>Stadt-Galerie, Hanau</td>
<td>05 – 14.03.2015</td>
<td>The Beatles</td>
</tr>
<tr>
<td>04</td>
<td>Allée-Center, Haren</td>
<td>23 – 25.04.2015</td>
<td>Mars: Vision and Mission</td>
</tr>
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<td>05/06</td>
<td>Altermarkt-Galerie, Dresden</td>
<td>23.04 – 16.05.2015</td>
<td>Traffic safety days</td>
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<td>Galeria Babylon, Gdansk, Poland</td>
<td>14 – 14.05.2015</td>
<td>Royal art mania</td>
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<td>05</td>
<td>Man-Tuana-Center, Solnhofen / Frankfurt</td>
<td>26 – 30.05.2015</td>
<td>Culinaria</td>
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<tr>
<td>06</td>
<td>Forum, Wieden</td>
<td>10 – 27.06.2015</td>
<td>Mercedes-Benz: power, passion, pole position</td>
</tr>
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<td>09/07</td>
<td>Árkád Pécs, Hungary</td>
<td>26.06 – 18.07.2015</td>
<td>Pirate world</td>
</tr>
<tr>
<td>07</td>
<td>City-Point, Kassel</td>
<td>09 – 18.07.2015</td>
<td>The Beatles</td>
</tr>
<tr>
<td>08</td>
<td>City-Arkaden, Klagenfurt, Austria</td>
<td>07 – 29.08.2015</td>
<td>The Giants of the Prehistoric Age</td>
</tr>
<tr>
<td>08</td>
<td>ALD-Center, Wilsau / Berlin</td>
<td>10 – 29.08.2015</td>
<td>The threat of your life</td>
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<tr>
<td>08</td>
<td>Allee-Center, Magdeburg</td>
<td>20 – 29.08.2015</td>
<td>Allée-Center-Art</td>
</tr>
<tr>
<td>09</td>
<td>City-Arkaden, Wuppertal</td>
<td>05 – 12.09.2015</td>
<td>German parliament / Deutscher Bundestag</td>
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<td>09</td>
<td>City-Galerie, Welfenburg</td>
<td>10 – 29.09.2015</td>
<td>Terra Fauna – The World of Reptiles</td>
</tr>
<tr>
<td>09/10</td>
<td>Bölkow-Center, Hamburg</td>
<td>17 – 27.09.2015</td>
<td>Autumn trends 20th Century anniversary</td>
</tr>
<tr>
<td>09/12</td>
<td>Rhein-Neckar-Zentrum, Viernheim / Mannheim</td>
<td>24.09 – 10.10.2015</td>
<td>Winter Village</td>
</tr>
</tbody>
</table>

Center anniversaries in 2014

The Phoenix-Center turns 10

The Harburg shopping magnet celebrated its first decade

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

The 10-year anniversary was celebrated in great style together with visitors and customers in September 2014. Of course there was a huge birthday cake as befitting the occasion and the proceeds from sales of the cake went to a good cause. The center’s management organised a dazzling entertainment programme and the tenants, too, had quite a bit to offer customers: a coupon booklet including all special offers was distributed to all households in the Süderelbe region. A children’s area was set up for the mall’s youngest guests where they had the chance to decorate muffins, colour, do crafts and play. Customers could enter a variety of contests for the chance to win fantastic prizes and the event was topped off with Sunday shopping.

Link

www.phoenix-center-harburg.de
Possible expansion at the Galeria Baltycka Gdansk

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

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

A Food court for the Phoenix-Center Hamburg

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

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

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

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

Link

www.galeriabaltycka.pl

www.phoenix-center-harburg.de
ECE celebrates its 50th anniversary

The art of securing a company’s future

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

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

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

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

The Otto family owns other real estate companies in the USA and Canada which focus on retail and residential properties. Additionally, the family itself holds investments in US shopping center specialist DDR Corp. (Developers Diversified Realty) and Sonae Sierra Basil SA. ECE is undeniably one of today’s major names on the European shopping center marker, which is dominated by just a few extremely large players. Due to the fact that the structures of these businesses differ greatly and are thus difficult to compare, no definitive answer can be provided to the question of which is largest.
Taking stock after 50 years: All in all, ECE is active in 16 countries and manages 196 shopping centers.

(with assets under management of €27 billion). With France’s shopping center specialist Klépierre planning to take over Dutch-based Corio, this means that the market will soon have yet another heavyweight.

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

Between 1970 and 1973, Werner Otto and his team launched the Absternal Einkaufszentrum in Hamburg, the Hessen-Center in Frankfurt, the Rhein-Center in Cologne, the Roland-Center in Bremen, the Leo-Center in Lechenich and the Allee-Center in Essen in quick succession. Suburban locations were preferred. In light of the 1974/75 oil crisis, ECE’s decision to stop its expansion in autumn 1973 in order to consolidate its operations while also securing and optimising the existing centers proved to be a smart one. As a result, the company entered the crisis and which allowed the company to advance and become Germany’s market leader.

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

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

- Shopping centers in the digital world – what now?
- Center types – winners and losers?
- What do innovative shopping centers of the future look like?
- Refurbishment – potential and limitations?
- Sustainability – already passé or state of the art?
- Anchor tenants of the future?
The Centers
4 countries – 19 locations

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

Germany

138.69 million visitors 2014
16 Center

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

Austria

5.70 million visitors 2014
1 Center

17 City Arkaden, Klagenfurt, Austria

Poland

9.80 million visitors 2014
1 Center

18 Galeria Bałtycka, Gdansk, Poland

Hungary

12.76 million visitors 2014
1 Center

19 Árkád, Pécs, Hungary

The centers in Germany
We introduce all 16 Deutsche EuroShop shopping centers in Germany and provide you with the key figures on each individual center.
All German centers from page 37>

The centers abroad
Deutsche EuroShop operates three shopping centers in neighbouring countries. We present all the centers to you, including their key figures.
All foreign centers from page 42>
The centers in Germany

In order of available leasable space

01 A10 Center, Wildau / Berlin

Address: Chausseestr. 1, 15745 Wildau
Web: www.a10center.de
Investment: 100%
Leasable space: 120,000 m²
Parking: 4,000
No. of shops: 200
Occupancy rate: 100%
Catchment area: 1.2 million residents
Purchased by DES: January 2010
Grand opening: 1996
Restructuring / Modernisation: 2010 – 2011
Anchor tenants: Bauhaus, C&A, H&M, Karstadt Sports, MediMax, Peek & Cloppenburg, real
Visitors 2014: 7.13 million

02 Main-Taunus-Zentrum, Sulzbach / Frankfurt

Address: Königsteiner Str., 65843 Sulzbach (Taunus)
Web: www.main-taunus-zentrum.de
Investment: 52%
Leasable space: 118,400 m²
Parking: 4,500
No. of shops: 170
Occupancy rate: 100%
Catchment area: 2.2 million residents
Purchased by DES: September 2000
Expansion: 2011
Anchor tenants: Apple, Breuninger, Galeria Kaufhof, H&M, Hollister, Karstadt, MediaMarkt, REWE
Visitors 2014: 15.70 million

03 Altmarkt-Galerie, Dresden

Address: Webergasse 1, 01067 Dresden
Web: www.altmarkt-galerie-dresden.de
Investment: 100%
Leasable space: 77,000 m²
Of which retail space: 51,300 m²
Parking: 300
No. of shops: 200
Occupancy rate: 99%
Catchment area: 1.0 million residents
Purchased by DES: September 2000
Grand opening: 2002
Expansion: 2013
Anchor tenants: Apple, Hollister, H&M, Saturn, Sportscheck, SportsDirect, Zara
Visitors 2014: 35.70 million

04 Rhein-Neckar-Zentrum, Vierheim / Mannheim

Address: Robert-Schumann-Str. 84, 68119 Vierheim
Web: www.rhein-neckar-zentrum-vierheim.de
Investment: 100%
Leasable space: 64,100 m²
Of which retail space: 60,000 m²
Parking: 3,800
No. of shops: 110
Occupancy rate: 100%
Catchment area: 1.2 million residents
Purchased by DES: September 2000
Grand opening: 1972
Restructuring / Expansion: 2002
Anchor tenants: Engelhorn Active Town, Humaic, Peek & Cloppenburg, H&M, TK Maxx, Zara
Visitors 2014: 7.66 million

Center floor plans on this page

Floor space of all centers in 2014 in Germany

809,300 m² overall
The Centers in Germany (continuation)

Number of visitors in 2014 in Germany

138.69 million overall

Average number of visitors in 2014 in Germany per center

8.67 million

Number of stores in 2014 in the German DES centers

1,910 overall
**Deutsche EuroShop**

**ANNUAL REPORT 2014**

**Center floor plans on this spread**

09 **Forum, Wetzlar**
- Address: Am Forum 1, 35576 Wetzlar
- Web: www.forum-wetzlar.de
- Investment: 65%
- Leasable space: 54,400 m²
- Of which retail space: 29,300 m²
- Parking: 1,790
- No. of shops: 130
- Occupancy rate: 99%
- Catchment area: 0.5 million residents
- Purchased by DES: October 2001
- Grand opening: 1971
- Anchor tenants: Kaufland, MediaMarkt, Saturn, SportScheck, REWE
- Visitors 2014: 7.02 million

10 **Allee-Center, Hamm**
- Address: Richard-Matthaei-Platz 1, 59065 Hamm
- Web: www.allee-center-hamm.de
- Investment: 100%
- Leasable space: 35,900 m²
- Of which retail space: 28,000 m²
- Parking: 1,300
- No. of shops: 90
- Occupancy rate: 100%
- Catchment area: 1.0 million residents
- Purchased by DES: October 2001
- Anchor tenants: C&A, H&M, Peek & Cloppenburg, REWE, Saturn
- Visitors 2014: 6.70 million

11 **City-Galerie, Wolfsburg**
- Address: Porchestr. 45, 38440 Wolfsburg
- Web: www.city-galerie-wolfsburg.de
- Investment: 100%
- Leasable space: 26,800 m²
- Of which retail space: 19,000 m²
- Parking: 800
- No. of shops: 100
- Occupancy rate: 100%
- Catchment area: 0.5 million residents
- Purchased by DES: September 2000
- Grand opening: 1991
- Renovation / Restructuring: 2001
- Anchor tenants: Hempel, New Yorker, REWE, Saturn
- Visitors 2014: 7.85 million

12 **Rathaus-Center, Dessau**
- Address: Kavalierstrasse 49, 06844 Dessau-Roßlau
- Web: www.rathauscenter-dessau.de
- Investment: 100%
- Leasable space: 30,400 m²
- Of which retail space: 20,400 m² (plus Karstadt)
- Parking: 850
- No. of shops: 90
- Occupancy rate: 99%
- Catchment area: 0.6 million residents
- Purchased by DES: November 2003
- Grand opening: 1995
- Visitors 2014: 5.73 million

**Continuation**

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**ANNUAL REPORT 2014**

**Deutsche EuroShop**

**Allee-Center, Magdeburg**
- Address: Ernst-Reuter-Allee 11, 39104 Magdeburg
- Web: www.allee-center-magdeburg.de
- Investment: 100%
- Leasable space: 42,800 m²
- Of which retail space: 30,000 m² (plus Karstadt)
- Parking: 1,500
- No. of shops: 110
- Occupancy rate: 100%
- Catchment area: 0.5 million residents
- Purchased by DES: January 2011
- Grand opening: 1998
- Expansion: 2006
- Anchor tenants: H&M, Saturn, SinnLeff ers, SportScheck, REWE
- Visitors 2014: 10.13 million

**Billstedt-Center, Hamburg**
- Address: Möllner Landstr. 3, 22111 Hamburg
- Web: www.billstedt-center.de
- Investment: 100%
- Leasable space: 42,800 m²
- Of which retail space: 30,000 m² (plus Karstadt)
- Parking: 1,500
- No. of shops: 110
- Occupancy rate: 100%
- Catchment area: 0.7 million residents
- Purchased by DES: August 2003
- Restructuring: 1996
- Visitors 2014: 10.13 million

**Phoenix-Center, Hamburg**
- Address: Hannoversche Str. 86, 22173 Hamburg
- Web: www.phoenix-center-harburg.de
- Investment: 100%
- Leasable space: 59,200 m²
- Of which retail space: 50,600 m²
- Parking: 1,600
- No. of shops: 110
- Occupancy rate: 99%
- Catchment area: 0.6 million residents
- Purchased by DES: August 2003
- Grand opening: 1995
- Visitors 2014: 9.55 million

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**07 Billstedt-Center, Hamburg**
- Address: Möllner Landstr. 3, 22111 Hamburg
- Web: www.billstedt-center.de
- Investment: 100%
- Leasable space: 42,800 m²
- Of which retail space: 30,000 m² (plus Karstadt)
- Parking: 1,500
- No. of shops: 110
- Occupancy rate: 100%
- Catchment area: 0.7 million residents
- Purchased by DES: August 2003
- Restructuring: 1996
- Visitors 2014: 10.13 million

---

**08 Phoenix-Center, Hamburg**
- Address: Hannoversche Str. 86, 22173 Hamburg
- Web: www.phoenix-center-harburg.de
- Investment: 100%
- Leasable space: 59,200 m²
- Of which retail space: 50,600 m²
- Parking: 1,600
- No. of shops: 110
- Occupancy rate: 99%
- Catchment area: 0.6 million residents
- Purchased by DES: August 2003
- Grand opening: 1995
- Visitors 2014: 9.55 million

---

**05 Herold-Center, Norderstedt**
- Address: Berliner Allee 34 – 44, 21550 Norderstedt
- Web: www.herold-center.de
- Investment: 100%
- Leasable space: 56,200 m²
- Of which retail space: 28,100 m² (plus Karstadt)
- Parking: 850
- No. of shops: 140
- Occupancy rate: 97%
- Catchment area: 1.0 million residents
- Purchased by DES: January 2013
- Grand opening: 1971
- Restructuring / Expansion: 1995 and 2003
- Anchor tenants: C&A, H&M, Peek & Cloppenburg, REWE
- Visitors 2014: 11.25 million

**06 Allee-Center, Magdeburg**
- Address: Ernst-Reuter-Allee 11, 39104 Magdeburg
- Web: www.allee-center-magdeburg.de
- Investment: 100%
- Leasable space: 42,800 m²
- Of which retail space: 30,000 m² (plus Karstadt)
- Parking: 1,500
- No. of shops: 110
- Occupancy rate: 100%
- Catchment area: 0.7 million residents
- Purchased by DES: January 2011
- Grand opening: 1998
- Restructuring: 1996
- Anchor tenants: C&A, H&M, MediaMarkt, TK Maxx, Toom
- Visitors 2014: 10.13 million

---

**06 Allee-Center, Magdeburg**
- Address: Ernst-Reuter-Allee 11, 39104 Magdeburg
- Web: www.allee-center-magdeburg.de
- Investment: 100%
- Leasable space: 42,800 m²
- Of which retail space: 30,000 m² (plus Karstadt)
- Parking: 1,500
- No. of shops: 110
- Occupancy rate: 100%
- Catchment area: 0.7 million residents
- Purchased by DES: January 2011
- Grand opening: 1998
- Restructuring: 1996
- Anchor tenants: C&A, H&M, MediaMarkt, TK Maxx, Toom
- Visitors 2014: 10.13 million
Wie ein goldenes Zeitalter.
Nur in diesem Augenblick.
### The Centers in Germany (continuation)

<table>
<thead>
<tr>
<th>Center</th>
<th>Address</th>
<th>Web</th>
<th>Investment</th>
<th>Leasable space (m²)</th>
<th>Of which retail space (m²)</th>
<th>Parking</th>
<th>No. of shops</th>
<th>Occupancy rate</th>
<th>Catchment area</th>
<th>Purchased by DES</th>
<th>Grand opening</th>
<th>Restructuring</th>
<th>Anchor tenants</th>
<th>Visitors 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>13 City-Arkaden, Wuppertal</td>
<td>Alte Freiheit 5, 42103 Wuppertal</td>
<td><a href="http://www.city-arkaden-wuppertal.de">www.city-arkaden-wuppertal.de</a></td>
<td>100%</td>
<td>28,700 m²</td>
<td>23,700 m²</td>
<td>650</td>
<td>80</td>
<td>100%</td>
<td>0.8 million residents</td>
<td>September 2000</td>
<td>2005</td>
<td>2011</td>
<td>Akzenta, H&amp;M, Thalia, Zara</td>
<td>9.54 million</td>
</tr>
<tr>
<td>14 City-Point, Kassel</td>
<td>Königsplatz 61, 34117 Kassel</td>
<td><a href="http://www.city-point-kassel.de">www.city-point-kassel.de</a></td>
<td>100%</td>
<td>28,300 m²</td>
<td>22,800 m²</td>
<td>220</td>
<td>60</td>
<td>96%</td>
<td>0.8 million residents</td>
<td>September 2000</td>
<td>2002</td>
<td>2009</td>
<td>H&amp;M, New Yorker, Saturn, Sport Vossinkel</td>
<td>9.43 million</td>
</tr>
<tr>
<td>15 Stadt-Galerie, Passau</td>
<td>Bahnhofstr. 1, 94032 Passau</td>
<td><a href="http://www.stadtgalerie-passau.de">www.stadtgalerie-passau.de</a></td>
<td>75%</td>
<td>27,600 m²</td>
<td>23,000 m²</td>
<td>500</td>
<td>90</td>
<td>100%</td>
<td>0.7 million residents</td>
<td>December 2006</td>
<td>2008</td>
<td>2008</td>
<td>C&amp;A, Esprit, Saturn, Thalia</td>
<td>7.87 million</td>
</tr>
<tr>
<td>16 Stadt-Galerie, Hameln</td>
<td>Pferdemarkt 1, 31785 Hameln</td>
<td><a href="http://www.stadt-galerie-hameln.de">www.stadt-galerie-hameln.de</a></td>
<td>100%</td>
<td>26,000 m²</td>
<td>21,400 m²</td>
<td>550</td>
<td>110</td>
<td>99%</td>
<td>0.4 million residents</td>
<td>November 2005</td>
<td>2008</td>
<td>2008</td>
<td>Müller Drogerie, New Yorker, real, Thalia</td>
<td>5.73 million</td>
</tr>
</tbody>
</table>

---

**Number of parking spaces in 2014 in Germany**: 24,570 overall

**Total floor space of all centers in 2014 abroad**: 121,000 m² overall

---

**The Number of visitors in 2014 abroad**: 28.26 million overall
## Centers abroad

### Average number of visitors in 2014 abroad per center

9.42 million

### Number of stores in 2014 in DES centers abroad

443 overall

### 17 Galeria Bałtycka, Gdansk, Poland

- **Address**: al. Grunwaldzka 341, 80-264 Gdansk, Poland
- **Web**: www.galeriabaaltycka.pl
- **Investment**: 74%
- **Leasable space**: 48,700 m²
- **Of which retail space**: 42,600 m²
- **Parking**: 1,050
- **No. of shops**: 193
- **Occupancy rate**: 100%
- **Catchment area**: 1.1 million residents
- **Purchased by DES**: August 2006
- **Grand opening**: 2007
- **Anchor tenants**: Carrefour, H&M, Peek & Cloppenburg, Saturn, Zara
- **Visitors 2014**: 9.80 million

### 18 City Arkaden, Klagenfurt, Austria

- **Address**: Hauptplatz 5, 9020 Klagenfurt, Austria
- **Web**: www.city-arkaden-klagenfurt.at
- **Investment**: 50%
- **Leasable space**: 46,900 m²
- **Of which retail space**: 41,500 m²
- **Parking**: 850
- **No. of shops**: 130
- **Occupancy rate**: 100%
- **Catchment area**: 0.9 million residents
- **Purchased by DES**: November 2002
- **Grand opening**: 2004
- **Anchor tenants**: C&A, Peek & Cloppenburg, Saturn, Zara, H&M
- **Visitors 2014**: 12.76 million

### 19 Árkád, Pécs, Hungary

- **Address**: Bajcsy Zs. U. 11/1, 7622 Pécs, Hungary
- **Web**: www.arkadpecs.hu
- **Investment**: 50%
- **Leasable space**: 51,400 m²
- **Of which retail space**: 29,200 m²
- **Parking**: 850
- **No. of shops**: 130
- **Occupancy rate**: 97%
- **Catchment area**: 1.0 million residents
- **Purchased by DES**: November 2002
- **Grand opening**: 2004
- **Anchor tenants**: C&A, H&M, MediaMarkt, Spar
- **Visitors 2014**: 5.70 million
Deutsche EuroShop on tour
In 2014 Deutsche EuroShop’s Executive Board and Investor Relations team sought direct contact with investors at 14 roadshows and 11 conferences.

Marketing aimed at the shopping experience
In 2014 we placed advertisements in the trade press designed for highly specific target groups that were perfectly timed to coincide with the publication of our latest financial figures and referred to our motto for the year...
ANNUAL REPORT 2014

INVESTOR RELATIONS

Deutsche EuroShop

STOCK MARKET PERFORMANCE

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>DES share</td>
<td>17.7</td>
</tr>
<tr>
<td>DAX</td>
<td>2.7</td>
</tr>
<tr>
<td>MDAX</td>
<td>2.2</td>
</tr>
<tr>
<td>%DAX</td>
<td>17.5</td>
</tr>
<tr>
<td>EURO STOXX 50 (Europe)</td>
<td>3.2</td>
</tr>
</tbody>
</table>

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

DIVERSITY OF ANALYST’S OPINION

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>10</td>
<td>20</td>
<td>30</td>
<td>40</td>
<td>50</td>
<td>60</td>
<td>70</td>
<td>80</td>
<td>90</td>
<td>100</td>
<td>110</td>
</tr>
</tbody>
</table>

DEUTSCHE EUROSHOP SHARES – KEY FIGURES

| German securities no. / ISIN | 748 020 / DE 000 748 020 4 |
| Ticker symbol | DEQ |
| Share capital in € | 53,945,536.00 |
| Number of shares (no-par value registered shares) | 53,945,536 |

Indices

MDAX, EPRA, GPR 250, MSCI Small Cap, EPX 50, HASPAX, HDAX, DAX International 100, MSCI Small Cap, F.A.Z.-Index, DAXSTOXX, STOXX Europe 600

Indices

Prime Standard, Frankfurt Stock Exchange and Xetra

Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich and Stuttgart

Would you like additional information?

Then visit us online or call us:

Patrick Kiss and Nicolas Lissner

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

Link

www.deutsche-euroshop.com/ir
Stable shareholder structure

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

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

When the dividends are good, all is well

The Executive and Supervisory Boards will once again propose a €0.50 increase in the dividend payment (€1.30 per share) for the 2014 financial year to the Annual General Meeting on 18 June 2015 in Hamburg.

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

Good Arguments

10 reasons...

01. The only public company in Germany to invest solely in shopping centers
02. First-rate locations
03. Proven, conservative strategy
04. Stable cash flow with high levels of certainty for the long term
05. Shareholder-friendly dividend policy
06. Experienced management team
07. Excellent performance record
08. Centers almost fully let
09. Inflation-protected rental agreements
10. Solidity combined with growth potential

tax situation regarding the dividend

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

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

shareholders’ structure

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares</td>
<td>34,374,998</td>
<td>34,374,998</td>
<td>34,374,998</td>
<td>34,374,998</td>
<td>34,374,998</td>
<td>34,374,998</td>
<td>34,374,998</td>
<td>34,374,998</td>
<td>34,374,998</td>
<td>34,374,998</td>
</tr>
<tr>
<td>All share price information relates to Xetra</td>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market capitalisation (basic: year-end closing price) (€ million)</td>
<td>1.953</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of shares (year-end)</td>
<td>53,945,536</td>
<td>53,945,536</td>
<td>53,945,536</td>
<td>53,945,536</td>
<td>53,945,536</td>
<td>53,945,536</td>
<td>53,945,536</td>
<td>53,945,536</td>
<td>53,945,536</td>
<td>53,945,536</td>
</tr>
<tr>
<td>Weighted average number of shares</td>
<td>53,945,536</td>
<td>53,945,536</td>
<td>53,945,536</td>
<td>53,945,536</td>
<td>53,945,536</td>
<td>53,945,536</td>
<td>53,945,536</td>
<td>53,945,536</td>
<td>53,945,536</td>
<td>53,945,536</td>
</tr>
<tr>
<td>High (€)</td>
<td>37.84</td>
<td>34.48</td>
<td>32.03</td>
<td>29.06</td>
<td>28.98</td>
<td>26.00</td>
<td>28.40</td>
<td>30.09</td>
<td>29.12</td>
<td>25.25</td>
</tr>
<tr>
<td>Low (€)</td>
<td>30.72</td>
<td>29.45</td>
<td>27.72</td>
<td>25.94</td>
<td>21.72</td>
<td>18.66</td>
<td>18.50</td>
<td>18.32</td>
<td>18.39</td>
<td>18.45</td>
</tr>
<tr>
<td>Year-end closing price (51.12 €)</td>
<td>36.20</td>
<td>31.85</td>
<td>31.64</td>
<td>24.05</td>
<td>28.98</td>
<td>23.67</td>
<td>24.55</td>
<td>23.50</td>
<td>22.08</td>
<td>23.75</td>
</tr>
<tr>
<td>Dividend per share (€) (undiluted)</td>
<td>1.30</td>
<td>1.25</td>
<td>1.25</td>
<td>1.20</td>
<td>1.10</td>
<td>1.05</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>0.96</td>
</tr>
<tr>
<td>Dividend paid (13.12 %)</td>
<td>2.0</td>
<td>1.3</td>
<td>1.3</td>
<td>0.4</td>
<td>3.8</td>
<td>2.2</td>
<td>4.3</td>
<td>4.3</td>
<td>4.3</td>
<td>5.0</td>
</tr>
<tr>
<td>Annual performance</td>
<td>13.7%</td>
<td>0.6%</td>
<td>27.6%</td>
<td>-14.4%</td>
<td>-21.2%</td>
<td>2.5%</td>
<td>3.4%</td>
<td>-16.4%</td>
<td>18.8%</td>
<td>23.3%</td>
</tr>
<tr>
<td>excl. dividend</td>
<td>17.7%</td>
<td>0.5%</td>
<td>27.2%</td>
<td>-14.2%</td>
<td>-21.1%</td>
<td>2.1%</td>
<td>3.8%</td>
<td>-15.1%</td>
<td>22.8%</td>
<td>19.6%</td>
</tr>
<tr>
<td>Average daily trading volume (shares)</td>
<td>113,000 (incl. Multilateral Trading Facilities &gt;200,000)</td>
<td>112,400 (incl. Multilateral Trading Facilities &gt;200,000)</td>
<td>125,400 (incl. Multilateral Trading Facilities &gt;200,000)</td>
<td>125,400 (incl. Multilateral Trading Facilities &gt;200,000)</td>
<td>125,400 (incl. Multilateral Trading Facilities &gt;200,000)</td>
<td>125,400 (incl. Multilateral Trading Facilities &gt;200,000)</td>
<td>125,400 (incl. Multilateral Trading Facilities &gt;200,000)</td>
<td>125,400 (incl. Multilateral Trading Facilities &gt;200,000)</td>
<td>125,400 (incl. Multilateral Trading Facilities &gt;200,000)</td>
<td>125,400 (incl. Multilateral Trading Facilities &gt;200,000)</td>
</tr>
<tr>
<td>EPS (€) (un diluted)</td>
<td>3.28</td>
<td>3.17</td>
<td>2.16</td>
<td>2.92</td>
<td>0.12</td>
<td>0.93</td>
<td>0.20</td>
<td>2.70</td>
<td>2.92</td>
<td>1.55</td>
</tr>
</tbody>
</table>

ANNUAL REPORT 2014
KEY DATA OF THE CONVERTIBLE BOND 1.75 %, 2012 – 2017

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

*T originally €35.10, adjusted on 21 June 2013 and 19 June 2014

Stock market wisdoms

The lighter side of the stock markets

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

André Kostolany

Buy on bad news, sell on good news.

The trend is your friend.

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

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

Never catch a falling knife.

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

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

The market is always right.

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The market is always right.
In 2014 Deutsche EuroShop’s Executive Board and Investor Relations team sought direct contact with investors at 14 roadshows and 11 conferences.

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

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

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

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

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

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

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

Not just a report on the financial year

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

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

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

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

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

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

Marketing aimed at the shopping experience

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

“Shopping experience of the future”

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

“New” blow-up at Main-Taunus-Zentrum

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

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

Website sees 30% rise in visitors

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

Social media on an upward trend

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

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

Website sees 30% rise in visitors

<table>
<thead>
<tr>
<th>VISITORS AND PAGE HITS PER MONTH</th>
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<tbody>
<tr>
<td>Visitors in thousand</td>
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<td>80</td>
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<td>40</td>
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</tbody>
</table>

ANNUAL REPORT 2014

Deutsche EuroShop
Deutsche EuroShop is a transparent company that operates in accordance with a strategy geared towards long-term success. This focus on constancy is a key aspect of our corporate culture.

Declaration on corporate governance

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

Objectives and strategy

The management focuses on investments in high-quality shopping centers in city centers and established locations offering stable long-term value growth. Another key investment target is the generation of high surplus liquidity from long-term leases in shopping centers, which is paid out to shareholders in the form of an annual dividend. In 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.

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

High-yield, stable portfolio

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

Seizing opportunities and maximising value

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

Tailored rent structure

One key component of our leasing concept is a differentiated rental system. While individual owners in city centers are often concerned with achieving the highest possible rents for their property, which results in a monotonous retail offering, we ensure an attractive sector mix and long-term optimisation of our rental income through combined costing. The rent our lessees pay is dependent on their sector and turnover. Indexed minimum rents (based on the consumer price index) provide a guaranteed minimum level of income for Deutsche EuroShop AG during economic slowdowns.

The concept of shopping as an experience

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

Working methods of the Executive and Supervisory Boards

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

New investment opportunities are examined by the Executive Board and, if necessary, presented to the Supervisory Board at regular Supervisory Board meetings. Investment decisions are made by the Executive Board and then submitted to the Supervisory Board for approval within the framework of a decision paper. Moreover, the Executive and Supervisory Boards discuss development on the capital and credit markets as well as the effects of these not only on the Company’s strategy but also in terms of raising equity and obtaining borrowed capital.

The Supervisory Board and its committees also discuss other topical issues with the Executive Board as required. Transactions requiring the approval of the Supervisory Board are discussed and resolved upon at the scheduled meetings. For transactions requiring approval, teleconferences are also conducted with the Supervisory Board or its committees and circular resolutions are passed in writing.
Corporate Governance 2014

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

Working methods of the Executive and Supervisory Boards
The Supervisory and Executive Boards performed their statutory duties in financial year 2014 in accordance with the applicable laws and the Articles of Association. The strategic orientation of the Company was coordinated between the Executive Board and the Supervisory Board, and the progress of strategy implementation was discussed at regular intervals. The Executive Board informed the Supervisory Board regularly, promptly and in detail of business developments and the risk situation. Detailed information on the main areas of focus of the Supervisory Board’s activities in the 2014 financial year can be found in its report in the 2014 Annual Report of Deutsche EuroShop AG.

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

Composition and diversity
The Supervisory Board has formulated specific goals for its composition and geared itself towards the needs of a listed company with a small staff base which makes long-term investments with high capital requirements. In view of this, the Supervisory Board should primarily be composed of independent members of both genders who have special knowledge and experience of the retail trade, the letting of retail space, the management of shopping centers, the equity and debt financing of listed real estate companies, and accounting principles in accordance with German and/or international regulations. The Supervisory Board continues to believe that professional qualifications and skills should represent the key criteria for members of the Supervisory Board. In keeping with this stance, there is no stipulated age limit; but members should not be significantly older than 70.

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

Executive Board
The Executive Board of Deutsche EuroShop AG manages the Company in accordance with the provisions of German company law and with its rules of procedure. The Executive Board’s duties, responsibilities and business procedures are laid down in its rules of procedure and in its schedule of responsibilities. The chief management duties of the Executive Board are the determination of the Group’s strategic orientation and management of the Group, planning, and the establishment and implementation of risk management.

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

Claus-Matthias Böge
Born 11 February 1959
First appointment: 2001
Appointment ends: 2015

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

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

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

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

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

The Supervisory Board has established the notification and reporting duties to be met by the Executive Board and has formed a four-person Executive Committee (previously a three-person, which simultaneously serves as a nomination committee) and an Audit Committee and a Capital Market Committee, each comprising three people.

The members of the Supervisory Board are:

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

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

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

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

Shareholdings

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

Supervisory Board
As at 31 December 2014, the Supervisory Board members held a total of 5,305,899 shares, which is more than 1% of Deutsche EuroShop AG’s share capital.

In addition to the general statutory provisions requiring public disclosure, the rules of procedure of the Executive Board and of the Supervisory Board govern the reporting duties of Executive and Supervisory Board members in the event of dealings involving shares in the Company or related rights of purchase or sale, as well as rights directly dependent on the Company’s share price.

All shareholders are entitled to attend the Annual General Meeting and to speak and submit questions about items on the agenda. Deutsche EuroShop reports to its shareholders and to the public on the Company’s business performance, financial position and results of operations four times a year in line with a financial calendar. Press releases also inform the public and the media of Company activities. Information that may materially influence the Company’s share price is published in the form of ad hoc disclosures in accordance with the statutory requirements.

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<tr>
<th>Last name</th>
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<th>Shares</th>
<th>Date</th>
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<td>Huber</td>
<td>Christine</td>
<td>Shares</td>
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<td>33.83%</td>
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</tbody>
</table>

1 Nominal value in €

Relationships with shareholders

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

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

Deutsche EuroShop reports to the public in the form of ad hoc disclosures in accordance with the statutory requirements.

Outlook

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

In November 2014, the Executive and Supervisory Boards of the Company jointly submitted their updated declaration of conformity with the recommendations of the Government Commission on the German Corporate Governance Code for financial year 2014 in accordance with section 161 of the Aktiengesetz (AktG – German Public Companies Act). The declaration was made permanently available to the public on the Company’s website at www.deutsche-euroshop.de.

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

The Executive Board and the Supervisory Board of Deutsche EuroShop AG declare that the Company has complied with, and will continue to comply with, the recommendations of the Government Commission on the German Corporate Governance Code (as published by the German Federal Ministry of Justice in the official section of the electronic German Federal Gazette (Bundesanzeiger) on 6 July 2003, and as amended on 24 June 2014), subject to a limited number of exceptions as indicated below:

- The existing D&O insurance policy taken out for the Supervisory Board does not provide for any deductible (Section 3.8).
- The Executive and Supervisory Boards of Deutsche EuroShop AG have acted in a responsible manner, managing and supervising the Company in line with the principles of creating enterprise value ever since the Company was established, preceding the official introduction of corporate governance guidelines. The Company therefore takes the view that the agreement of a deductible was not necessary, in particular as this had no effect on the level of the insurance premium.
- The Supervisory Board did not select a senior management team for a comparison of compensation (German Corporate Governance Code Section 4.2.2).
- Since the staff of Deutsche EuroShop AG consists of just four people, a differentiation between these and a senior management team would not be meaningful. In this respect, only the relationship between the compensation paid to the Executive Board and that paid to the overall staff can be considered by the Supervisory Board.
- There is no stipulated age limit for members of the Executive Board (Section 5.1.2).
- The Supervisory Board believes that professional qualifications and skills represent the key criteria for members of the Executive Board. An age limit could force the retirement of a suitably qualified and successful Executive Board member.
- There is no stipulated age limit for members of the Supervisory Board (Section 5.4.3).
- The Supervisory Board believes that professional qualifications and skills represent the key criteria for members of the Supervisory Board. An age limit could force the retirement of a suitably qualified and successful Supervisory Board member. Thus, there is no stipulated age limit, but board members should not be significantly older than 70.
- The consolidated financial statements are published within 120 days of the end of the financial year (Section 7.1.2).
- It is important to the Company to publish audited financial statements. Unaudited data of relevance to the capital market is published in advance.

INVESTOR RELATIONS

Deutsche EuroShop

Report of the Supervisory Board

Dear Shareholders,

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

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

Focus of advisory activities

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

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

We considered the development of the portfolio properties, specifically their turnover and frequency trends, the accounts receivable and occupancy rates, and the Company’s liquidity position. As the mandates of four members of the Supervisory Board expired in 2014 or will expire in 2015, we discussed our succession ideas and made preparations for the Board’s future composition.

The Company’s strategy was discussed in depth at the meeting on 18 June 2014 as well as the question of how the Company should operate in an environment of low interest rates and extremely high demand for retail property. Regular discussions were conducted with the Executive Board regarding trends on the capital, credit, real estate and retail markets and the effects of these on the Company’s strategy. The Executive Board and Supervisory Board examined various investment options. We received regular reports detailing the turnover trends and payment patterns of our tenants and banks’ lending policies.

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

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

Meetings

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

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

continuation ->
Report of the Supervisory Board (continuation)

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

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

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

Committees

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

During the reporting period, the Executive Committee of the Supervisory Board and the Audit Committee met on 15 April 2014. The Audit Committee also discussed the quarterly financial reports with the Executive Board in conference calls on 12 May, 8 August and 11 November 2014 and the Executive Committee in its role as nomination committee, voted several times on personnel issues related to the Supervisory Board and the Executive Board. There was no meeting of the Capital Market Committee in 2014.

Members of the Supervisory Board of the Deutsche EuroShop AG

<table>
<thead>
<tr>
<th>Name</th>
<th>Manfred Zaß (Chairman)</th>
<th>Reiner Strocker (Deputy Chairman)</th>
<th>Thomas Armbust</th>
<th>Beate Bell</th>
<th>Manuela Better</th>
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<tbody>
<tr>
<td>Born</td>
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<td>1961</td>
<td>1952</td>
<td>1967</td>
<td>1950</td>
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<tr>
<td>Place of residence</td>
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<td>Remsbach</td>
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<td>Munich</td>
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<td>2017</td>
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<td>Annual General Meeting</td>
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<td>Chairman of the Executive Committee, Chairman of the Capital Market Committee, Member of the Audit Committee</td>
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<td>Member of the Executive Committee, Deputy Chairman of the Capital Market Committee, Member of the Audit Committee</td>
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<td>Memberships of other statutory supervisory boards</td>
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<tr>
<td>Profession</td>
<td>Banker</td>
<td>Managing Partner</td>
<td>C.J. Vogel Aktiengesellschaft für Beteiligungen, Hamburg (Chairman)</td>
<td>CEO Projektmanagement G.m.b.H. &amp; Co. KG, Hamburg (Chairman)</td>
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Corporate governance
In November 2014, together with the Executive Board, we issued an updated declaration of conformity in relation to the recommendations of the government commission pursuant to section 161 of the Aktiengesetz (German Public Companies Act – AktG) and made this permanently available on the Deutsche EuroShop AG website. A separate report on the implementation of the German Corporate Governance Code is included in this Annual Report. The members of the Supervisory Board and the Executive Board declared in writing at the beginning of 2015 that no conflicts of interest had arisen.

Financial statements of Deutsche EuroShop AG and the Group for the period ending 31 December 2014
At the Audit Committee meeting

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Karin Dohm</th>
<th>Dr. Henning Kreke</th>
<th>Alexander Otto</th>
<th>Klaus Striebich</th>
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<td>Besigheim</td>
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<td>Membership of other statutory supervisory boards</td>
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Membership of comparable supervisory bodies of business enterprises in Germany or other countries

<table>
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<tr>
<th>Key positions held</th>
<th>Managed Director, CFO Global Transaction Banking, Deutsche Bank AG, Frankfurt</th>
<th>Chairman of the Executive Board, DOUGLAS HOLDING AG, Hagen/Westphalia</th>
<th>CEO, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg</th>
<th>Managing Director Leasing, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg</th>
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<tbody>
<tr>
<td>Profession</td>
<td>Studied business and economics in Münster, Zaragoza (Spain) and Berlin</td>
<td>Studied business (BBA and WBA at the University of Texas at Austin, Austin (USA) and Doctorate (political science) from the University of Kiel, Kiel 1993 to present: DOUGLAS HOLDING AG, Hagen/Westphalia of which 1993 – 1997: Executive assistant 1997 – 2001: Member of the Management Board since 2001: Chairman of the Executive Board</td>
<td>Studied at Harvard University and Harvard Business School, Cambridge (USA) 1994 to present: Verwaltung ECE Projektmanagement G.m.b.H., Hamburg since 2000: Chief Executive Officer</td>
<td>Studied business in Mobsach 1991: Kriegbaum, Inkling, Assistant to the Management Board 1992 to present: Verwaltung ECE Projektmanagement G.m.b.H., Hamburg since 2001: Managing Director Leasing</td>
</tr>
</tbody>
</table>

Relationship to majority/major shareholder

| Deutsche EuroShop securities held as at 31 December 2014 | none | none | 240,124 | 24,000 |

Memberships of the Supervisory Board of Deutsche EuroShop AG (continued)

on 16 April 2015 and the Supervisory Board meeting on 24 April 2015, the Audit Committee and the Supervisory Board respectively examined in detail the annual financial statements of Deutsche EuroShop AG in accordance with German commercial law, and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), each as at 31 December 2014, as well as the management report and group management report for financial year 2014.

The documents relating to the financial statements, the auditor’s reports and the Executive Board’s proposal for the utilisation of the unappropriated surplus were presented to us in good time. The auditor appointed by the Annual General Meeting on 18 June 2014 – BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg – had already audited the financial statements and issued an unqualified audit opinion in each case. The auditor also confirmed that the accounting policies, measurement methods and methods of consolidation in the consolidated financial statements complied with the relevant accounting provisions. In addition, the auditor determined in the course of its assessment of the risk management system that the Executive Board had undertaken all required measures pursuant to section 91 (2) AktG to promptly identify risks that could jeopardise the continued existence of the Company.

The auditor’s representatives took part in the discussion of the annual financial statements and the consolidated financial statements on the occasions of the Audit Committee meeting on 16 April 2015 and the Supervisory Board meeting on 24 April 2015 and explained the main findings.

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

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

Hamburg, 24 April 2015
Manfred Zaibling, Chairman
SCHNELL ALLES FINDEN
**Basic information about the Group**

**Economic review**

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

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

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

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

The centers’ competitive position in the Deutsche EuroShop portfolio is determined both by the relevant city centres as well as the shopping centers in the catchment area. The city center property owners often focus on obtaining the highest possible rental rates for their properties – creating a monopolistic retail offering – Deutsche EuroShop’s management uses a calculation combining a range of factors to create an attractive sector mix and optimise long-term rental income. Rental partners pay sector-specific and turnover-linked rent. Indexed minimum rents (based on the consumer price index) provide a guaranteed minimum level of income for Deutsche EuroShop during economic slowdowns.

**Management system, research and development**

The Executive Board of Deutsche EuroShop manages the company in accordance with the provisions of German company law and with its rules of procedure. The Executive Board’s duties, responsibilities and business procedures are laid down in its rules of procedure and in its schedule of responsibilities. The management indicators are based on the targets of having shopping centers with sustainable and stable value growth and a high liquidity surplus generated by long-term leases. These indicators are revenue, EBIT (earnings before taxes) excluding valuation gains / losses and FFO (funds from operations).

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 719 and 133 of the AktG, and the Supervisory Board is also authorised, without a resolution of the Annual General Meeting, to adapt the Articles of Association to new legal provisions that become binding on the Company, as well as to resolve changes to the Articles of Association that only relate to the wording. More information about the Executive Board and the Supervisory Board can be found in the declaration on corporate governance. A research and development (R&D) report is not required as part of the Management Report because Deutsche EuroShop does not need or pursue any research and development in connection with its primary business.
Real estate market
Transaction volumes rose again significantly by 30% (2013: 21%) to €98.8 billion (2013: €30.7 billion) according to figures from Jones Lang LaSalle, making Germany’s commercial real estate investment market also continued to grow in 2014. Retail real estate accounted for just under 22% of transactions.
Investments in German shopping centers came up to a total of €2.0 billion for the whole of 2014, which represented a 29% drop from the previous year. The main reason for this trend that runs counter to the overall market was not the lack of demand for shopping centers as an investment class, but the lack of suitable investment properties. Core properties and large volume properties in particular were only offered infrequently in 2014.
While German investors were predominately active in the retail property market in 2013, foreign buyers came on top in 2014, making up 63% of the transaction volume. There was clear global interest in transactions of prestigious “trophy” properties. Most active among the foreign investors were the French who accounted for just under two-thirds of the purchase volume in the reporting year, followed by British investors who acted as buyers in 2014.
In view of the extremely high demand, top rents for shopping center investments in Germany continued to fall. According to Jones Lang LaSalle, they were lower year-on-year by 20 basis points for top properties in the core segment at year-end with 4.50% (previous year: 4.70%).

Share price performance
The price of Deutsche EuroShop shares began 2014 at €31.12. Late January brought a slight drop in the share price, which reached €30.72 on 4 February 2014 – its low for the year. After this, the share price stabilised within a corridor between €31.00 and €33.00 and then rose out of this corridor in late March. The DES share reached €37.84 on 12 June 2014, marking not only its high for the year, but also a new all-time high. In the second half of the year, the share price fluctuated between €32.50 and €36.50 – consistent with the general market trend. The share price closed the year at €36.20, meaning that Germany’s commercial real estate market as a whole was still clearly above the previous year (2013: €36.20).

Evaluation of the financial year
The Executive Board of Deutsche EuroShop is satisfied with the past financial year.
We have fully lived up to the forecasts published in the Annual Report 2013. Target revenue was between €198 million and €201 million and came in at €200.8 million (2013: €188.0 million) at the reporting date, which corresponds to an increase of 6.8%. Earnings before interest and taxes (EBIT) were forecast at between €17.4 million and €17.7 million, and actual EBIT was slightly above both the forecast range and the 2013 results at €17.7 million (previous year: €16.58 million), an improvement of 7.0%. We had expected earnings before taxes (EBT) excluding valuation gains / losses (including at-equity investments) of €210 to €213 million. EBT at €213.5 million, also came in above the forecast range and only 4% below the previous year (2013: €129.2 million) which had included exceptional proceeds of €1.58 million from the sale of a property. Funds from operations (FFO) also exceeded expectations, coming in at €2.14 as prepared (forecast: €2.14 to €2.18 per share).
Deutsche EuroShop has therefore proven once again that it has an outstanding shopping center portfolio and is well positioned.

Course of business

Financial position
Deutsche EuroShop can look back on another successful financial year. Revenue and profits advanced significantly year-on-year.
Net assets and financial structure remain solid.
Revenue rose by 6.8% to €200.8 million, while consolidated profit came to €17.74 million (2013: €17.19 million). This increased earnings per share to €3.39 compared to €3.17 per share in 2013. Operating profit per share advanced 5.5% from €1.74 to €1.84.
Valuation gains improved considerably in 2014 to €7.7 million, up from €5.6 million in 2013. In addition, the valuation gains / losses of the joint ventures consolidated at equity were higher year-on-year by €0.5 million and reached €12.7 million (2013: €2.4 million). Earnings before taxes rose by around 11%, from €11.34 million the previous year (after adjustments for the proceeds from the sale of Galeria Dominkanska) to €12.5 million.
The EPRA net asset value per share rose by 8.4%, from €30.59 to €33.17.
Revenue in the German retail trade (including online retailing) rose by a nominal 1.7% over the reporting year, while the revenue of the tenants in our German shopping centers only rose by 0.3%. At our foreign properties, the revenues of our tenants increased by 0.2%.

Results of operations
Consolidated revenue up 6.8%
Consolidated revenue was up 6.8%, from €188.0 million to €200.8 million, in the financial year. The Almarkt-Galerie Dresden contributed significantly to growth in revenues for the first time over the entire year (2013: eight months).
For most properties, the rise in revenue was largely due to index-related rental adjustments. The revenue increase in the Altmarkt-Galerie is largely related to consolidation. The Rhein-Neckar-Zentrum and the City-Arkaden Wuppertal were positively impacted throughout the year by the conclusion of various new rental contracts. A slight drop in revenue was reported only by the Forum Wetzlar and the Olden-Center Norderstedt, where a number of rental contracts were or are up for renewal in 2014/2015, which led to some rent losses as a result of renovations. Overall, comparable revenue rose by 2.3% (2.4% domestic, 1% international) on a like-for-like basis over the reporting year.

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

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

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

Net finance costs
Net finance costs increased, up €5.7 million to €-39.8 million (2013: €-34.1 million). This, can, however, essentially be attributed to the proceeds from the sales of the shares in Ifwo Sp a.o. (Galeria Dominkanska) amounting to €15.8 million in 2013.
Interest income (0.3%) was slightly lower than in the previous year. Interest expense rose in net terms by €0.8 million to €36.6 million (2013: €37.5 million). The inclusion of the Almarkt-Galerie Dresden for the entire year resulted in additional interest expense of €2.4 million, which is offset by interest savings of €1.7 million. Other financial expenses resulting from the measurement of a swap decreased by €3.3 million to €0.6 million.

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

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

Changes in valuation gains/losses
Valuation gains were up €21.0 million year-on-year at €77.0 million (2013: €56.0 million). The average value of Group properties after ongoing investments advanced 3.0%; valuation gains came in at between 1.3% and 4.5%. Measurement of the portfolio properties led to measurement gains of €88.3 million. The share of valuation gains attributable to third-party shareholders amounted to €11.3 million in the reporting year (2013: €4.5 million).
ANNUAL REPORT 2014

Deutsche EuroShop

MANAGEMENT REPORT

Another significant change in tax position

Taxes on income and earnings amounted to €37.2 million compared to €16.6 million in the previous year. Deferred trade tax provisions totalling €12.6 million were released in 2013. In 2014, deferred trade tax provisions were reduced by a further €7.2 million because another company met the criteria for the extended trade tax deduction. Meanwhile, allocations for deferred income taxes generated expenditures of €39.0 million during the year under review. Tax expense for income tax payments amounted to €54.4 million (Germany: €4.5 million, international: €0.9 million) in the year under review.

Consolidated profit 3.7% higher than previous year

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

Strong valuation gains drive earnings per share

Earnings per share (consolidated net profit per share) amounted to €3.29 in the reporting year, compared with €3.17 in the previous year (+3.7%). Of this amount, €1.84 (2013: €1.74) was attributable to operations and €1.32 (2013: €0.87) to valuation gains. Moreover, earnings per share for the 2014 financial year were positively impacted by tax income in the amount of €0.15 per share (2013: €0.27). 2013 also saw proceeds from the sale of a property in the amount of €0.29 per share.

Funds from operations (FFO) up 3.6%

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

Dividend proposal: €1.30 per share

Based on a successful financial year, we are able to maintain our dividend policy, which is geared towards the long term and continuity. The Executive Board and Supervisory Board will therefore propose to the shareholders at the Annual General Meeting in Hamburg on 18 June 2015 that a dividend of €1.30 per share, 4% or 0.03% higher than the previous year, be distributed for the financial year 2014. An estimated €0.65 per share of the dividend will be deductible as capital gains tax.

Financial position

Principles and objectives of financial management

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

Loans and bonds are taken out in euros for all Group companies. In general, the use of equity and loans for investments should be equally weighted and the equity ratio in the Group (including third-party interests) should not fall significantly below 45%. We finance our real estate projects on a long-term basis and also use derivative financial instruments to hedge against rising capital market rates. Hedging transactions are used to hedge individual loans. An available credit line enables Deutsche EuroShop to react quickly to investment opportunities. Until used for investment, any cash not needed is invested short-term as time deposits to finance ongoing costs or pay dividends.

INCOME STATEMENT OF THE JOINT VENTURES

€ thousand

\[
\begin{array}{lccccccc}
\text{31.12.2014} & \text{31.12.2013} & \text{Difference} & \text{Change in %} \\
\hline
\text{Allée-Center, Magdeburg} & 8,021 & 7,945 & 76 & 1.0 \\
\text{Stadt-Galerie, Pancea} & 7,153 & 6,914 & 239 & 3.2 \\
\text{Phoenix-Center, Hamburg} & 6,216 & 6,144 & 72 & 1.2 \\
\text{Altmarkt-Galerie, Dresden} & 5,995 & 5,890 & 105 & 1.8 \\
\text{City-Arkaden, Klangfurt} & 5,884 & 5,884 & 0 & 0.0 \\
\text{Arkad, Peis} & 5,351 & 3,867 & 44 & 1.3 \\
\text{Others} & 604 & 676 & -72 & -10.4 \\
\hline
\text{Revenue} & 31,522 & 26,716 & 4,806 & 18.1 \\
\text{Property operating costs} & 1,496 & 1,739 & -243 & -13.9 \\
\text{Property management costs} & 1,628 & 1,904 & -276 & -14.6 \\
\hline
\text{Net operating income} & 28,402 & 33,073 & -4,671 & -14.1 \\
\text{Other operating income} & 852 & 65 & 787 & 12.6 \\
\text{Other operating expenses} & -354 & 322 & 676 & -104.1 \\
\hline
\text{Earnings before interest and taxes (EBIT)} & 28,290 & 32,016 & -3,726 & -11.6 \\
\text{Interest income} & 9 & 19 & -10 & -52.6 \\
\text{Interest expense} & -4,195 & -4,140 & 55 & 1.3 \\
\hline
\text{Valuation gains/losses} & 12,690 & 2,410 & 10,279 & 426.9 \\
\text{Earnings before tax (EBT)} & 35,201 & 27,099 & 8,102 & 30.0 \\
\text{Taxes on income and earnings} & 71 & 76 & -5 & -6.6 \\
\hline
\text{Share in the profit/loss of joint ventures} & 35,128 & 27,024 & 8,104 \\
\end{array}
\]

Share in the profit/loss of joint ventures

€, undiluted

\[
\begin{array}{lccccccc}
\text{2011} & \text{2012} & \text{2013} & \text{2014} \\
\hline
\text{EBIT} & 165.8 & 177.5 & 177.5 & 177.5 \\
\text{Operating profit} & 1.70 & 2.08 & 2.19 & 2.23 \\
\text{Valuation gains/losses} & 0.54 & 0.73 & 0.95 & 0.87 \\
\text{Extraordinary revenue} & 1.36 & 1.36 & 1.36 & 1.36 \\
\text{Extraordinary tax effect} & 0.05 & 0.05 & 0.05 & 0.05 \\
\end{array}
\]

\[
\begin{array}{lccccccc}
\text{EBIT} & 165.8 & 177.5 & 177.5 & 177.5 \\
\text{Operating profit} & 1.70 & 2.08 & 2.19 & 2.23 \\
\text{Valuation gains/losses} & 0.54 & 0.73 & 0.95 & 0.87 \\
\text{Extraordinary revenue} & 1.36 & 1.36 & 1.36 & 1.36 \\
\text{Extraordinary tax effect} & 0.05 & 0.05 & 0.05 & 0.05 \\
\end{array}
\]
At €1,751.2 million, the Group’s economic equity capital, which comprises the equity of the Group shareholders (€1,524.3 million) and the equity of the third-party shareholders (€226.8 million), was €108.8 million higher than in the previous year. At 50.1%, the equity ratio was higher than in the previous year (48.4%).

FINANCIAL LIABILITIES

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

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

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

Net debt terms (including the convertible bond) as at 31 December 2014 amounted to €14.6 million negatively impacted equity.

Liquidty analysis: liquidity further increased

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

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

Cash flow from financing activities rose from €-136.8 million to €-139.8 million. Cash outflows from financial liabilities totalled €58.4 million reflected the repayment of a credit line used in 2013 and the repayment of current credit liabilities. Dividends paid to shareholders totalled €7.4 million. Dividend payments to third-party shareholders came to €4.0 million.

Cash and cash equivalents rose by €17.5 million in the year under review to €356.2 million. In contrast, the development of the swap at €14.6 million negatively impacted equity.
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 for our shopping centers

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

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

Revenue to rise only slightly in 2015 and 2016

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

Stable to slightly higher results in the next two years

Earnings before interest and taxes (EBIT) excluding measurement gains / losses amounted to €125.0 million during the year under review. We expect to achieve EBIT of between €126 million and €129 million in 2015 (+2.0%) and €130 to €133 million in 2016 (+1.3%).

Outlook

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

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

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

Agreed transactions are the foundation for revenue and earnings planning

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

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

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

Earnings before tax (EBT) excluding measurement gains / losses amounted to €125.0 million during the year under review. We expect to achieve EBT of between €126 million and €129 million in 2015 (+2.0%) and €130 to €133 million in 2016 (+1.3%).

FFO up slightly

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

Dividend policy

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

### Principles governing the risk management system and internal control system

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

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

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

### Key features

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

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

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

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

### Annual financial statement preparation process

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

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

### Advice on limitations

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

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

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

### Presentation of material individual risks

#### Cyclical and macroeconomic risks

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

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

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

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

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

The foundation for a new phase of growth needs to be laid and implementation of the approved reform programmes will take time. The overall economic risks remain high as a result. Deutsche EuroShop AG is not as strongly affected by short-term economic developments as other sectors are in terms of its business model – long-term, inflation-proofed leasing of retail space – and the associated risks.

However, in light of the sovereign debt crisis, we cannot rule out the possibility of a change in economic conditions that would impact Deutsche EuroShop AG’s business.

Past experience has demonstrated that by locating our shopping centers in prime locations and by ensuring broad sector diversification within the centers, we can achieve commercial success even under difficult economic conditions.
Market and sector risks
There has been a structural change in retail trade in recent years, caused by shifts in demand patterns and new forms of distribution. The greatest success has so far been enjoyed by large-scale retail operations that are able to offer customers a wide range of goods. Thanks to its business model, Deutsche EuroShop is in a position to benefit from this development, especially as the experience aspect of shopping has gained in importance and a trend towards shopping as a recreational and lifestyle activity has become apparent.
Revenue in the stationary retail sector (incl. online retailing) saw nominal growth of 1.7% in 2014 and 1.4% in real terms (2013: +1.4% nominal, +0.1% real). The German Retail Federation (HDE) predicts nominal retail sales growth of 1.5% to €662.2 billion in 2015.

The Internet and online retailing are now established components of our economy.
Stationary retailers need to address the issues and challenges that this situation has created. The growth and success of e-commerce will result in a gradual structural change within the stationary retail sector. 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.

Deutsche EuroShop AG sees around 15% to 17% (€39 billion in 2014. The German Retail Federation anticipates a 12% rise to €43.6 billion during the current year. The German market and sector risks by closely monitoring the market and by concluding long-term contracts with tenants with strong credit ratings in all retail segments. Deutsche EuroShop AG cannot fully dodge long-term trends such as the growing impact of online retailing on stationary retail. Past experience has demonstrated that by looking at their shopping centers in prime locations and by ensuring broad sector diversification within the centers, we can achieve commercial success even during periods of stagnation. Provided that stationary retailers review their networks in response to the rise of online retailing and focus on strong locations, our prime shopping center locations could emerge even stronger from the structural changes.

Risk of rent loss
It is possible that tenants may be unable to meet their obligations under existing leases or that the previous rents may no longer be obtained in the same part of the property. 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, their obligations under existing leases or that the previous rents may no longer be obtained in the same part of the property.

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 the 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. General EUR (excluding value added tax (VAT)) 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 calculated value as a bonus and Mr Borkers receives 0.2%. The bonus is limited to 150% of the basic annual remuneration.

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

The Supervisory Board is not aware of any risks that could jeopardise the continued existence of the Company.

probable annual remuneration for the current financial year shall be applicable.

A long-term incentive (LTI) remunera-
tion component was agreed for the first time in 2010. The amount of the LTI is based on the change in market capitalisation of Deutsche EuroShop AG between 1 July 2010 and 30 June 2013. Market capitalisation is calculated by multiplying the share price by the number of Company shares issued. On 1 July 2010, ac-
tording to information provided by the Ger-
man stock exchange, market capitalisation stood at €883.5 million.

If there is a positive change in market capi-
talisation over the above five-year period of up to €500 million, Mr Böge will receive 0.2% and Mr Borkers 0.025% of the change. For any change over and above this amount, Mr Böge will receive 0.15% and Mr Borkers 0.015%. The LTI will be paid out to Mr Borkers in Decem-
ber 2015, and to Mr Böge in five equal annual instalments, the first being paid on 1 January 2016. In the event that the employment con-
tact is terminated prematurely by the Compa-
ny, any entitlements arising from the LTI until that date will be paid out prematurely.

Between 1 July 2010 and 31 December 2014, the market capitalisation of the Com-
pany rose to €1,852.6 million (31 December 2013: €1,717.1 million), an increase of €361.9 million (31 December 2013: €733.6 million) since 1 July 2010. The present value of the po-
tential entitlement to the long-term incentive arising therefrom was €1,550 thousand at year-
end (31 December 2013: €1,302 thousand).

An allocation to the provision of €481 thou-
sand (2013: €306 thousand) was included for this purpose during the financial year.

Remuneration of the Executive Board 2014

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

<table>
<thead>
<tr>
<th>€ thousand</th>
<th>Non-performance-related remuneration</th>
<th>Performance-related remuneration</th>
<th>Ancillary benefits</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claas-Philipp Böge</td>
<td>500</td>
<td>410</td>
<td>69</td>
<td>1,089</td>
</tr>
<tr>
<td>Olaf Borkers</td>
<td>168</td>
<td>239</td>
<td>11</td>
<td>418</td>
</tr>
<tr>
<td>Total</td>
<td>668</td>
<td>689</td>
<td>81</td>
<td>1,337</td>
</tr>
</tbody>
</table>

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

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

No advances or loans were granted to mem-
bers of the Executive Board. The Company has not entered into any commitments or contin-
uing 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 As-
sociation of Deutsche EuroShop AG. In ac-
cordance 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 member-
ship is not taken into account when determin-
ing the remuneration of the Supervisory Board. Moreover, the remuneration does not contain any performance-related elements. The remu-
neration is determined on the basis of the busi-
ness 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 Su-
pervisory Board during the financial year, they shall receive their remuneration pro rata. In ac-
cordance with section 8 (5) of the Articles of Association, expenses are also reimbursed.

Remuneration of the Supervisory Board 2014

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

<table>
<thead>
<tr>
<th>€ thousand</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manfred Zall</td>
<td>59.50</td>
<td>59.50</td>
</tr>
<tr>
<td>Dr. Michael Gehlen</td>
<td>26.66</td>
<td>46.82</td>
</tr>
<tr>
<td>Bernd Stroech</td>
<td>22.78</td>
<td>22.79</td>
</tr>
<tr>
<td>Thomas Arnold</td>
<td>29.75</td>
<td>29.75</td>
</tr>
<tr>
<td>Beate Bell</td>
<td>15.98</td>
<td>0</td>
</tr>
<tr>
<td>Manuela Böker</td>
<td>15.96</td>
<td>0</td>
</tr>
<tr>
<td>Karin Deliens</td>
<td>29.75</td>
<td>29.75</td>
</tr>
<tr>
<td>Dr. Horst Kroke</td>
<td>29.75</td>
<td>15.81</td>
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<tr>
<td>Dr. Jörg Kroke</td>
<td>15.94</td>
<td></td>
</tr>
<tr>
<td>Alexander Otto</td>
<td>29.75</td>
<td>29.75</td>
</tr>
<tr>
<td>Klaus Stroisch</td>
<td>29.75</td>
<td>29.75</td>
</tr>
<tr>
<td>Dr. Bernd Wisniewski</td>
<td>13.77</td>
<td>29.75</td>
</tr>
</tbody>
</table>

Including 19% value added tax | 312.37 | 312.37 |

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

A change of control arises if Deutsche Eu-
roShop AG merges with another company, if a public takeover bid has been made under the Deutsches Wertpapiererwerbs- und Übernah-
mesgesetz (WpÜG – German Securities Ac-
quisition 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

A change-of-control arrangement has been agreed with two employees. Under this ar-
range-ment, if and as insofar as the Compa-
ny informs them that they will no longer be employed in their current positions, these employees will have a special right of termi-
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roShop AG merges with another company, if a public takeover bid has been made under the Deutsches Wertpapiererwerbs- und Übernah-
mesgesetz (WpÜG – German Securities Ac-
quisition 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 cur-
rently have any other compensation agree-
ments 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 bi-
lateral credit facilities and various loan agree-
ments. In the event of a takeover, the relevant lenders are entitled to terminate the facility and where applicable demand immediate re-
payment. 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.

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 infor-
mation 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 con-
siderations: improvements are indicated by a plus (+); deterioration by a minus (–).
Beware. You could fall in love

GALERIA BAŁTYCKA
MODNE CENTRUM MIASTA

Gdańsk
al. Grunwaldzka 141
Mon.–Sat. 09.00 a.m.–09.00 p.m.
Sun. 10.00 a.m.–08.00 p.m.
## Consolidated balance sheet

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
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<td></td>
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<tr>
<td>Intangible assets</td>
<td>1.</td>
<td>17</td>
<td>8</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>2.</td>
<td>393</td>
<td>413</td>
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<tr>
<td>Investment properties</td>
<td>3.</td>
<td>1,061,173</td>
<td>2,962,163</td>
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<tr>
<td>Investments accounted for using the equity method</td>
<td>4.</td>
<td>159,587</td>
<td>341,907</td>
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<tr>
<td>Other financial assets</td>
<td>5.</td>
<td>666</td>
<td>34,516</td>
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<tr>
<td>Other non-current assets</td>
<td>6.</td>
<td>0</td>
<td>155</td>
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<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td><strong>3,420,212</strong></td>
<td><strong>3,339,165</strong></td>
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<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>7.</td>
<td>4,510</td>
<td>5,595</td>
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<tr>
<td>Other current assets</td>
<td>8.</td>
<td>9,152</td>
<td>6,293</td>
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<td>Other financial investments</td>
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<td>3,000</td>
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<tr>
<td>Cash and cash equivalents</td>
<td>10.</td>
<td>58,284</td>
<td>40,810</td>
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<td><strong>Current assets</strong></td>
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<td><strong>71,946</strong></td>
<td><strong>55,698</strong></td>
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<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td><strong>3,492,158</strong></td>
<td><strong>3,394,863</strong></td>
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</table>

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EQUITY AND LIABILITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity and reserves</td>
<td></td>
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<td></td>
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<tr>
<td>Issued capital</td>
<td></td>
<td>53,945</td>
<td>53,945</td>
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<tr>
<td>Capital reserves</td>
<td></td>
<td>961,970</td>
<td>961,970</td>
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<tr>
<td>Retained earnings</td>
<td></td>
<td>508,427</td>
<td>411,034</td>
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<tr>
<td><strong>Total equity</strong></td>
<td>11.</td>
<td><strong>1,524,342</strong></td>
<td><strong>1,428,949</strong></td>
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<tr>
<td>Non-current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial liabilities</td>
<td>12.</td>
<td>1,374,803</td>
<td>1,389,552</td>
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<tr>
<td>Deferred tax liabilities</td>
<td>13.</td>
<td>1,277,455</td>
<td>1,196,491</td>
</tr>
<tr>
<td>Right to redeem of limited partners</td>
<td>14.</td>
<td>228,484</td>
<td>213,422</td>
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<tr>
<td>Other liabilities</td>
<td>15.</td>
<td>4,510</td>
<td>5,595</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td>16.</td>
<td><strong>1,888,046</strong></td>
<td><strong>1,642,561</strong></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td><strong>1,888,046</strong></td>
<td><strong>1,642,561</strong></td>
</tr>
</tbody>
</table>

## Consolidated income statement

### Statement of comprehensive income

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>19.</td>
<td>200,785</td>
<td>187,987</td>
</tr>
<tr>
<td>Property operating costs</td>
<td>20.</td>
<td>-9,062</td>
<td>-8,452</td>
</tr>
<tr>
<td>Property management costs</td>
<td>21.</td>
<td>-9,922</td>
<td>-9,321</td>
</tr>
<tr>
<td><strong>Net operating income (NOI)</strong></td>
<td>22.</td>
<td><strong>181,801</strong></td>
<td><strong>170,212</strong></td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>23.</td>
<td>-4,134</td>
<td>-4,182</td>
</tr>
<tr>
<td><strong>Earnings before interest and taxes (EBIT)</strong></td>
<td>24.</td>
<td><strong>177,506</strong></td>
<td><strong>165,764</strong></td>
</tr>
<tr>
<td>Income from investments</td>
<td>25.</td>
<td>1</td>
<td>16,688</td>
</tr>
<tr>
<td>Interest income</td>
<td>26.</td>
<td>548</td>
<td>448</td>
</tr>
<tr>
<td>Interest expense</td>
<td>27.</td>
<td>-58,570</td>
<td>-57,827</td>
</tr>
<tr>
<td>Other financial expenses</td>
<td>28.</td>
<td>-610</td>
<td>-4,599</td>
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<tr>
<td>Income from the disposal of financial assets</td>
<td>29.</td>
<td>0</td>
<td>551</td>
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<tr>
<td>Share of the profit or loss of associates and joint ventures accounted for using the equity method</td>
<td>30.</td>
<td>35,129</td>
<td>27,024</td>
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<tr>
<td>Profit / (loss) attributable to limited partners</td>
<td>31.</td>
<td>-16,117</td>
<td>-15,939</td>
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<tr>
<td><strong>Financial result</strong></td>
<td>32.</td>
<td><strong>-9,319</strong></td>
<td><strong>-14,133</strong></td>
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<tr>
<td>Valuation gains / losses</td>
<td>33.</td>
<td>76,366</td>
<td>55,962</td>
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<tr>
<td><strong>Earnings before tax (EBIT)</strong></td>
<td>34.</td>
<td><strong>214,873</strong></td>
<td><strong>187,613</strong></td>
</tr>
<tr>
<td>Income taxes</td>
<td>35.</td>
<td>-37,247</td>
<td>-16,570</td>
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<td><strong>Consolidated profit</strong></td>
<td>36.</td>
<td><strong>177,626</strong></td>
<td><strong>171,043</strong></td>
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<tr>
<td>Earnings per share (€), basic</td>
<td>37.</td>
<td>3.25</td>
<td>3.17</td>
</tr>
<tr>
<td>Earnings per share (€), diluted</td>
<td>38.</td>
<td>3.15</td>
<td>3.05</td>
</tr>
</tbody>
</table>

## Auditors report

Deutsche EuroShop

66 Deutsche EuroShop

ANNUAL REPORT 2014

FINANCIAL STATEMENT

Notes to the consolidated balance sheet

Notes to the consolidated income statement
### Statement of changes in equity

<table>
<thead>
<tr>
<th>in € thousand</th>
<th>Note</th>
<th>Number of shares outstanding</th>
<th>Share capital</th>
<th>Capital reserves</th>
<th>Other retained earnings</th>
<th>Statutory reserve</th>
<th>Available for sale reserve</th>
<th>Cash flow hedge reserve</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.01.2013</td>
<td></td>
<td>53,945,536</td>
<td>53,945</td>
<td>961,287</td>
<td>323,134</td>
<td>2,000</td>
<td>12,193</td>
<td>-31,345</td>
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<td>Total earnings recognised directly in equity</td>
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<td></td>
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<td>Consolidated profit</td>
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<td></td>
<td></td>
<td>171,045</td>
</tr>
<tr>
<td>Total profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>171,045</td>
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<tr>
<td>Dividend payments</td>
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<td></td>
<td></td>
<td>-64,735</td>
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<tr>
<td>31.12.2013</td>
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<td>53,945,536</td>
<td>53,945</td>
<td>961,287</td>
<td>343,031</td>
<td>2,000</td>
<td>0</td>
<td>-22,997</td>
<td>1,428,949</td>
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</tbody>
</table>

### Consolidated cash flow statement

<table>
<thead>
<tr>
<th>in € thousand</th>
<th>Note</th>
<th>01.01. – 11.12.2014</th>
<th>01.01. – 31.12.2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit after tax</strong></td>
<td></td>
<td>177,426</td>
<td>171,045</td>
</tr>
<tr>
<td><strong>Income from the disposal of shareholdings</strong></td>
<td>24</td>
<td>76</td>
<td>65</td>
</tr>
<tr>
<td><strong>Profit/loss attributable to limited partners</strong></td>
<td>26, 27</td>
<td>27,433</td>
<td>20,431</td>
</tr>
<tr>
<td><strong>Depreciation of intangible assets and property, plant and equipment</strong></td>
<td>1.2</td>
<td>61</td>
<td>65</td>
</tr>
<tr>
<td><strong>Unrealised changes in fair value of investment property</strong></td>
<td>27</td>
<td>68,302</td>
<td>60,539</td>
</tr>
<tr>
<td><strong>Net loss from derivatives</strong></td>
<td>6.1</td>
<td>615</td>
<td>4,550</td>
</tr>
<tr>
<td><strong>Other non-cash income and expenses</strong></td>
<td>1.2</td>
<td>1,428,949</td>
<td>1,428,949</td>
</tr>
<tr>
<td><strong>Profit/losses of joint ventures and associates</strong></td>
<td>25, 31</td>
<td>-17,452</td>
<td>-5,849</td>
</tr>
<tr>
<td><strong>Expenses from investment activities to be allocated to the cash-flow</strong></td>
<td>27</td>
<td>0</td>
<td>64</td>
</tr>
<tr>
<td><strong>Deferred taxes</strong></td>
<td>28</td>
<td>53,805</td>
<td>14,208</td>
</tr>
<tr>
<td><strong>Operating cash flow</strong></td>
<td></td>
<td>133,104</td>
<td>129,813</td>
</tr>
<tr>
<td><strong>Changes in receivables</strong></td>
<td>6, 7, 8, 30</td>
<td>-1,745</td>
<td>-1,402</td>
</tr>
<tr>
<td><strong>Changes in other financial investments</strong></td>
<td>2.10</td>
<td>1,990</td>
<td>1,200</td>
</tr>
<tr>
<td><strong>Changes in current provisions</strong></td>
<td>16</td>
<td>2,493</td>
<td>-29,637</td>
</tr>
<tr>
<td><strong>Changes in liabilities</strong></td>
<td>14, 15, 17, 18, 30</td>
<td>-4,218</td>
<td>3,642</td>
</tr>
<tr>
<td><strong>Cash flow from operating activities</strong></td>
<td></td>
<td>132,796</td>
<td>99,396</td>
</tr>
<tr>
<td><strong>Gain on the acquisition of property, plant and equipment / investment properties</strong></td>
<td>2.3</td>
<td>9,779</td>
<td>-18,491</td>
</tr>
<tr>
<td><strong>Expenses from investment activities to be allocated to the cash-flow</strong></td>
<td>4.24</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Payments to acquire shareholdings in consolidated companies and business units</strong></td>
<td>0</td>
<td>-59,418</td>
<td>0</td>
</tr>
<tr>
<td><strong>Inflows / outflows to/from the financial assets</strong></td>
<td>34,245</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Cash flow from investing activities</strong></td>
<td></td>
<td>24,466</td>
<td>-78,591</td>
</tr>
<tr>
<td><strong>Gain on the repayment of financial liabilities</strong></td>
<td>12</td>
<td>-58,344</td>
<td>-59,719</td>
</tr>
<tr>
<td><strong>Payments to limited partners</strong></td>
<td>29</td>
<td>-11,377</td>
<td>-12,285</td>
</tr>
<tr>
<td><strong>Payments to Group shareholders</strong></td>
<td>11, 29</td>
<td>67,432</td>
<td>64,735</td>
</tr>
<tr>
<td><strong>Cash flow from financing activities</strong></td>
<td></td>
<td>-12,193</td>
<td>-139,735</td>
</tr>
<tr>
<td><strong>Net change in cash and cash equivalents</strong></td>
<td></td>
<td>17,474</td>
<td>-155,956</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at beginning of period</strong></td>
<td>40,810</td>
<td>161,006</td>
<td>0</td>
</tr>
<tr>
<td><strong>Changes in the financial resources fund due to consolidation changes</strong></td>
<td>0</td>
<td>-4,240</td>
<td>0</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of period</strong></td>
<td></td>
<td>58,284</td>
<td>40,810</td>
</tr>
</tbody>
</table>

### Notes to the consolidated financial statements for financial year 2014

#### General disclosures

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

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

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

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

Amounts are mainly presented in thousands of €.

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

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

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

Basis of consolidation

Subsidiaries

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

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

Deutsche EuroShop AG holds a stake of 52.01% in Main-Tau-nus-Zentrum KG, Hamburg and exercises a controlling influence over the company. The other 47.99% of shares are in free float. The Company posted non-current assets of €547.590 thousand (previous year: €358,400 thousand) and current assets of €14,804 thousand (previous year: €15,936 thousand) at the balance sheet date. Non-current liability items amounted to €220,000 thousand (previous year: €220,000 thousand) and current liability items totalled €4,573 thousand (previous year: €3,046 thousand). The Company generated revenue of €34,110 thousand (previous year: €33,646 thousand) and profit of €22,033 thousand (previous year: €16,630 thousand). A dividend of €11,490 thousand (previous year: €9,604 thousand) was paid to limited partners in the year under review.

Joint ventures

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

Associates

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

Investees

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

Consolidation methods

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

Joint ventures and associates are measured using the equity method. The cost of acquiring investment is recognised here in income at an amount increased or reduced by the changes in equity following a further reassessment.

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 derives 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 transaction had occurred for the Group itself, as the local currency of the integrated companies is deemed to be a foreign currency for these companies themselves.

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

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

Reporting principles

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

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

IFRS 10 Consolidated Financial Statements (since 1 January 2014)

IFRS 10 replaces the consolidation rules of IAS 27. However, IAS 27 is not eliminated without replacement. In the future, its application will be limited to accounting for subsidiaries, associates and joint ventures in the parent company’s separate financial statements.

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

IFRS 11 Joint Arrangements (since 1 January 2014)

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

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

IFRS 12 Disclosures of Interests in Other Entities (since 1 January 2014)

IFRS 12 replaces the previous rules for notes to the financial statements in IAS 27, IAS 28, IAS 31 and IAS 12. The standard uniformly regulates the disclosure requirements for all types of interests in other companies.

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (since 1 January 2014)

The changes aim to prevent hedge accounting from being affected when derecognising derivatives necessary as a result of the novation. The changes to IAS 39 mean that in the event of a novation, derivatives continue to be designated hedging instruments in existing hedging relationships if certain requirements are cumulatively satisfied.

Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transitional guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (since 1 January 2014)

The amendments clarify first-time application of IFRS 10 and provide additional relief in all standards of the consolidation package. In addition, the requirement to provide comparative information for periods prior to the immediately preceding period was eliminated due to retroactive application.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (since 1 January 2014)

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

The changes also include the notes required to the financial statements for investment entities in IFRS 12 and the amended IAS 27.
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) (since 1 January 2014)

The amendment to the application guideline of the IAS 32 clarifies several rules for offsetting financial assets and financial liabilities in the balance sheet.

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

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

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

Significant accounting policies

Revenue and expense recognition

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

Intangible assets

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

Property, plant and equipment

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

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

Revenue improvements to IFRSs – 2011–2015 Cycle

Date of publication | Date of incorporation into EU law | Date applied in EU
--- | --- | ---
12 December 2011 | 18 December 2014 | 1 July 2014
12 December 2011 | 17 December 2014 | 1 July 2014
21 November 2013 | 17 December 2014 | 1 July 2014
17 December 2014 | 1 July 2014
20 May 2015 | 13 June 2014 | 17 June 2014

Amortisation of Benefit Plans Employee Contributions (Amendments to IAS 19)

Property, plant and equipment

Operating and office equipment comprises company cars, office equipment, tenant fixtures, fittings and technical equipment belonging to Deutsche EuroShop AG. Additions are measured at cost. These are depreciated using the straight-line method over three to 13 years. The method of depreciation and, where applicable, unscheduled write-downs are discounted back to the measurement date. In addition, 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.

The discount rate averaged 6.44%, compared with 6.65% in the previous year. It is composed of an average yield of 5.68%, on a ten-year German federal government bond (2013: 4.24%) and an average risk premium of 2.76% (2013: 2.41%).

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.

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b. Non-current financial assets

Non-current financial assets are classified as available for sale and include an investment in a Dutch corporation that is a joint venture controlled by Deutsche EuroShop jointly with partner companies. As Deutsche EuroShop, under the provisions of the shareholders’ agreement, exercises neither significant influence nor control over this company, the investment is measured at fair value (recurring fair value measurement) in line with the provisions of IAS 39.

c. Receivables and other current assets

Receivables and other current assets are recognised at amortised cost less write-downs. Allowances are established for trade receivables if it is no longer certain that payment will be received. This is reviewed on a case-by-case basis at the balance sheet date. They are written off if the receivable becomes uncollectible.

d. Right to redeem of limited partners

The distinction between equity and liabilities is set out in IAS 32 Financial Instruments: Disclosure and Presentation. In accordance with this standard, the equity interests of third-party shareholders in commercial partnerships are reclassified as liabilities due to the shareholders’ potential right of redemption. According to sections 131 et seq. HGB, shareholders in commercial partnerships have an ordinary legal right of termination of six months with effect from the end of the financial year, which the shareholders’ agreement can define from a long-term perspective, but cannot exclude. As a result of this stipulation, a liability rather than equity is recognised in the balance sheet. This liability must be measured at fair value.

e. Financial liabilities

Liabilities to banks/bank loans and overdrafts are reported at amortised cost. Discounts are deducted, which under IAS 39 must be amortised over the term of the loan agreement and recognised annually as an expense.

f. Trade payables

The debt component of convertible bonds is measured using the market interest rate for a similar, non-convertible bond. This debt component is measured as a liability at amortised cost using the effective interest method until converted or repayment becomes due. The remaining proceeds from the issue represent the value of the conversion rights. This is recognised in equity within the capital reserves. The financial liability increases over time, with an effect on net income, and comes to an amount equaling the difference between the actual interest expense and the nominal interest rate.

Notes to the consolidated balance sheet – assets

1. Intangible assets

CONCESSIONS, INDUSTRIAL AND SIMILAR RIGHTS AND LICENCES IN SUCH RIGHTS AND ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs as at 1 January</td>
<td>64</td>
<td>64</td>
</tr>
<tr>
<td>Additions</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Disposals</td>
<td>20</td>
<td>4</td>
</tr>
<tr>
<td>as at 31 December</td>
<td>50</td>
<td>64</td>
</tr>
<tr>
<td>Depreciation as at 1 January</td>
<td>-56</td>
<td>-48</td>
</tr>
<tr>
<td>Additions</td>
<td>-5</td>
<td>-11</td>
</tr>
<tr>
<td>Disposals</td>
<td>28</td>
<td>7</td>
</tr>
<tr>
<td>as at 31 December</td>
<td>-35</td>
<td>-56</td>
</tr>
<tr>
<td>Carrying amount at 1 January</td>
<td>8</td>
<td>16</td>
</tr>
<tr>
<td>Carrying amount at 31 December</td>
<td>17</td>
<td>8</td>
</tr>
</tbody>
</table>

This item consists mainly of software licences.
This includes the office equipment of Deutsche EuroShop AG, three company vehicles and tenant fixtures.

3. Investment properties

The properties are secured by mortgages. There are land charges in the amount of €1,334,821 thousand (previous year: €1,393,203 thousand). The rental income of the properties values in the amount of €1,334,821 thousand (previous year: €1,393,203 thousand). The rental income of the properties values in the amount of €1,334,821 thousand (previous year: €1,393,203 thousand). The rental income of the properties values in the amount of €1,334,821 thousand (previous year: €1,393,203 thousand).

Additions mainly include ongoing investments in portfolio properties.

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

4. Investments accounted for using the equity method

This item includes the investment in Iwo Ifo Holding B.V., Amsterdam, that paid a capital distribution and the profit from the disposal of the property in the previous year in the amount of €34.2 million. The investment was decreased in the year under review by €7 thousand to €266 thousand.

Other non-current assets

This includes the investment in Iwo Ifo Holding B.V., Amsterdam, that paid a capital distribution and the profit from the disposal of the property in the previous year in the amount of €34.2 million. The investment was decreased in the year under review by €7 thousand to €266 thousand.

Receivables result primarily from rental invoices and services for which charges are passed on. These were predominately 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.

Notes to the consolidated balance sheet – liabilities

11. Equity and reserves

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

The share capital is €53,945,536, comprised of €3,945,536 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 (previous year: 6,293,000). The convertible bonds may also pay a variable rate of interest, in which case, as with a participating bond, the interest may be dependent in full or in part on the level of the Company’s dividend.

The parent company of the Group, Deutsche EuroShop AG, is reporting an unappropriated surplus of €70,129 thousand.

The Executive Board and the Supervisory Board will propose to distribute this amount as a dividend of €1.30 per share at the Annual General Meeting on 18 June 2015.

The previous year’s unappropriated surplus of €67,432 thousand was distributed in full to the shareholders. The dividend paid was €1.25 per share.

The capital reserves contain amounts in accordance with section 272 (2) nos. 1, 2 and 4 of the Handelsregisterbuch (HGB – German Commercial Code). Capital reserves also contain deferred tax assets at the expense of the capital increase amounting to €1,441 thousand.

Retained earnings consist of the remeasurement reserves and currency items and accumulated profits carried forward at the time of transition to IFRS.
Deutsche EuroShop issued a convertible bond on 14 November 2012. Convertible bonds with a five-year maturity and total value of €100 million were placed. The initial conversion price is €32.66; the coupon is 1.75% per year and is payable semi-annually in arrears. The convertible bonds were issued at 100% of their nominal value of €100,000.00 each and can initially be converted to 3,061,849 shares in Deutsche EuroShop AG in accordance with the conversion ratio and the terms and conditions of the convertible bonds. The proceeds from the issue amounted to €100 million. No conversion rights were exercised by 31 December 2014.

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The amount of the convertible bond was divided into equity and debt components. The equity component accounted for a total amount of €7,340 thousand which was placed in capital reserves.

Deferred tax liabilities relate primarily to properties reported at fair value in accordance with IAS 40. At the reporting date, they totalled €249,462 thousand (previous year: €220,754 thousand) and were partially offset by deferred tax assets on tax loss carryforwards of €9,134 thousand (previous year: €12,329 thousand).

The deferred tax on derivatives concerns an interest rate swap, which is to be measured through profit and loss following the acquisition of the remaining shares in Altmarkt-Galerie Dresden.

The deferred taxes are formed for interest rate swaps, which due to an effective hedging relationship with the underlying transaction are recognised directly in equity.

From 2015 another property company fulfills the conditions for taking advantage of the extended trade tax reduction. As a result, it was possible to release deferred trade tax provisions in the amount of €6,174 thousand.

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17. Other current liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Value added tax</td>
<td>1,977</td>
<td>2,414</td>
</tr>
<tr>
<td>Rental rentals</td>
<td>970</td>
<td>1,001</td>
</tr>
<tr>
<td>Service contract liabilities</td>
<td>4</td>
<td>1,045</td>
</tr>
<tr>
<td>Deferral with credit balances</td>
<td>1,239</td>
<td>698</td>
</tr>
<tr>
<td>Other</td>
<td>6,644</td>
<td>9,488</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,734</strong></td>
<td><strong>14,634</strong></td>
</tr>
</tbody>
</table>

Other mainly comprises liabilities for heating and ancillary costs, prepaid rent for the following year and tax payments made at the beginning of 2015.

18. Other non-current liabilities

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate swaps</td>
<td>58,431</td>
<td>40,481</td>
</tr>
<tr>
<td>Other</td>
<td>508</td>
<td>615</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>58,939</strong></td>
<td><strong>41,096</strong></td>
</tr>
</tbody>
</table>

In connection with borrowing, interest rate hedges (interest rate swaps) were concluded to hedge against higher capital market interest rates. Their present value totalled €386,431 thousand as at the reporting date.

20. Property operating costs

<table>
<thead>
<tr>
<th>in € thousand</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum rental income</td>
<td>197,993</td>
<td>185,818</td>
</tr>
<tr>
<td>Turnover rental income</td>
<td>1,682</td>
<td>1,591</td>
</tr>
<tr>
<td>Other</td>
<td>1,110</td>
<td>578</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200,785</strong></td>
<td><strong>187,987</strong></td>
</tr>
</tbody>
</table>

of which directly attributable rental income in accordance with IAS 40 Investment Properties | **200,785** | **187,987** |

Other property relates primarily to compensation for use and settlement payments made by former tenants.

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

<table>
<thead>
<tr>
<th>in € thousand</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maturity within 1 year</td>
<td>197,369</td>
<td>194,474</td>
</tr>
<tr>
<td>Maturity from 1 to 5 years</td>
<td>620,569</td>
<td>653,747</td>
</tr>
<tr>
<td>Maturity after 5 years</td>
<td>325,547</td>
<td>368,145</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,144,485</strong></td>
<td><strong>1,196,364</strong></td>
</tr>
</tbody>
</table>

24. Income from investments

<table>
<thead>
<tr>
<th>in € thousand</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from investments</td>
<td>1</td>
<td>18,668</td>
</tr>
</tbody>
</table>

The profit dividend of City-Point Beteiligungs GmbH, Pfullach, for the previous year is recognised.

25. Share of the profit or loss of associates and joint ventures accounted for using the equity method

<table>
<thead>
<tr>
<th>in € thousand</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit / loss from equity-accounted associates</td>
<td>35,129</td>
<td>27,024</td>
</tr>
</tbody>
</table>

Profit / losses of joint ventures and associates in which Deutsche Euroshop AG together with third parties has a majority of the voting rights. These are five shopping center companies and four smaller property companies.

26. Profit / loss attributable to limited partners

<table>
<thead>
<tr>
<th>in € thousand</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit / loss attributable to limited partners</td>
<td>-16,127</td>
<td>-15,391</td>
</tr>
</tbody>
</table>

Notes to the consolidated income statement

19. Revenue

<table>
<thead>
<tr>
<th>in € thousand</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
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<td>197,993</td>
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<tr>
<td><strong>Total</strong></td>
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<td><strong>187,987</strong></td>
</tr>
</tbody>
</table>

of which directly attributable rental income in accordance with IAS 40 Investment Properties | **200,785** | **187,987** |

22. Other operating income

<table>
<thead>
<tr>
<th>in € thousand</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from the reversal of provisions</td>
<td>441</td>
<td>1,059</td>
</tr>
<tr>
<td>Exchange rate gains</td>
<td>14</td>
<td>211</td>
</tr>
<tr>
<td>Other</td>
<td>1,414</td>
<td>1,547</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,889</strong></td>
<td><strong>2,817</strong></td>
</tr>
</tbody>
</table>

Legal and consulting costs and audit expenses include €286 (previous year: €9,922) as at the reporting date.

23. Other operating expenses

<table>
<thead>
<tr>
<th>in € thousand</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel expenses</td>
<td>-2,466</td>
<td>-4,133</td>
</tr>
<tr>
<td>Legal, consulting and audit expenses</td>
<td>-1,403</td>
<td>-1,238</td>
</tr>
<tr>
<td>Marketing costs</td>
<td>-416</td>
<td>-316</td>
</tr>
<tr>
<td>Exchange rate losses</td>
<td>-318</td>
<td>-311</td>
</tr>
<tr>
<td>Supervisory Board compensation</td>
<td>-312</td>
<td>-312</td>
</tr>
<tr>
<td>Apportionment</td>
<td>-299</td>
<td>-273</td>
</tr>
<tr>
<td>Write-downs</td>
<td>-76</td>
<td>-65</td>
</tr>
<tr>
<td>Real estate transfer tax</td>
<td>0</td>
<td>-22</td>
</tr>
<tr>
<td>Other</td>
<td>-876</td>
<td>-1,252</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>-6,184</strong></td>
<td><strong>-7,285</strong></td>
</tr>
</tbody>
</table>

In measuring deferred taxes, the tax rates applicable in accordance with IAS 12 are those valid under current legislation at the date at which the temporary differences will probably reverse.

In 2014, a corporate tax rate of 15% was used for the companies in Germany. In addition, a solidarity surcharge of 5.5% on the calculated corporation tax and, in part, 16.45% in trade tax were recognised.

The respective local tax rates were applied for foreign companies.

Tax reconciliation

Income taxes in the amount of €37,247 thousand in the year under review are derived as follows from an expected income tax expense that would have resulted from the application of the parent company’s statutory income tax rate to the profit before tax. This was calculated using a tax rate of 3.28%.

27. Valuation gains / losses

<table>
<thead>
<tr>
<th>in € thousand</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>unrealised gains / losses in fair value</td>
<td>-88,302</td>
<td>-60,538</td>
</tr>
<tr>
<td>Profit / loss attributable to limited partners</td>
<td>-1,318</td>
<td>-4,492</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>-95,490</strong></td>
<td><strong>-65,030</strong></td>
</tr>
</tbody>
</table>

In 2014, a corporate tax rate of 15% was used for the companies in Germany. In addition, a solidarity surcharge of 5.5% on the calculated corporation tax and, in part, 16.45% in trade tax were recognised.

The respective local tax rates were applied for foreign companies.

Taxes on income and earnings include the reversal of €7.2 million (previous year: €12.6 million) in deferred trade tax liabilities which had been formed in previous years.
In financial year 2014, the effective income tax rate was 20.5%. This figure does not include the effect from tax rates changes and the aperiodic tax income amounting to €6,793 thousand.

29. Notes to the consolidated cash flow statement

Notes to the consolidated cash flow statement

The cash flow statement has been prepared in accordance with IAS 7 and is broken down into operating cash flow, cash flow from operating activities, cash flow from investing activities, and cash flow from financing activities. Cash and cash equivalents consists of cash bank balances and short-term deposits.

Composition of cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>58,294</td>
<td>40,810</td>
</tr>
</tbody>
</table>

Operating cash flow

After adjustment of the annual profit for non-cash income and expenses, operating cash flow was €133,304 thousand. All changes to cash flows from net finance costs are allocated to operating activities.

Cash flow from operating activities

Changes in receivables, provisions and liabilities are allocated to cash flow from operating activities.

Cash outflows from operating activities includes, among others:
- interest income of €0.3 million (previous year: €0.4 million)
- interest expense of €56.8 million (previous year: €56.3 million)
- income taxes paid of €2.1 million (previous year: €1.8 million)
- net allocations to provisions of €8.0 million (previous year: €4.8 million)

Cash flow from investing activities

Cash additions/disposals of non-current assets during the year are recognised.
€34.2 million flowed into the company from the disposal of property in Poland from the previous year.

In the year under review, investments totalling €9.7 million were made in the portfolio properties. In addition, investments in operating and office equipment totalled €0.1 million.

Cash flow from financing activities

Moreover, loan reductions resulted in a cash outflow in the amount of €58.4 million.

Payments to third-party shareholders include the distributions paid of €14.0 million.

In financial year 2014, a dividend of €67.4 million was paid to the shareholders.

Segment reporting

As a holding company, Deutsche EuroShop AG holds equity interests in shopping centers in the European Union. The investees are pure real-estate shelf companies without staff of their own. Operational management is contracted out to external service providers under agency agreements, with the result that the companies’ activities are exclusively restricted to asset management. The companies are operated individually.

Due to the Company’s uniform business activities within a relatively homogeneous region (the European Union), and in accordance with IFRS 8.12, separate segment reporting is presented in the form of a breakdown by domestic and international results.

As the Group’s main decision-making body, the Deutsche EuroShop AG Executive Board largely assesses the performance of the companies’ activities based on the EBT before measurement of the individual property companies. The valuation principles for the segment reporting correspond to those of the Group.

Intra-Group activities between the segments are eliminated in the reconciliation statement.

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

Breakdown by geographical segment

<table>
<thead>
<tr>
<th>in € thousand</th>
<th>Domestic</th>
<th>International</th>
<th>Reconciliation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>185,959</td>
<td>14,846</td>
<td>0</td>
<td>200,785</td>
</tr>
<tr>
<td>(previous year’s figures)</td>
<td>(179,292)</td>
<td>(14,205)</td>
<td>(0)</td>
<td>(193,797)</td>
</tr>
<tr>
<td>EBIT</td>
<td>168,598</td>
<td>13,293</td>
<td>-4,185</td>
<td>177,506</td>
</tr>
<tr>
<td>(previous year’s figures)</td>
<td>(156,577)</td>
<td>(11,415)</td>
<td>(4,248)</td>
<td>(172,238)</td>
</tr>
<tr>
<td>Net interest income</td>
<td>-50,685</td>
<td>-3,729</td>
<td>-5,808</td>
<td>-59,222</td>
</tr>
<tr>
<td>(previous year’s figures)</td>
<td>(-40,587)</td>
<td>(-3,534)</td>
<td>(-3,958)</td>
<td>(-47,079)</td>
</tr>
<tr>
<td>Earnings before tax (EBT)</td>
<td>181,069</td>
<td>10,264</td>
<td>19,597</td>
<td>210,930</td>
</tr>
<tr>
<td>(previous year’s figures)</td>
<td>(155,084)</td>
<td>(7,142)</td>
<td>(24,407)</td>
<td>(186,633)</td>
</tr>
</tbody>
</table>

Profits and losses for equity-accounted companies in the amount of €35,129 thousand are primarily disclosed in the reconciliation statement, of which €25,462 thousand are domestic profits and losses and €9,667 thousand international profits and losses.

<table>
<thead>
<tr>
<th>in € thousand</th>
<th>Domestic</th>
<th>International</th>
<th>Reconciliation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment assets</td>
<td>3,262,622</td>
<td>229,536</td>
<td>3,492,158</td>
<td></td>
</tr>
<tr>
<td>(previous year’s figures)</td>
<td>(3,172,548)</td>
<td>(222,515)</td>
<td>(3,394,063)</td>
<td></td>
</tr>
<tr>
<td>of which investment properties</td>
<td>2,838,839</td>
<td>221,340</td>
<td>3,060,179</td>
<td></td>
</tr>
<tr>
<td>(previous year’s figures)</td>
<td>(2,746,500)</td>
<td>(225,849)</td>
<td>(2,972,349)</td>
<td></td>
</tr>
</tbody>
</table>
Investments measured using the equity method are reported at fair value. In the year under review no additional appreciations or depreciations were made as they are already included in the respective subsidiary’s net income for the period.

Trade receivables, other assets as well as cash and cash equivalents – which are recognised at present value – have predominantly short residual terms. The carrying amounts thus correspond to the fair value.

The long-term financial liabilities include obligations from convertible bonds that are measured at amortised cost using the effective interest rate method. Interest expense incurred amounted to €3,458 thousand (previous year: €3,363 thousand) and is recognised in net finance costs.

Bank loans and overdrafts have short and long-term durations and are recognised at amortised cost. The fair value for Group loans is given in the notes under item 12 Financial liabilities. In total, interest expense of €58,570 thousand (previous year: €57,827 thousand) is included in net finance costs.

Trade payables and other liabilities, with the exception of interest rate swaps – which are recognised at present value – usually have short residual terms. The carrying amounts thus correspond to the fair value.

Interest on financial instruments, not recognised in profit or loss **
Interest rate hedges not recognised in profit or loss *
Interest rate hedges recognised in profit or loss *
Other financial investments *
Trade receivables *
Non-current financial assets **
Convertible bond
Convertible bond
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31. Investments accounted for using the equity method

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

The joint ventures material to the overall Group posted the following asset and liability items and income items for the reporting year:

<table>
<thead>
<tr>
<th></th>
<th>Aller-Center Magdeburg KG, Hamburg</th>
<th>Stadt-Galerie Passau KG, Hamburg</th>
<th>Immobilienkommanditgesellschaft FZ Einkaufs-Center Bruxelles, Hamburg</th>
<th>Einkaufs-Center Arkaden Pies KG, Hamburg</th>
<th>Total profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current assets</td>
<td>296,405</td>
<td>246,380</td>
<td>147,100</td>
<td>177,426</td>
<td>9,250</td>
</tr>
<tr>
<td>Current assets</td>
<td>1,324</td>
<td>972</td>
<td>371</td>
<td>1,171</td>
<td>1,199</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>1,201</td>
<td>1,265</td>
<td>1,292</td>
<td>962</td>
<td>2,067</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>107,981</td>
<td>107,444</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>971</td>
<td>628</td>
<td>595</td>
<td>309</td>
<td>4,528</td>
</tr>
<tr>
<td>Revenues</td>
<td>16,041</td>
<td>15,891</td>
<td>9,515</td>
<td>9,250</td>
<td>12,437</td>
</tr>
<tr>
<td>Net interest income</td>
<td>4</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>2,106</td>
</tr>
<tr>
<td>Net profit</td>
<td>19,067</td>
<td>15,000</td>
<td>11,706</td>
<td>9,007</td>
<td>11,346</td>
</tr>
<tr>
<td>Other income</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>19,067</td>
<td>15,000</td>
<td>11,706</td>
<td>9,007</td>
<td>12,473</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Aller-Center Magdeburg KG, Hamburg</th>
<th>Stadt-Galerie Passau KG, Hamburg</th>
<th>Immobilienkommanditgesellschaft FZ Einkaufs-Center Bruxelles, Hamburg</th>
<th>Einkaufs-Center Arkaden Pies KG, Hamburg</th>
<th>Total profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity method valuation as at 01.01.2014</td>
<td>125,558</td>
<td>107,299</td>
<td>42,735</td>
<td>45,262</td>
<td>21,431</td>
</tr>
<tr>
<td>Net profit</td>
<td>9,554</td>
<td>10,278</td>
<td>5,673</td>
<td>6,237</td>
<td>3,450</td>
</tr>
<tr>
<td>Dividend</td>
<td>7,125</td>
<td>6,442</td>
<td>312</td>
<td>2,927</td>
<td>-98</td>
</tr>
<tr>
<td>Equity method valuation as at 31.12.2014</td>
<td>123,980</td>
<td>113,125</td>
<td>48,096</td>
<td>48,572</td>
<td>23,953</td>
</tr>
</tbody>
</table>

In addition, small property companies in which Deutsche EuroShop indirectly or directly has an interest are part of the Group. Deutsche EuroShop exercises a controlling influence over these companies together with other shareholders. However, they are negligible for the assets, financial and earnings position of the Group.

During the financial year, the equity-accounted associates posted the following equity method valuation and annual profit / loss:

<table>
<thead>
<tr>
<th></th>
<th>Aller-Center Magdeburg KG, Hamburg</th>
<th>Stadt-Galerie Passau KG, Hamburg</th>
<th>Immobilienkommanditgesellschaft FZ Einkaufs-Center Bruxelles, Hamburg</th>
<th>Einkaufs-Center Arkaden Pies KG, Hamburg</th>
<th>Total profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity method valuation</td>
<td>3,014,439</td>
<td>3,851</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual profit / total profit</td>
<td>29</td>
<td>42</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

32. Earnings per share

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group shareholders’ portion of profits / losses (€ thousand)</td>
<td>177,426</td>
<td>171,043</td>
</tr>
<tr>
<td>Weighted number of no-par value shares issued</td>
<td>53,945,536</td>
<td>53,945,536</td>
</tr>
<tr>
<td>Basic earnings per share (€)</td>
<td>3.29</td>
<td>3.17</td>
</tr>
<tr>
<td>Group shareholders’ portion of profits / losses (€ thousand)</td>
<td>177,426</td>
<td>171,043</td>
</tr>
<tr>
<td>Adjustment of interest expense for the convertible bond (€ thousand)</td>
<td>2,152</td>
<td>2,277</td>
</tr>
<tr>
<td>Profits / losses used to calculate the diluted earnings per share (€ thousand)</td>
<td>179,578</td>
<td>173,320</td>
</tr>
<tr>
<td>Weighted number of no-par value shares issued</td>
<td>53,945,536</td>
<td>53,945,536</td>
</tr>
<tr>
<td>Weighted adjustment of potentially convertible no-par value shares</td>
<td>3,014,439</td>
<td>2,909,710</td>
</tr>
<tr>
<td>Average weighted number of shares used to determine the diluted earnings per share (€ thousand)</td>
<td>56,959,975</td>
<td>56,855,246</td>
</tr>
<tr>
<td>Diluted earnings per share (€)</td>
<td>3.13</td>
<td>3.05</td>
</tr>
</tbody>
</table>

Other financial obligations

There are other financial obligations of €68.0 million arising from service contracts (previous year: €91.7 million).

There are financial obligations of €11.5 million which will arise in 2015 in connection with investment measures in our shopping centers.

Basic earnings per share: Basic earnings per share are determined by dividing the net income for the period to which shareholders of Deutsche EuroShop AG are entitled by the weighted average number of shares outstanding within the reporting period.

Diluted earnings per share: The diluted earnings are calculated by taking the average number of shares outstanding and adding the number of warrants granted in connection with the convertible bond. 3.1 million warrants existed during the year under review. Due to the fact that the convertible bond was issued mid-year, the warrants issued in connection with the convertible bond were recognised on a pro rata basis in 2012. It is anticipated that the convertible bonds will be exchanged for shares in full. The profits / losses will be adjusted accordingly for income tax and expense factors.

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.

Other related parties for the purposes of IAS 24

Deutsche EuroShop AG’s subsidiaries, joint ventures and associates as well as the members of its Executive Board and Supervisory Board and their close family members are regarded as related parties for the purposes of IAS 24. The remuneration of the Supervisory Board and the Executive Board is described in the “Supervisory Board and Executive Board” section and also in the remuneration report part of the group management report.

Fees for service contracts with the ECE Group totalled €15,931 thousand (previous year: €15,561 thousand). This amount was partially offset by income from lease agreements with the ECE Group in the amount of €6,573 thousand (previous year: €5,655 thousand). Receivables from ECE were €2,885 thousand, while liabilities were €249 thousand.

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

Hamburg, 16 April 2015
Deutsche EuroShop AG
The Executive Board

Claus-Mathias Böge
Olaf Bekers
Wilhelm Wellner
**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 Zall**, Königstein / Tw., Chairman

**Dr. Michael Gellen**, Cologne, Deputy Chairman (until 18 June 2014)

Independent lawyer

**Rainer Strecker**, Deputy Chairman (since 18 June 2014)

Managing Partner of Vorwerk & Co. KG, Wuppertal

b) akt Bank GmbH & Co. KG, Wuppertal

**Thomas Armbrust**, Reinbek

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

a) C.J. Vogel Aktiengesellschaft für Beteiligungen, Hamburg (Chairman)

Platinum AG, Hamburg (Chairman)

TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich (Chairman)

Verwaltungsgesellschaft Otto mbH, Hamburg

Paramount Group Inc. New York, NY / USA (since 14 April 2014)

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

**Beate Bell**, Cologne (since 18 June 2014)

Head of Corporate Integrated Governance, Risk & Compliance at Metro AG, Düsseldorf

**Manuela Better**, Munich (since 18 June 2014)

Managing Director of Dr Ingrid Better Vermögensverwaltung GmbH & Co KG, Munich

a) AXA Konzern AG, Cologne (since 27 May 2014)

Deutsche Annington Immobilien SE, Bochum (since 21 August 2014)

**Karim Dohn**, Kronberg / Tw.

Chief Financial Officer Global Transaction Banking, Deutsche Bank AG, Frankfurt am Main (since 1 January 2015)

b) Deutsche Bank Luxembourg S.A.

**Dr. Henning Kreke**, Hagen

Chairman of the Board of Douglas Holding AG, Hagen / Westphalia

**Klaus Striebich**, Beoigheim

Managing Director Leasing der Verwaltung ECE Projektmanagement G.m.b.H., Hamburg

b) Unternehmensgruppe Dr Eckert GmbH, Berlin

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

**Alexander Otto**, Hamburg

CEO of Verwaltung ECE Projektmanagement G.m.b.H., Hamburg

a) Verwaltungsgesellschaft Otto mbH, Hamburg

b) Peek & Cloppenburg KG, Düsseldorf

Sonae Sierra Brasil S.A., Sao Paulo / Brazil (since 29 April 2014)

**Dr. Bernd Thiemann**, Münster (until 18 June 2014)

Management consultant

a) Deutsche Pfandbriefbank AG, Unterschleißheim

Chairman (Chairman, until 26 August 2014)

VHIV Lebensversicherung AG, Hanover

Hypo Real Estate Holding AG, Unterschleißheim (Chairman, until 26 August 2014)

Wave Management AG, Hanover (Chairman)

IVG Immobilien AG, Bonn (until 26 August 2014)

**M.M. Warburg & Co. KG aA**, Hamburg

Deputy Chairman

Hannoversche Direktversicherung AG, Hanover

b) Würth Finance International B.V., Amsterdam

**Executive Board**

**Claus-Matthias Böge**, Hamburg

Executive Board Spokesman

a) Biju Brigitte modische Accessoires AG, Hamburg

(Deputy Chairman)

**Olaf G. Borkers**, Hamburg

Member of the Executive Board

**Wilhelm Wellner**, Hamburg

Member of the Executive Board (since 1 February 2015)

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

The remuneration of the Executive Board totalled €1,237 thousand (previous year: €1,237 thousand), which includes performance-related compensation in the amount of €569 thousand (previous year: €577 thousand). This remuneration is due in the short term.

€481 thousand (previous year: €306 thousand) was allocated to the provision for the Executive Board’s long-term incentive plan (LTI-share-based payment). Accrued interest was €27 thousand.

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

**Corporate governance**

The Declaration of Conformity with the German Corporate Governance Code required by section 161 of the Aktiengesetz (AktG – German Public Companies Act) has been issued jointly by the Supervisory Board and the Executive Board, and was made available to shareholders via publication on the Internet in November 2014.

### Other disclosures

In line with section 160 (1) no. 8 AktG, we give notice that the following investments and changes to voting rights have been registered to our Company in conformity with the duty of disclosure in accordance with section 21 of the Wertpapierhandelsgesetz (WpHG – Securities Trading Act):

**Shareholder**

<table>
<thead>
<tr>
<th>Shareholding report as at</th>
<th>Event</th>
<th>New voting rights share %</th>
<th>of which own holdings %</th>
<th>of which indirectly attributable %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benjamin Otto</strong>, Hamburg</td>
<td>02.04.2014</td>
<td>... exceeds threshold ($)</td>
<td>7.74</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Benjamin Otto</strong> G.m.b.H., Hamburg</td>
<td>02.04.2014</td>
<td>... exceeds threshold ($)</td>
<td>7.74</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Gemeinnützige Hertie-Stiftung, Frankfurt</strong></td>
<td>15.05.2013</td>
<td>... exceeds threshold ($)</td>
<td>3.03</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Alexander Otto</strong>, Hamburg</td>
<td>14.11.2013</td>
<td>... falls below threshold (%)</td>
<td>5.06</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Credit Suisse Group AG, Zurich, Switzerland</strong></td>
<td>15.06.2014</td>
<td>... exceeds threshold ($)</td>
<td>3.20</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Credit Suisse Group AG, Zurich, Switzerland</strong></td>
<td>15.06.2014</td>
<td>... exceeds threshold ($)</td>
<td>3.20</td>
<td>0.27</td>
</tr>
<tr>
<td><strong>Credit Suisse Group AG, Zurich, Switzerland</strong></td>
<td>18.06.2014</td>
<td>... falls below threshold ($)</td>
<td>2.93</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Credit Suisse Group AG, Zurich, Switzerland</strong></td>
<td>18.06.2014</td>
<td>... falls below threshold ($)</td>
<td>2.93</td>
<td>0.27</td>
</tr>
<tr>
<td><strong>Credit Suisse Group AG, Zurich, Switzerland</strong></td>
<td>20.05.2014</td>
<td>... exceeds threshold ($)</td>
<td>3.05</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Credit Suisse AG, Zürich, Switzerland</strong></td>
<td>20.06.2014</td>
<td>... exceeds threshold ($)</td>
<td>3.05</td>
<td>0.27</td>
</tr>
<tr>
<td><strong>Credit Suisse Group AG, Zürich, Switzerland</strong></td>
<td>23.06.2014</td>
<td>... falls below threshold ($)</td>
<td>0.28</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Credit Suisse AG, Zürich, Switzerland</strong></td>
<td>25.06.2014</td>
<td>... falls below threshold ($)</td>
<td>0.28</td>
<td>0.27</td>
</tr>
<tr>
<td><strong>BlackRock Group Limited, London, United Kingdom</strong></td>
<td>07.08.2014</td>
<td>... falls below threshold ($)</td>
<td>2.97</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>BlackRock Group Limited, London, United Kingdom</strong></td>
<td>11.09.2014</td>
<td>... exceeds threshold ($)</td>
<td>3.04</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>BlackRock Group Limited, London, United Kingdom</strong></td>
<td>19.09.2014</td>
<td>... falls below threshold ($)</td>
<td>2.99</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>BlackRock Advisors Holdings, Inc., New York, United States of America</strong></td>
<td>23.09.2014</td>
<td>... falls below threshold ($)</td>
<td>2.94</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>BlackRock International Holdings, Inc., New York, New York, United States of America</strong></td>
<td>23.09.2014</td>
<td>... falls below threshold ($)</td>
<td>2.94</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>BlackRock International Holdings, Inc., New York, New York, United States of America</strong></td>
<td>23.09.2014</td>
<td>... exceeds threshold ($)</td>
<td>4.07</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>BlackRock Holding G. Inc., Wilmington, DE, United States of America</strong></td>
<td>25.09.2014</td>
<td>... exceeds threshold ($)</td>
<td>4.07</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>BlackRock Financial Management, Inc., New York, NY, United States of America</strong></td>
<td>25.09.2014</td>
<td>... exceeds threshold ($)</td>
<td>4.07</td>
<td>0.00</td>
</tr>
</tbody>
</table>

The total fees charged by the auditors of the consolidated financial statements for the 2014 financial year amounted to €290 thousand (previous year: €310 thousand), of which €286 thousand (previous year: €328 thousand) related to auditing services. Other audit-related services were provided by the auditor in the amount of €4 thousand.
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 2014 to 31. December 2014. 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 315 (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 promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting standards and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting information of the areas of the company included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements 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 315 (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 management report is consistent with the consolidated financial statements, as a whole provides a suitable understanding of the Group’s position and suitably presents the opportunities and risks of future development.

Hamburg, 16 April 2015

BDO AG
Wirtschaftsprüfungsgesellschaft

signed Hyckel
Auditor

signed Glaser
Auditor

Responsibility statement by the Executive board

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

Hamburg, 16 April 2015

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

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

Publications for our shareholder: Annual Report (in English and German), Interim Reports for the first, second and third quarters (in English and German).

Disclaimer
Information on wording: Wherever any terms indicating the male gender only (he, him, etc.) have, in the interests of simplicity, been used in this Annual Report, such references should be construed as referring equally to the female gender. Author contributions: Sections of text bearing an author’s name do not necessarily reflect the views of Deutsche EuroShop AG. The authors in question are responsible for the content of the texts. Trademarks: All trademarks and brand or product names mentioned in this Annual Report are the property of their respective owners. This applies in particular to DAX, MDAX, SDAX, TecDAX and Xetra, which are registered trademarks and the property of Deutsche Börse AG.

Disclaimer for forwards-looking statements: This Annual Report contains forward-looking statements based on estimates of future developments by the Executive Board. The statements and forecasts represent estimates based on all of the information available at the current time. If the assumptions on which these statements and forecasts are based do not materialise, the actual results may differ from those currently being forecast. Publications for our shareholder: Annual Report (in English and German), Interim Reports for the first, second and third quarters (in English and German). Online Annual Report: The Deutsche EuroShop Annual Report can be downloaded in PDF format or accessed as an interactive online report at deutsche-euroshop.com. This annual report is also available in German. In the event of conflicts the German language version shall prevail.