DES Deutsche EuroShop

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ANNUAL REPORT
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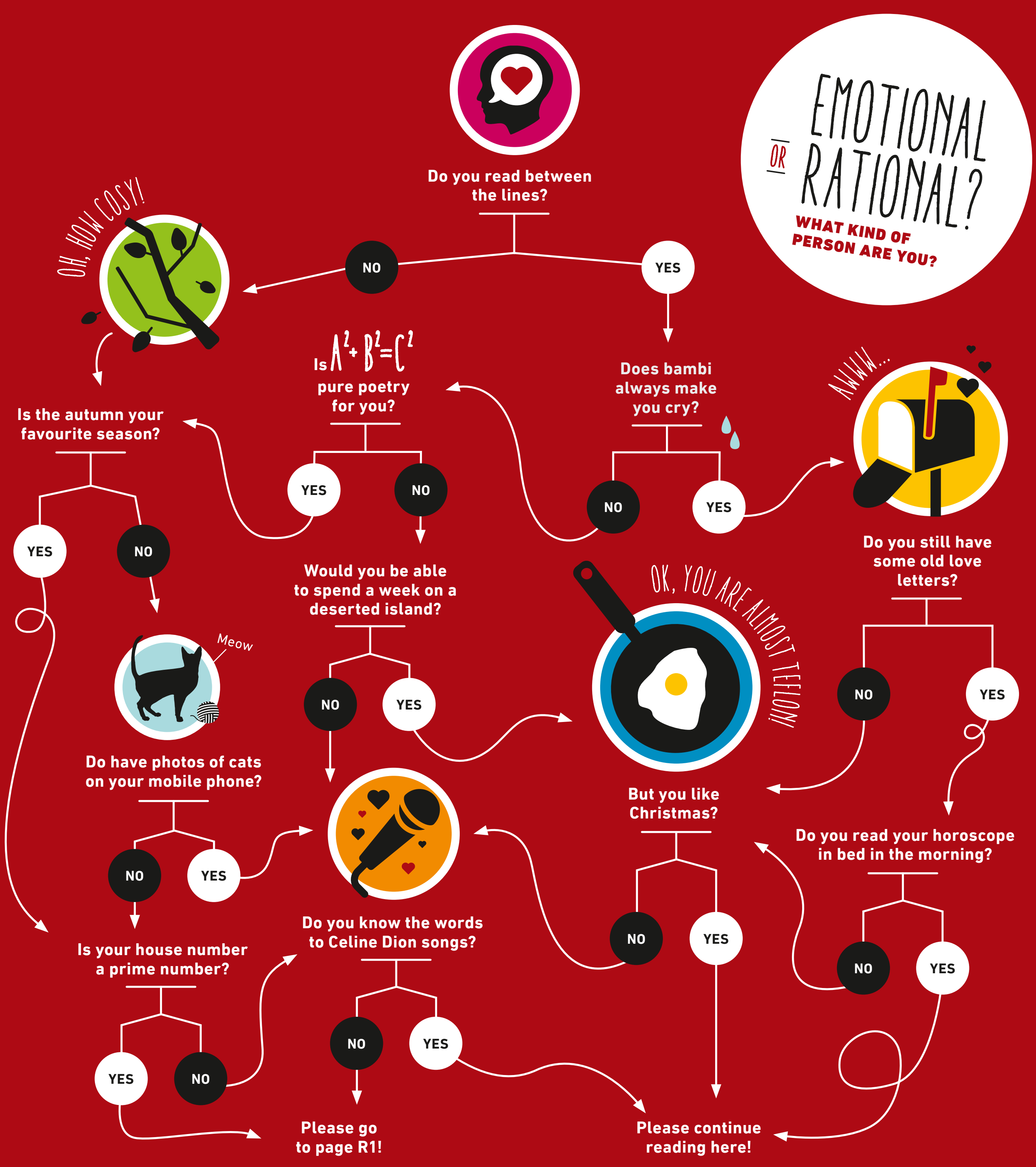
EMOTIONAL



OUR VALUES

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

These are the pillars of our success.

OUR GOALS

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

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SHOPPING

THE CENTERS

INVESTOR RELATIONS

The **MANAGEMENT REPORT** and the **FINANCIAL STATEMENTS** are in the back section. Please continue reading on page R1.

DEUTSCHE EUROSHOP

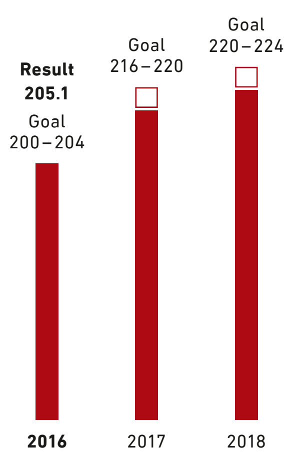
Overview

in € million	2016	2015	Difference
Revenue	205.1	202.9	1%
EBIT	178.6	176.3	1%
Net finance costs	-13.9	-2.1	-548%
Measurement gains / losses	116.8	220.6	-47%
EBT	281.5	394.7	-29%
Consolidated profit	221.8	309.3	-28%
FFO per share in €	2.41	2.29	5%
Earnings per share in € *	4.11	5.73	-28%
EPRA Earnings per share in € *	2.29	2.18	5%
Equity **	2,240.7	2,061.0	9%
Liabilities	1,873.8	1,790.6	5%
Total assets	4,114.5	3,851.6	7%
Equity ratio in % **	54.5	53.5	
LTV-ratio in %	34.2	35.5	
Cash and cash equivalents	64.0	70.7	-9%
Net asset value (EPRA)	2,332.6	2,135.2	9%
Net asset value per share in € (EPRA)	43.24	39.58	9%
Dividend per share in €	1.40 ***	1.35	4%

* undiluted ** incl. non controlling interests *** proposal

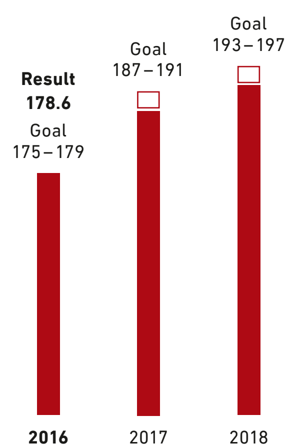
REVENUE

in € million



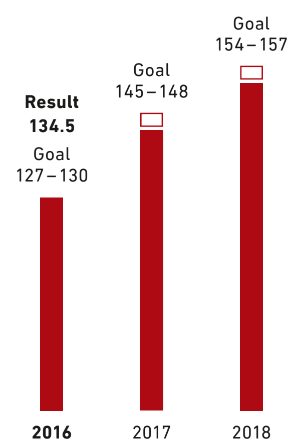
EBIT

in € million



EBT *

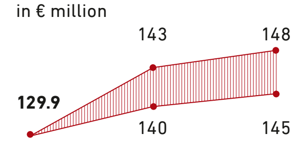
in € million



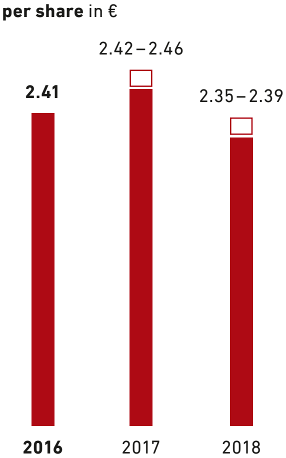
* excluding measurement gains / losses

FFO

Result in € million | **Goal** | **Goal**



per share in €



Number of shares in million

53.9 | 58.0 ** | 61.8 **

** after conversion of the convertible bond, time-weighted at the balance sheet date

21 SHOPPING CENTERS

in 5 countries

Germany 17 centers **Austria** 1 center
Czech Republic 1 center **Hungary** 1 center **Poland** 1 center

178.2
Visitors in 2016 (in million)

2,703
Retail shops

99 %
Occupancy rate

5.7
Weighted maturity of rental contracts

EMOTIONAL OR RATIONAL?

WHAT KIND OF PERSON ARE YOU?

f.l.t.r.: Birgit Schäfer, Nicolas Lissner, Patrick Kiss, Ralph Borghaus, Wilhelm Wellner, Olaf Borkers, Britta Behrmann

EDITORIAL

DEAR READERS,

Are you more of an emotional or a rational person? Perhaps while you were reading the title page, your feelings intuitively led you to this half of the annual report first - the "emotional" part. Or maybe you very "rationally" started with the facts and figures, which you will find by simply turning this report over.

In our Annual Report, we aim to highlight the difference between the many emotional and rational decisions that each of us make, often unconsciously, throughout the day. And then there are those we make deliberately – be it deciding to invest in a share, acquiring some real estate or just going to buy a new pair of jeans.

Regardless of how sensible and well thought-out we think our decisions are – especially when it comes to shopping – we are still happy to let our feelings guide us. In the truest sense of the word. We really want to "touch" that beautiful fabric and to "smell" the leather of a luxury handbag. Or "see" from every angle how well our child's new summer shoes match their outfit.

Our 21 shopping centers in Germany and four additional European countries are the best place to indulge this emotional side of ours. Our tenant partners offer a vast and readily available selection of products and brand names as well as tailored and personalised advice. Every time you visit you can look forward to the thrill and entertainment of vibrant and constantly changing special offers. And whenever you need a break, just sit down to some freshly brewed coffee or piping-hot pizza with your friends and family. This is the kind of fun and inspiring shopping experience that appeals to everyone. Shopping by mouse click or when you are out and about by yourself does not even come close.

I hope you enjoy reading our report, and I would like to take this opportunity to extend a personal thank you for the trust you place in us.

Best regards

Wilhelm Wellner
CEO

"When it comes to making important decisions, the head and gut are generally quite closely in sync."

In this Executive Board interview, Wilhelm Wellner and Olaf Borkers answer questions on current topics. The interview also focuses on rationality and emotions. Read on to discover what the members of the Executive Board have to say on the results of the last financial year, acquisitions, online retail, the interest rate trend and the future of Deutsche EuroShop.

MR WELLNER, HOW WAS THE FIRST FULL FINANCIAL YEAR UNDER YOUR LEADERSHIP?

Wilhelm Wellner: We are very pleased. We have achieved our financial targets and expanded our portfolio again for the first time since 2012. It took a long time to find shopping centers that fit in with our portfolio and strategy; it was certainly not easy and this will continue to be the case in future. As you know, we pursue a long-term approach and focus on high-quality shopping centers in first-class locations.

PLEASE TELL US A LITTLE MORE ABOUT THESE NEW ACQUISITIONS. HAS THAT DEUTSCHE EUROSHOP NOW ALSO INVESTED IN THE SAARLAND?

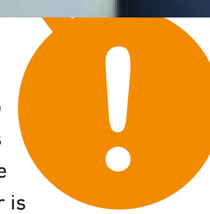
Wilhelm Wellner: Yes, that is right. On 1 October 2016, we acquired a 50 percent share in the Saarpark-Center in Neunkirchen in the Saarland for a total of €113 million. The center in the heart of town was originally opened in 1989, expanded in 1999, restructured in 2009 and is now the largest shopping center in the Saarland with more than 130 specialist shops and 33,500 m2 of retail space. Around 595,000 people live in the catchment area, with up to 24,000 visiting the center every day. Last year, the total number of customers totalled more than seven million.

WAS THIS A RATIONAL OR EMOTIONAL DECISION?

Wilhelm Wellner: The established and successful shopping center won us over rationally with facts: with its previous and projected long-term profitability, which is based on the very good location and mix of tenants, the attractive catchment area and functional floor plan.

"THE PRICE AND PROSPECTS WERE RIGHT."

f.l.: Wilhelm Wellner, Olaf Borkers



IN 2017, YOU REPORTED ANOTHER TRANSACTION WITH THE PURCHASE OF THE OLYMPIA CENTER IN BRNO IN THE CZECH REPUBLIC.

Wilhelm Wellner: Good things come to those who wait. After all, this acquisition took us almost one year. At around €382 million, it is also the biggest investment that Deutsche EuroShop has made to date. As with every acquisition, we go into great detail – this was also a special situation as it is the first time that we are operating in the Czech Republic.

ALLOW ME TO ASK IN THIS REGARD, TOO: WAS THIS A RATIONAL OR EMOTIONAL DECISION?

Wilhelm Wellner: When it comes to making important decisions, the head and gut are generally quite closely in sync. This motivated us to stay on the ball time and time again when moods changed throughout the unusually long evaluation and negotiation processes that were involved in acquiring the Olympia Center for our portfolio.

WHAT ARE THE FACTS?

Olaf Borkers: The Olympia Center in the second-largest city of the Czech Republic, Brno, originally opened in 1999 and has since steadily expanded. Following a reorganisation between 2014 and 2016, the center now houses more than 200 specialist stores across 85,000 m^2 of rental space. The center also features a cinema and entertainment park, as well as more than 4,000 parking spaces. This makes it one of the country's biggest shopping centers. It is also very well connected in terms of both road links and public transport. Around 1.2 million people live in the catchment area, for whom the center is open seven days a week. More than 23,000 visitors pass through its doors every day, with over eight million customers in total visiting last year. We are expecting rental income of €20.1 million and net operating income (NOI) of €19.1 million per year.

HOW DOES GUT FEELING COME INTO THE EQUATION?

Wilhelm Wellner: Gut instinct cannot really be explained. There are not only measurable factors, which include sales growth of 15 percent for tenants in the Olympia Center since 2014, for example, but also other soft factors. For instance, the center's positive image with customers and tenants or a stable positive economic and political environment, which is currently attracting many international retailers to the country. After a trip to Brno to get my own impression of the country and people, of the beautiful Brno city center as well as of the competition, everything came together to form the overall picture. Our gut feeling then also told us that we should decide to acquire the center. The price and prospects were right. →

COULD YOU BRIEFLY EXPLAIN WHY NO SUBSCRIPTION RIGHTS WERE ASSIGNED WITH THE CAPITAL INCREASE IN RELATION TO THE ACQUISITION OF THE OLYMPIA CENTER?

Olaf Borkers: As I said, this transaction kept us busy for almost a year. However, everything was still quite tight at the end, as the purchase contract had to be signed, the necessary loan agreements concluded and the equity raised through a capital increase. To coordinate this with all of the parties involved under the strictest confidentiality demanded great precision, but also meant that a subscription rights issue was not possible, as we had to offer a guarantee for the transaction within just a few days.

LET'S RETURN TO THE FINANCIAL YEAR JUST ENDED. PLEASE COULD YOU SUMMARISE THE RESULTS FOR US.

Olaf Borkers: Of course. Rental revenue of between €200 million and €204 million had been forecast, but we in fact generated €205.1 million. This represents an increase of 1.1 percent on the previous year, but incorporated one-off effects that we cannot expect to recur on a regular basis.

Earnings before interest and taxes (EBIT) amounted to €178.6 million and was therefore within our forecast range of €175 million to €179 million. For all of the remaining indicators, we have slightly exceeded our targets. We had planned for earnings before taxes (EBT) of €127 million to €130 million, but ultimately generated €134.5 million, which is a year-on-year rise of almost 6 percent. Even without the acquisition of the Saarpark-Center, we would still have exceeded the forecast slightly at €133 million. Overall, these positive effects resulted in funds from operations (FFO) per share being up on the forecast, at €2.41.

MEASUREMENT GAINS / LOSSES WERE HIGH IN THE PREVIOUS YEAR. WHAT WAS THE SITUATION IN 2016?

Olaf Borkers: In 2016, we once again achieved positive measurement effects. The appreciation of our portfolio approximately corresponds to the decline in yields that could be seen on the German market as a whole. On average, this yield compression of between 15 bp and 25 bp led to the appreciation of the value of our center, rising by 4.6 percent or a total of €145.5 million.

To round off the performance indicators, it should also be mentioned that EBT amounted to €281.5 million, consolidated profit totalled €221.8 million and earnings per share were €4.11.

Wilhelm Wellner: While we are on the subject of the results, I would like to point out that it will abe even easier for our investors to assess our financial figures in future. In Annual Report 2016, we have significantly expanded the scope of the reported European Public Real Estate Association (EPRA) performance indicators, which are a benchmark in the industry, and dedicated a chapter to these figures for the first time. In this way, we want to live up to our aspiration for transparency and at the same time continue to meet the ever-greater demands of international capital market players.


Wilhelm Wellner

"THE ONLINE AND OFFLINE WORLDS WILL CONTINUE TO CONVERGE."

„THIS TRANSACTION KEPT US BUSY FOR ALMOST A YEAR."


Olaf Borkers

COULD YOU TELL US ABOUT A FEW OF THESE EPRA PERFORMANCE INDICATORS?

Wilhelm Wellner: The previously published EPRA earnings increased by 5 percent in 2016 to €2.29 per share and the undiluted EPRA net asset value (NAV) amounted to €43.24 per share at year-end. New additions are the net initial yield, which averages at 5.0 percent in our portfolio, the cost ratio of 13.1 percent and the vacancy rate of 1.2 percent.

MR BORKERS, IN THE LAST ANNUAL REPORT, YOU HAD MENTIONED THE REDUCTION POTENTIAL OF OUR INTEREST COSTS. WHAT CAN YOU TELL US ABOUT THIS

Olaf Borkers: The significantly lower interest expense is undoubtedly a major contributing factor to our improved result. In our refinancing and new financing agreements, we continue to benefit from low interest rates for our loans. However, we do not understand nor agree with the degree of scepticism which many investors have displayed towards real estate companies since October last year because they expect an interest rate turnaround. We continue to be in a position where we can considerably reduce our average interest rate level. Although the average interest rate in the consolidated loan portfolio still amounted to 3.67 percent at the end of 2016, we have since managed to reduce this considerably to 2.98 percent at the end of the first quarter of 2017. Given the current interest rate levels, we predict there will be further potential for improvement through the imminent refinancing.

IT IS GREAT TO HEAR THAT FURTHER OPTIMISATION IS POSSIBLE ON THE EXPENSES SIDE, BUT WHAT ABOUT INCOME?

Wilhelm Wellner: Our centers are still almost entirely let. However, the environment in the German bricks-and-mortar retail market continues to be extremely challenging at present and online retail is the predominant growth driver. Most recently, there have also been an increasing number of insolvencies among retailers and an overall slight downward trend in visitor numbers. The negotiations with tenants have in part also become more time-consuming and complex. The rate of inflation remains low, meaning that rental income growth is also only low. In light of this, our forecasts assume stable total income development at present, not taking into account the Olympia Center project.

WHAT DO YOU IDENTIFY AS THE REASON FOR THE DECLINING VISITOR NUMBERS?

Wilhelm Wellner: There are some very individual reasons, such as major construction sites in close proximity to the centers, and there are also political influences, in Dresden for example. Since 2014, there have been regular demonstrations held directly in front of our Altmarkt-Galerie on Monday evenings, which have reduced the number of visitors in the center of town overall and are unfortunately also to some extent scaring away tourists.

However, special weather-related effects also put a spanner in the works in 2016, with a particular impact on the planning of our tenants in the fashion and clothing segment. There wasn't really a summer to speak of in large parts of Europe and also Germany, but then temperatures soared in September and surprised us all. To be honest, people then prefer to be out in nature rather than in a shopping center. →

In this respect, it is also worth mentioning that the rapidly growing online retail segment continues to gain a greater market share. Given that the overall pie to be divided is only growing slowly, there are consequences for quite a few high street shops. Major retailers steeped in tradition, and especially fashion retailers at the moment, are affected and must ensure they move with the times.

At this point, I would like to add that the sales of our tenants did remain stable overall in 2016, despite a 0.9 percent decline in visitor numbers. The conclusion to be drawn from this is that while customers might be going to the shopping center less often, they are spending more when they do.

WHAT DEVELOPMENTS ARE YOU EXPECTING IN RELATION TO THE ONLINE AND OFFLINE WORLDS?

Wilhelm Wellner: Overall, bricks-and-mortar retail will change significantly to optimally serve customers via integrated online and offline market platforms. The crossovers will be increasingly fluid. It is less relevant in this regard whether a customer discovers, orders, pays for, receives, tries on or exchanges a product at home, in the shop or via an app. Customers want to have all options open to them and be able to easily use them according to their particular situation. To attract customers and gain their loyalty, retailers must offer the best of both worlds. The solutions that are effective will certainly differ depending on the market segment and it will be interesting to see how this develops in the future.

Online retailers have already recognised this trend and are opening an increasing number of shops. In the high street segment, we will see a great many individual developments. From showrooms in which products are not so much sold, but principally presented and staged, to leased areas specially dedicated to service, be it exchange or collection of products, so Click & Collect. Together with the expanding range of services being offered by retailers and shopping centers, customers will in future also be offered a higher standard – one which they should come to expect.

The online and offline worlds will therefore continue to converge at an ever-greater pace, which will certainly represent a challenge for some retailers and can be expected to lead to further structural changes on the market in the coming years. When it comes to the offline world, our centers are still in prime locations and offer retailers the best-possible conditions for making the retail area a true experience arena. Here, customers can touch, try and compare products, while experiencing the brand world at its most intense. On the reverse side, retailers are well-placed to develop, nurture and intensify the all-important personal contact with their customers.

LET US TAKE A LOOK AT THE FUTURE. WHAT IS PLANNED FOR 2017?

Wilhelm Wellner: We expect that inflation will remain at a relatively low level and, taking into account the Olympia Center in Brno, our sales forecast for 2017 is between €216 million and €220 million. We anticipate an increase in EBIT to between €187 million and €191 million and EBT excluding measurement gains / losses in a bandwidth of €145 million to €148 million. Finally, FFO is projected to rise by around 9 percent to between €140 million and €143 million.

With regard to potential further acquisitions, we would of course like to follow our gut, but the head will make the decisions: we constantly monitor what is available on the transaction market in a very rational way. If everything is right, we are ready to strike.

CAN DEUTSCHE EUROSHOP SHAREHOLDERS EXPECT THEIR DIVIDEND TO CONTINUE TO IMPROVE?

Olaf Borkers: Yes, they can. We not only plan to increase the dividend for the last financial year by five cents to €1.40 per share, but as has already been announced, anticipate a further five-cent increase in 2017.

Thank you for talking to us and sharing your emotional and rational insights.

The interview was conducted by Patrick Kiss. ←

THE EXECUTIVE BOARD

WILHELM WELLNER
Spokesman of the Executive Board

Mr Wellner is a trained banker who earned a degree in business management from the University of Erlangen-Nuremberg and a Master of Arts (economics) degree from Wayne State University Detroit. He started his professional career at Siemens AG in 1996 as a specialist for international project and export finance.

In 1999 Mr Wellner took a position as a senior offi cer in the area of corporate finance at Deutsche Lufthansa AG, where he was responsible for a variety of capital market transactions and supervised numerous M&A projects. In 2003 Mr Wellner switched to ECE Projektmanagement G.m.b.H. & Co. KG in Hamburg, Europe's market leader in the area of inner-city shopping centers. As the international holding company's Chief Financial Officer, he helped shape the expansion of this shopping center developer and was appointed Chief Investment Officer of the ECE Group in 2009.

From 2012 to 2014 Mr Wellner served as Chief Financial Officer of the finance, human resources, legal affairs and organisation departments at Railpool GmbH, a Munich-based leasing company for rail vehicles. Mr Wellner joined the Executive Board of Deutsche EuroShop AG at the start of 2015. He is married and has two children.

OLAF BORKERS
Member of the Executive Board

After serving as a ships officer with the German Federal Navy, Mr Borkers qualified as a bank clerk with Deutsche Bank AG in 1990. He then studied business administration in Frankfurt / Main. From 1995, Mr Borkers worked as a credit analyst for Deutsche Bank AG in Frankfurt and Hamburg. In 1998, he joined RSE Grundbesitz und Beteiligungs-AG, Hamburg, as assistant to the Executive Board.

In 1999, Mr Borkers was appointed to the Executive Board of TAG Tegernsee Immobilien und Beteiligungs-AG, Tegernsee and Hamburg, where he was responsible for finances and investor relations until September 2005. In addition, Mr Borkers held various Supervisory Board and management positions within the TAG Group. Olaf Borkers joined the Executive Board of Deutsche EuroShop AG in October 2005. He is married and has two children.

REPORT OF THE SUPERVISORY BOARD

DEAR SHAREHOLDERS,

During financial year 2016, the Supervisory Board performed the duties incumbent on it according to the law and the Articles of Association and closely oversaw the performance of Deutsche EuroShop AG. The strategic orientation of the Company was coordinated with the Supervisory Board, and the status of the strategy implementation was discussed at regular intervals. The Supervisory Board monitored and advised the Executive Board on its management of the business, and the Executive Board informed us regularly, promptly and in detail of business developments.

Reiner Strecker, Chairman Report of the Supervisory Board

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 sales and frequency trends, the accounts receivable and occupancy rates, and the Company's liquidity position. At meetings held over the course of the year, in-depth discussions took place repeatedly regarding both the Company's strategy as well as the question of how the Company should operate in an environment of continuing low interest rates and ongoing, 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 and refinancing options. We received regular reports detailing the turnover trends and payment patterns of our tenants and banks' lending policies. The Executive Board and Supervisory board also held regular discussions on the how the company was valued by the stock markets and its participants and made peer group comparisons.

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 by the Supervisory Board for transactions of the Executive Board requiring approval. All resolutions in the reporting period were passed unanimously. Some meetings were held without the board present.

MEETINGS

Four scheduled Supervisory Board meetings took place during financial year 2016. In instances in which members of the Supervisory Board did not attend individual meetings, they had excused themselves in good and provided good reason. The meeting on 23 September 2016 was not attended by Ms Better, Dr Kreke and Dr Otto. The meeting on 29 November 2016 was not attended by Ms Dohm.

At the first scheduled meeting, on **26 April 2016**, 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 at the Annual General Meeting held on 15 June 2016. In addition, the Executive Board presented the financial, accounting and tax aspects of the 2015 annual financial statements. The auditor also provided an explanation of the results of the audit of the 2015 annual financial statements. In the subsequent discussion of the 2015 annual financial statements, we attached great important to the explanations of the Executive Board and those of the auditor on the real estate appraisals, which were performed for the first time by Jones Lang LaSalle. The Executive Board additionally presented and subsequently discussed the long-term plan for the company, which ended with the determination of a dividend strategy for the years up to 2018. In this meeting, we also held discussions with the Executive Board about the consolidation activities being undertaken at listed real estate companies. Lastly, we informed the Executive Board about the current acquisition opportunities and negotiations, particularly about the negotiations to acquire a 50% stake in the Saarpark-Center Neunkirchen.

In the meeting held on **15 June 2016**, we approved the renewal of the €150 million acquisition credit line negotiated by the Executive Board. The Executive Board provided an update on the status of the negotiations for the acquisition of a 50% stake in the Saarpark-Center Neunkirchen, on the basis of which we granted the Executive Board with a negotiating mandate. We also granted the Executive Board a negotiating mandate for another investment opportunity – the Olympia shopping center in Brno, Czech Republic. Mr Armbrust, Mr Otto and Mr Striebich did not participate in the passing of this resolution in order to avoid a potential conflict of interests. In addition, we gave the Executive Board a report on the ongoing refinancing for the shopping centers in Hamburg-Harburg, Klagenfurt, Danzig and Pécs. The Chairman of the Audit Committee gave us a report on the current situation regarding the selection procedure for the annual financial statements 2017.

In the third meeting on **23 September 2016**, the Executive Board informed us about the level of progress made on the planned expansion of the Galeria Baltycka, as well as the about the status of the negotiations relating to the Olympia shopping center in Brno. During this meeting, we unanimously approved the Executive Board's proposal to acquire a 50% stake in the Saarpark-Center in Neunkirchen. Furthermore, we carried out an in-depth examination of the company strategy, with particular regard to the current developments on the investment, rental and retail markets as well as on the capital markets. The Chairman of the Audit Committee reported on the progress that had been made on the selection procedure for the annual financial statements 2017.

In the final meeting on **29 November 2016**, we once again carried out an in-depth examination of the latest findings from the acquisitions audit as well as the status of the negotiations vis-a-vis the acquisition of the Olympia shopping center and unanimously granted the Executive Board a mandate to conclude the deal. Mr Armbrust, Mr Otto and Mr Striebich once again abstained from this vote for the reasons already mentioned. We also gave the Executive Board our unanimous approval for the intended raising of a €130 million loan for the long-term external financing of the investment in the Saarpark-Center Neunkirchen as well as for the Herold-Center in Norderstedt, which was acquired in 2012. We also held extensive discussions on the projections for the past financial year and the Company's medium-term performance planning as presented by the Executive Board. In this meeting, we also provided an explanation of the process carried out by the Chairman of the Audit Committee for selecting the auditor for 2017. In the end, the Audit Committee proposed to the Supervisory Board two auditors on the basis of an in-depth assessment and a table of rankings. After partners from the two proposed auditors had delivered presentations in the meeting and a frank discussion was held in which all arguments were weighed up, we followed the proposal put forward by the Audit Committee and intend to once again recommend that shareholders vote for BDO AG Wirtschaftsprüfungsgesellschaft to be named as the auditor for 2017 in the Annual General Meeting to be held in June 2017. The Executive Board ended the meeting by reporting on the implementation status vis-a-vis the Compliance organisation within the company owing to new legal regulations. →

COMMITTEES

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

During the reporting period, the Executive Committee and the Audit Committee met on 15 April 2016 for a regular meeting. Furthermore, the Audit Committee met for a meeting on 28 November 2016 to discuss the auditor selection process for 2017.

The Audit Committee also discussed the quarterly financial reports with the Executive Board in conference calls on 10 May, 11 August and 11 November 2016. In the conference call held on 11 November 2016, the Audit Committee provided information about the current situation vis-a-vis the auditor selection process for 2017. In addition, the Audit Committee held a conference call with the Executive Board on 7 June 2016 to provide advice on issues relating to the balance sheet.

In a conference call held on 11 August 2016, the Executive Committee provided information and advice to the Executive Board on the current progress of the ongoing acquisition negotiations. There was no meeting of the Capital Market Committee in 2016.

CORPORATE GOVERNANCE

In November 2016, 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 2017 that no conflicts of interest had arisen during the financial year 2016.

FINANCIAL STATEMENTS OF DEUTSCHE EUROSHOP AG AND THE GROUP FOR THE PERIOD ENDING 31 DECEMBER 2016

At the Audit Committee meeting on 12 April 2017 and the Supervisory Board meeting on 26 April 2017, 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 2016, as well as the management report and group management report for financial year 2016.

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 15 June 2016 – 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 12 April 2017 and the Supervisory Board meeting on 26 April 2017 and explained the main findings.

Following its own examination of the annual financial statements of Deutsche EuroShop AG, the consolidated financial statements and the corresponding management reports, the Supervisory Board did not raise any objections. It agreed with the findings of the auditor's examination and approved the annual financial statements of Deutsche EuroShop AG and the consolidated financial statements. The annual financial statements have thus been adopted. The Supervisory Board endorses the Executive Board's proposal for the utilisation of the unappropriated surplus and distribution of a dividend of €1.40 per share.

The Company's success in financial year 2016 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, 26 April 2017

Reiner Strecker
Chairman of the Supervisory Board

THE SUPERVISORY BOARD

MEMBERS OF THE SUPERVISORY BOARD



	Reiner Strecker (Chairman)	**Karin Dohm** (Deputy Chairwoman)	**Thomas Armbrust**
Born	1961	1972	1952
Place of residence	Wuppertal	Kronberg im Taunus	Reinbek
Nationality	German	German	German
End of appointment	2017 Annual General Meeting	2017 Annual General Meeting	2019 Annual General Meeting
Committee activities	Chairman of the Executive Committee, Deputy Chairman of the Capital Market Committee, Member of the Audit Committee	Member of the Executive Committee, Chair of the Audit Committee, Financial Expert	Member of the Executive Committee, Deputy Chairman of the Capital Market Committee, Member of the Audit Committee
Membership of other legally required supervisory boards and memberships in comparable domestic and foreign supervisory bodies for business enterprises	akf Bank GmbH & Co. KG, Wuppertal	• Deutsche Bank Europe GmbH, Frankfurt (Chair, since 14 November 2016) • Deutsche Bank Luxembourg S.A., Luxembourg (since 1 September 2016) • Deutsche Holdings (Luxembourg) S.a.r.l., Luxembourg (since 1 July 2016) • METRO AG, Dusseldorf (since 19 February 2016)	• ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Chair) • TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich (Chair) • Platinum AG, Hamburg (Chair) • Paramount Group Inc., New York, USA • Verwaltungsgesellschaft Otto mbH, Hamburg
Profession	Personally liable partner, Vorwerk & Co. KG, Wuppertal	Global Head of Regulatory Affairs, Deutsche Bank AG, Frankfurt	Member of Management, CURA Vermögensverwaltung G.m.b.H. & Co., Hamburg
Key positions held	• 1981 – 1985: Degree in business administration, Eberhard Karls University, Tübingen • 1986 – 1990: Commerzbank AG, Frankfurt • 1991 – 1997: STG-Coopers & Lybrand Consulting AG, Zurich, Switzerland • 1998 – 2002: British-American Tobacco Group, Hamburg, London, UK, Auckland, New Zealand • 2002 – 2009: British-American Tobacco (Industrie) GmbH, Hamburg, Member of the Executive Board for Finance and IT • 2009 to present day: Vorwerk & Co. KG, Wuppertal • since 2010: Personally liable partner	• 1991 – 1997: Studied business and economics in Münster, Zaragoza, Spain, and Berlin • 2002: Steuerberaterexamen (German tax advisor exam) • 2005: Wirtschaftsprüferexamen (German auditor exam) • 1997 – 2010: Deloitte & Touche GmbH, Berlin, London, UK, Paris, France • 2010 – 2011: Deloitte & Touche GmbH, Berlin, Partner Financial Services • 2011 to present day: Deutsche Bank AG, Frankfurt of which 2011 – 2014: - Head of Group External Reporting - 2015: Chief Financial Officer, Global Transaction Banking - 2016: Global Head of Group Structuring - since 2017: Global Head of Regulatory Affairs	• until 1985: Auditor and Tax Advisor • 1985 – 1992: Gruner + Jahr AG & Co KG, Hamburg, Director of Finance • since 1992: Member of Management, CURA Vermögensverwaltung G.m.b.H., Hamburg (Family Office of the Otto family)
Relationship to majority/major shareholders	none	none	Shareholder representative of the Otto family
Deutsche EuroShop securities portfolio as at 31.12.2016	3,975	0	

MEMBERS OF THE SUPERVISORY BOARD

	Beate Bell	Manuela Better
Born	1967	1960
Place of residence	Cologne	Munich
Nationality	German, Polish	German
End of appointment	2019 Annual General Meeting	2019 Annual General Meeting
Committee activities	–	–
Membership of other legally required supervisory boards and memberships in comparable domestic and foreign supervisory bodies for business enterprises	Hochtief AG, Essen	• Deka Investment GmbH, Frankfurt (Deputy Chair) • Deka Immobilien GmbH, Frankfurt (Deputy Chair) • Deka Immobilien GmbH, Frankfurt (Deputy Chair) • Landesbank Berlin Investment GmbH, Berlin (Deputy Chair) • S Broker AG & Co. KG, Wiesbaden (since 15 August 2016, Deputy Chair since 11 August 2016) • S Broker Management AG, Wiesbaden (since 15 August 2016, Deputy Chair since 22 August 2016) • WestInvest Gesellschaft für Investmentfonds mbH, Dusseldorf (Deputy Chair) • DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg
Profession	Managing Director, immoADVICE GmbH, Cologne	Member of the Board of Management, DekaBank Deutsche Girozentrale, Frankfurt and Berlin
Key positions held	• 1993 – 1997: Studied supply engineering at Cologne University of Applied Sciences, certified engineer • 2000 – 2003: Studied industrial engineering at Cologne University of Applied Sciences, certified industrial engineer • 1997 – 2002: Anton Ludwig GmbH, Cologne, Project Manager • 2002 – 2004: Recticel Automobilsysteme GmbH, Rheinbreitbach, Project Controller • 2004 bis 2015: METRO GROUP, Dusseldorf, various management functions; most recently METRO AG, Dusseldorf, Head of Group Compliance • since July 2015: immoADVICE GmbH, Dusseldorf, Managing Director	• Studied business at Ludwig Maximilian University of Munich, certified business economist • 1998 – 2003: HVB Group, Munich, various positions • 2004 – 2007: Hypo Real Estate Bank AG, Munich, Member of the Management Board, Chief Risk Officer • 2007 – 2008: Hypo Real Estate Bank International AG, Stuttgart / Hong Kong, Member of the Management Board, Head of Commercial Real Estate, Origination Asia • 2009 – 2010: Deutsche Pfandbriefbank AG, Munich, Member of the Board of Management (formerly Hypo Real Estate Bank AG) • 2011 – 2013: DEPFA Bank plc, Dublin, Ireland, Chairwoman of the Board of Directors, Chief Risk Officer • 2010 – 2014: Hypo Real Estate AG Holding AG, Munich, Chairwoman of the Management Board, and Deutsche Pfandbriefbank AG, Munich, Chairwoman of the Management Board • since 2009: Dr. Ingrid Better Vermögensverwaltung GmbH & Co KG, Managing Director and Better GmbH, Munich, Managing Director • since June 2015: DekaBank Deutsche Girozentrale, Frankfurt, Member of the Board of Management
Relationship to majority / major shareholders	none	none
Deutsche EuroShop securities portfolio as at 31.12.2016	0	0

Dr. Henning Kreke	**Alexander Otto**	**Klaus Striebich**	**Roland Werner**
1965	1967	1967	1969
Hagen / Westphalia	Hamburg	Besigheim	Hamburg
German	German	German	German
2018 Annual General Meeting	2018 Annual General Meeting	2017 Annual General Meeting	2020 Annual General Meeting
Member of the Capital Market Committee	–	–	–
• Douglas GmbH, Dusseldorf (Chair, since 19 August 2016) • Douglas Holding AG, Hagen / Westphalia (Chair since 27 January 2016) • Thalia Bücher GmbH, Hagen / Westphalia (since 26 January 2017)	• DDR Corp., Beachwood, USA • Peek & Cloppenburg KG, Dusseldorf • Sonae Sierra Brasil S.A., São Paulo, Brazil • Verwaltungsgesellschaft Otto mbH, Hamburg	• MEC Metro-ECE Centermanagement GmbH & Co. KG, Dusseldorf (Chair) • Unternehmensgruppe Dr. Eckert GmbH, Berlin	–
Chairman of the Board of Management, Douglas Holding AG, Hagen / Westphalia (until 27 January 2016) Managing partner, Jörn Kreke Holding KG und Kreke Immobilien KG, Hagen / Westphalia	CEO, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg	Managing Director Leasing, Verwaltung ECE Projektmanagement G.m.b.H., Hamburg	Chairman of the Board of Management, Bijou Brigitte modische Accessoires AG, Hamburg
• Studied business (BBA and MBA) at the University of Texas at Austin, Austin, USA • Doctorate (Political Science) from the University of Kiel, Kiel • 1993 to present day: DOUGLAS HOLDING AG, Hagen / Westphalia • of which 1993–1997: Assistant to the Executive Board • 1997 – 2001: Member of the Board of Management • 2001 – 2016: Chairman of the Board of Management • since 2016: Chairman of the Supervisory Board • since 2016: Jörn Kreke Holding KG and Kreke Immobilien KG, Hagen / Westphalia, Managing partner	• Studied at Harvard University and Harvard Business School, Cambridge, USA • 1994 to present day: Verwaltung ECE Projektmanagement G.m.b.H., Hamburg • since 2000: Chief Executive Officer	• Studied business in Mosbach • 1990: Kriegbaum Gruppe, Böblingen, Assistant to the Management Board • 1992 to present day: Verwaltung ECE Projektmanagement G.m.b.H., Hamburg • since 2003: Managing Director Leasing	• Studied business to EBC University, Hamburg • 2001 to present day: Bijou Brigitte modische Accessoires AG, Hamburg • of which 2004 – 2009: Member of the Board of Management • since 2009: Chairman of the Board of Management
none	Major shareholder	Member of the Management Board of Verwaltung ECE Projektmanagement G.m.b.H., Hamburg (Alexander Otto (major shareholder) is the Chairman of the Management Board)	none
0	9,349,125	24,000	525

WHO SHOPS, AND HOW?

GERMANY'S LARGEST ANALYSIS OF SHOPPER TYPES HAS THE ANSWERS

by Dr. Philipp Sepehr, Director of Marketing, Research & Innovation, ECE

ECE has for the first time produced a major, nationwide, representative analysis of the different types of shopper in Germany, using a precise segmentation by various customer groupings, each with their own specific characteristics. It is the first and also the largest analysis of this kind in Germany. It covers a particularly broad range of shopping criteria, and produces results that are more exact and informative than earlier definitions of shopper types which merely took account of factors such as age and income, and therefore often led to imprecise results.

The aim of the analysis is to obtain a better understanding of the customer groups with their individual preferences and shopping behaviours, by means of segmentation. Based on this information, ECE can develop product selections that are an ideal match for the customers at the shopping centers that it manages, and work with its investors and tenants to make well-informed strategic decisions. For example, the marketing, design and positioning can be optimised in the long term for individual centers based on the prevailing shopper types at each location. Likewise, certain services can be expanded, or specific customer groups can be addressed, which had until now been under-represented at a particular location. The results of the analysis are particularly useful as an aid to positioning the shopping centers more strongly as service-oriented, customer-friendly "worlds of experience", and to suitably align their product range, mix of tenants and facilities to the respective local customer requirements. This is a central factor particularly when competing against online trade. The findings from the analysis form an integral part of the shopping center's strategy, and they also have an indirect effect on areas such as leasing, design and architecture.

The results of the shopping types analysis provide the basis for this approach. A total of eight shopper types are defined, and precisely typified by applying criteria such as shopping behaviour, personal intention and preference when shopping, as well as age, size of household, gender and income. The eight types of shopper defined in detail are: the brand-oriented **Status Shopper** and the rather restrained **Light Shopper**, the experience-oriented **Experience Shopper** and the efficient **Mobile Shopper**, the advice-seeking **Golden Shopper** and the group-dynamic **Fun Shopper**, and then there is the habitual **Pragmatic Shopper** and the relaxation-seeking Feel-Good Shopper.

Do the Shopper Type self-assessment test!
You will find it at: www.ece.de/shoppertypen-selbsttest

STATUS SHOPPER

THE BRAND LOVER

"I LOVE BRAND NAMES AND I ALWAYS WANT TO HAVE THE NEWEST AND LATEST MODELS."

AGE 20–39

BRAND-CRAZY
CONSUMERIST
EXTROVERTED

- brands help in image cultivation
- special offers are very much appreciated
- online and offline
- food and beverage outlets are appreciated
- alone, without a companion
- the fun-factor is very important, likes to be spontaneous

"I love brand names and I always want to have the newest and latest models – especially when it comes to electronics and fashion! This is how I express part of my personality and I also like to put it online immediately on social networks. To see and be seen is simply important to me when shopping."

Gender Income Education

EXPERIENCE SHOPPER

THE EXPERIENCE-ORIENTED

"FOR ME, SHOPPING IS A TOTAL PACKAGE."

AGE 40–54

SHOPPING AS A TOTAL PACKAGE
FAMILY-ORIENTED
QUALITY-CONSCIOUS

- enthusiastic all-round shopper
- special offers are gladly accepted
- tends to be offline
- food and beverage outlets are an important part of it
- with family or partner
- the fun factor is very important

"For me, shopping is a total package. That's why I like to go with my family and friends. In the shopping centers, we like to enjoy the complete experience of shopping, eating, drinking and entertainment, and we specially like to have a large selection to choose from, also for electronics."

Gender Income Education

HOW DO DIFFERENT PEOPLE DO THEIR SHOPPING?

FEEL-GOOD SHOPPER

THE ONE WHO TAKES TIME-OUT

"TO ME, SHOPPING IS REALLY A REWARD! "

AGE 45-59

SHOPPING AS A REWARD
VERY ENJOYABLE
RELAXED

- interested in fashion
- special offers are not so important
- tends to be offline
- not very interested in food and beverage outlets
- alone, without a companion
- the fun factor is very important

"To me, shopping is really a reward! I enjoy the pleasant times while shopping. It's my personal time-out from the stressful daily routine. I simply like to roam about alone and relaxed through the fashion shops. Brands / labels are not so important to me, but the quality has to be good."

Gender Income Education

FUN SHOPPER

THE ONE WITH GROUP DYNAMICS

"IT'S JUST COOL TO MEET UP WITH MY FRIENDS IN THE AFTER-NOON AT THE SHOPPING CENTER."

AGE 16-24

FUN-ORIENTED
YOUTHFUL
PRICE-CONSCIOUS

- favourite hobby
- special offers are rather secondary
- tends to be offline
- interesting, likes fast food
- likes to be with friends
- the fun factor is very important

"It's just cool to meet up with my friends in the afternoon at the shopping center. You can pick up the latest fashions there, do lots of different activities, and have fun together. I also go there with my parents – then they are welcome to settle the bill. Otherwise, I do carefully check the prices of clothes."

Gender Income Education

LIGHT
SHOPPER

THE ONES WHO EXERCISE RESTRAINT

"I HAVE TO FEEL THE ITEM IN MY HANDS."

AGE 25-44

WILFUL
RISK-AVERSE
CRITICAL

- convenience shopper
- special offers do not play a central role
- prefers offline
- not very interested in food and beverage outlets
- likes to go with partner when shopping
- the fun factor is rather a low priority

"When it comes to shopping, I tend to be the risk-averse type, so for me online is not really an option; the risk of buying an unsuitable item would simply be too high for me. I have to feel the item in my hands. Then if there's something I like, the price is of secondary importance."

Gender Income Education

MOBILE
SHOPPER

THE EFFICIENCY EXPERTS

"FOR ME, IT IS NOT THE SHOPPING BUT THE PRODUCT AND THE PRICE THAT TAKE PRIORITY."

AGE 30-54

ONLINE
FOCUSSING ON PRODUCTS
EFFICIENT

- easy, fast and inexpensive
- hardly any interest at all in special offers
- prefers offline
- not very interested in food and beverage outlets
- likes to go alone, unaccompanied
- the fun factor is extremely low priority

"For me, it is not the shopping but the product and the price that take priority. I take a very rational approach here! Therefore, I also usually go shopping alone. The main thing is that everything goes quickly and easily and the price-performance ratio is right! It is important that I have a big selection to choose from, particularly for electronics. I am simply the efficient type."

Gender Income Education

PRAG-MATIC SHOPPER

MASTER OF THE ROUTINE

"SHOPPING IS MORE OF A NECESSARY ROUTINE FOR ME, WHICH IS A PART OF LIFE."

AGE 45-59

SHOPPING AS DAILY ROUTINE
COMFORTABLE
FUNCTIONAL

- convenience shopping, quick and easy
- hardly any interest at all in special offers
- online and offline
- not very interested in food and beverage outlets
- with family or partner
- the fun factor is of average importance

"Shopping is more of a necessary routine for me, which is a part of life. I like to do my shopping locally. I do not consider brands to be very important. Likewise when it comes to food and beverage outlets. Online or offline, whatever is more convenient at the moment, and leaves me more time for the really important things besides career and family."

Gender Income Education

GOLDEN SHOPPER

LOOKS FOR ADVICE

"I LIKE ROU-TINES AND I DON'T RUN AFTER EVERY NEW TREND THAT COMES ALONG."

AGE 55-69

CONSERVATIVE
OFFLINE
ROUTINE

- requires advice
- not very interested in special offers
- almost entirely offline
- not very interested in food and beverage outlets
- with the partner
- the fun factor is rather a low priority

"I am rather the conventional type when it comes to shopping. I have my usual stores where I get good advice and find precisely the products that meet my needs. I like rou-tines and I don't run after every new trend that comes along."

Gender Income Education

BOOK RECOMMENDATION

WORLD OF MALLS
ARCHITECTURES OF CONSUMPTION

The book World of Malls. Architectures of Consumption has been published following an exhibition of the same name that was on display at Munich's Pinakothek der Moderne museum from July to October 2016. The work explores a type of building that was invented in the United States nearly 60 years ago and quickly became popular throughout the world. Because of urban planners' increasing focus on car transport, the mall become a substitute for lost urban life.

But where next for the shopping mall? On the one hand, spectacular new malls are still opening across the US, Asia, the UAE and Europe.

At the same time, however, many malls are lying derelict, with some being converted and redeveloped for alternative purposes. No other type of building is discussed with such controversy: Do shopping malls kill or revitalise life in towns and cities?

In their contributions to this book, urban planners, economists and architectural historians such as Anette Baldauf, Bob Bruegmann, Dietrich Erben, Richard Longstreth, Alain Thierstein, June Williamson and Sophie Wolfrum examine the transformation processes of the shopping mall from the 20th to the 21st century.

Hatje Cantz Verlag, 2016, bound, 256 pages, 200 images, price: EUR 49.80, ISBN 978-3-7757-4139-2

WHAT I BOUGHT IN 2016

The new carrier attached to the tow bar on our car; three bicycles fit into it. It's a space-saving and brilliant invention for family holidays!

WILHELM WELLNER
Spokesman of the Executive Board, Deutsche EuroShop

A brilliant music box with a disco light, Bluetooth and karaoke function. When I found it, I knew right away that it was the perfect Christmas gift for my daughter …

The rational purchases that I can best remember are lightbulbs and LED lamps. If I hadn't bought these, I'd be enveloped in darkness and I'm always astonished by the variety of lamps on offer. I bought these from Clas Ohlson not long ago and am thoroughly enjoying them.

OLAF BORKERS
Member of the Executive Board, Deutsche EuroShop

Two tickets for a trip in a hot-air balloon close to Hamburg with Jochen Schweizer. I'm getting emotional about it even before we take to the skies.

To provide more space for guests visiting my home, I bought a large dining table with chairs and a bench. It's both functional and beautiful at the same time, and also makes the company of family and friends even more congenial.

BIRGIT SCHÄFER
Secretary to the Executive Board, Deutsche EuroShop

As I had the urge to buy new glasses, I spontaneously stopped by the optician and bought a pair of glasses that I liked from the very first time I saw them.

Our old dishwasher was faulty despite being only six years old. We received an estimate of €250 for the repair costs. We decided to buy a new Miele dishwasher, which has a significantly lower power consumption and is slightly more expensive, but will ideally last longer. It was interesting that the dishwasher was offered as a full-service package at a much better price by an electrical store in a shopping center than from online retailers.

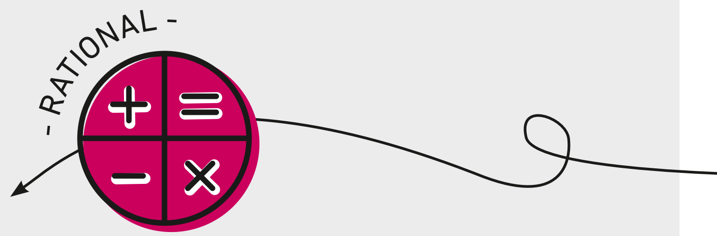
PATRICK KISS
Head of Investor & Public Relations, Deutsche EuroShop

Technically speaking, this was not "my" purchase, but "our" purchase of the year – a cello for my wife. She is over the moon with the instrument, practices diligently and has already played in a concert.

- EMOTIONAL -

… DECIDE USING YOUR GUT FEELING

... ALL FACTS CHECKED



Without making any modifications to it, my gas grill can be lit only using gas cartridges that are similar to those used on camping trips, and that's neither sustainable nor cost-effective. Thanks to a small retrofitting set, I can now also connect “real” gas cylinders to the grill. This means that I can now look forward to grilling in the summer with less stress.

Our old washing machine was almost 20 years old, didn't really wash the clothes very well and also consumed too much power. We had to buy a new one!

When I wear my neon-yellow windstopper shoe covers, some people can't help but grin. However, they help me to ride to work on my bike in the winter without getting cold feet and they always make sure that I'm visible to other road users.

I took out travel cancellation insurance for my holiday – it's actually the first time I've done this. Previously, I always thought that buying this insurance was uncool.

I am a passionate skier and finally decided to buy myself a back protector. This does not make my outfit look any cooler, but I am better protected when I hit the piste.

NICOLAS LISSNER
Manager Investor & Public Relations, Deutsche EuroShop

A small Buddha statue from a seller of devotional objects close to the town hall in Bangkok. The export of religious objects in Thailand is heavily regulated; however, the talisman's journey from Thailand to our living room in Hamburg fortunately proved to be no problem at all in the end.

BRITTA BEHRMANN
Senior Finance Manager, Deutsche EuroShop

Wonderful earrings that I bought for myself from a German hippie in a silversmith's in a small town in Spain. It was an excellent souvenir of my holidays!

RALPH BORGHAUS
Head of Accounting, Deutsche EuroShop

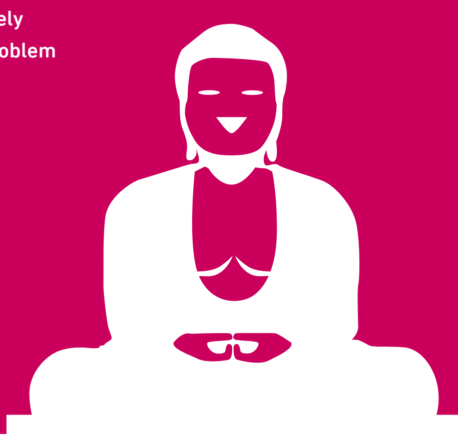
As I was full of the Christmas spirit, I spontaneously bought a Märklin model steam tender locomotive. The train will definitely be busy doing laps of the tracks for the next few Christmases.

DR. PHILIPP SEPEHR
Director of Marketing, Research & Innovation, ECE

I bought a photograph shot by a Chinese artist from the Affordable Art Fair in Hamburg, where I realised that “affordable” is a very relative term.

DR.TANJA-MARIA LACHHAMMER
Consultant and Lecturer in Marketing, Sales and Customer Management

When I was travelling to the south of France for my holiday, I spontaneously bought a handbag and spent all of my holiday money before the holiday had even begun. Despite this, I have never regretted buying it.



WHAT GOES THROUGH YOUR MIND BEFORE SHOPPING...

OMNICHANNEL MARKETING AND BRAIN RESEARCH – A PROMISING APPROACH FOR WINNING NEW CUSTOMERS AND BUILDING CUSTOMER LOYALTY IN THE RETAIL SEGMENT

by Dr. Tanja-Maria Lachhammer, adviser and lecturer on sales, marketing and customer management

Our world has undergone rapid change since the arrival of the Internet. We live in an information and knowledge-based society and make great use of the new digital offerings. This trend towards digitalisation has also been adopted by the retail segment, which – with annual revenues of more than €450 billion – is one of the key economic factors in our country. The combination of technological progress and the use of new technologies is resulting in a change in customer requirements for the retail segment. As the link between manufacturers and consumers, the traditional position of retailers – who generally offer their products and services from fixed locations – has changed in the era of digitalisation. Falling visitor numbers, empty shop windows and deserted shopping streets – particularly in small and medium-sized towns and cities – show that the retail segment has only anticipated these challenges to a limited extent.

Experts have named four main factors as being the catalyst for this development, which is driving the current momentum of the situation in the retail segment; market-related factors, sales-related developments, demand-related parameters and new digital technologies.

Of the various solutions on offer for dealing with the current problems in the retail segment, two stand out in particular:

1. **The omnichannel sales concept as a technology-based option for adopting and implementing new forms of digitalisation in the retail segment**

2. **The latest findings from research into the brain used as the basis to establish what customers' basic needs are – both now and, more importantly, in the future.**

Less is sometimes more
Too much choice is stressful. Clients who in an experiment were allowed to try 24 kinds of jam bought less than those who tasted only six kinds.

THE OMNICHANNEL MODEL AS A TECHNOLOGY-BASED CONCEPT FOR SALES IN THE RETAIL SEGMENT

The proliferation of the Internet has resulted in the end of exclusive single-channel sales; however, this also marks the birth of multi-channel retail. Often, bricks and mortar businesses, online shopping, social media and mobile apps are not linked together, but exist in parallel.

The omnichannel concept is the first to link the various sales channels together. Thanks to this approach, customers are able to switch between shopping in bricks and mortar stores, online stores and via mobile apps at any time. This concept not only allows them to discover new products, but also carry out research to gain additional information about products and services before making purchases at retail stores or via shopping apps. The ultimate goal of omnichannel retail is to provide a seamless experience in which the consumer deals with the brand and not the sales channel. One example of a business using the omnichannel model is the British supermarket chain Tesco. As part of its model, Tesco customers can use the time they spend waiting at train stations, bus stops and in public places to do their shopping in virtual stores by means of a QR code. At Douglas, customers can order goods online and then decide whether they want to have them delivered to their home or collect them from the store of their choice.

CUSTOMER FOCUS – CONSEQUENCES OF DIGITALISATION IN THE RETAIL SEGMENT

An almost expected consequence of the implementation of new digital technologies in omnichannel retail marketing is that the focus is placed on the customer (customer-centric retailing). This is because the digitalisation of marketing materials allows customers to gain a level of information that is frequently more comprehensive and in-depth than the information that sales staff are able to provide. →

Thanks to this imbalance of information, customers hold a new position in the shopping experience. This means that customers' expectations and demands vis-a-vis the price, quality and service offered by sales people increase at the same time. This not only generates a bargain-hunting mentality, but can also have a boomerang effect if customer expectations are not fulfilled in terms of their demands and needs.

In order to find a solution to this set of problems, the retail segment is attempting to evaluate the transaction data and purchase history recorded in the various channels, for example. Quantitative procedures are used primarily to analyse this historical information. This, however, means that the findings obtained from these procedures will be extremely situation-dependent and will not provide an answer to the crucial question of what will the customers needs be in the future? Another question resulting from this is how will the instruments and information to be used in omnichannel marketing be designed and structured? In other words: What basic needs will the customers of the future use to make their decisions and how can these basic needs be factored into omnichannel marketing? To answer this question, the latest findings from brain research and their implementation should be incorporated into a qualitative opinion and market research approach.

THE LATEST FINDINGS FROM BRAIN RESEARCH [1]

The depicted findings from brain research relate to the processing of external information in the brain and the associated decision-making process. This is because customers use the information transmitted externally to them via omnichannel marketing activities to ultimately make their decisions. If the cause of decision-making activities in the human brain triggered by external information can be traced, omnichannel marketing can link and structure the use of its instruments and the information presented in the brain to such an extent that the customer makes a positive decision about a product and the retailer. Modern brain research shows that decision-making processes take place to a large extent unconsciously. The drive behind our actions and the decisions we make is the satisfaction of basic biological and sociobiological needs, as the aim of an organism is to survive. This raises the question of who judges whether our basis needs have been satisfied? The receiving of information or a stimulus is required for our brains to initiate a decision-making process. When our senses receive a stimulus, the question arises as to whether the associated information helps to satisfy our basic needs. In order to answer this question, three biological assessment systems are mobilised in the following order in our brains – the fear system, the reward system and the personality / social system (social I). The decision-making process kicks off with the initiation of these three systems. Due to their evolutionary biological preprogramming, the three assessment systems in our brains specialise both in identifying and assessing opportunities to satisfy our basic needs, as well as steering our focus towards aspects that may affect or endanger our lives.

Once the three assessment systems have "decided" that the incoming information poses no risk (fear system), is rewarding (reward system) and does not breach any of our standards and / or values (social I), information-processing takes place on two additional levels. Without factoring in the right-hand biographical image-processing hemisphere of the brain and the left-hand language-processing hemisphere of the brain with the so called "fact memory", the biological assessment would come to nothing. Therefore, the right hemisphere of the brain in particular is needed in the decision-making process, as this is where memories of the person's past are stored. In the collaboration between the three assessment systems and the right and left brain hemispheres, strategies are developed on the basis of the incoming information and forwarded to the premotor cortex. In a manner of speaking, the premotor cortex maps the future actions as projected actions in a simulation. No decisions, however, have been made at this point in time. The result of the simulation generated in the right hemisphere of the brain still has to be translated consciously into an action. For this purpose, the result of the future simulation is forwarded to the body via the hypothalamus – in an information loop, effectively. This is how the so-called gut feeling (bodily perception) is developed. An action is only initiated after the working memory / consciousness has provided a positive assessment of the situation.

If we are able to successfully reproduce how the brain processes information in a qualitative market research model, and thus obtain information about the way in which customers develop strategies for the future as well as the associated decisions, omnichannel marketing can overcome the complex set of problems facing the retail segment and answer the questions raised in a constructive manner. →

Heart or gut
Decisions that people say come from the gut or the heart actually come from the limbic system in the brain, where our emotions are located.

[1] The following information and diagrams have been taken from various publications released by the Infos-Instituts für Organisationsforschung und Systementwicklung (information institute for organisational research and system development), Munich, with the institute's approval. In agreement with the institute, the author did not have to properly reference each citation taken from publications from the institute.

THE DECISION-MAKING PROCESS

The standard model for modern brain research

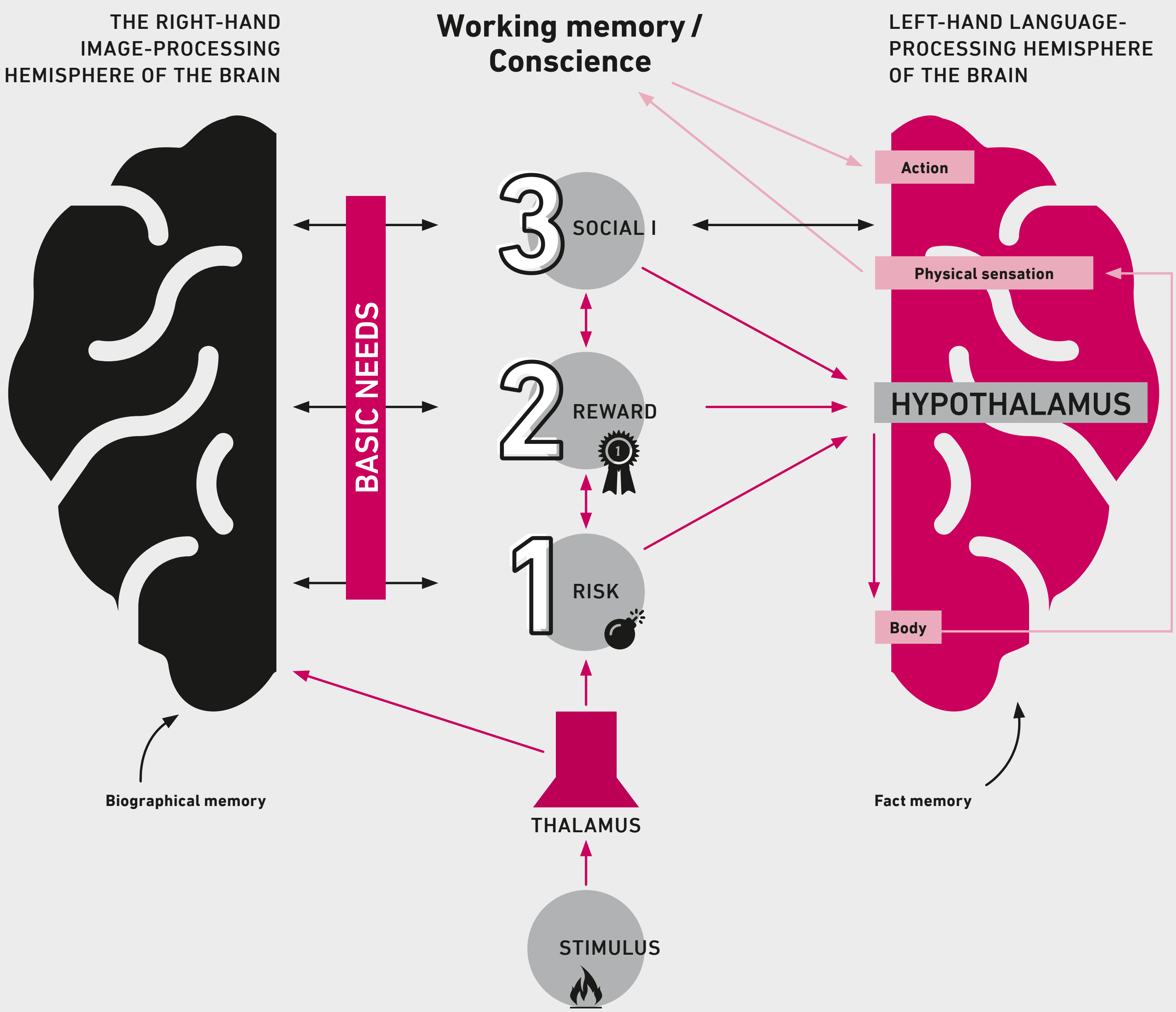


Figure 1: ©Infos-Institut für Organisationsforschung und Systementwicklung, Munich

The entire decision-making process in the human brain can be simplified into four fundamental aspects – the subject matter of the information (the information stimulus), the satisfaction of basic needs via the three assessment systems, the pictorial depiction in the right biographical memory as well as the initiation of an action, which can also take place via speech.

Basic human needs can be split into three categories / levels: biological evolutionary needs (e.g. communication, nutrition, freedom of action), culturally moulded needs taking the form of symbols for example (e. g. the cross, a Ferrari as a status symbol, etc.) and basic needs that are the result of an individual person's life history (e. g. the sense of self-worth).

Should we be able to utilise a method that filters out the individual basic needs from the decision-making process, then all that will generally remain are the biological evolutionary basic needs and the culturally moulded basic needs. These must then be examined to see whether they have been satisfied by the processed information provided by the omnichannel marketing or whether there are needs that haven't been satisfied. This analysis is then used as the basis for drawing up recommended actions and strategies.

Over the course of approximately ten years, a large number of projects have been carried out using deeply symbolic opinion and market research. One such project involved a study carried out at a German airport to establish what changes customers would make to the existing shops in the shopping center so that all their wants and needs were satisfied. The interesting thing about this project was the comparison of the results of the two research studies held at different points in time in 2005 and 2013, and the evolving changes in the needs of the shopping center customers. One of the main findings of the analysis was the differences in the satisfaction of basic needs between men and women, young people and old people, as well as introverts and extroverts. The results were not only factored into the redesign of the shops to create a shopping experience concept, but also into the setting up of omnichannel marketing. These changes brought about increased revenue, new customers and a large number of return customers.

TIP

LET'S BUY IT! ART AND SHOPPING FROM ALBRECHT DÜRER TO ANDY WARHOL AND GERHARD RICHTER

Art and shopping – two things that are closely linked, yet at the same time seem miles apart. During the transition from the Middle Ages to the Early Modern Era, Albrecht Dürer emerged as one of the first art entrepreneurs. Over the centuries, it has been deemed fashionable on the art market to paint over or reinterpret the subject matter of the artists. The issue of whether the piece of art is an original, a copy or a fake is one that crops up time and time again. Large speculative bubbles such as Tulpomania in the 17th century provide a link between art and the money market.

The 20th century arrived and turned all tradition upside down. Marcel Duchamp transformed industrial goods into art, and Andy Warhol and other members of the Pop Art movement included supermarket products in their paintings. In addition to this, Rudolf Holtappel's series of photos "Menschen im Warenhaus" ("People at the supermarket") was not the only instance in which the behaviour of people doing their shopping was observed in the name of art. Gerhard Richter's painting entitled "Mutter und Tochter" ("Mother and daughter"), which appeared to show Brigitte Bardot shopping with her mother, saw the most-expensive artist on the art market at the time embracing the subject of shopping.

Artists in the 1960's attempted to break down barriers using new methods, such as multiples and production prints, while the promotion of the "Kunst für Alle" ("Art for everyone") movement tried to establish a link between art and life. Despite all this, the gap between the two became increasingly larger, the art market exploded for a number of years to such an extent that even the financial crisis did not impact upon it. Even artists are now taking issue with the fact that art has become "the most expensive luxury good of our cultural crisis" (Piroschka Dossi). What's more, there are critical pieces on general consumer behaviour, and money – the currency of art and luxury – has also been incorporated into pieces and been used as a medium for paintings.

The extensive exhibition brings together artwork dating from the 15th century all the way through to the modern day – from copper engravings to video installations – and for the first time it showcases the link between the world of art and shopping. The exhibition is accompanied by a comprehensive catalogue: Let's buy it!

Ludwiggalerie Schloss Oberhausen
Konrad-Adenauer-Allee 46,
46049 Oberhausen
www.ludwiggalerie.de
22 January – 14 May 2017

Don Eddy, tights, purses and shoes, 1974, Ludwig Forum for international art
© Don Eddy; Photo: Anne Gold, Aachen

SUMMARY

Retail is not the only segment in which there is a pent-up demand for the implementation of omnichannel marketing. This need is also shared by many other companies in different segments. This demand is focused not just on gaining new customers, but also on maintaining the loyalty of existing customers. The main challenge in this respect – particularly for small and medium-sized businesses – is the amount of investment that needs to be made in new technologies. It also requires a workforce with more advanced and different qualifications to ensure that customers can be offered a unique shopping experience. In this respect, the link between brain research and omnichannel marketing appears to be very promising. ←

CONSUMPTION IN 2017

A RELIABLE SOURCE OF SUPPORT IN UNCERTAIN TIMES?

by Rolf Bürkl, GfK

Bright light!
Did you know?
Bright light intensifies our emotions, while more rational decisions tend to be made in darkness.

Private consumption remains an important source of support for the German and European economy, as GfK forecasts suggest that private household spending in Germany is set to increase by 1.5% in real terms in 2017. It expects an increase of between 1% and 1.5% for the European Union. This will ensure that private consumption continues to contribute to positive economic growth.

The retail trade, too, will benefit from rising consumer spending. GfK also expects a 2% increase in food retail and a 0.8% increase in spending on items other than food.

CRAFTY THIEVES

Whether its perfumes, spirits or electrical appliances – in the retail business, the things that tend to get stolen are those with a certain value. In over half of all thefts, this value exceeds the so-called "petty crime" threshold of €15. According to the EHI Retail Institute, the average value stolen in a straightforward shoplifting incident is around €86.

EUROPE: CONTINUING POSITIVE ECONOMIC GROWTH

With a view to economic growth in Europe, 2016 was a positive year. All EU countries, with the exception of Greece, enjoyed an increase in GDP. A European Commission estimate in November calculated the average growth as 1.8% versus 2015. As part of this, Eastern European countries in particular, such as Poland, Slovakia and Bulgaria, continued with their dynamic development. Leading the pack was Romania with GDP growth of 5.2%, followed by Ireland, which was able to build on its strong growth in previous years and generate an increase of 4.1% in 2016. For 2017, the European Commission anticipates a somewhat moderate 1.6% increase in the average GDP for the EU.

UNEMPLOYMENT DECLINES BY 7%

Unemployment in the EU fell on average by 7% in 2016, with Croatia, Hungary, Slovakia and the Netherlands recording large drops. The only countries to experience an increase in the rate of unemployment were Estonia, Norway, Denmark and Italy. →

CONTINUED HUGE DIFFERENCES IN THE WILLINGNESS TO SPEND

The willingness of European consumers to spend has in 2016 developed at different rates once again and has only benefited in part from declining unemployment figures. While Greece continues to have the lowest rating of all EU countries, Portugal enjoyed a considerable recovery with its willingness to spend increasing by 21 indicator points. In absolute terms, however, Portugal is bringing up the rear in comparison with other European countries, along with Greece, Lithuania, Spain and Estonia. Over the past year, gains were able to be made in line with the decline in unemployment in Bulgaria, France and Poland in particular.

2.1% INCREASE IN PRIVATE CONSUMPTION

As in the previous year, private consumption in Europe recorded a solid real growth of 2.1% and made a significant contribution towards economic growth in the EU. The only exception was once again Greece, which experienced a 0.5% decline as private consumption continues to suffer the consequences of the financial and economic crisis. The sharpest increases were once more recorded in Eastern Europe – particularly in Romania, which benefited from another VAT cut – as well as in the Baltic States.

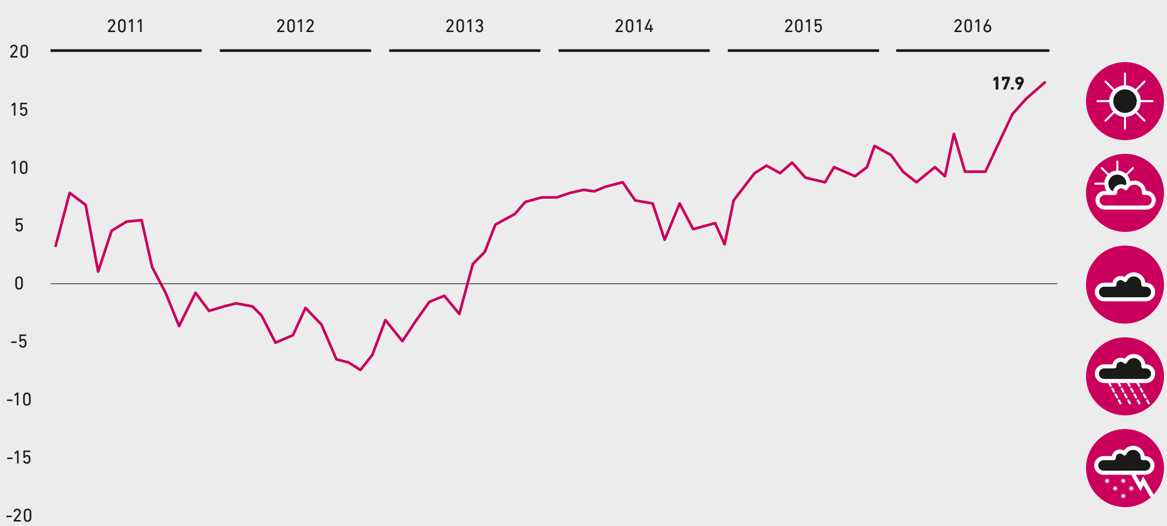
70 %
We largely make our shopping decisions unconsciously. And the 30 per cent of people who do think about their shopping are not always immune to external influences.

GERMANY: RETAIL CONTINUES TO GROW

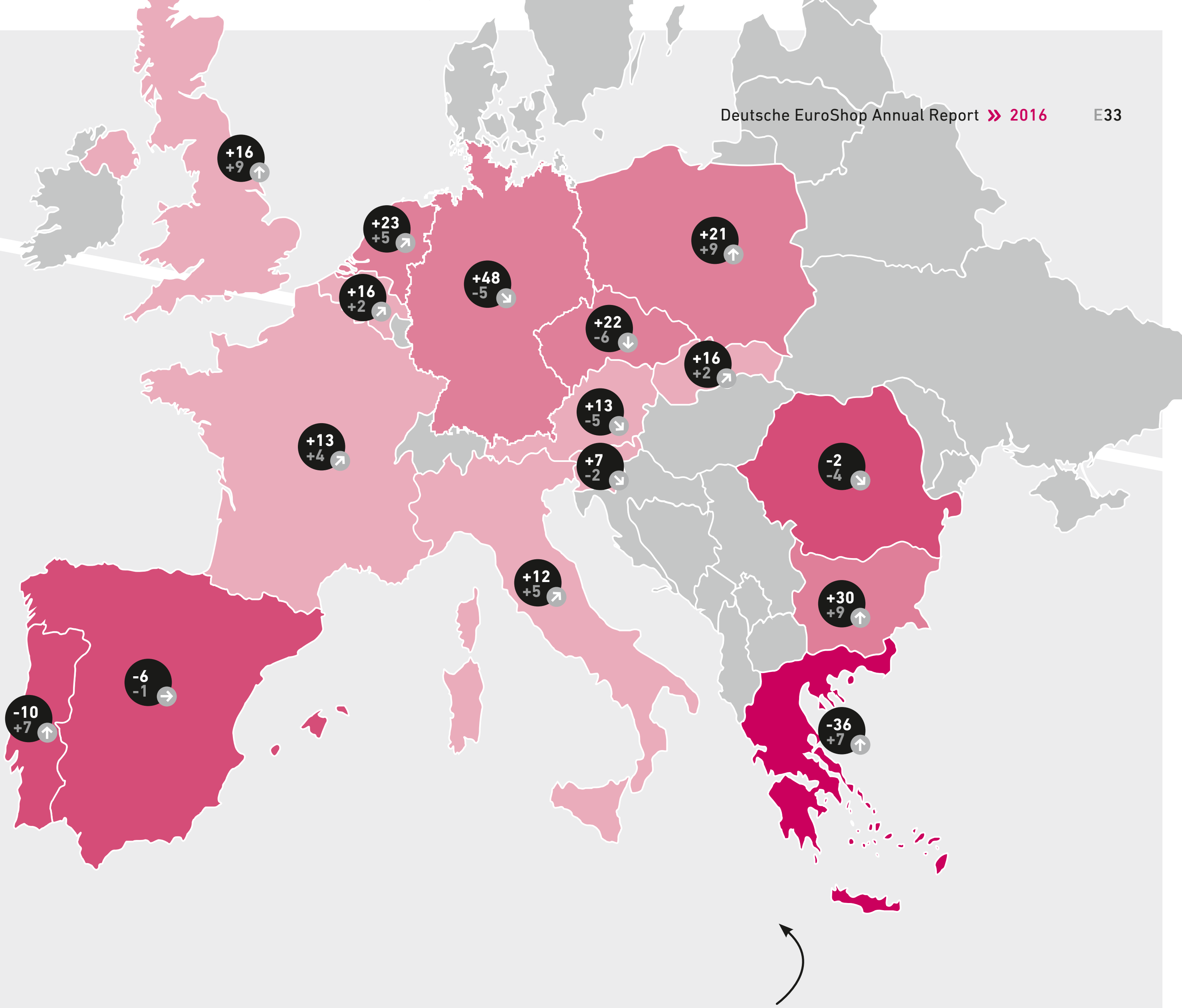
Positive economic conditions and persistently good consumer sentiment in Germany will precipitate further growth in retail sales in 2017 too. Food retail is expected to grow by 2% to €179.5 billion. The main drivers of this positive growth are the increasing number of households in Germany, which is the result of constant population growth and the positive migration balance, in addition to improving consumer sentiment. While hypermarket chains only grew very moderately in 2016, chemists' stores and full-range retailers in particular enjoyed an increase in revenue. In 2016, discounters halted the declining trend from previous years and defended their market share.

CONSUMER CLIMATE IN GERMANY

in points



Source: GfK consumer survey on behalf of the EU Commission | 12 / 16



In the non-food segment, GfK anticipates a moderate 0.8% increase to €170.6 billion, which can be attributed to saturation trends in the textiles and electronics markets, among other things. In light of this, the non-food retail segment profited less from the generally good consumer sentiment in 2016 than the food retail segment.

In 2016, online retail grew by a further 8% – a trend that will also continue in 2017. Consumers are also continuing to focus on capital expenditure for longer-term benefits, which was reflected, among other things, in the sharp increase in the number of house-building projects being completed in the past year.

RISKS FOR THE CONSUMPTION FORECAST FOR 2017

The GfK forecasts for consumption growth in Europe and Germany are conservative in view of potential renewed consumer uncertainty in 2017. The factors generating uncertainty in this respect include the current strong resurgence in inflation, the upcoming Brexit negotiations, elections in key European countries such as France, the Netherlands, Germany and probably Italy, as well as the future orientation of the new US government. ←

ECONOMIC EXPECTATIONS IN EUROPE

December 2016

- **Indicator > +20**
- **Indicator 0 to +20**
- **Indicator 0 to -20**
- **Indicator < -20**

EU as a whole: +18,5

Change in indicator:
September to December

- **> +5**
- **1 to 5**
- **-1 to +1**
- **-5 to -1**
- **< -5**

Source: GfK | EU-Commission

OUR PORTFOLIO

The success of our company lies in our shopping centers. After purchasing the Saarpark-Center in Neunkirchen in October 2016 and the Olympia Center in Brno (Czech Republic) in March 2017, our company owns 21 shopping centers, each one unique. Of these, 17 are located in Germany, with one each in Austria, Poland the Czech Republic and Hungary. Together, they contain 2,703 shops on an area covering 1,086,600 m^2.

Stadt-Galerie Passau

One particular highlight is our retail occupancy rate of on average 99%. 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 are squarely focused on Germany, which accounts for 82%.

ALWAYS IN THE BEST LOCATIONS

The concepts of property and location are impossible to disentangle from one another. And when you add retail into the equation, location is more than an attribute; it is quite simply the basis for success. Our tenants naturally want to be where their customers expect them to be. They and their shoppers can be sure that each of our 21 shopping centers is in 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 centers with their excellent transport links have offered visitors and customers a welcome change for many years, in some cases even replace city shopping expeditions altogether and frequently have a strong pull beyond the immediate region.

OUR CENTERS

	Domestic	Inter-national	Total
No. of centers	17	4	**21**
Leasable space in m²	880,600	206,000	**1,086,600**
No. of shops	2,060	643	**2,703**
Occupancy rate*	99%	99%	**99%**
Inhabitants in catchment area in million	16.7	3.4	**20.1**

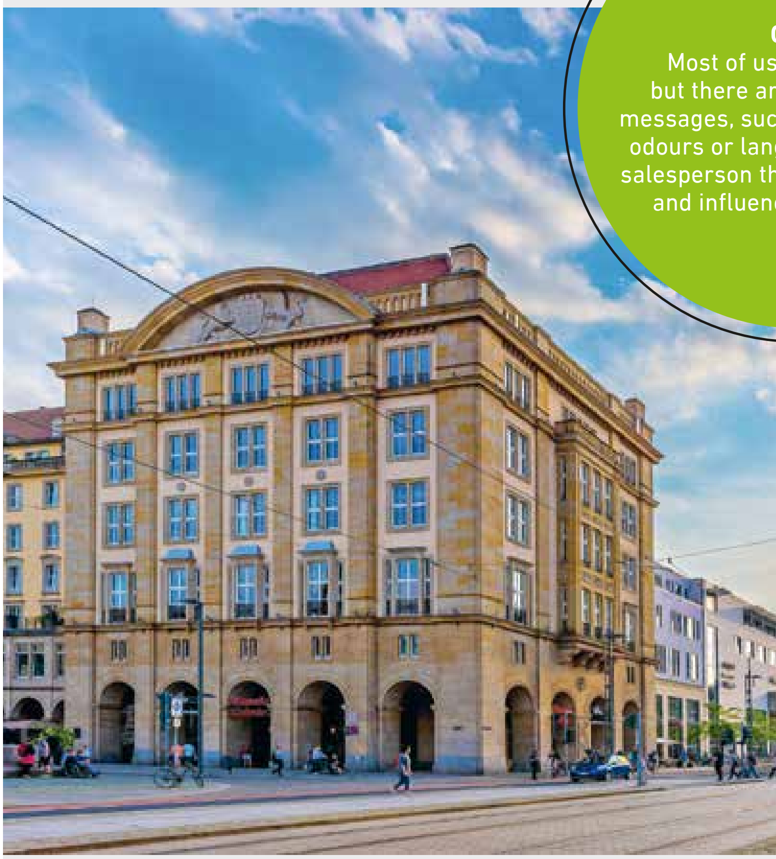
* including office space

ALWAYS CONVENIENTLY ACCESSIBLE

Whether in the city center or outside the city gates: we give particular priority to transport links for each of our properties. In cities, we like to be close to public transport hubs. In Hameln und Passau for example, our centers are right next to the main bus stations. Our properties in Norderstedt und Hamburg-Billstedt are directly above or adjacent to metro stations.

All of our shopping centers also have their own parking facilities, offering visitors and customers convenient and affordable parking, even in city centers. This ensures optimum accessibility by car, too. Our out-of-town properties offer a large number of free parking spaces. These particular locations are alongside motorways, making them very easy to reach, such as the A10 Center in Wildau on the A10 (Berlin ring road) or the Main-Taunus-Zentrum in Sulzbach on the A66. Parking spaces reserved for women and people with disabilities are offered as part of our service at all our shopping centers. →

Cues
Most of us don't know it, but there are a lot of subtle messages, such as body posture, odours or language style of the salesperson that reach our brain and influence our decision.



SUCCESSFUL MIX

Each of our 21 shopping centers has a unique tenant structure resulting from a long, intensive and ongoing process. This process focuses on meeting the needs of customers and supplementing the range of shops in each city center. 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 center as a whole.

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.

ARCHITECTURE WITH SOMETHING SPECIAL

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 always have a responsibility towards the city and its residents, and it is important to us that we fulfil this. This includes the best-possible integration into the urban landscape, combined with an exterior that meets modern architectural standards. To this end, we work very closely with the local authorities. The results are clear: the outcome is often an architectural gem, where even unique historical buildings can be lovingly integrated into the center when possible, as is the case, for example, with the listed former Intecta department store, which is now structurally part of the Altmarkt-Galerie Dresden.

What is inside counts too, however: the interiors of our shopping centers also need to be impressive, 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, making 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 enjoy being in the center and want to keep coming back. Ongoing modernisation and optimisation ensure that our centers retain their value and remain competitive.

Visitors should feel happy and comfortable with us – whatever their age. It goes without saying that our centers are designed for

Altmarkt-Galerie, Dresden – inside and out

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.

SUSTAINABLE BUSINESS

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

FLEXIBILITY IS THE GUARANTEE OF TOMORROW'S SUCCESS

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

Some tenants significantly expand their retail spaces so they can convert the shop from purely a retail area into a true experience arena. The idea is to give customers more opportunities to take the time to try out and experience the product on site. Ever more intensive consultation is also part of this. The role all of 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 our shopping centers 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 center ultimately benefits from the resulting increased diversity.

178 MILLION VISITORS IN ONE YEAR

More than 20 million people live in the catchment areas of our shopping centers, with over 16 million of them in Germany. Theoretically, this gives us access to more than 20% of the German population. A location's catchment area is a major factor for us when it comes to selecting an investment: this is ascertained at regular intervals according to standardised rules for all shopping centers and represents the total number of potential customers for the location in question. In 2015, we welcomed a total of around 178 million visitors to our 21 properties. →

23.2%

Total of the top 10 tenants

THE TEN LARGEST TENANTS

(share of rental income in %) As at: 31 December 2016

4.7% Metro Group

3.6% H&M

2.4% New Yorker

2.2% Peek & Cloppenburg

2.0% Deichmann

2.0% Douglas

1.9% C&A

1.7% REWE

1.4% dm-drogerie markt

1.3% Thalia

76.8% Other tenants

OUR TOP 10 TENANTS

With a share of 4.7%, the Metro Group is our biggest tenant. It is one of the biggest international retailers and is represented in a large number of our centers by its retail brands Media Markt and Saturn (consumer electronics) and Real-SB-Warenhaus. In second place is the Swedish fashion group H&M, which is one of the world's leading retailers. It accounts for 3.6% of our total rental volume.

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

LONG-TERM RENTAL CONTRACTS

The rental contracts that we sign with our tenants predominantly have a standard term of ten years. As at 31 December 2016, the weighted residual term of the rental agreements in our portfolio was 5.7 years, with 72% of our rental agreements being secured until at least 2020.

OUR PARTNER FOR CENTER MANAGEMENT

Management of our 21 shopping centers has been outsourced to our partner ECE Projektmanagement.

ECE has been designing, planning, building, letting and managing shopping centers since 1965. With around 200 facilities in 16 countries currently under its management and more than 3,500 employees, the company is Europe's leader in the area of shopping malls.

RESIDUAL TERM OF RENTAL AGREEMENTS IN PLACE

(Long-term rental agreements, share in %) As at: 31 December 2016

Deutsche EuroShop benefits from its more than 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

RENT OPTIMISATION RATHER THAN MAXIMISATION

One of the core tasks of center management is putting together the right combination of shops to suit the property and the local area. This mix of tenants and sectors is tailored 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 centers any more, such as toy and porcelain shops.

We set ourselves apart from the majority of building owners in the pedestrian zone in a key respect here: 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, accessories and health and beauty retailers, right through to professional services such as bank and post office branches. ←

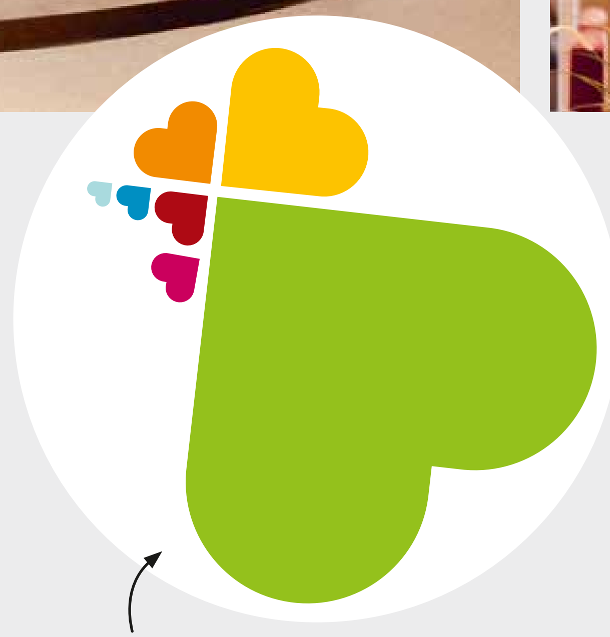
SOMETHING FOR ALL TASTES

Surveys show that the food and drink offering is an increasingly important consideration for customers when choosing whether to visit a center. This is just one of the reasons why we want to offer our visitors something special on the gastronomic front: cafés, fast-food restaurants, ice-cream parlours, etc. offer a chance for refreshment and revitalisation while shopping. The Phoenix-Center in Hamburg-Harburg, the City-Point in Kassel and the Galeria Bałtycka in Gdansk have their own food courts, offering seating and a wide variety of cuisines to a large number of diners. Friends and families can choose to eat from different outlets while still sitting together.

FOCUS ON FASHION

The fashion industry dominates our retail mix with over 50%. The strength in fashion 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



RETAIL MIX

(in % of space)
As at: 31 December 2016

- **51.8% Clothing**
- **18.8% Hardware / electronics**
- **10.5% Department stores**
- **6.8% Groceries**
- **6.1% Health products sector**
- **4.4% Food and restaurants**
- **1.6% Service providers**

> Brands give us security and make our decisions easier. “If they were no good, you would have heard something about it.”

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.

BENEFITING OFFLINE FROM THE INTERNET

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-only retailers are learning that pure branding mostly takes place offline and that direct and personal contact with customers is often a prerequisite for subsequent online purchases.

Multichannel marketing also has its influence: Our tenants combine the various communication and sales channels: For example, products that are out of stock in a store in the required size or colour can be delivered directly to customers at home. Alternatively, customers can order their goods online from home and collect them from our tenant’s store.

We want to respond to the challenges of online retail by integrating various digital services into our centers. These include apps and a social media offering for each individual center.

SUCCESSFUL TENANT PARTNERS

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

UNIFORM BUSINESS HOURS

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

THE SHOPPING CENTER AS A COMMUNITY

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

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

ACTIVITIES IN THE CENTERS

DANZIG: “LET THE DOGS IN”

The Galeria Bałtycka launched a quite special campaign in summer 2016. Previously, many visitors to the shopping center were not aware that they were allowed to bring their dogs in and did not have to leave them alone in their cars on the parking deck – this can be an ordeal for the animals, and not just on warm days. A video was shot specially for the campaign and quickly went viral over social media, racking up over one million views in no time at all. The feedback for the video was positive without exception, and not only from animal welfare activists. The star of the film is an Alsatian, who clearly had lots of fun on set.

Video: youtu.be / joHP5g5E044

www.galeriabaltycka.pl

GONE TO THE DOGS

A peak behind the scenes:
the video script

POS – point of sale
The place of decision light, music, odours and the the presentation of the goods have a direct impact on our buying behaviour.

EXPERIENCE THE FOREST IN PASSAU FIRST-HAND

The wilderness, mystery and adventure: forests draw us in magically, fire our imagination and teach us respect. In the interactive exhibition "Fascination of Woodland – Discovering Nature", visitors can experience the forest in various scenarios at the Stadt-Galerie Passau from 2 to 14 May 2016. The exhibition space was split into different topic areas: Alongside the forest plantation, woodland glade, predators and voices of the forest, the topics also included tree evolution and forestry. Another exhibition space addressed the eco-system of the forest. A forest school invited people to explore, educate themselves and take on a great many experiences. All of the exhibition areas featured a genuine forest floor with real plants and trees. Stuffed animals, wall charts and touchscreen displays drew the visitors in to observe and learn. Professionally guided tours proved particularly popular with school classes and nursery groups.

www.stadtgalerie-passau.de

Left A forest school invited people to explore and learn

Below Hunting horns sounded in the mall for the opening

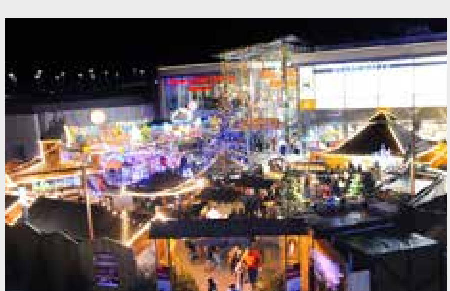
DIFFERENT FILMS EVERY DAY, BANDS, DJS, STREET FOOD AND DRINKS

MASCOTS MEET UP FROM ALL AROUND THE WORLD IN HAMBURG-BILLSTEDT

On 3 July 2017, mascots took center stage at the Billstedt Center in Hamburg. This venue plays host to the global meet-up that takes place once a year. The event is attended by Benjamin Blümchen, Maya the Bee, Heidi and many more, meaning that it was not just our young visitors who were excited to see all their heroes. Dino Herrmann, the mascot for the German football team was just one of the cuddly guests. The mascots did a short, humorous routine on the stage and then also made themselves available for a truly epic selfie marathon. The highlight of the event was a large race, as part of which visitors of all ages could compete against their favourite mascots and win a wide range of prizes.

www.billstedt-center.de

The mascots turned up to meet everyone at the Billstedt-Center.



The Winter Village in the town square at the Rhein-Neckar-Zentrum

SUMMER AND WINTER OPEN AIRS IN VIERNHEIM

At the end of July, the Rhein-Neckar Zentrum invited the public to a cinematic outdoor event of spectacular proportions, with different films every day, bands, DJs, street food and drinks providing top-notch summer entertainment every single day, along with a genuine beach club set up on a bed of actual sand on the town square outside the shopping center. As luck would have it, the weather largely went along with all this, as blockbusters like “Fack Ju Göhte” and “Star Wars 7” were huge hits with the crowd. And from December to the start of January, the town square was buzzing with activity once again: the center’s Winter Village welcomed visitors with daily delights such as a pyrotechnics show, a fireworks display and an afternoon event specially for children featuring face-painting and the German equivalent of a Punch & Judy show. But far and away the biggest hit was the merry-go-round, tirelessly making the rounds to the bright-eyed amazement of the kids.

www.rhein-neckar-zentrum-viernheim.de

Open-air cinema in the Rhein-Neckar-Zentrum

AND ZiNG WAS MADE

ZiNG Pop Culture-Store, Phoenix-Center

In March 2016, the world's largest retail store chain for PC and console games GameStop launched a pilot project and opened the first independent ZiNG Pop Culture store in Phoenix Center in Hamburg. Customers can visit the 100 m² store and browse through the merchandise of their favourite heroes from the big screen, well-known TV series and, of course, the world of video games.

For a long time, superheroes and characters from films and TV series, such as Batman, Darth Vader from Star Wars and Jon Snow from the hit TV series Game of Thrones, have been much more just film stars to their fans; They have attained cult status and are now part of everyday life for many people. Whether they are printed on their coffee cup in the morning, appear as key rings or feature on t-shirts worn at home, fan merchandise has embedded itself in the mainstream of society and are worn mainly by people who simply want to add a bit of fun to their lives. By opening the ZiNG Pop Culture stores, GameStop has responded to the increasing popularity of fan merchandise among its customers and set up a real paradise of different merchandise in large stores.

In addition to the store in Hamburg, Germany also currently boasts three further independent ZiNG Pop Culturestores in Cologne, Essen and Dortmund.

The ZiNG Pop Culture products are not just available in the standalone stores mentioned above. Fan merchandise is now being sold in the long term in GameStop stores in Germany, Austria and Switzerland and has its own shelf space. Using this shop-in-shop concept, customers can browse through a wide range of fan merchandise in all GameStop stores in addition to the selection of well-known video games, consoles and accessories on offer.

If you cannot make it to one of our stores, you can also visit our website and immerse yourself in ZiNG Pop Culture's world of fan merchandise.

www.zingpopculture.de
www.facebook.com/ZiNGPopCultureDACH

ENVIRON-MENT

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.

62.5

The German centers used a total of around 62.5 million kWh of green electricity in 2016.

In 2016, all our German shopping centers had contracts with suppliers that use renewable energy sources, such as hydro-electric power, for their electricity needs. The "EnergieVision" organisation certified the green electricity for our centers in Germany with the renowned "ok-power" accreditation in 2015. 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 62.5 million kWh of green electricity in 2016. This represented 100% of the electricity requirements in these shopping centers, Based on conservative calculations, this meant a reduction of around 22,445 tonnes in carbon dioxide emissions, which equates to the annual CO_2 emissions of more than 1,000 two-person households. The use of heat exchangers and energy-saving light bulbs allows us to further reduce energy consumption in our shopping centers.

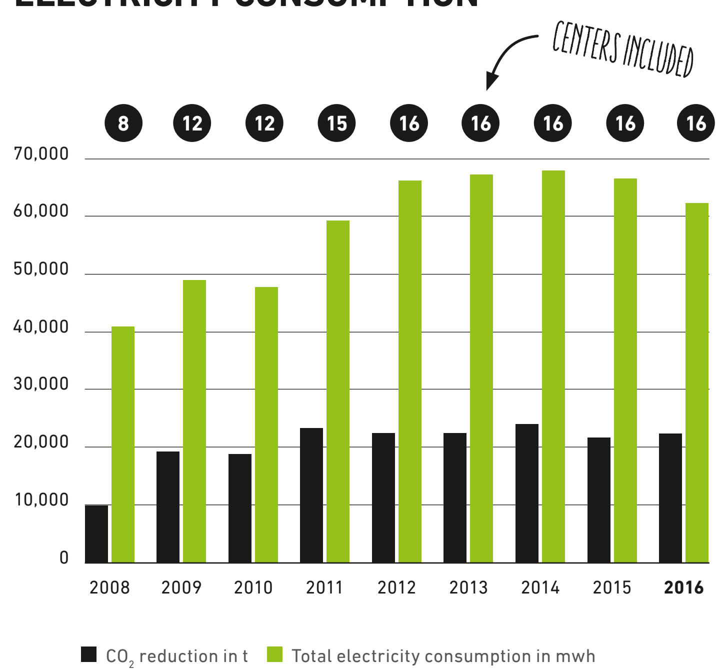
Deutsche EuroShop also supports a diverse range of local and regional activities that take place in our shopping centers in the areas of the environment, society and the economy.

GREEN ELECTRICITY

The “EnergieVision” organisation certified the green electricity for our centers in Germany with the renowned “ok-power” accreditation in 2015.

Stand up
It’s well known that persons who stand up and work standing up more often have 24 per cent more ideas and make better decisions 25 per cent of the time than people who sit too much.

REDUCTION OF CO_2 EMISSIONS AND ELECTRICITY CONSUMPTION



REPORTING ON OUR

ENVIRONMENTAL PERFORMANCE

INTRODUCTION

We report on our energy, GHG emissions, water and waste impacts in accordance with the EPRA Sustainability Best Practice Recommendations (sBPR). Our reporting response has been split into 2 sections:

1. **Overarching recommendations**
2. **Sustainability performance measures**

1. OVERARCHING RECOMMENDATIONS

1.1 Organisational boundaries

We use an operational control approach for our data boundary, which includes 14 assets.[1]

1.2 Coverage

Please see our EPRA performance table for individual coverage of each performance measure.

1.3 Estimation of landlord-obtained utility consumption

None of our data is estimated.

1.4 Third Party Assurance

We do not have third party assurance.

1.5 Boundaries – reporting on landlord and tenant consumption

The consumption reported includes only energy which we purchase as landlords and refers to common areas. In the case of water, district heating and cooling, we receive bills for the common and tenant areas and it is not possible to separate these consumptions. Tenant-obtained data is excluded.

1.6 Analysis – Normalisation

Energy and GHG intensity indicators are calculated using floor area (m^2) for whole buildings and water intensity is calculated using number of visitors / FTE for our assets and offices respectively. We are aware of a mismatch between nominator and denominator, as our consumption for electricity and fuels relates to common areas only, whereas we receive district heating and cooling bills for the entire building and cannot separate common area from tenant area consumption. For our own offices we report energy and GHG intensity performance measures using the floor area we occupy within the building.

1.7 Analysis – Segmental analysis (by property type, geography)

We have not carried out segmental analysis as we do not find this very informative for our portfolio, given that our assets are all shopping centers, located almost exclusively in Germany, and the majority have similar EPC ratings.

1.8 Disclosure on own office

Our own occupied office is reported separately to our portfolio. Please see table 2.2 on page M50.

1.9 Narrative on performance

Elec-Abs and Elec-LFL have decreased by 5% in 2016. This was attributable to the measures taken to increase ventilation and lighting efficiency (a switch to using more natural ventilation than electrical ventilation, as well as a switch to a new type of LED lamp) which have reduced energy requirements. Furthermore, the on-site technicians were trained how to prevent peak loads in the centers.8% and 9% increases in district heating and cooling and fuels respectively were observed across the portfolio. This corresponded to an 8% rise in direct GHG emissions. Although the 2016/17 winter was mild compared to the previous year, there was on average a greater demand for heating.

The increase in total consumption of gas / district heating is approximately similar. The percentage increase in greenhouse gas emissions is plausible by the greenhouse gas intensity of gas versus district heating.

Water consumption at the shopping centers remained relatively constant with an increase of only 1%. The tenants' consumption is included in the total water consumption. From 2015 to 2016 the visitor footfall decreased slightly in most of the examined centers, resulting in the difference in intensity, but only 1% in the total consumption.

Sensitization around waste and a succesful re-tendering of the waste disposal companies as well as a planned individual method to be able to quantify waste generated by each individual tenant led to a reduction in the waste volume. We plan to introduce the use of identification cards to activate access to the automatic waste weighing facility, so that waste can be separated not only by weight, but by fractions and originator.

The strong increase in recycling was caused, among other things, by the first-time separation of paper from residual waste in Poland. In addition, there was an exchange of small electrical appliances and large electrical goods in two centers in 2016, which led to an increased waste of electrical recycling.

1.10 Location of EPRA sustainability performance measures in companies' reports

EPRA sustainability performance measures for our portfolio and own offices can be found in the tables 2.1 and 2.2 on page M49 and M50 of this report.

2. SUSTAINABILITY PERFORMANCE MEASURES (EPRA TABLES)

2.1 EPRA portfolio table

Indicator	EPRA	Unit of measure	2015	Coverage	2016	Coverage	Change
Total electricity consumption	Elec-Abs	kWh	62.477.549	100%	59.372.937	100%	-5%
Like-for-like electricity consumption	Elec-LFL	kWh	62.477.549	100%	59.372.937	100%	-5%
Total energy consumption from district heating and cooling	DH & C-Abs	kWh	22.445.055	100%	24.473.264	100%	8%
Like-for-like consumption from district heating and cooling	DH & C-LFL	kWh	22.445.055	100%	24.473.264	100%	8%
Total energy consumption from fuel	Fuels-Abs	kWh	18.759.883	100%	20.631.903	100%	9%
Like-for-like consumption from fuel	Fuels-LFL	kWh	18.759.883	100%	20.631.903	100%	9%
Building energy intensity	Energy-Int	kWh / m^2	98	100%	98	100%	1%
Direct GHG emission (total) Scope 1	GHG-Dir-Abs	tCO_2	3.789	100%	4.117	100%	8%
Direct GHG emission (like-for-like) Scope 1	GHG-Dir-LFL	tCO_2	3.789	100%	4.117	100%	8%
Indirect GHG emission (total) Scope 2	GHG-Indir-Abs	tCO_2	11.378	100%	11.982	100%	5%
Indirect GHG emission (like-for-like) Scope 2	GHG-Indir-LFL	tCO_2	11.378	100%	11.982	100%	5%
Building GHG emissions intensity	GHG-Int	tCO_2 / m^2	0,014	100%	0,015	100%	6%
Total water consumption	Water-Abs	m^3	364.791	100%	367.205	100%	1%
Like-for-like water consumption	Water-LFL	m^3	364.791	100%	367.205	100%	1%
Building water consumption intensity	Water-Int	m^3 / visitor	0,003	100%	0,003	100%	10%
Weight of waste by disposal route (total)	Waste-Abs	tonnes	6.711	100%	6.187	100%	-8%
		% recycled	44	100%	52	100%	16%
		% composted	4	100%	4	100%	0%
		% sent to incineration	53	100%	44	100%	-19%
Weight of waste by disposal route (like-for-like)	Waste-LFL	tonnes	6.711	100%	6.187	100%	-8%
		% recycled	44	100%	52	100%	16%
		%composted	4	100%	4	100%	0%
		% sent to incineration	53	100%	44	100%	-19%
Type and number of assets certifies	Cert-Tot	% of portfolio certified OR number of certified assets	13	100%	13	100%	0%

GHG emissions: We calculate our emissions using the GHG Protocol methodology

[1] A10 Center, Allee-Center Hamm, Altmarkt-Galerie Dresden, Billstedt-Center Hamburg, City-Arkaden Wuppertal, City-Galerie Wolfsburg, City-Point Kassel, Forum Wetzlar, Galeria Bałtycka Gdansk, Herold-Center Norderstedt, Main-Taunus-Zentrum, Rathaus-Center Dessau, Rhein-Neckar-Zentrum and Stadt-Galerie Hameln

2.2 EPRA own office table

Indicator	EPRA	Unit of measure	2015	Coverage	2016	Coverage	Change
Total electricity consumption	Elec-Abs	kWh	8,398	100%	8,988	100%	7%
Like-for-like electricity consumption	Elec-LFL	kWh	8,398	100%	8,988	100%	7%
Total energy consumption from district heating and cooling	DH & C-Abs	kWh	53,952	100%	54,565	100%	1%
Like-for-like consumption from district heating and cooling	DH & C-LFL	kWh	188	100%	190	100%	1%
Total energy consumption from fuel	Fuels-Abs	kWh	na	na	na	na	na
Like-for-like consumption from fuel	Fuels-LFL	kWh	na	na	na	na	na
Building energy intensity	Energy-Int	kWh / m^2	196	100%	198	100%	1%
Direct GHG emission (total) Scope 1	GHG-Dir-Abs	tCO_2	na	na	na	na	na
Direct GHG emission (like-for-like) Scope 1	GHG-Dir-LFL	tCO_2	na	na	na	na	na
Indirect GHG emission (total) Scope 2	GHG-Indir-Abs	tCO_2	11	100%	11	100%	-1%
Indirect GHG emission (like-for-like) Scope 2	GHG-Indir-LFL	tCO_2	11	100%	11	100%	-1%
Building GHG emissions intensity	GHG-Int	tCO_2 / m^2	0	100%	0	100%	-1%
Total water consumption	Water-Abs	m^3	640	100%	564	100%	-13%
Like-for-like water consumption	Water-LFL	m^3	640	100%	564	100%	-13%
Building water consumption intensity	Water-Int	m^3 / employee	107	100%	81	100%	-32%
Weight of waste by disposal route (total)	Waste-Abs	tonnes	3	100%	2	100%	-47%
		% recycled	11		12		8%
		% sent to incineration	89		88		-1%
Weight of waste by disposal route (like-for-like)	Waste-LFL	tonnes	3	100%	2	100%	-47%
		% recycled	11	100%	12	100%	8%
		% sent to incineration	89	100%	88	100%	-1%
Type and number of assets certifies	Cert-Tot	% of portfolio certified OR number of certified assets	–	100%	–	100%	0%

Fuel: No fuels are used at our office building

Water, heating and waste are calculated using actual consumption figures for the whole building, and the m^2 percentage the DES office occupies (DES has an office of $275m^2$ in a building of $6088m^2$)

Electricity consumption is reported for the two following fiscal years, as we have not received the invoice for our April 2015-April 2016 consumption

GHG emissions: We calculate our emissions using the GHG Protocol methodology

Saarpark Center in
Neunkirchen, Saarland

PORTFOLIO GROWTH

IN THE SAARLAND

On 1 October 2016, we acquired a 50% stake in the Saarpark Center in Neunkirchen, the Saarland, from a pension fund and are now represented for the first time in Germany's smallest federal state by area.

Including net financial liabilities, the investment volume amounted to around €113 million; the net acquisition price of around €79 million was financed by means of loans.

The Saarpark-Center was originally opened in 1989. After undergoing an expansion in 1999 and restructuring in 2009, the largest shopping center in the Saarland now boasts over 130 specialist retailers across 33,500 m² of retail space split between two floors. The center's key tenants are C&A, H&M, Müller Drogerie, Peek & Cloppenburg, REWE and TK Maxx. In addition, the center boasts 600 m² of office space as well as over 1,600 parking spaces.

Neunkirchen is the second-largest town in the Saarland, located about 20 km north-east of Saarbrücken. Today, the town is regarded as a textbook example of a structural urban conversion into a shopping and services destination in a mountain region. The ironworks, formerly the heart of the town, was partially torn down in the early 1980's and the city center was expanded, with the construction of the Saarpark Center being part of these efforts. The center now connects the Altes Hüttenareal industrial monuments with the market square. The Hüttenareal is particularly attractive at night, when it is impressively lit up. The centerpiece of the monuments is the blasting hall of the ironworks, which offers a great deal of space and modern technology for major events for people of all ages.

The Saarpark Center is easily accessible by public transport via the adjacent bus station as well as by car via the nearby motorway link. Some 595,000 people live in the catchment area. The Saarpark-Center receives approximately 24,000 customers every day and more than seven million every year.

www.saarpark-center.de

Das Saarpark-Center – eindrucksvoll beleuchtet

Entrance to the
Olympia Center in Brno

IN THE CZECH REPUBLIC

The Olympia Center in Brno that we acquired on 31 March 2017 is our first center in the Czech Republic. The acquisition increased Deutsche EuroShop's portfolio to 21 shopping centers, with a market value of some €5.1 billion (100% perspective).

Including financial liabilities, the investment volume amounted to €382 million. The net acquisition price of around €207 million was financed with a long-term loan and the proceeds from a capital increase. The Olympia Center initially opened its doors in 1999 and is now one of the country's biggest shopping centers. Following restructuring works between 2014 and 2016, it houses more than 200 specialist stores across 85,000 m^2 split over two floors. Anchor tenants include hypermarket Albert, H&M, Intersport and Peek & Cloppenburg.

The center also features a cinema and entertainment park, as well as more than 4,000 parking spaces. It is very well connected in terms of both road links and public transport. Around 1.2 million people live in the catchment area. The Olympia Center welcomes more than 23,000 customers every day and over 8 million every year.

After Prague, Brno is the second-largest city in the Czech Republic and has been the historical center of Moravia since the 17th century; today, it is a university and industrial town as well as a key trade fair location. Among its tourist attractions are the historical center and its monuments which date back to the 11th century, along with a variety of baroque and renaissance buildings. The Villa Tugendhat, built in 1930 according to plans by Ludwig Mies van der Rohe, is considered a milestone in European architecture and was declared a World Heritage site by UNESCO in 2001.

www.olympia-centrum.cz

GERMANY

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

AUSTRIA

5.8 million visitors in 2016, 1 center
21 City Arkaden, Klagenfurt

OUR CENTERS IN GERMANY

POLAND

9.8 million visitors in 2016, 1 center
19 Galeria Bałtycka, Gdansk

CZECH REPUBLIC

8.4 million visitors in 2016, 1 center
18 Olympia, Brno

HUNGARY

12.5 million visitors in 2016, 1 center
20 Árkád, Pécs

Number of visitors in Germany in 2016 in million

141.7

Average number of visitors per center in Germany in 2016 in million

8.3

Floor space of all centers in Germany in 2016 in m^2

880,600

Number of stores in shopping centers in Germany

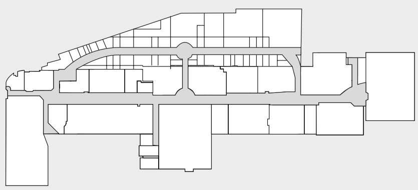
2,060

VISITORS 2016

8.1 million

Sulzbach / Frankfurt

MAIN-TAUNUS-ZENTRUM



INVESTMENTS: 52%
LEASABLE SPACE: 124,000 m²
OF WHICH RETAIL SPACE: 91,000 m² (plus C&A)
PARKING: 4,500
NO. OF SHOPS: 170
OCCUPANCY RATE: 100%
CATCHMENT AREA: 3.1 million residents
PURCHASED BY DES: September 2000
GRAND OPENING: 1964
RESTRUCTURING / MODERNISATION: 2004
EXPANSION: 2011
ANCHOR TENANTS: Apple, Breuninger, Galeria Kaufhof, H&M, Hollister, Karstadt, Media Markt, REWE, Anson's, Appelrath Cüpper, Zara, Intersport

Address
Am Main-Taunus-Zentrum
65843 Sulzbach (Taunus)

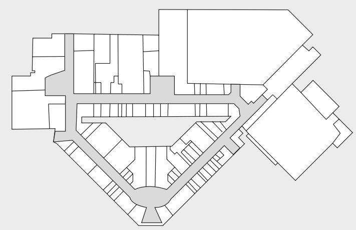
www.main-taunus-zentrum.de

VISITORS 2016

6.9 million

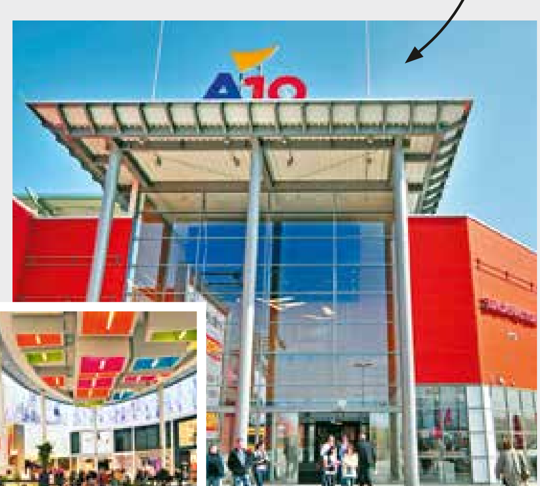
Wildau / Berlin

A10 CENTER



100 % OCCUPANCY RATE

INVESTMENTS: 100%
LEASABLE SPACE: 121,000 m²
OF WHICH RETAIL SPACE: 66,000 m²
PARKING: 4,000
NO. OF SHOPS: 200
OCCUPANCY RATE: 100%
CATCHMENT AREA: 1.1 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, Bambooland, Hammer



Address
Chausseestraße 1
15754 Wildau

www.a10center.de

VISITORS 2016

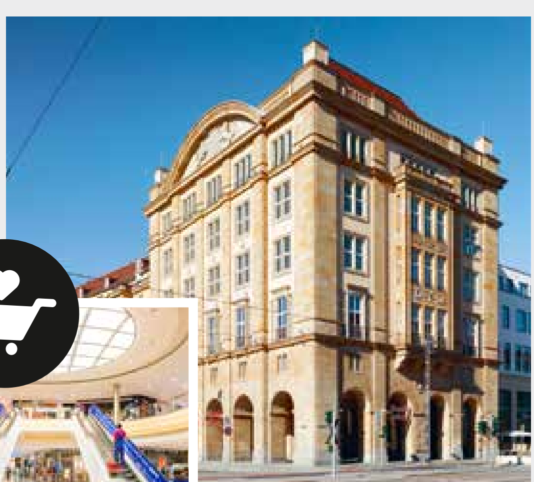
14.4 million

Dresden

ALTMARKT-GALERIE

INVESTMENTS: 100%
LEASABLE SPACE: 77,000 m²
OF WHICH RETAIL SPACE: 44,000 m²
PARKING: 500
NO. OF SHOPS: 200
OCCUPANCY RATE: 100%
CATCHMENT AREA: 2.1 million residents
PURCHASED BY DES: September 2000
GRAND OPENING: 2002
EXPANSION: 2011
ANCHOR TENANTS: Apple, Hollister, H&M, Saturn, SinnLeffers, SportScheck, New Yorker, REWE

SUPER POPULAR



Address
Webergasse 1
01067 Dresden

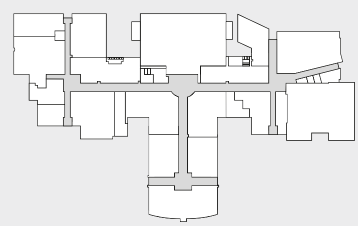
www.altmarkt-galerie.de

VISITORS 2016

7.8 million

Viernheim / Mannheim

RHEIN-NECKAR-ZENTRUM



INVESTMENTS: 100%
LEASABLE SPACE: 69,500 m²
OF WHICH RETAIL SPACE: 60,000 m²
(plus Karstadt und C&A)
PARKING: 3,800
NO. OF SHOPS: 110
OCCUPANCY RATE: 100%
CATCHMENT AREA: 1.5 million residents
PURCHASED BY DES: September 2000
GRAND OPENING: 1972
RESTRUCTURING / EXPANSION: 2002
ANCHOR TENANTS: Engelhorn Active Town, Peek & Cloppenburg, H&M, TK Maxx, Zara, Müller Drogerie, Hugendubel, Aldi, Bauhaus

EXCELLENT CAFÉS IN WHICH TO MEET FRIENDS

Address
Robert-Schumann-Straße 8a
68519 Viernheim

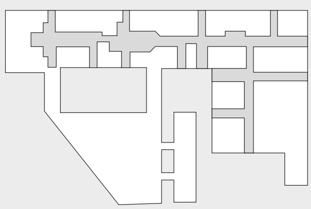
www.rhein-neckar-zentrum-viernheim.de

VISITORS 2016

10.7 million

Norderstedt

HEROLD-CENTER



METRO STATION DIRECTLY UNDERNEATH THE CENTER

INVESTMENTS: 100%
LEASABLE SPACE: 54,300 m²
OF WHICH RETAIL SPACE: 26,000 m²
(plus Karstadt and Saturn)
PARKING: 850
NO. OF SHOPS: 140
OCCUPANCY RATE: 96%
CATCHMENT AREA: 0.5 million residents
PURCHASED BY DES: January 2013
GRAND OPENING: 1971
RESTRUCTURING / EXPANSION: 1995 and 2003
ANCHOR TENANTS: C&A, H&M,
Peek & Cloppenburg, REWE

Address
Berliner Allee 38–44
22850 Norderstedt

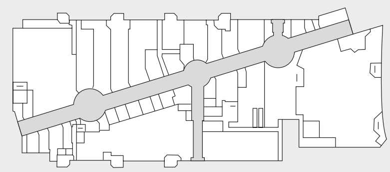
www.heroldcenter.de

VISITORS 2016

5.5 million

Dessau

RATHAUS-CENTER



INVESTMENTS: 100%
LEASABLE SPACE: 52,500 m²
OF WHICH RETAIL SPACE: 32,900 m²
(incl. Karstadt)
PARKING: 850
NO. OF SHOPS: 90
OCCUPANCY RATE: 100%
CATCHMENT AREA: 0.5 million residents
PURCHASED BY DES: November 2005
GRAND OPENING: 1995
ANCHOR TENANTS: H&M, Modehaus Fischer,
Thalia, TK Maxx

Address
Kavalierstraße 49
06844 Dessau-Roßlau

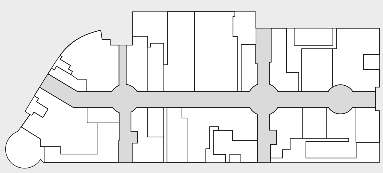
www.rathauscenter-dessau.de

VISITORS 2016

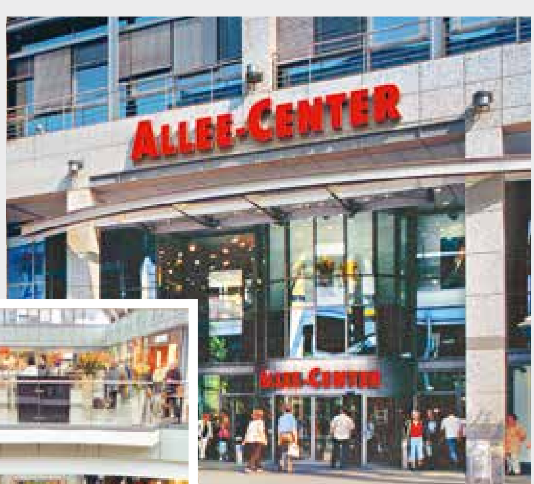
9.5 million

Magdeburg

ALLEE-CENTER



INVESTMENTS: 50%
LEASABLE SPACE: 51,300 m²
OF WHICH RETAIL SPACE: 35,000 m²
PARKING: 1,300
NO. OF SHOPS: 150
OCCUPANCY RATE: 98%
CATCHMENT AREA: 0.8 million residents
PURCHASED BY DES: October 2011
GRAND OPENING: 1998
EXPANSION: 2006
ANCHOR TENANTS: H&M, Saturn, SinnLeffers, SportScheck, REWE



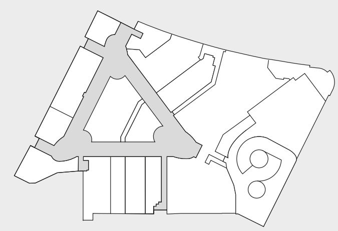
Address
Ernst-Reuter-Allee 11
39104 Magdeburg
www.allee-center-magdeburg.de

VISITORS 2016

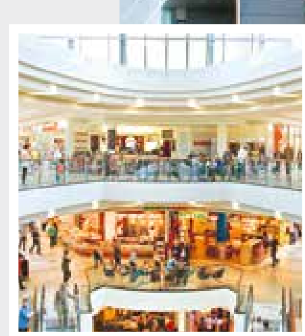
9.4 million

Hamburg

PHOENIX-CENTER



INVESTMENTS: 50%
LEASABLE SPACE: 43,400 m²
OF WHICH RETAIL SPACE: 29,000 m²
PARKING: 1,400
NO. OF SHOPS: 130
OCCUPANCY RATE: 97%
CATCHMENT AREA: 0.6 million residents
PURCHASED BY DES: August 2003
GRAND OPENING: 2004
ERWEITERUNG / RESTRUCTURING: 2016
ANCHOR TENANTS: C&A, H&M, Karstadt Sports, Media Markt, New Yorker, REWE, SinnLeffers, Stadium



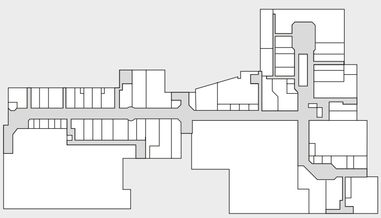
Address
Hannoversche Straße 86
21079 Hamburg
www.phoenix-center-harburg.de

VISITORS 2016

10.1 million

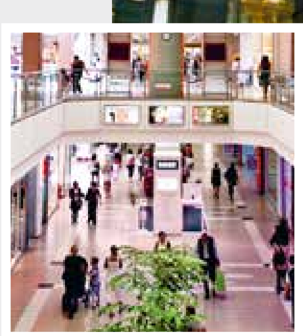
Hamburg

BILLSTEDT-CENTER



POPULAR ATTRACTION IN THE EAST OF HAMBURG

INVESTMENTS: 100%
LEASABLE SPACE: 42,500 m²
OF WHICH RETAIL SPACE: 29,500 m²
(plus Primark)
PARKING: 1,500
NO. OF SHOPS: 110
OCCUPANCY RATE: 95%
CATCHMENT AREA: 1.0 million residents
PURCHASED BY DES: January 2011
GRAND OPENING: 1969 / 1977
RESTRUCTURING: 1996
ANCHOR TENANTS: C&A, H&M, Media Markt, TK Maxx, REWE



Address
Möllner Landstraße 3
22111 Hamburg

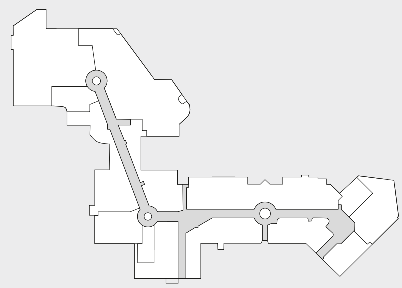
www.billstedt-center.de

VISITORS 2016

6.9 million

Neunkirchen

SAARPARK-CENTER



INVESTMENTS: 50%
LEASABLE SPACE: 35,600 m²
OF WHICH RETAIL SPACE: 33,500 m²
PARKING: 1,600
NO. OF SHOPS: 130
OCCUPANCY RATE: 96%
CATCHMENT AREA: 0.6 million residents
PURCHASED BY DES: October 2016
GRAND OPENING: 1989
RESTRUCTURING: 1999 und 2009
ANCHOR TENANTS: C&A, Müller Drogerie, H&M, Peek & Cloppenburg, REWE, TK Maxx

Address
Stummplatz1
66538 Neunkirchen

www.saarpark-center-neunkirchen.de

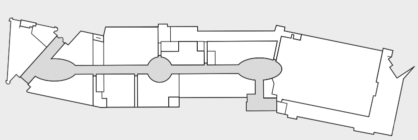
VISITORS 2016

7.6 million

Wetzlar

FORUM

23,500 M² OF RETAIL SPACE



INVESTMENTS: 65%
LEASABLE SPACE: 34,500 m²
OF WHICH RETAIL SPACE: 23,500 m²
PARKING: 1,700
NO. OF SHOPS: 110
OCCUPANCY RATE: 98%
CATCHMENT AREA: 0.5 million residents
PURCHASED BY DES: October 2003
GRAND OPENING: 2005
ANCHOR TENANTS: Kaufland, Media Markt, Sporthaus Kaps, Thalia

Address
Am Forum 1
35576 Wetzlar

www.forum-wetzlar.de

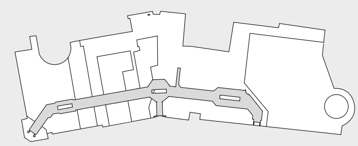
VISITORS 2016

6.5 million

Hamm

ALLEE-CENTER

IN THE HEART OF HAMM



INVESTMENTS: 100%
LEASABLE SPACE: 34,000 m²
OF WHICH RETAIL SPACE: 21,000 m²
PARKING: 1,300
NO. OF SHOPS: 90
OCCUPANCY RATE: 99%
CATCHMENT AREA: 0.7 million residents
PURCHASED BY DES: April 2002
GRAND OPENING: 1992
UMBAU / RESTRUCTURING: 2003, 2009
ANCHOR TENANTS: C&A, H&M, Peek & Cloppenburg, REWE, Saturn

Address
Richard-Matthaei-Platz 1
59065 Hamm

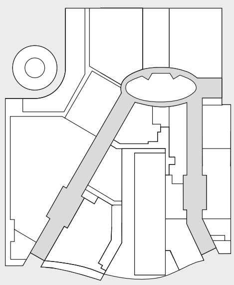
www.allee-center-hamm.de

VISITORS 2016

7.5 million

Wolfsburg

CITY-GALERIE



INVESTMENTS: 100%
LEASABLE SPACE: 30,800 m²
OF WHICH RETAIL SPACE: 20,000 m²
PARKING: 800
NO. OF SHOPS: 100
OCCUPANCY RATE: 98%
CATCHMENT AREA: 0.5 million residents
PURCHASED BY DES: September 2000
GRAND OPENING: 2001
RESTRUCTURING: 2011
ANCHOR TENANTS: Hempel, New Yorker, REWE, Saturn

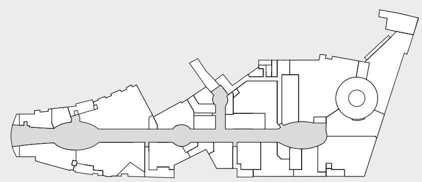
Address
Porschestraße 45
38440 Wolfsburg
www.city-galerie-wolfsburg.de

VISITORS 2016

8.4 million

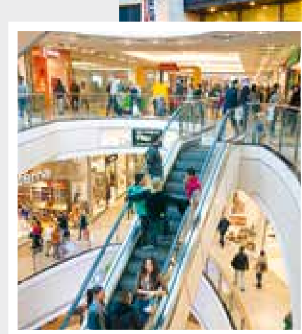
Wuppertal

CITY-ARKADEN



SOMETHING UNUSUAL: VISITORS CAN TRAVEL TO THE CENTER VIA OVERHEAD RAILWAY

INVESTMENTS: 100%
LEASABLE SPACE: 28,700 m²
OF WHICH RETAIL SPACE: 20,000 m²
PARKING: 650
NO. OF SHOPS: 80
OCCUPANCY RATE: 99%
CATCHMENT AREA: 0.8 million residents
PURCHASED BY DES: September 2000
GRAND OPENING: 2001
RESTRUCTURING: 2011
ANCHOR TENANTS: Akzenta, H&M, Reserved, Thalia



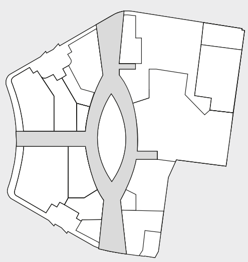
Address
Alte Freiheit 9
42103 Wuppertal
www.city-arkaden-wuppertal.de

VISITORS 2016

8.6 million

Kassel

CITY-POINT



INVESTMENTS: 100%
LEASABLE SPACE: 27,800 m²
OF WHICH RETAIL SPACE: 20,000 m²
PARKING: 220
NO. OF SHOPS: 60
OCCUPANCY RATE: 100%
CATCHMENT AREA: 0.8 million residents
PURCHASED BY DES: September 2000
GRAND OPENING: 2002
RESTRUCTURING: 2009, 2015
ANCHOR TENANTS: H&M, New Yorker, Saturn, tegut

Address
Königsplatz 61
34117 Kassel

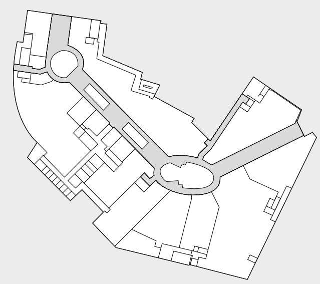
www.city-point-kassel.de

VISITORS 2016

8.0 million

Passau

STADT-GALERIE



OUR CENTER IN THE CITY OF THREE RIVERS IN LOWER BAVARIA

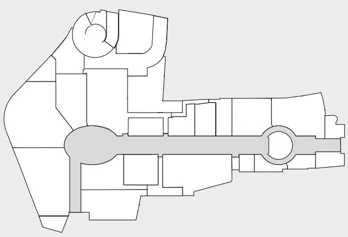
INVESTMENTS: 75%
LEASABLE SPACE: 27,700 m²
OF WHICH RETAIL SPACE: 21,000 m²
PARKING: 500
NO. OF SHOPS: 90
OCCUPANCY RATE: 100%
CATCHMENT AREA: 1.2 million residents
PURCHASED BY DES: December 2006
GRAND OPENING: 2008
ANCHOR TENANTS:
C&A, Esprit, Saturn, Thalia

Address
Bahnhofstraße 1
94032 Passau

www.stadtgalerie-passau.de

VISITORS 2016
5.8 million
Hameln

STADT-GALERIE



INVESTMENTS: 100%
LEASABLE SPACE: 26,000 m²
OF WHICH RETAIL SPACE: 19,000 m²
PARKING: 500
NO. OF SHOPS: 100
OCCUPANCY RATE: 97%
CATCHMENT AREA: 0.4 million residents
PURCHASED BY DES: November 2005
GRAND OPENING: 2008
ANCHOR TENANTS: Müller Drogerie, New Yorker, real, Thalia

Address
Pferdemarkt 1
31785 Hameln
www.stadt-galerie-hameln.de

OUR CENTERS ABROAD

Number of visitors abroad in 2016 in million

36.5

Average number of visitors per center abroad in 2016 in million

9.1

Total floor space of all centers abroad in 2016 in m²

206,000

Number of stores in shopping centers abroad

643

POLAND

9.8 million visitors 2016, 1 center
19 Galeria Bałtycka, Gdansk

CZECH REPUBLIC

8.4 million visitors 2016, 1 center
18 Olympia, Brno

AUSTRIA

5.8 million visitors 2016, 1 center
21 City Arkaden, Klagenfurt

HUNGARY

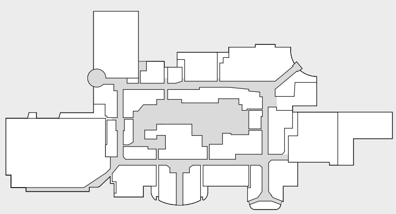
12.5 million visitors 2016, 1 center
20 Árkád, Pécs

VISITORS 2016

8.4 million

Brno, Czech Republic

OLYMPIA



PART OF OUR PORTFOLIO SINCE 31 MARCH 2017

INVESTMENTS: 100%
LEASABLE SPACE: 85,000 m^2
OF WHICH RETAIL SPACE: 71,000 m^2
PARKING: 4,000
NO. OF SHOPS: 200
OCCUPANCY RATE: 99%
CATCHMENT AREA: 1.2 million residents
PURCHASED BY DES: March 2017
GRAND OPENING: 1999
RESTRUCTURING: 2014 – 2016
ANCHOR TENANTS: Albert, H&M, Intersport, Peek & Cloppenburg

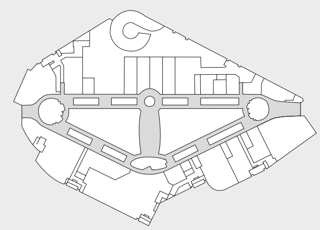
Address
U Dálnice 777
664 42 Brno, Czech Republic
www.olympia-centrum.cz / en

VISITORS 2016

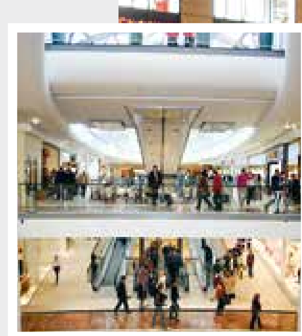
9.8 million

Gdansk, Poland

GALERIA-BAŁTYCKA



INVESTMENTS: 74%
LEASABLE SPACE: 48,700 m^2
OF WHICH RETAIL SPACE: 39,500 m^2
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, Reserved, Saturn, Zara



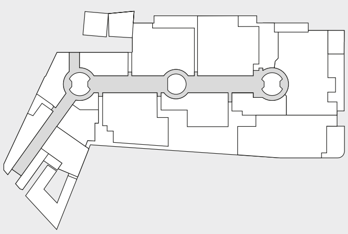
Address
al. Grunwaldzka 141
80-264 Gdańk, Poland
www.galeriabaltycka.pl

VISITORS 2016

5.8 million

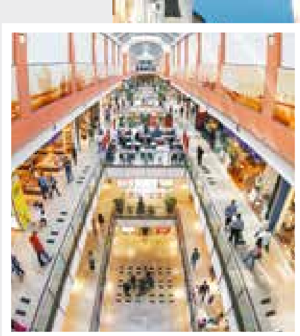
Klagenfurt, Austria

CITY-ARKADEN



THE CARINTHIAN STATE CAPITAL – ALSO KNOWN AS THE "RENAISSANCE JEWEL ON LAKE WÖRTHERSEE"

INVESTMENTS: 50%
LEASABLE SPACE: 36,900 m²
OF WHICH RETAIL SPACE: 30,000 m²
PARKING: 880
NO. OF SHOPS: 120
OCCUPANCY RATE: 98%
CATCHMENT AREA: 0.4 million residents
PURCHASED BY DES: August 2004
GRAND OPENING: 2006
ANCHOR TENANTS: C&A, Peek & Cloppenburg, Saturn, Zara, H&M, Billa, Müller Drogeriemarkt



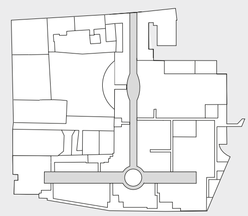
Address
Heuplatz 5
9020 Klagenfurt, Austria
www.city-arkaden-klagenfurt.at

VISITORS 2016

12.5 million

Pécs, Hungary

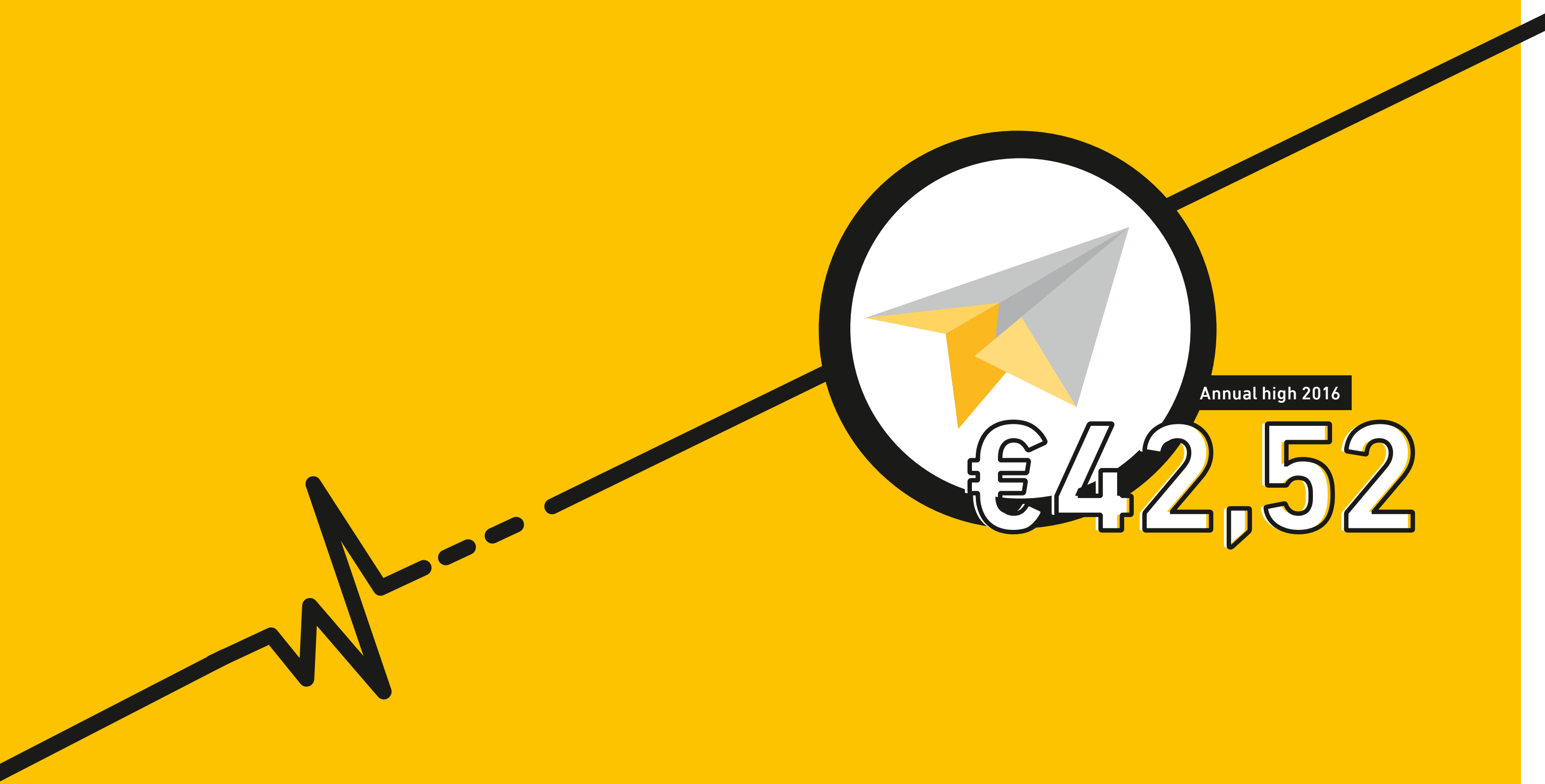
ÁRKÁD



INVESTMENTS: 50%
LEASABLE SPACE: 35,400 m²
OF WHICH RETAIL SPACE: 33,500 m²
PARKING: 850
NO. OF SHOPS: 130
OCCUPANCY RATE: 99%
CATCHMENT AREA: 0.7 million residents
PURCHASED BY DES: November 2002
GRAND OPENING: 2004
ANCHOR TENANTS: C&A, H&M, Interspar, Media Markt

Address
Bajcsy Zs. U. 11 / 1
7622 Pécs, Hungary
www.arkadpecs.hu

INVESTOR RELATIONS



THE SHOPPING CENTER SHARES

SHARE PRICE REACHES PEAK FOR YEAR JUST BEFORE THE AGM

Deutsche EuroShop shares began the 2016 trading year at €40.46. In the first weeks of trading, a fall in the share price was reported. On 11 February 2016, the lowest figure of the year was posted at €35.86. This was followed by a friendlier market environment in the middle of March, which helped the share move back above the 40-euro mark, after which it hovered between €39.46 and €42.52 until the end of September. This price was also its high for the year, which it reached on 9 June 2016. The global performance of real estate shares was negatively affected by rising interest rates, and the DES share was no exception. The share price came very close to touching the February low again, but then shifted to an upward trend at the start of December. It closed the year at €38.67, a fall of -1.2% including dividends. The market capitalisation of Deutsche EuroShop fell by almost €97 million to €2.09 billion in 2016.

ABOVE-AVERAGE IN EUROPE

The price of Deutsche EuroShop shares fell by 4.4%. Taking into account the dividend paid of €1.35 per share, the performance of Deutsche EuroShop shares was -1.2% year on year (2015: 15.3%). As such, our share price performance in 2016 was still above that of the European benchmark for listed real estate companies, the EPRA index (-5.0%), and was in the upper third of its European peer group[1]. The benchmark index for medium-sized companies, the MDAX, gained 6.8% in the year under review.

Stock market performance in %	**2016**	2015
DES share	**-1.2**	15.3
DAX	**6.9**	9.6
MDAX	**6.8**	22.7
TecDAX	**-1.0**	33.5
EURO STOXX 50 (Europe)	**0.4**	4.8
Dow Jones (USA)	**13.7**	-0.6
Nikkei (Japan)	**0.4**	9.1

Over the past year, German open-ended property funds achieved an average performance of +2.8% (2015: +3.3%), and had cash inflows of around €4.2 billion (2015: €3.3 billion).

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

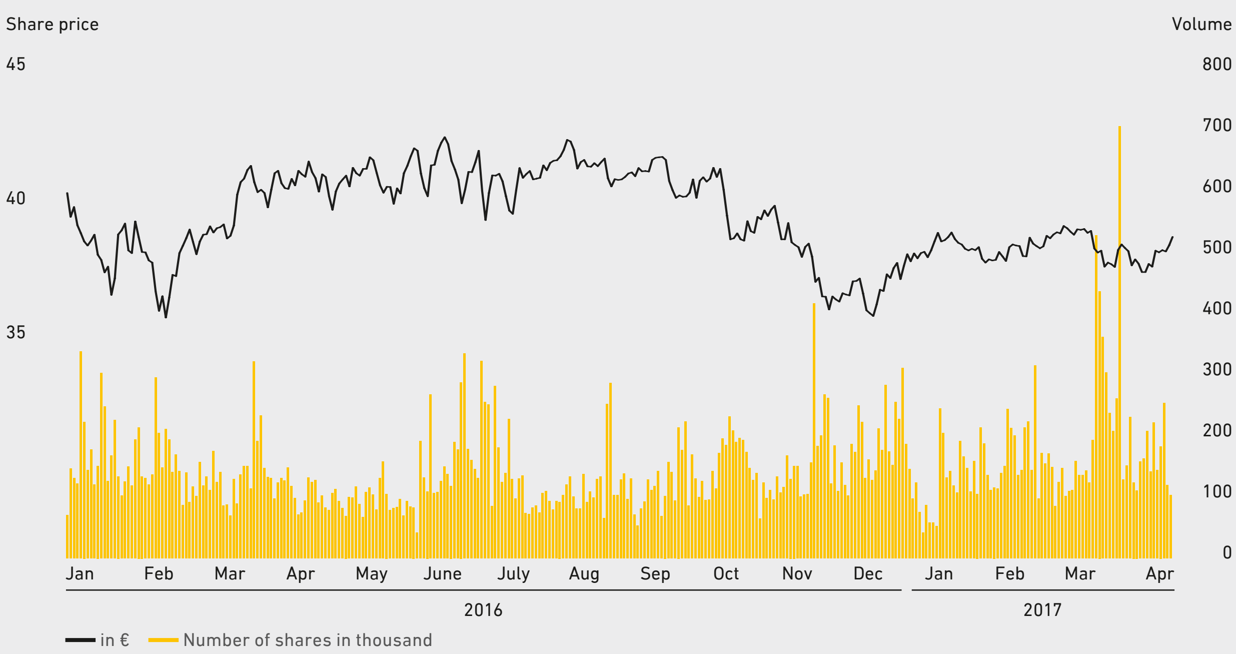
Detailing from the gallery floor in the Deutsche Börse AG visitor center

FIGURES FOR THE DEUTSCHE EUROSHOP SHARE

German securities no. / ISIN	748 020 / DE 000 748 020 4
Ticker symbol	DEQ
Share capital in €*	58,404,996.00
Number of shares* (no-par-value registered shares)	58,404,996
Indices	MDAX, EPRA, GPR 250, MSCI Small Cap, EPIX 30, HASPAX, F.A.Z.-Index, DivMSDAX, EURO STOXX, STOXX Europe 600
Official market	Prime Standard Frankfurter Wertpapierbörse and Xetra
OTC markets	Berlin-Bremen, Dusseldorf, Hamburg, Hanover, Munich and Stuttgart

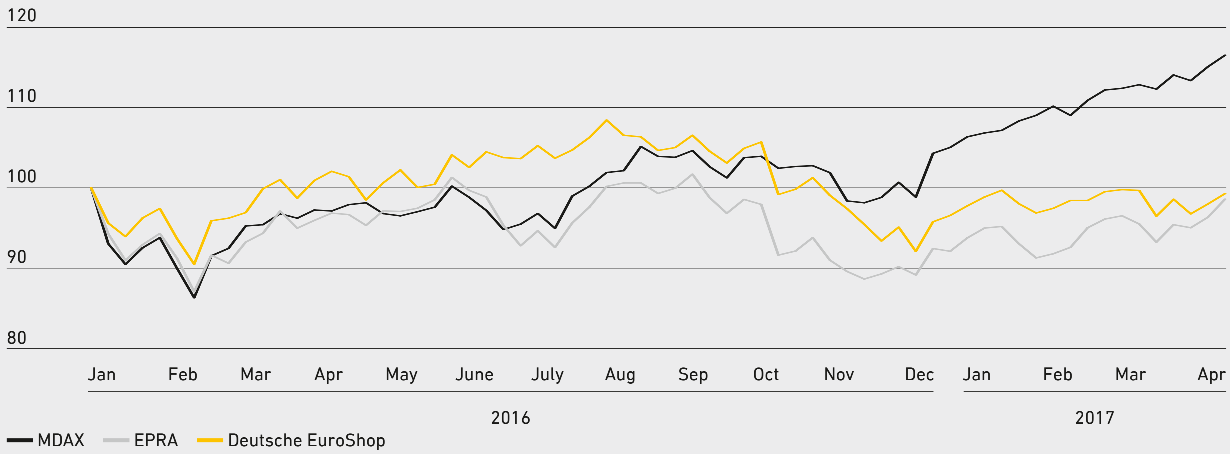
* as of 31 March 2017

TREND OF SHARE



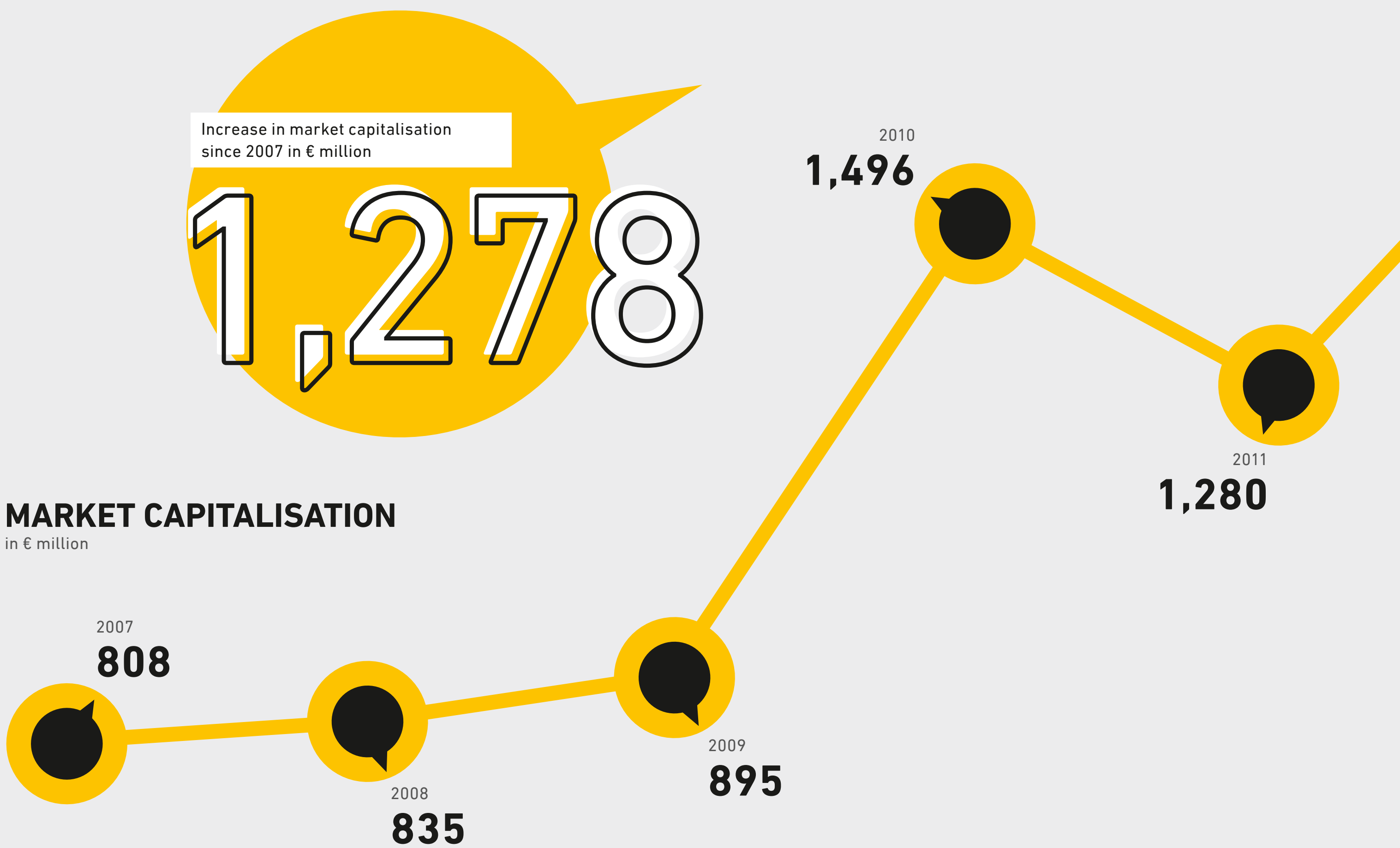
TREND OF SHARE

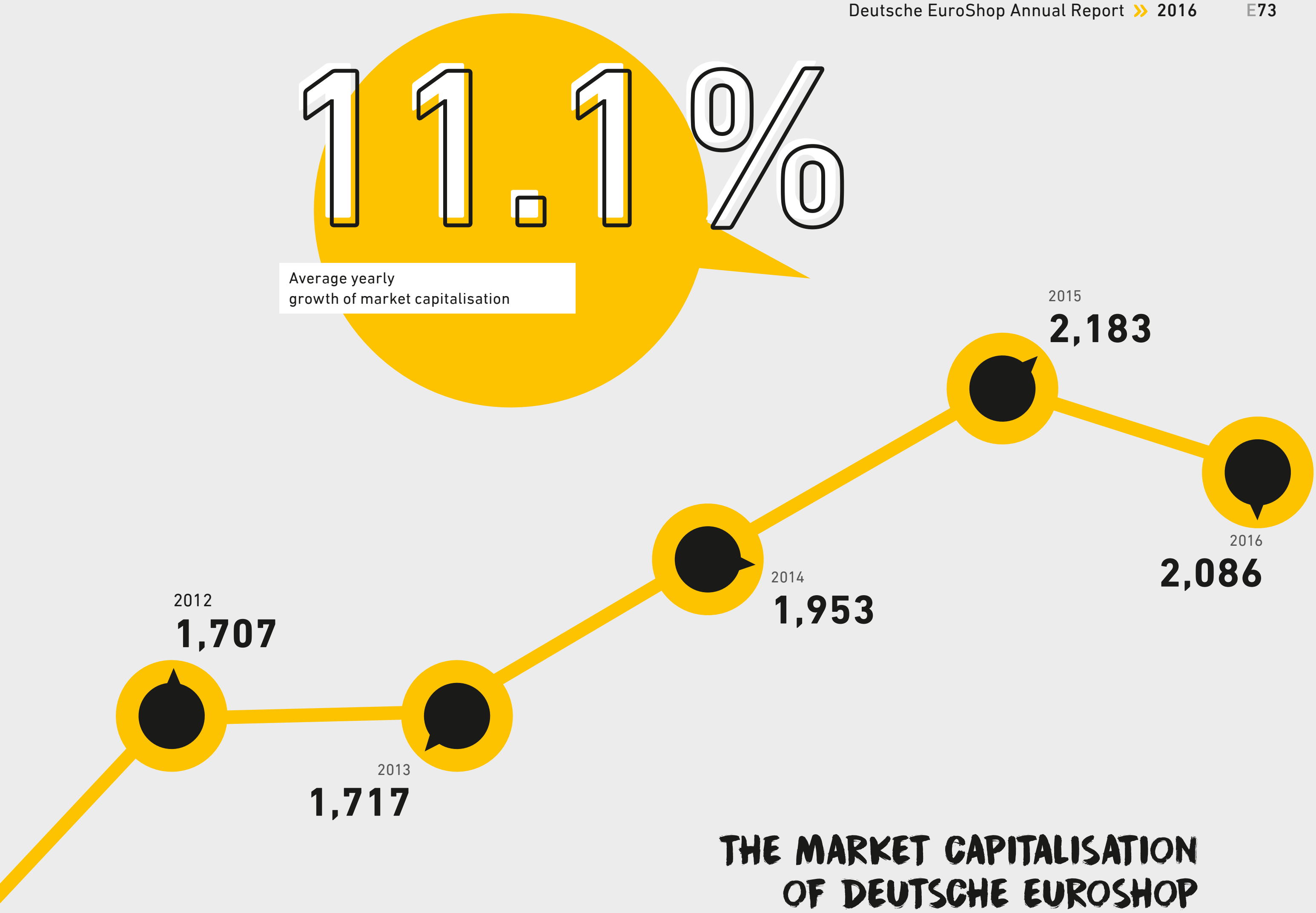
indexed – since January 2016



MARKET CAPITALISATION

in € million

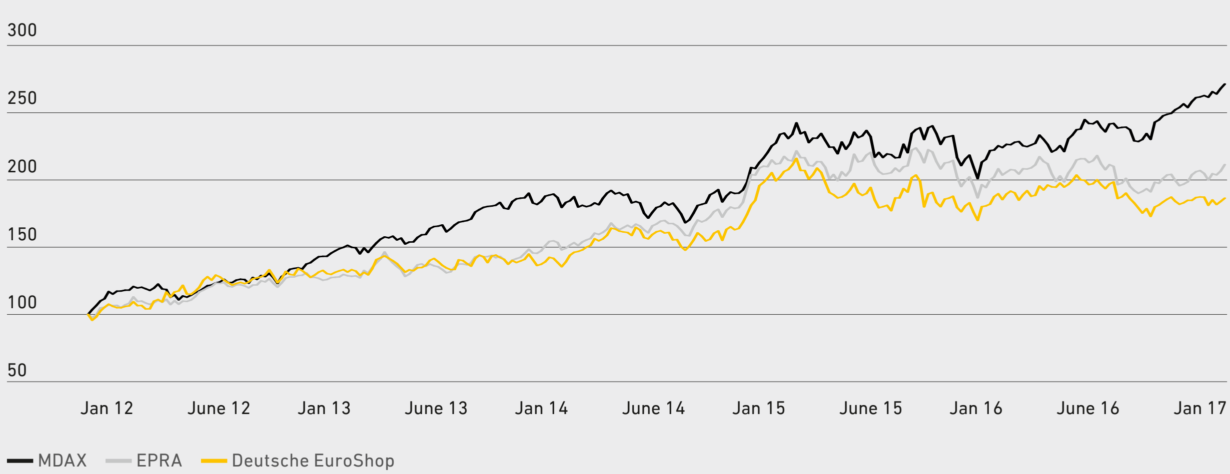




THE MARKET CAPITALISATION OF DEUTSCHE EUROSHOP HAS MORE THAN DOUBLED OVER THE LAST TEN YEARS.

TREND OF SHARE

indexed – 5 year overview



AWARDS

FOR THE INVESTOR RELATIONS ACTIVITIES OF DEUTSCHE EUROSHOP IN 2016

IR MAGAZINE AWARD

IF DESIGN AWARD

„IR-BENCHMARK 2016"

„BEST EUROPEAN INVESTOR RELATIONS"

„IR MAGAZINE AWARD"

ATTENDANCE UP AT ANNUAL GENERAL MEETING

The Annual General Meeting was held in Hamburg on 15 June 2016. Around 220 shareholders were in attendance at the Handwerkskammer, representing 68.0% (previous year: 61.2%) of the capital, and approved all of the items on the agenda.

BROAD COVERAGE OF THE SHARES

Our shares are now regularly followed by 22 analysts (as at 12 April 2017) from respected German and international institutions[2], and their recommendations introduce us to new groups of investors. Deutsche EuroShop is one of the best-covered real estate companies in Europe. Information on the recommendations can be found at

www.deutsche-euroshop.de/analysen

The analysts are mainly positive on the prospects for the DES share (as at 12 April 2017).

AWARDS FOR THE IR WORK

Our "Feel Estate" business report won the prestigious international iF Design Award in 2016.

The international specialist journal Institutional Investor awarded the DES-IR managers 3rd prize for "Best European Investor Relations". As in previous years, the Deutsche EuroShop website did very well in Netfederation's "IR-Benchmark 2016" (coming first in the "Real Estate" sector and second in MDAX).

After several shortlist nominations, the IR team succeeded for the first time in 2016 in winning one of the European "IR Magazine Awards", in the category "Best use of multimedia for IR".

Further awards for our capital market communications can be found on our website at

www.deutsche-euroshop.de/irkommunikation

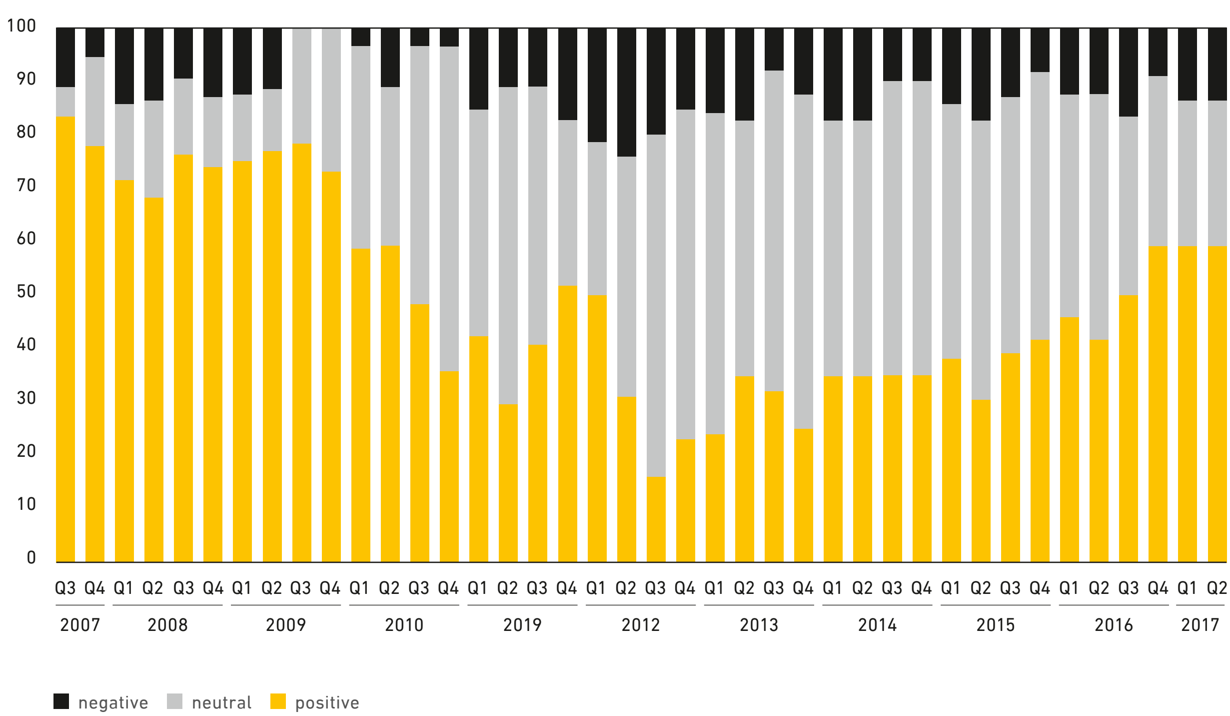
30% INCREASE IN SHAREHOLDERS

The number of investors rose again in 2016: Deutsche EuroShop now has around 14,500 shareholders (as at 12 April 2017, previous year: 11,175, +30%). Alexander Otto holds a 17.6% stake in Deutsche EuroShop AG, Johannes Schorr 3.5% and BlackRock 5.9%. State Street is another investor we were able to bring on board with a stake of over three percent. Other institutional investors hold approx. 50.7% (previous year: 55.5%) of the shares, and private investors 19.3% (previous year: 19.5%).

In a shareholder identification process, we regularly analyse the international distribution of our shares. While German investors continue to hold a clear majority of the Deutsche EuroShop shares at around 68% (previous year: 59%), the shareholder structure is also dominated by European investors overall at approx. 90%, with British, French and Dutch investors leading the way. US investors hold around 9% of the DES shares.

DIVERSITY OF ANALYST'S OPINION OF THE LAST 10 YEARS

in %



[2] ABN Amro, Baader Bank, Bankhaus Lampe, Berenberg Bank, BHF Bank, Bank of America Merrill Lynch, Commerzbank, Deutsche Bank, DZ Bank, equinet, Green Street Advisors, GSC Research, HSBC, Independent Research, J.P. Morgan Cazenove, Kempen & Co., Kepler Cheuvreux, Metzler, M.M. Warburg & Co, Natixis, NORD/LB, Oddo BHF and Societe Generale.

SHAREHOLDER'S STRUCTURE
in %

- 50.7 Institutional investors
- 19.3 Private investors
- 17.6 Alexander Otto
- 5.9 BlackRock
- 3.5 Johannes Schorr
- 3.0 State Street

SHAREHOLDER'S STRUCTURE
regional in %

- 67.7 Germany
- 9.2 USA
- 9.1 United Kingdom
- 2.9 Rest of Europe
- 2.7 France
- 2.5 Netherlands
- 2.5 Switzerland
- 2.3 Norway
- 1.1 Rest of the world

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 has been 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 costs of the stake in Deutsche EuroShop and therefore result in higher sales proceeds at the time of the sale.

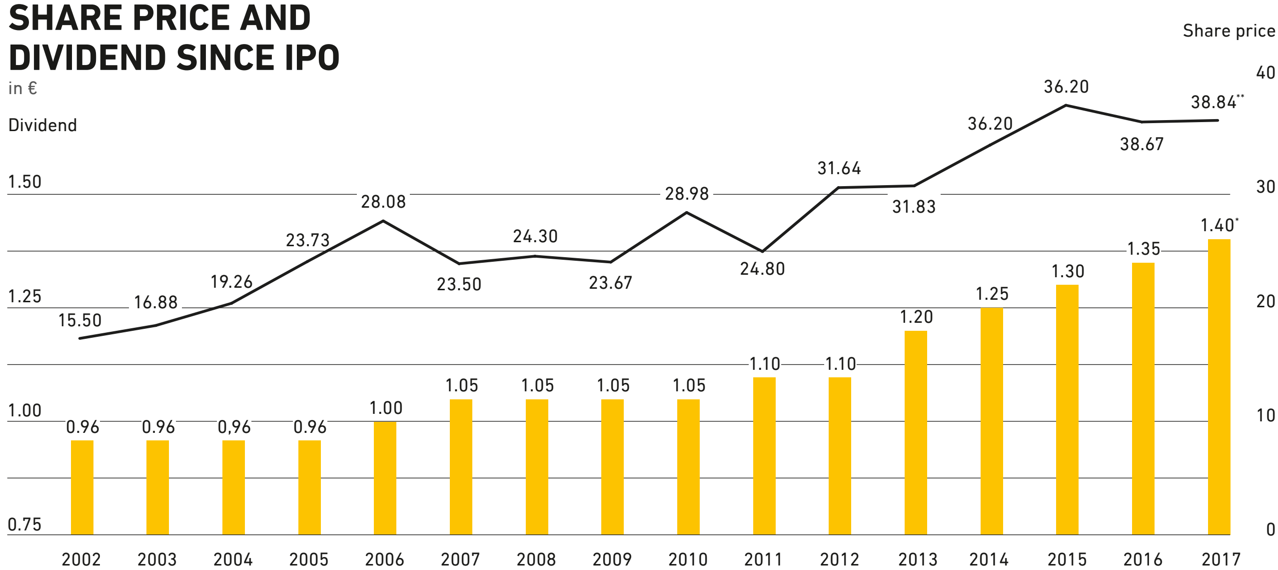
DIVIDEND RISING YEAR-BY-YEAR

The Executive and Supervisory Boards will once again propose a €0.05 increase in the dividend payment (€1.40 per share) for financial year 2016 to the Annual General Meeting on 28 June 2017 in Hamburg.

With our long-term strategy of a dividend policy based on continuity and a yield of 3.6 % (based on the 2016 year-end closing price of €38.67), we hope to further cement the confidence of our existing shareholders and attract new investors. Further increasing the dividend by €0.05 per share each year, as is intended, should also help to achieve this. As a result, €1.45 per share is to be paid out in 2018 for financial year 2017.

SHARE PRICE AND DIVIDEND SINCE IPO

in €



* proposal ** Price on 07.04.2017

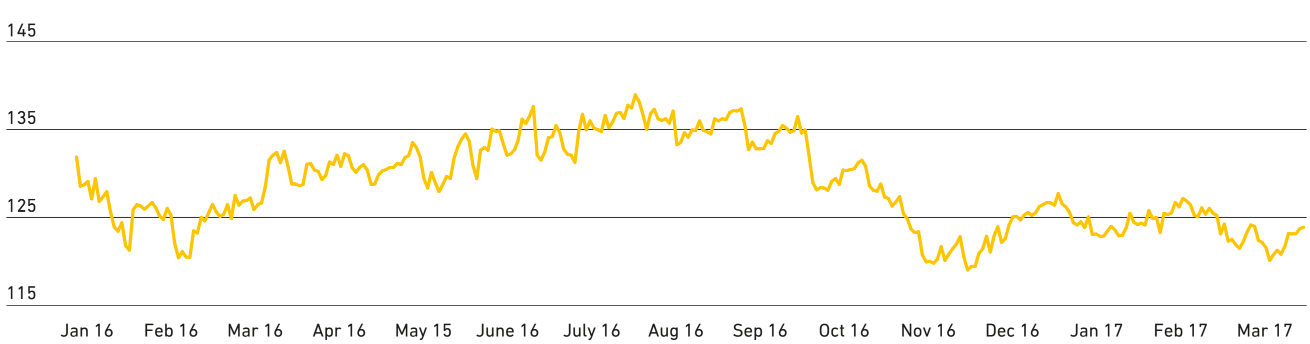
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Market capitalisation (basis: year-end closing price) (€ million)	**2,086**	2,183	1,953	1,717	1,707	1,280	1,496	895	835	808
Number of shares (year-end)	**53,945,536**	53,945,536	53,945,536	53,945,536	53,945,536	51,631,400	51,631,400	37,812,496	34,374,998	34,374,998
Weighted average number of shares	**53,945,536**	53,945,536	53,945,536	53,945,536	53,945,536	51,631,400	45,544,976	36,799,402	34,374,998	34,374,998
High €	**42.52 (09.06.16)**	48.00 (10.04.15)	37.84 (12.06.14)	34.48 (20.05.13)	32.03 (01.11.12)	29.06 (01.06.11)	28.98 (30.12.10)	26.00 (06.01.09)	28.40 (13.05.08)	30.09 (23.04.07)
Low €	**35.86 (11.02.16)**	36.32 (06.01.15)	30.72 (04.02.14)	29.45 (24.06.13)	23.72 (06.01.12)	22.94 (23.11.11)	21.72 (01.07.10)	18.66 (06.03.09)	18.50 (20.11.08)	23.22 (20.08.07)
Year-end closing price (30.12.) €	**38.67**	40.46	36.20	31.83	31.64	24.80	28.98	23.67	24.30	23.50
Dividend per share (€)	**1.40***	1.35*	1.30	1.25	1.20	1.10	1.10	1.05	1.05	1.05
Dividend yield (30.12.) %	**3.6**	3.3	3.6	3.9	3.8	4.4	3.8	4.4	4.3	4.5
Annual performance excl. / incl. dividend	**-4.4% / -1.2%**	11.8% / 15.3%	13.7% / 17.7%	0.6% / 4.5%	27.6% / 32.7%	-14.4% / -11.1%	22.4% / 28.1%	-2,6% / 2,1%	3.4% / 7.9%	-16.3% / -13.1%
Average daily trading volume (shares)	**142,133 (incl. Multilateral Trading Facilities >412,750)**	152,355 (incl. Multilateral Trading Facilities >449,500)	113,000 (incl. Multilateral Trading Facilities >250,400)	112,400 (incl. Multilateral Trading Facilities >204,000)	129,400 (incl. Multilateral Trading Facilities >174,000)	125.400 (incl. Multilateral Trading Facilities >210.000)	116,084	113,008	143,297	144,361
EPS (€) (undiluted)	**4.11**	5.73	3.29	3.17	2.36	1.92	-0.17	0.93	2.00	2.74

* proposal

CONVERTIBLE BOND

TREND OF SHARE OF THE CONVERTIBLE BOND

in %



KEY DATA OF THE CONVERTIBLE BOND 1.75%,

2012–2017

Amount	€100 million
Principal amount	€100,000.00 per Bond
Issue date	20 November 2012
Maturity date	20 November 2017
Coupon	1.75%
Price (30 December 2016)	127.25%
Interest payment date	Payable semi-annually in arrear on 21 May and 21 November in each year
Conversion price	€30.62*
Dividend protection	Conversion Price adjustment for any dividends paid (full dividend protection)
ISIN	DE000A1R0W05
Listing	Open Market (Freiverkehr) segment of the Frankfurt Stock Exchange

* originally €35.10, adjusted on 21 June 2013, 19 June 2014,19 June 2015 and 16 June 2016

WOULD YOU LIKE MORE INFORMATION?

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

Nicolas Lissner

ANNUAL GENERAL MEETING

The Annual General Meeting of Deutsche EuroShop was held on 15 June 2016. The venue was once again the rooms of the Handwerkskammer Hamburg.

Some 220 shareholders were in attendance to hear CEO Wilhelm Wellner talk about the events and results of the previous financial year. In his speech, Mr Wellner also discussed the current economic environment, the current situation on the shopping center transaction market as well as the business outlook. The shareholders were also provided with detailed information on the portfolio as well as on the current developments in the retail segment.

The speech and accompanying presentation were made available at the web address given below shortly after the event. Shareholders as well as those interested will also find here a large archive of agendas and other information relating to our past Annual General Meetings.

The agenda for the Annual General Meeting 2016 included an amendment to the Articles of Association about the voting majority for resolutions being passed at the Annual General Meeting. The attendance at the time of the vote was 68.0%. All of the points on the agenda were approved, with large majorities following the suggestions made by management.

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

The Annual General Meeting for financial year 2016 will be held on 28 June 2017 at the Handwerkskammer Hamburg. The invitation and all the documents needed for ordering entry tickets and for online voting will be posted out to our shareholders in good time.

www.deutsche-euroshop.de/agm

THE HAMBURG CHAMBER OF CRAFTS ON HOLSTENWALL, BUILT BETWEEN 1912 AND 1915

CONFERENCES AND ROADSHOWS 2016

In order to discuss Deutsche EuroShop's strategy with its current investors and to present the Company to potential new investors, the Executive Board and the Investor Relations team again participated in various conferences and held numerous roadshows in 2016.

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

In 2016, we held 16 roadshows in Frankfurt, Düsseldorf, Cologne, Munich, Stuttgart, Amsterdam, Brussels, Chicago, Geneva, Helsinki, London, Madrid, Paris, New York, Warsaw and Zurich. We also attended 15 conferences in Berlin, Frankfurt, Munich, Amsterdam, Cape Town, London, Lyons, New York and Paris.

Across all these events, we had over 250 one-to-one discussions. We also held conference calls with live webcasts once again, for example in connection with the release of the annual and quarterly results.

Nicolas Lissner and Patrick Kiss

In addition, investors visited us at the Deutsche EuroShop head offices in Hamburg-Poppenbüttel, often in combination with visits to our properties in and around Hamburg.

We are once again planning a diverse range of investor relations activities for 2017, in order to cultivate contacts with our existing investors and tap new investor groups. You can find an overview in our financial calendar in the inside cover of the financial report. A constantly updated version can also be found on our website, at **www.deutsche-euroshop.de/ir**.

ROADSHOWS

A roadshow involves a team, usually consisting of an Executive Board member and an Investor Relations manager of Deutsche EuroShop, travelling together with representatives of the organising bank (such as analysts and client advisors) to a financial center to visit existing or interested, potential investors in person and inform them about the company's current development and/or strategy. Investors have the opportunity to meet the management personally and put questions to them. This allows up to 10 meetings to be held in one city on a single day.

CAPITAL MARKET CONFERENCES

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 enable the Company to present itself to a wider specialist audience.

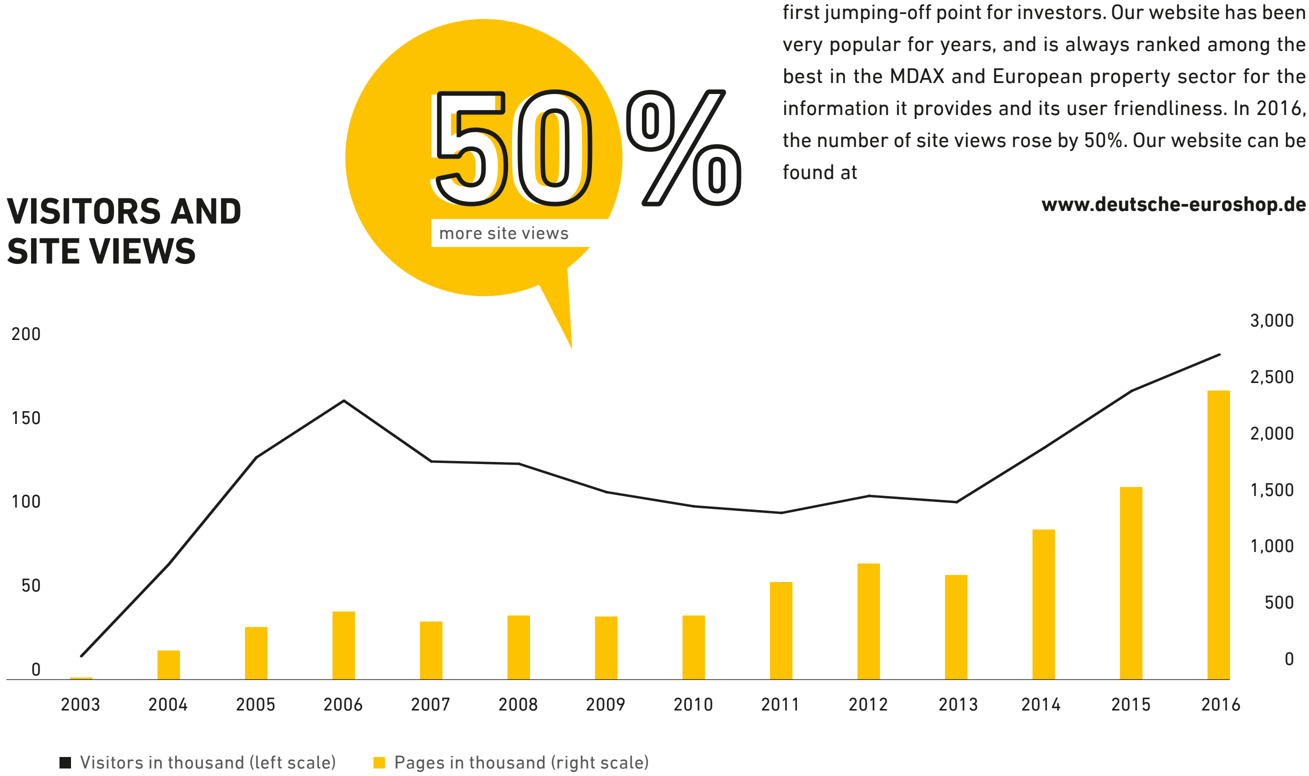
MARKETING

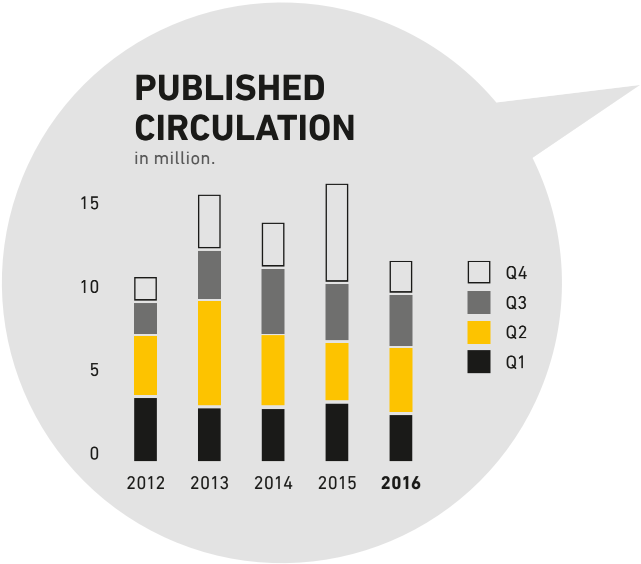
WEBSITE GETS 50% MORE SITE VIEWS

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 2016, the number of site views rose by 50%. Our website can be found at

www.deutsche-euroshop.de

VISITORS AND SITE VIEWS





INCREASED MEDIA ATTENTION

Deutsche EuroShop continued to be well covered by the media. Business and financial journalists in particular regularly wrote about our company. In addition, a number of television channels, radio stations and online publications all devoted reports and interviews to Deutsche EuroShop. Although the print circulation of these media fell by around 28% from 15.7 million in the previous year to 11.3 million copies, the equivalent advertising value through reports in newspapers and magazines rose from around €1.69 million to almost €2.78 million (+64%).

SOCIAL MEDIA ON AN UPWARD TREND

Social media has become established as a channel of communication – including for capital market participants. For many years, we have shown ourselves to be open to technical innovations and use social media actively to provide our investors and interested parties with news and supplementary information about Deutsche EuroShop. Perhaps we can establish contact with you through one or more of these platforms too – we would be happy to see you there:

FOLLOW US ON FOLLOWING PLATFORMS

www.twitter.com/DES_AG
www.facebook.com/euroshop
www.google.com/+deutscheeuroshop
www.flickr.com/desag
www.ir-mall.com
www.slideshare.net/desag
www.youtube.com/DeutscheEuroShop

Advertisements for Deutsche EuroShop shares

"SHOPPING EXPERIENCE"

In 2016, 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 in which we focused on how we experience bricks-and-mortar retail through our five senses. We experience and enjoy the world by seeing, hearing, touching, tasting and smelling.

THE BRAND

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

10 REASONS TO INVEST IN DEUTSCHE EUROSHOP SHARES

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

2 First-rate locations

3 PROVEN, CONSERVATIVE STRATEGY

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

5 Shareholder-friendly dividend policy

6 EXPERIENCED MANAGEMENT TEAM

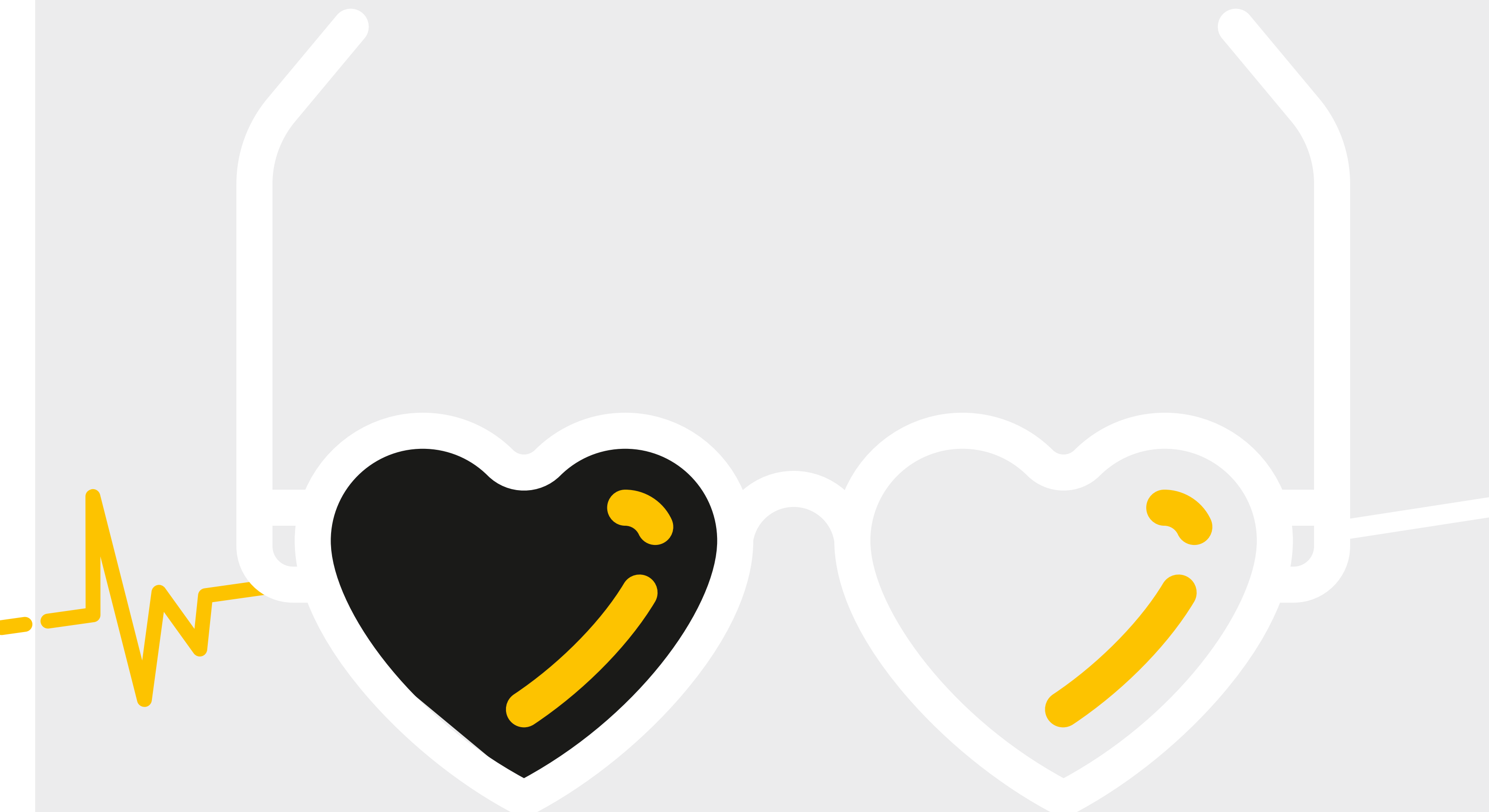
7 Excellent performance record

8 Centers almost fully let

9 INFLATION-PROTECTED RENTAL AGREEMENTS

10 Solidity combined with growth potential

IN 2016, WE HELD 16 ROADSHOWS



CORPORATE GOVERNANCE 2016

DECLARATION ON CORPORATE GOVERNANCE

DEUTSCHE EUROSHOP IS A TRANSPARENT COMPANY

Deutsche EuroShop is a transparent company that operates in accordance with a strategy geared towards long-term success. This focus on constancy is a key aspect of our corporate culture. Based on the legal and company-specific conditions governing 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 requirements of a demanding corporate governance system. In conformity with section 3.10 of the Deutscher Corporate Governance Kodex (German Corporate Governance Code) as well as section 289a (1) of the Handelsgesetzbuch (HGB – German Commercial Code), this declaration contains a report by the Executive Board, also on behalf of the Supervisory Board, on corporate governance.

OBJECTIVES AND STRATEGY

The management focuses on investments in high-quality shopping centers in city centers and established locations offering stable long-term value growth. Another key investment target is the generation of high surplus liquidity from long-term leases in shopping centers, which is paid out to shareholders in the form of an annual dividend. In order to achieve these targets, the Company invests its capital in shopping centers in different European regions in accordance with the principle of risk diversification. Germany is the main focus for investment. Indexed and turnover-linked commercial rents ensure that the high earnings targets are achieved.

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

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

PROFITABLE PORTFOLIO WITH STABLE VALUE

Deutsche EuroShop 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. Rapid decision-making chains and considerable flexibility regarding potential investments and financing structures allow Deutsche EuroShop to react to very wide-ranging competitive situations. At the same time, the Group's management focuses on optimising the value of the existing portfolio of properties.

DEUTSCHE EUROSHOP AG HOLDS A BALANCED, DIVERSIFIED PORTFOLIO

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 monostructured retail offering), we ensure an attractive sector mix and long-term optimisation of our rental income through combined costing. Rental partners pay sector-specific and turnover-linked rent. Minimum rents linked to the consumer price index provide a guaranteed minimum level of income for Deutsche EuroShop AG during periods of economic weakness.

THE SHOPPING EXPERIENCE CONCEPT

We have outsourced center management to an experienced external partner, Hamburg-based ECE Projektmanagement GmbH & 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 consistently friendly, bright, safe and clean shopping 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 21 centers on average every day are fascinated by not only the variety of sectors represented but also by our wide range of thematic exhibitions, casting shows, fashion shows and attractions for children. As a result, the shopping centers become market places where there is always something new and spectacular on offer.

WORKING METHODS OF THE EXECUTIVE AND SUPERVISORY BOARDS

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

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

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

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

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

THE STRATEGIC ORIENTATION OF THE COMPANY IS COORDINATED BETWEEN THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

CORPORATE GOVERNANCE 2016

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 5 May 2015. 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.

THE EXECUTIVE BOARD AND THE SUPERVISORY BOARD

The Supervisory and Executive Boards performed their statutory duties in financial year 2016 in accordance with the applicable laws and the Articles of Association. The strategic orientation of the Company was coordinated between the Executive Board and the Supervisory Board, and the progress of strategy implementation was discussed at regular intervals. The Supervisory Board was regularly, promptly and in detail informed of business developments and the risk situation by the Executive Board. Detailed information on the main areas of focus of its activities in the 2016 financial year can be found in its report in the 2016 Annual Report of Deutsche EuroShop AG.

In financial year 2016, 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

Supervisory Board

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 intention is that the Supervisory Board be primarily composed of independent members of both genders who have special knowledge and experience of the retail trade, the letting of retail space, the management of shopping centers, the equity and debt financing of listed real estate companies, of accounting principles and internal control processes in accordance with German and/or international regulations, and of corporate governance and business management. It is intended that the proportion of women on the Supervisory Board be 30%. The upper age limit for members of the Supervisory Board is 70. The Supervisory Board also takes the view that professional qualifications and skills should be the key criteria for its members. For that reason, no rule as to the length of time for which members may serve on it has been adopted.

Based on its own assessment, the Supervisory Board has an adequate number of independent members. Five of the nine Supervisory Board members are independent. These independent members are Reiner Strecker, Karin Dohm, Beate Bell, Manuela Better and Roland Werner.

Executive Board

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

As of 31 December 2016, the Executive Board of Deutsche EuroShop AG comprised two members.

Wilhelm Wellner
Born 8 March 1967
First appointment: 1 February 2015
Appointed until: 30 June 2018

Wilhelm Wellner joined Deutsche EuroShop on 1 February 2015, initially as a member of the Executive Board, and took on his present position as CEO on 1 July 2015. He is also a managing director and director at various companies in the Deutsche EuroShop Group.

Olaf Borkers
Born 10 December 1964
First appointment: 2005
Appointed until: 30 September 2019

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

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 its rules of procedure. It appoints members of the Executive Board, and significant business transacted by the Executive Board is subject to its approval. The Supervisory Board is composed of nine members, who are elected by the Annual General Meeting.

The Supervisory Board has established the notification and reporting duties to be met by the Executive Board. In addition to a three-member **Supervisory Board Executive Committee** (which also functions as a nomination committee), an **Audit Committee** and a **Capital Market Committee** were established (each also consisting of three members).

The members of the Supervisory Board are:

- Reiner Strecker, Chairman
- Karin Dohm, Deputy Chairwoman
- Thomas Armbrust
- Beate Bell
- Manuela Better
- Dr Henning Kreke
- Alexander Otto
- Klaus Striebich
- Roland Werner

Mr Strecker, Ms Dohm and Mr Armbrust are members of the **Supervisory Board Executive Committee**. The Executive Committee is chaired by the Chairman of the Supervisory Board. The Committee discusses urgent business matters and passes relevant resolutions. Moreover, it is responsible for human resources issues concerning the Executive Board and for reviewing the Company's corporate governance principles. The Executive Committee of the Supervisory Board also fulfils the role of a nomination committee.

The **Audit Committee** consists of Ms Dohm as Financial Expert and Chairwoman as well as Mr Armbrust and Mr Strecker. It is responsible for issues relating to financial reporting, auditing and the preparation of the annual and consolidated financial statements. In addition, this committee supervises the audit as well as the effectiveness of internal control and risk management systems. Former members of the Company's Executive Board and the Chairman of the Supervisory Board generally do not chair the Audit Committee, to avoid conflicts of interest.

Mr Armbrust, Dr Kreke and Mr Strecker are members of the **Capital Market Committee**. During the past year, it was chaired by Mr Armbrust. The position of Deputy Chairman was held by Mr Strecker. The Supervisory Board's powers relating to the utilisation of approved capital and conditional capital were transferred to the Committee for decision-making and processing.

QUOTA OF WOMEN

The Supervisory Board and the Executive Board took into consideration the Act on the Equal Participation of Women and Men in Executive Positions in the Private and Public Sector that entered into force in 2015, and defined corresponding quotas on 24 April 2015. A quota of women of at least 30% was set for the Supervisory Board and the Executive Board, which is to be achieved by 30 June 2017. In 2015, the Executive Board also set the same target for the same time period for the management levels below the Executive Board. Given that there are five employees in total, there is only a first management level.

Since the quota was established in 2015 and as of 31 December 2016, the nine-member Supervisory Board has been composed of three female members.

The quota of women on the two-member Executive Board as of the reporting date was 0%. The contracts of the two current Executive Board members end on 30 June 2018 and 30 September 2019 respectively. The expansion of the Executive Board to three members is neither appropriate nor reasonable due to the low number of employees and to the specifics of a holding company. It is therefore unlikely that the target for the quota of women on the Executive Board will be achieved by 30 June 2017.

The quota of women in the first management level below the Executive Board was also at 0% on 31 December 2016. The first management level also consists of two people. The quota of women defined in 2015 was met until the leading female member left the Company at her own request on 31 March 2016. Her responsibilities were taken over by a new male employee whose professional training and experience made him the best choice.

SHAREHOLDINGS

Executive Board

As at 31 December 2016, the Executive Board held no shares, and hence less than 1% of Deutsche EuroShop AG's share capital.

Supervisory Board

As at 31 December 2016, the Supervisory Board held a total of 9,683,163 shares, and hence more than 1% of Deutsche EuroShop's share capital.

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

DIRECTORS' DEALINGS

The following securities transactions by members of the Executive Board and of the Supervisory Board or by certain persons related to members of the executive bodies were notified to Deutsche EuroShop AG during financial year 2016 in accordance with section 15a of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act):

10-10-10
Help in making decisions: for people who find it hard to make decisions, it might help to ask what impact the decision will have in 10 minutes, in 10 months and in 10 years.

DIRECTORS' DEALINGS

Name / Company name	Name of the financial instrument	Transaction type	Date	Price (€)	Number	Total volume (€)	Place
Klaus Striebich	Share *	Purchase	18.01.2016	37.65	1,000	37,650.00	Stuttgart
DESAG Vermögens-verwaltung G.m.b.H.	Share *	Purchase	13.04.2016	41.62	51,332	2,136,181.18	Over the counter
DESAG Vermögens-verwaltung G.m.b.H.	Share *	Purchase	24.06.2016	39.06	46,127	1,801,849.78	Xetra
DESAG Vermögens-verwaltung G.m.b.H.	Share *	Purchase	16.08.2016	40.72	18,500	753,242.30	Xetra
DESAG Vermögens-verwaltung G.m.b.H.	Share *	Purchase	17.08.2016	40.69	89041	3,623,398.84	Xetra
DESAG Vermögens-verwaltung G.m.b.H.	Derivative **	Sale	01.09.2016	3.08	616	189,728.00	Eurex
DESAG Vermögens-verwaltung G.m.b.H.	Derivative **	Sale	09.09.2016	3.03	884	267,852.00	Eurex
DESAG Vermögens-verwaltung G.m.b.H.	Derivative **	Sale	14.09.2016	3.19	1,000	319,000.00	Eurex
DESAG Vermögens-verwaltung G.m.b.H.	Share *	Purchase	06.10.2016	38.70	15,198	588,193.00	Xetra
DESAG Vermögens-verwaltung G.m.b.H.	Share *	Purchase	07.10.2016	38.72	6,346	245,747.58	Xetra
DESAG Vermögens-verwaltung G.m.b.H.	Share *	Purchase	10.10.2016	38.75	170	6,587.50	Xetra
DESAG Vermögens-verwaltung G.m.b.H.	Share *	Purchase	11.10.2016	38.75	2,322	98,977.50	Xetra
DESAG Vermögens-verwaltung G.m.b.H.	Share *	Purchase	12.10.2016	38.73	25,964	1,005,653.23	Xetra

* ISIN: DE0007480204

** Put option on Deutsche EuroShop AG (DE0007480204), Multiplier: 100 shares

RELATIONSHIPS WITH SHAREHOLDERS

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

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

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

ACCOUNTING AND AUDITS

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

At the Annual General Meeting on 15 June 2016, BDO AG Wirtschaftsprüfungsgesellschaft was elected as the statutory auditor for the consolidated financial statements for financial year 2016. BDO AG Wirtschaftsprüfungsgesellschaft has audited the annual and consolidated financial statements of Deutsche EuroShop AG from 2005 to 2016 without interruption. The responsible auditors within the audit company have changed several times during the above-mentioned period. The current auditor audited the annual financial statements for the first time in 2016, while the ancillary auditor audited the annual financial statements for the second time in this function. BDO also provided other consultancy services for our Company in financial year 2016 in the amount of €4 thousand.

OUTLOOK

The composition of the Supervisory Board has changed significantly over the past three years in view of the change of generations and new requirements as to its membership. Its adequate composition is assured and it is also ensured that the specifications of the German Corporate Governance Code will be complied with in a balanced manner.

DECLARATION OF CONFORMITY

In November 2016, 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 2016 in accordance with section 161 of the Aktiengesetz (AktG – German Public Companies Act). The declaration was made permanently available to the public on the Company's website at **www.deutsche-euroshop.de**.

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

The Executive Board and the Supervisory Board of Deutsche EuroShop AG declare that the Company has complied with, and will continue to comply with, the recommendations of the Government Commission on the German Corporate Governance Code (as published by the German Federal Ministry of Justice in the official section of the electronic German Federal Gazette (Bundesanzeiger) on 4 July 2003, and as amended on 5 May 2015), 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).**
  In accordance with the statutory provisions of Article 93 (2) sentence 3 AktG, a deductible was agreed upon for the Executive Board. No deductible is foreseen for the Supervisory Board in the future. In the Executive Board and Supervisory Board's view, a deductible has no effect on the sense of responsibility and loyalty with which the members of these bodies perform the duties and functions assigned to them.

- **The Supervisory Board did not select a senior management team for a comparison of compensation (Section 4.2.2).**
  Since the staff of Deutsche EuroShop AG consists of just five 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.

- **No limit has been set for the terms of office of members of the Supervisory Board (Section 5.4.1).**
  The Supervisory Board believes that professional qualifications and skills represent the key criteria for members of the Supervisory Board. Limiting the term of office could force the retirement of a qualified and successful Supervisory Board member.

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

Hamburg, 27 November 2016

The Executive Board and the Supervisory Board
Deutsche EuroShop AG

EPRA REPORTING

The Brussels-based European Public Real Estate Association (EPRA) has set itself the goal of improving the transparency and comparability of reports published by listed companies in Europe. To this end, the EPRA has defined key figures in its Best Practice Recommendations. Deutsche EuroShop supports this goal as a member of the EPRA.

EPRA key figures have formed part of our regular reports for a number of years. We added further EPRA key figures in financial year 2016 and are presenting these in a separate part of our Annual Report in order to reflect their increasing importance. In this context, we have revised how we determine certain EPRA key figures published in the group management report and have adjusted the prior-year values accordingly. Notes to the amended prior-year values are provided. The currently valid version [1] of the EPRA Best Practice Recommendations was used to determine the key figures.

EPRA Summary of key figures	**31.12.2016** in € thousand	**31.12.2016** per share in €	31.12.2015 in € thousand	31.12.2015 per share in €	Changes +/- in T€	Changes in %
EPRA Earnings	**123,675**	**2.29**	117,738	2.18	5,937	5.0
EPRA Earnings (diluted)	**125,827**	**2.20**	119,890	2.10	5,937	5.0
EPRA NAV	**2,332,574**	**43.24**	2,135,219	39.58	197,355	9.2
EPRA NAV (diluted)	**2,431,254**	**42.53**	2,232,191	39.12	199,063	8.9
EPRA NNNAV	**1,833,905**	**34.00**	1,693,720	31.40	140,185	8.3
EPRA NNNAV (diluted)	**1,932,585**	**33.81**	1,790,692	31.38	141,893	7.9

	31.12.2016 in %	31.12.2015 in %	Changes in percentage points
EPRA Net Initial Yield (EPRA NIY)	**5.0**	5.2	-0.2
EPRA "Topped-up" Net Initial Yield	**5.0**	5.2	-0.2
EPRA Cost Ratios (including direct vacancy costs)	**13.1**	12.8	0.3
EPRA Cost Ratios (excluding direct vacancy costs)	**12.9**	12.6	0.3
EPRA Vacancy Rate	**1.2**	1.1	0.1

[1] The currently valid version of the EPRA Best Practice Recommendations can be found at http://www.epra.com/regulation-and-reporting/bpr/.

EPRA EARNINGS

EPRA earnings represent sustained operating earnings and thus lay the foundation for a real estate company's ability to pay a dividend. To calculate this, the profit / loss for the year is adjusted to reflect any income components that have no sustained, recurring impact on operational performance. EPRA earnings are therefore essentially comparable with the "funds from operations" parameter that we employ (FFO; see page F9). In contrast to EPRA earnings, however, all non-cash deferred taxes and the non-cash expense of convertible bond conversion rights are adjusted for FFO.[2]

EPRA EARNINGS	**31.12.2016** in € thousand	**31.12.2016** per share in €	31.12.2015 in € thousand	31.12.2015 per share in €	Changes per share in €	Changes in %
Consolidated profit	**221,757**	**4.11**	309,282	5.73	-1.62	-28.3
Changes in value of investment properties	*-117,460*		*-220,556*			
Changes in value of investment properties (at-equity)	*-28,711*		*-47,180*			
Changes in value of investment properties*	**-146,171**	**-2.71**	-267,736	-4.96	2.25	-45.4
Changes in fair value of financial instruments	*-2,629*		*-2,231*			
Changes in fair value of financial instruments (at-equity)	*-281*		*0*			
Changes in fair value of financial instruments*	**-2,910**	**-0.05**	-2,231	-0.04	-0.01	30.4
Other results from revaluations	**686**	**0.01**	0	0.00	0.01	–
Acquisition costs	**1,093**	**0.02**	0	0.00	0.02	–
Deferred tax in respect of EPRA adjustments*,**	**49,220**	**0.91**	78,423	1.45	-0.54	-37.2
EPRA EARNINGS	**123,675**	**2.29**	**117,738**	**2.18**	**0.11**	**5.0**
Costs for the convertible bond	**2,152**		**2,152**			
EPRA Earnings (diluted)	**125,827**	**2.20**	**119,890**	**2.10**	**0.10**	**5.0**
Weighted number of shares		**53,945,536**		53,945,536		
Weighted number of shares (diluted)		**57,163,039**		57,059,853		

* Including the share of joint ventures and associated companies recognized at equity

** affects deferred taxes on investment properties and derivative instruments

[2] In last year's Management Report, EPRA earnings stood at €1.89 per share. In contrast to the previous year, deferred taxes attributable to the change in the tax balance sheet were also included in 2016. In addition, measurement gains / losses from derivative financial instruments were taken into account. The determination of the previous year's figure was adjusted accordingly..

EPRA NET ASSET VALUE

EPRA NAV measures the net asset value of a company based on a business model with a long-term focus. To do so, Group equity is adjusted for assets and liabilities that are unlikely to be realised if held over the long term.[3]

EPRA Net Asset Value	**31.12.2016 in € thousand**	**31.12.2016 per share in €**	31.12.2015 in € thousand	31.12.2015 per share in €	Changes per share in €	Changes in %
Equity	1,916,148	35.52	1,767,859	32.77	2.75	8.4
Fair value of financial instruments	*48,659*		*50,452*			
Fair value of financial instruments (at-equity)	*1,840*		*0*			
Fair value of financial instruments*	50,499	0.94	50,452	0.94	0.00	0.1
EQUITY WITHOUT FINANCIAL INSTRUMENTS	**1,966,647**	**36.46**	**1,818,311**	**33.71**	**2.75**	**8.2**
Deferred taxes on investment properties and financial instruments*	365,927	6.78	316,908	5.87	0.91	15.5
EPRA NAV	**2,332,574**	**43.24**	**2,135,219**	**39.58**	**3.66**	**9.2**
Potential effect from convertible bond	98,680		96,972			
EPRA NAV (diluted)	**2,431,254**	**42.53**	**2,232,191**	**39.12**	**3.41**	**8.9**
Weighted number of shares		53,945,536		53,945,536		
Weighted number of shares (diluted)		57,163,039		57,059,853		

* Including the share of joint ventures and associated companies recognized at equity

[3] In last year's Management Report, EPRA NAV stood at €39.12 per share. In 2016, however, financial instruments recognised in income were also accounted for in the determination of EPRA NAV. Furthermore, the deferred taxes on tax loss carryforwards were taken into consideration. The determination of the previous year's figure was adjusted accordingly. Diluted EPRA NAV was also reported for the first time.

EPRA TRIPLE NET ASSET VALUE

Whereas EPRA NAV employs a long-term perspective based on the assumption of a going concern, EPRA NNNAV also factors in assets and liabilities measured at fair value as of the reporting date, which are unlikely to be realised using a long-term view. Using EPRA NAV as a basis, the fair values of derivative financial instruments and financial liabilities as well as the associated deferred taxes are included.

EPRA Triple Net Asset Value	**31.12.2016** in € thousand	**31.12.2016** per share in €	31.12.2015 in € thousand	31.12.2015 per share in €	Changes per share in €	Changes in %
EPRA NAV	**2,332,574**	**43.24**	2,135,219	39.58	3.66	9.2
Fair value of financial instruments*	**-50,499**	**-0.94**	-50,452	-0.94	0.00	0.1
Difference of unrecognized fair value of financial liabilities at their book value	*-103,671*		*-95,231*			
Thereof attributable to minority shareholders of partnerships	*11,799*		*10,582*			
Difference of unrecognized fair value of financial liabilities at their book value (at-equity)	*-8,421*		*-7,604*			
Difference of unrecognized fair value of financial liabilities at their book value*	**-100,293**	**-1.86**	-92,253	-1.71	-0.15	8.7
Deferred taxes on Difference of unrecognized fair value of financial liabilities at their book value*	**18,050**	**0.33**	18,114	0.34	0.00	-0.4
Deferred taxes on investment properties and financial instruments*	**-365,927**	**-6.78**	-316,908	-5.87	-0.91	15.5
EPRA NNNAV	**1,833,905**	**34.00**	**1,693,720**	**31.40**	**2.60**	**8.3**
Potential effect from convertible bond	**98,680**		96,972			
EPRA NNNAV (diluted)	**1,932,585**	**33.81**	**1,790,692**	**31.38**		
Weighted number of shares		**53,945,536**		53,945,536		
Weighted number of shares (diluted)		**57,163,039**		57,059,853		

* Including the share of joint ventures and associated companies recognized at equity

EPRA NET INITIAL YIELD (EPRA NIY) AND EPRA "TOPPED-UP" NET INITIAL YIELD

EPRA net initial yield is calculated on the basis of annualised rental income as at the reporting data less the costs that are not allocable to tenants, calculated in proportion to the market value of the property including ancillary acquisition costs. EPRA "topped-up" net initial yield also takes into account granted rental incentives in the determination of annualised rental income.

EPRA Net Initial Yield and EPRA "Topped-up" Net Initial Yield		**31.12.2016 in € thousand**		31.12.2015 in € thousand
Fair value of investment properties	*3,520,824*		*3,356,655*	
Fair value of investment properties (at-equity)	*669,960*		*524,870*	
Fair value of investment properties		**4,190,784**		3,881,525
Excluding extension areas*		**-11,284**		-11,098
Excluding additional purchase costs*		**245,605**		225,602
Gross up property portfolio valuation		**4,425,105**		**4,096,029**
Annualised rental income*		**239,517**		234,370
Property operating costs that cannot be passed on*		**-20,290**		-20,878
ANNUALISED NET RENTS		**219,227**		**213,492**
Rent incentives and other lease incentives*		**871**		792
"Topped-up" net annualised rent		**220,098**		214,284
EPRA NET INITIAL YIELD (EPRA NIY)		**5.0 %**		**5.2 %**
EPRA "TOPPED-UP" NET INITIAL YIELD		**5.0 %**		**5.2 %**

* Including the share of joint ventures and associated companies recognized at equity

EPRA VACANCY RATE

The EPRA vacancy rate is the ratio of the market value of vacant space to the market rent of the entire portfolio as at the reporting date.

EPRA Vacancy Rate	31.12.2016 in € thousand	31.12.2015 in € thousand
Estimated Rental Value of vacant space*	2,899	2,636
Estimated rental value of the whole portfolio*	237,133	231,433
EPRA VACANCY RATE	**1.2 %**	**1.1 %**

* Including the share of joint ventures and associated companies recognized at equity

EPRA COST RATIO

The EPRA cost ratio compares the sum of operating and administrative costs with rental income, allowing for an estimation of cost efficiency across comparable real estate companies. Operating and administrative costs comprise all expenses that cannot be allocated or passed on from the management of the property portfolio (excluding depreciation, interest and taxes) as well as Group management costs.

EPRA Cost Ratios	31.12.2016 in € thousand	31.12.2015 in € thousand
Property operating and management costs*	24,074	22,632
Other operating expenses excluding financing costs*	7,086	7,268
Other operating income and recharges*	0	0
EPRA costs (including direct vacancy costs)	**31,160**	**29,900**
Direct vacancy costs*	-297	-280
EPRA costs (excluding direct vacancy costs)	**30,863**	**29,620**
Rental income*	238,740	234,379
EPRA Cost Ratios (including direct vacancy costs)	**13.1 %**	**12.8 %**
EPRA Cost Ratios (excluding direct vacancy costs)	**12.9 %**	**12.6 %**

* Including the share of joint ventures and associated companies recognized at equity

DES Deutsche EuroShop

DES

ANNUAL REPORT

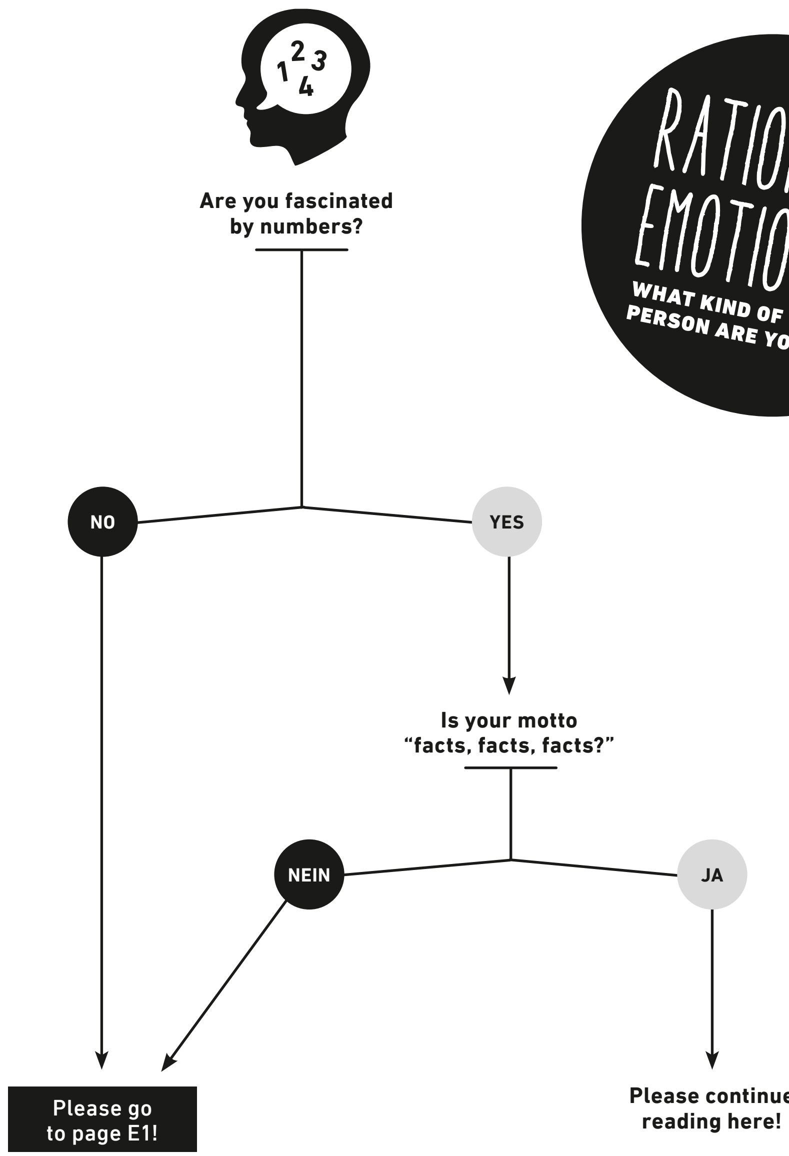
16

feelestate.de

RATIONAL

RATIONAL OR EMOTIONAL?

WHAT KIND OF PERSON ARE YOU?



FINANCIAL CALENDAR 2017

January

05.–06.01.	Oddo Forum, Lyon
17.01.	Kepler Cheuvreux German Corporate Conference, Frankfurt

February

15.02.	Oddo Seydler German Conference, Frankfurt

March

23.03.	HSBC Real Estate Conference, Frankfurt
25.03.	Stock Exchange Day, Munich
28.03.	Roadshow London, Metzler
30.03.	Roadshow Amsterdam, Commerzbank

April

03.04.	Roadshow Munich, Baader Bank
03.04.	Roadshow Zurich, Berenberg
12.04.	Audit Commitee meeting, Hamburg
26.04.	Supervisory Board meeting, Hamburg
28.04.	**Publication of the Annual Report 2016**

May

11.05.	Quarterly Statement 3M 2017
19.05.	equinet ESN Conference, Frankfurt
19.05.	Warburg Highlights, Hamburg

June

01.06.	Kepler Cheuvreux German Property Day, Paris
07.06.	Kempen & Co European Property Seminar, Amsterdam
15.06.	Roadshow London, Green Street Advisors
16.06.	Roadshow Edinburgh, JP Morgan Cazenove
19.06.	Roadshow Warsaw, Berenberg
22.06.	Deutsche Bank dbAccess Conference, Berlin
28.06.	**Annual General Meeting, Hamburg**
28.06.	Supervisory Board meeting, Hamburg

August

15.08.	**Half-year Financial Report 2017**

September

04.–05.09.	DES Real Estate Summer, Brno
12.–13.09.	BoA Merrill Lynch Global RE Conference, New York
18.09.	Goldman Sachs & Berenberg German Conference., Munich
19.09.	Baader Investment Conference, Munich
28.09.	Supervisory Board meeting, Hamburg
29.09.	Societe Generale Pan European Real Estate Conference, London

October

04.–06.10.	Expo Real, Munich

November

15.11.	**Quarterly Statement 9M 2017**
16.11.	Natixis European Mid Caps Conference, Paris
17.11.	Roadshow Amsterdam, Societe Generale
17.11.	Roadshow Brussels, Kempen & Co
21.11.	DZ Bank Equity Conference, Frankfurt
29.11.	Supervisory Board meeting, Hamburg

December

05.12.	Berenberg European Conference, Pennyhill
11.–12.12.	HSBC Global Real Estate Conference, Cape Town

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

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CONSOLIDATED FINANCIAL STATEMENTS 2016

SERVICE

MULTI-YEAR OVERVIEW

in € million	2007	2008	2009	2010	2011	2012 [5]	2013 [5]	2014 [5]	2015 [5]	**2016 [5]**
Revenue	95.8	115.3	127.6	144.2	190.0	178.2	188.0	200.8	202.9	**205.1**
EBIT	78.5	98.1	110.7	124.0	165.7	151.6	165.8	177.5	176.3	**178.6**
Net finance costs	-39.6	-49.4	-55.9	-60.2	-79.1	-62.1	-34.1	-39.8	-2.1	**-13.9**
Measurement gains / losses	39.0	38.3	-14.8	33.1	50.1	13.9	56.0	77.0	220.6	**116.8**
EBT	77.8	87.0	40.1	97.0	136.7	103.4	187.6	214.7	394.7	**281.5**
Consolidated profit	94.2	68.9	34.4	-7.8	99.0	122.5	171.0	177.4	309.3	**221.8**
FFO per share (€)	1.12	1.38	1.40	1.35	1.61	1.68	2.08	2.23	2.29	**2.41**
Earnings per share (€) [1]	2.74	1.96	0.88	-0.17	1.92	2.36	3.17	3.29	5.73	**4.11**
Equity [2]	974.0	977.8	1,044.4	1,441.5	1,473.1	1,606.1	1,642.4	1,751.2	2,061.0	**2,240.7**
Liabilities	1,002.3	1,029.1	1,067.8	1,522.1	1,752.0	1,741.5	1,752.5	1,741.0	1,790.6	**1,873.8**
Total assets	1,976.3	2,006.8	2,112.1	2,963.6	3,225.1	3,347.6	3,394.9	3,492.2	3,851.6	**4,114.5**
Equity ratio (%) [2]	49.3	48.7	49.5	48.6	45.7	48.0	48.4	50.1	53.5	**54.5**
Cash and cash equivalents	109.0	41.7	81.9	65.8	64.4	161.0	40.8	58.3	70.7	**64.0**
Net asset value [3]	925.1	942.8	1,006.9	1,361.1	1,427.3	1538,9	1,650.4	1,789.4	2,110.6	**2,332.6**
Net asset value per share (€) [3]	26.91	27.43	26.63	26.36	27.64	28,53	30.59	33.17	39.12	**43.24**
Dividend per share (€)	1.05	1.05	1.05	1.10	1.10	1,20	1.25	1.30	1.35	**1.40 [4]**

1 undiluted

2 incl. non controlling interests

3 since 2010: EPRA

4 proposal

5 at-equity consolidation

QUARTERLY FIGURES 2016

in € million	Q1.16	Q2.16	Q3.16	Q4.16
Revenue	50.7	51.1	50.4	52.9
EBIT	44.6	44.2	42.6	47.2
Net finance costs	-12.2	-13.3	-11.1	22.7
Measurement gains / losses	-1.4	-1.9	-1.6	121.7
EBT	31.0	29.1	30.0	191.4
Consolidated profit	24.9	23.8	23.5	149.6
EPS (€) [1]	0.46	0.44	0.44	2.77

1 undiluted

GROUP MANAGEMENT REPORT

BASIC INFORMATION ABOUT THE GROUP

GROUP BUSINESS MODEL, TARGETS AND STRATEGY

Deutsche EuroShop is an Aktiengesellschaft (public company) under German law. The Company's registered office is in Hamburg. Deutsche EuroShop is the only public company in Germany to invest solely in shopping centers in prime locations. A total of 20 shopping centers in Germany, Austria, Poland and Hungary are held in the real estate portfolio. The Group generates its reported revenue from rental income on the space it lets in the shopping centers.

The shopping centers are held by independent companies, with Deutsche EuroShop holding stakes of 100% in eleven of them and between 50% and 75% in another nine. Further information on the incorporation of these companies into the consolidated annual results is provided in the notes to the consolidated financial statement.

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

Objectives and strategy

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

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

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

Profitable portfolio with stable value

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

Seizing opportunities and maximising value

In line with the buy & hold strategy, the management is increasingly concentrating on shopping center quality and returns rather than rapid portfolio growth. The management constantly monitors the market and takes opportunities to buy when they arise.

Rapid decision-making chains and considerable flexibility regarding potential investments and financing structures allow Deutsche EuroShop to react to very wide-ranging competitive situations. At the same time, the Group's management focuses on optimising the value of the existing portfolio of properties.

Tailored rent structure

One key component of the rental model is a tailored rent structure. While city center property owners often focus on obtaining the highest possible rents for their properties – creating a monolithic retail offering – Deutsche EuroShop's management uses a calculation combining a range of factors to create an attractive sector mix and optimise long-term rental income. Rental partners pay sector-specific and turnover-linked rent. Minimum rents linked to the consumer price index provide a guaranteed minimum level of income for Deutsche EuroShop AG during periods of economic weakness.

The shopping experience concept

Deutsche EuroShop has outsourced center management to an experienced external partner: ECE Projektmanagement G.m.b.H. & Co. KG (ECE), based in Hamburg. ECE has been designing, planning, building, letting and managing shopping centres since 1965. The company is currently the European market leader, with 200 shopping centers under management. Deutsche EuroShop views professional center management as the key to successful shopping centers. In addition to guaranteeing standard opening hours and a consistently friendly, bright, safe and clean shopping environment, the center management can employ unusual displays, promotions and exhibitions to make shopping an experience. Each day, an average of 500,000 to 600,000 shoppers visit the 20 DES centers, where they are impressed not only by the range of sectors represented, but also by promotional activities including car, talent and fashion shows as well as a wide variety of attractions for children. As a result, the shopping centers become market places where there is always something new and spectacular on offer.

MANAGEMENT SYSTEM

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 interest and taxes), EBT (earnings before taxes) excluding measurement gains / losses and FFO (funds from operations).

Based on three-year medium-term planning for each shopping center, aggregated Group planning is drawn up once a year and the management indicator targets are established. Throughout the year, current performances are periodically (quarterly) compared against these targets and current projections. The value drivers behind the management indicators, such as rental income, visitor numbers and reletting statistics, are furthermore monitored in monthly controlling reports, allowing for any urgent measures required to be taken immediately.

The Supervisory Board supervises and advises the Executive Board in its management activities in accordance with the provisions of German company law and its rules of procedure. It appoints the members of the Executive Board, and significant transactions by the Executive Board are subject to its approval. The Supervisory Board comprises nine members, all of whom are elected by the Annual General Meeting. Members of the Executive Board are appointed and dismissed on the basis of sections 84 and 85 of the Aktiengesetz (AktG – German Public Companies Act). Changes to the Articles of Association are made in accordance with sections 179 and 133 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.

ECONOMIC REVIEW

MACROECONOMIC AND SECTOR-SPECIFIC CONDITIONS

Germany's gross domestic product (GDP) rose by 1.9% in 2016, according to the calculations of the German Federal Statistical Office. Positive impetus came mainly from the domestic market, following increased consumer spending and greater investment in construction. In particular, public-sector consumption expenditure rose significantly by 4.0%, in part due to the high levels of refugee immigration and the costs associated with this. Investment in construction rose in 2016 by a price-adjusted 3.1%, which was mainly attributable to higher investment in residential properties. The trade balance, i. e. the difference between exports and imports, led to a slight decline in GDP growth (-0.2 percentage points) on balance. Although price-adjusted exports of goods and services rose again slightly (+2.6%), imports grew at a sharper pace in the same time period (+3.7%).

On the labour market, the positive trend of recent years also continued: On average, 2.7 million people were registered as unemployed during the year, putting the unemployment rate at 6.1% (2015: 6.4%). Consumer prices in Germany rose by just 0.5% versus 2015, mainly caused by the fall in energy prices (-5.4%); taking energy prices out of the equation, the annual rate of increase in 2016 was +1.2%.

In 2016, real employee pay rose by 1.8% 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. The savings rate stabilised in 2016 at 9.7%, which was the same level as in the previous year. Private consumer spending, which accounted for 53.6% of GDP, rose by 2.0% in 2016, adjusted for price changes.

According to provisional calculations by the German Federal Statistical Office, German retail sales (including online sales) posted nominal growth of 2.2% and real growth of 1.6% year-on-year, with rising online sales in particular contributing to the positive sales growth in retail. According to figures from the German Retail Federation (HDE), online sales increased year-on-year to around €44.0 billion, an increase of approximately 10.6%, and roughly a 9.1% share of retail sales in 2016, which according to the HDE statistics came to €482.2 billion. Bricks-and-mortar retail sales in Germany grew 1.5% in 2016, with the key indicator for the shopping centers of textile retail sales registering a 1.1% decline (according to calculations made by market research institution GfK).

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

There is additional competition for city center retail in the form of growing numbers of factory and designer outlets on greenfield sites outside the city limits and to a certain extent also within them. A factory outlet center in Brehna, in the same area as our center in Dessau, opened up in April 2016, and we continue to monitor further project developments in Hamm and Wuppertal. The German Federal Statistical Office calculates that retail floor space in Germany increased by a further 0.6% in 2016 (2015: +0.4%).

What is more, the competitive situation in bricks-and-mortar retailing and in our shopping centers is being intensified by the fast and continual gains being made by online shopping, a channel currently absorbing much of the growth in retail sales.

Retail sector

Based on the calculations of real estate consultants Jones Lang LaSalle, rental turnover on retail spaces leased in Germany fell 7% to 487,000 m^2 in 2016 in connection with increased demand for small-to-medium spaces. The high demand for smaller spaces led to a decline in the average leased area to 456 m^2 (2015: 490 m^2), with 57% of lease agreements concluded concerning spaces smaller than 250 m^2.

With around 33% of rented floor space, textile retailers again constituted the largest demand group, although that demand saw further declines. In second place behind textiles retailers were restaurants and food retailers, accounting for a stable 21%. Health and beauty retail took third place with just under 15%, which amounts to a gain of five percentage points over the previous year. Besides the large chemist chains, fitness studios in particular rented large spaces all across Germany.

Real estate market

With a slight 4% decline in the volume of transactions to €52.9 billion (2015: €55.1 billion), the German investment market in commercial real estate consolidated, after expanding for six consecutive years, according to Jones Lang LaSalle. Retail real estate accounted for 23% of the volumes (2015: 31%).

Investments in German shopping centers totalled €3.6 billion in full-year 2016 (2015: €5.6 billion), representing a decline of over one-third with respect to the prior year. The transactions involved were generally smaller, with the average volume going down from €73 million to €61 million, indicating that mainly smaller and medium-sized centers changed hands. The share of portfolio transactions remained constant at 30%.

In contrast to earlier years, it was among German investors in particular that 56% of sales in the retail real estate market were concentrated in 2016. As demand for shopping centers remained persistently high, yields for these investments fell further in Germany. According to Jones Lang LaSalle, returns on shopping center investments had hit record lows by the end of the year, at around 4.0% on average (2015: 4.25%).

Share price performance

After closing at €40.46 on the last day of trading in 2015, Deutsche EuroShop share prices started the new year on a downward trend, reaching their low for the year of €35.86 on 11 February 2016. This was followed by a friendlier market environment in the middle of March, which helped the share move back above the 40-euro mark, after which it hovered between €39.46 and €42.52 until the end of September. This price was also its high for the year, which it reached on 9 June 2016. The global performance of real estate shares was negatively affected by rising interest rates, and the DES share was no exception. The share price came very close to touching the February low again, but then shifted to an upward trend at the start of December. The share finished the year at a closing price of €38.67. Taking into account the dividend of €1.35 per share paid on 16 June 2016, this corresponds to a performance of -1.2% (2015: +15.3%). Deutsche EuroShop's market capitalisation stood at €2.1 billion on 31 December 2016.

COURSE OF BUSINESS

Overall comment by the Executive Board on the economic situation

Consolidated key figures in € million	**Forecast for 2016**	**01.01.–31.12.2016**	01.01.–31.12.2015	+ / -
Revenue	**200 – 204**	**205.1**	202.9	1.1%
EBIT	**175 – 179**	**178.6**	176.3	1.3%
EBT (excluding measurement gains / losses *)	**127 – 130**	**134.5**	127.0	5.9%
EPRA** earnings per share in €		**2.29**	2.18	5.0%
FFO per share (€)	**2.26 – 2.30**	**2.41**	2.29	5.3%
Equity ratio (%) ***		**54.5**	53.5	
LTV ratio (%) ****		**34.2**	35.5	
EPRA** NAV per share in €		**43.24**	39.58	9.2%

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

** European Public Real Estate Association

*** incl. third-party interests in equity

**** loan-to-value ratio (LTV ratio): Ratio of net financial liabilities (financial liabilities minus cash and cash equivalents) to long-term assets (investment properties and financial assets recorded on the balance sheet according to the at-equity method)

The Executive Board looks back with satisfaction at the financial year just ended. Total revenue came to €205.1 million (forecast: €200 – 204 million), which represents a 1.1% increase on the previous year (2015: €202.9 million).

Earnings before interest and taxes (EBIT) of €178.6 million were within the guidance range (€175 – 179 million) and €2.3 million or 1.3% higher than in the previous year (2015: €176.3 million). We expected earnings before taxes (EBT) excluding measurement gains / losses of €127 million to €130 million. At the closing date, EBT of €134.5 million came in 5.9% higher than in the previous year (2015: €127.0 million). In the case of FFO, we were able to slightly beat our guidance of €2.26 – 2.30 per share, closing the year at €2.41 per share (+5.3%).

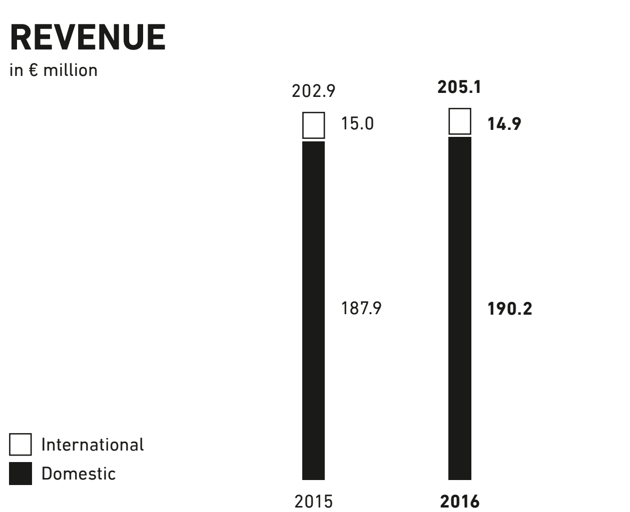
These results once again underscore that Deutsche EuroShop is well placed with its first-rate portfolio of shopping centers, even in an increasingly fierce competitive environment.

Results of Operations

Results of Operations in € thousand	**01.01.–31.12.2016**	01.01.–31.12.2015	Change +/-	Change in %
Revenue	**205,136**	202,854	2,282	1.1%
Operating and administrative costs for property	**-20,398**	-19,383	-1,015	5.2%
NOI	**184,738**	**183,471**	**1,267**	**0.7%**
Other operating income	**1,410**	800	610	76.3%
Other operating expenses	**-7,522**	-7,975	453	-5.7%
EBIT	**178,626**	**176,296**	**2,330**	**1.3%**
At-equity profit / loss	*54,283*	*68,355*		
Measurement gains / losses (at-equity)	*-28,711*	*-47,180*		
Deferred taxes (at-equity)	*-1,507*	*0*		
At-equity (operating) profit / loss	**24,065**	21,175	2,890	13.6%
Profit / loss attributable to limited partners	**-17,894**	-17,020	-874	5.1%
Interest expense	**-52,918**	-55,980	3,062	-5.5%
Other finance costs	**2,648**	2,503	145	5.8%
Net finance costs (excl. measurement gains / losses)	**-44,099**	**-49,322**	**5,223**	**-10.6%**
EBT (excl. measurement gains / losses)	**134,527**	**126,974**	**7,553**	**5.9%**
Measurement gains / losses	*116,774*	*220,556*		
Measurement gains / losses (at-equity)	*28,711*	*47,180*		
Measurement gains / losses (including at-equity profit / loss)	**145,485**	267,736	-122,251	-45.7%
Income taxes	**-5,605**	-4,577	-1,028	22.5%
Deferred Taxes	*-54,157*	*-80,851*		
Deferred taxes (at-equity)	*1,507*	*0*		
Deferred taxes (at-equity)	**-52,650**	-80,851	28,201	-34.9%
CONSOLIDATED PROFIT	**221,757**	**309,282**	**-87,525**	**-28.3%**

Consolidated revenue up 1.1%

Consolidated revenue was up 1.1% for the financial year, from €202.9 million to €205.1 million. The rise in revenue resulted from index-related rental price adjustments, new rental agreements concluded and higher revenue and mall rental income. The previous year had also seen the conclusion of restructuring and expansion measures, e.g. at the Forum Wetzlar and the opening of the Food Court in City-Point Kassel in November 2015, which contributed to revenue over a full year for the first time in 2016. In addition, 2016 saw higher early-termination fees on rental contracts than the previous year.



Revenue in € thousand	**01.01. – 31.12.2016**	01.01. – 31.12.2015	Change + / -	Change in %
Main-Taunus-Zentrum, Sulzbach	**35,031**	34,744	287	0.8%
Altmarkt-Galerie, Dresden	**25,469**	25,320	149	0.6%
A10 Center, Wildau	**21,245**	20,755	490	2.4%
Rhein-Neckar-Zentrum, Viernheim	**18,606**	18,961	-355	-1.9%
Herold-Center, Norderstedt	**12,992**	13,055	-63	-0.5%
Billstedt-Center, Hamburg	**11,446**	11,287	159	1.4%
Allee-Center, Hamm	**10,431**	10,401	30	0.3%
City-Galerie, Wolfsburg	**9,992**	9,796	196	2.0%
Forum, Wetzlar	**9,807**	9,304	503	5.4%
City-Arkaden, Wuppertal	**9,702**	9,376	326	3.5%
City-Point, Kassel	**8,740**	8,234	506	6.1%
Rathaus-Center, Dessau	**8,034**	8,308	-274	-3.3%
Stadt-Galerie, Hameln	**7,012**	7,043	-31	-0.4%
DES Verwaltung GmbH	**1,704**	1,291	413	32.0%
Total domestic	**190,211**	**187,875**	**2,336**	**1.2%**
Galeria Bałtycka, Gdansk	**14,863**	14,843	20	0.1%
Caspia, Danzig	**62**	136	-74	-54.4%
Total international	**14,925**	**14,979**	**-54**	**-0.4%**
TOTAL	**205,136**	**202,854**	**2,282**	**1.1%**

Operating and administrative costs for property: 9.9% of revenue

Center operating costs were up slightly at €20.4 million in the reporting period compared with €19.4 million in the previous year, chiefly as a result of a €0.8 million increase in maintenance expenses. At a cost / revenue ratio of 9.9% (2015: 9.6%), costs were in line with the budget.

Other operating income and expenses

Higher income from released reserves and the partial reimbursement of general planning fees in connection with the final settlement for the City-Point Kassel refurbishments were mainly responsible for the increase in other operating income of €1.4 million (2015: €0.8 million). Other operating expenses amounted to €7.5 million, €0.5 million lower than in the previous year (€8.0 million). This was due primarily to two contrasting developments. While personnel costs were down by €1.0 million, mainly due to the expiration of the long-term incentive plan in 2015, there was an increase of €0.7 million in consulting costs due to the audit of acquisition projects in the review period.

Net finance costs excluding measurement effects significantly higher

Net finance costs (excluding measurement gains) rose by €5.2 million from -€49.3 million in the previous year to -€44.1 million. Loan repayments and, in particular, the short-term low interest rate agreement on a loan until the conclusion of a refinancing deal led to a €3.1 reduction in interest expenses.

Other financial expense, which consisted mainly of a measurement gain on an interest rate swap for the financing of the Altmarkt-Galerie Dresden in the amount of €2.6 million (2015: €2.2 million), hovered at practically the same level as in the previous year at €2.6 million (2015: €2.5 million).

At-equity (operating) profit was €2.9 million higher. This was attributable in particular to the acquisition of the Saarpark Center in Neunkirchen on 1 October 2016, which contributed €1.5 million to at-equity profit (excluding measurement gains and losses), as well as to a €0.9 million reduction in interest expenses as a result of refinancing.

Income statement of the joint ventures in € thousand	**01.01.–31.12.2016**	01.01.–31.12.2015	Change + / -	Change in %
Allee-Center, Magdeburg	**7,945**	8,037	-92	-1.1%
Phoenix-Center, Harburg	**6,928**	6,187	741	12.0%
Stadt-Galerie, Passau	**7,261**	7,220	41	0.6%
Saarpark Center, Neunkirchen	**1,607**	0	1,607	–
City-Arkaden, Klagenfurt	**6,041**	6,054	-13	-0.2%
Árkád, Pécs	**3,779**	3,674	105	2.9%
Other	**43**	353	-310	-87.8%
Revenue	**33,604**	**31,525**	**2,079**	**6.6%**
Operating and administrative costs for property	**-3,676**	-3,249	-427	13.1%
NOI	**29,928**	**28,276**	**1,652**	**5.8%**
Other operating income	**640**	271	369	136.2%
Other operating expenses	**-1,178**	-907	-271	29.9%
EBIT	**29,390**	**27,640**	**1,750**	**6.3%**
Interest income	**2**	1	1	100.0%
Interest expense	**-5,383**	-6,331	948	-15.0%
Other finance costs	**281**	0	281	–
Net finance costs	**-5,100**	**-6,330**	**1,230**	**-19.4%**
Current tax expense	**-225**	-135	-90	66.7%
At-equity profit (excluding measurement gains / losses)	**24,065**	**21,175**	**2,890**	**13.6%**
Measurement gains / losses	**28,711**	47,180	-18,469	-39.1%
Deferred Taxes	**1,507**	0	1,507	–
SHARE OF PROFIT / LOSS	**54,283**	**68,355**	**-14,072**	**-20.6%**

Measurement gains / losses

Measurement gains and losses of €145.5 million break down into €146.2 million (2015: €267.7 million) on the valuation of the Group's real estate assets according to IAS 40 and - €0.7 million in Ancillary acquisition costs in relation to the stake in the Saarpark Center in Neunkirchen. Measurement gains and losses on real estate assets, after minority interests, break down into €117.5 million (2015: €220.6 million) in the valuation on the real estate assets reported by the Group and €28.7 million (2015: €47.2 million) in the valuation on the real estate assets of the joint ventures and associates recorded on the balance sheet according to the at-equity method.

The average value of Group properties after ongoing investments rose by 4.6%; individual measurement gains / losses ranged between +0.2% and +8.5%. This development is based on the latest rental market forecasts, which assume slight rises in rents in the medium term, and of a stable cost ratio, but principally on the basis of comparative yields on the German and international transaction markets, which have again contracted substantially.

Income taxes

Taxes on income and earnings, including the share reported under at-equity profit came to €58.3 million, compared with €85.4 million in the previous year. Deferred tax provisions were increased in the year under review on account of the large gains in value of €52.7 million in particular (2015: €80.8 million). Income tax expenditure amounted to €5.6 million (2015: €4.6 million).

Higher measurement gains and losses in the previous year led to a decline in consolidated profit

While we were able to raise operating profit excluding measurement effects by €7.6 million to €134.5 million, consolidated profit came in €87.5 million below the figure for the previous year due to low net measurement gains of €221.8 million with respect to the prior year (2015: €309.3 million).

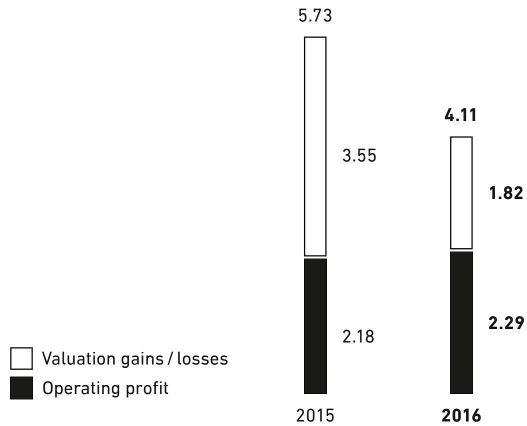
Earnings per share and EPRA earnings

Earnings per share (consolidated net profit per share) came to €4.11 in the year under review, compared with €5.73 in the previous year. Of this amount, €2.29 (2015: €2.18) was attributable to operations (EPRA earnings)[1].

[1] In last year's Management Report, EPRA earnings stood at €1.89 per share. In contrast to the previous year, deferred taxes attributable to the change in the tax balance sheet were also included in 2016. In addition, measurement gains / losses from derivative financial instruments were taken into account. The determination of the previous year's figure was adjusted accordingly. Further details on the EPRA key figures are provided in the "EPRA report" within the 2016 Annual Report.

EARNINGS PER SHARE

in €, undiluted



EPRA EARNINGS	**01.01.–31.12.2016** in € thousand	**01.01.–31.12.2016** per share in €	01.01.–31.12.2015 in € thousand	01.01.–31.12.2015 per share in €
Consolidated profit	**221,757**	**4.11**	309,282	5.73
Measurement gains / losses investment properties*	**-146,171**	**-2.71**	-267,736	-4.96
Measurement gains / losses derivative financial instruments*	**-2,910**	**-0.05**	-2,231	-0.04
Other measurement gains / losses	**686**	**0.01**	0	0.00
Acquisition costs	**1,093**	**0.02**	0	0.00
Deferred taxes related to EPRA adjustments*, **	**49,220**	**0.91**	78,423	1.45
EPRA EARNINGS	**123,675**	**2.29**	**117,738**	**2.18**
Expense for convertible bond	**2,152**		2,152	
EPRA EARNINGS (DILUTED)	**125,827**	**2.20**	**119,890**	**2.10**
Weighted number of no-par value shares issued		**53,945,536**		53,945,536
Weighted number of no-par value shares issued (diluted)		**57,163,039**		57,059,853

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

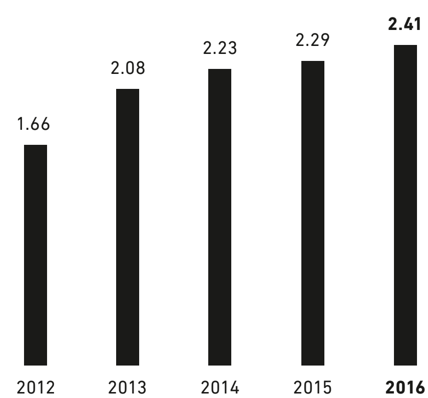
** These concern deferred taxes on investment properties and derivative financial instruments

Funds from operations (FFO) up 5.3%

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. In the year under review, €129.9 million in FFO was generated – a 5.3% increase versus the €123.4 million recorded in the previous year. FFO per share rose from €2.29 to €2.41.

FFO PER SHARE

in €



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.

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.

Funds from Operations	01.01.–31.12.2016 in € thousand	01.01.–31.12.2016 per share in €	01.01.–31.12.2015 in € thousand	01.01.–31.12.2015 per share in €
Consolidated profit	221,757	4.11	309,282	5.73
Bond conversion expense	967	0.02	967	0.02
Measurement gains / losses investment properties*	-146,171	-2.71	-267,736	-4.96
Other measurement gains / losses	686	0.01	0	0.00
Deferred Taxes*	52,650	0.98	80,851	1.50
FFO PER SHARE	**129,889**	**2.41**	**123,364**	**2.29**

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

Proposed dividend: €1.40 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 28 June 2017 that a dividend of €1.40 per share, 3.7% or €0.05 higher than the previous year, be distributed for financial year 2016. An estimated €0.60 per share of the dividend is expected to be deducted as capital gains tax.

Financing analysis

As at 31 December 2016, Deutsche EuroShop Group reported the following key financial data:

Financing analysis in € million	**31.12.2016**	31.12.2015	Change
Total assets	**4,114.5**	3,851.6	262.8
Equity (including third-party interests)	**2,240.7**	2,061.0	179.7
Equity ratio (%)	**54.5**	53.5	1.0
Net financial liabilities	**1,381.5**	1,336.9	44.6
Loan to value ratio (%)	**34.2**	35.5	-1.3

At €2,240.7 million, the Group's economic equity capital, which comprises the equity of the Group shareholders (€1,916.1 million) and the equity attributable to third-party shareholders (€324.6 million), was €179.7 million higher than in the previous year. The equity ratio gained one percentage point year-on-year to 54.5%.

Financial Liabilities in € thousand	**31.12.2016**	31.12.2015	Change
Convertible bond	**98,680**	96,972	1,708
Non-current bank loans and overdrafts	**1,242,754**	1,262,924	-20,170
Current bank loans and overdrafts	**104,147**	47,711	56,436
TOTAL	**1,445,581**	**1,407,607**	**37,974**
Cash and cash equivalents	**-64,046**	-70,699	6,653
Net financial liabilities	**1,381,535**	**1,336,908**	**44,627**

Current and non-current financial liabilities rose €38.0 million in the year under review, from €1,407.6 million to €1,445.6 million, in connection with the debt-capital financing of the Saarpark Center Neunkirchen acquisition. Cash and cash equivalents declined €6.6 million, leading to a €44.6 million increase in net financial liabilities from €1,336.9 million to €1,381.5 million.

The net financial liabilities existing at the end of the year are used exclusively to finance non-current assets. This brings the percentage of non-current assets financed with debt capital in the year under review to 34.2% (2015: 35.5%).

The financing terms for consolidated borrowing (including a convertible bond) at 31 December 2016 were fixed at 3.67% p.a. (2015: 3.69% p.a.) with an average residual maturity of 5.1 years (2015: 5.9 years). The loans to Deutsche EuroShop are maintained as credit facilities with 21 banks, all of which are German.

LOAN STRUCTURE

as at 31 December 2016

Interest rate lock-in	as % of loan	in € million	Average residual maturity (years)	Average interest rate
Up to 1 year	19.0	274.1		1.26
1 to 5 years	40.2	578.5	3.8	4.34
5 to 10 years	36.4	524.8	6.9	3.14
Over 10 years	4.4	63.0	11.0	5.25
TOTAL	**100**	**1,440.4**	**5.1**	**3.67**

Of the 19 loans across the Group, 12 are subject to credit covenants with the financing banks. There are a total of 17 different conditions on different debt service cover ratios (DSCRs), interest cover ratios (ICRs), changes in rental income, the Group's leverage ratio and its loan to value ratio (LTV). All conditions were met. Based on the budgeted figures, compliance with the covenants may also be assumed in the current financial year.

Scheduled repayments totalling €16.5 million will be made from current cash flow during financial year 2017. Over the period from 2017 to 2020, repayments will average €14.8 million per annum.

Three loans totalling €157 million are scheduled for refinancing in financial year 2017. The €100 million convertible bond issue matures in 2017, to the extent that the bond holders have not exercised their conversion options before that time. No negotiations on obtaining extensions are upcoming in 2018. Other loans totalling €123.1 million are to be extended in 2019, as are others amounting to €129.2 million in 2020.

Current and non-current financial liabilities totalling €1,445.6 million were recognised in the balance sheet at the reporting date. The €5.2 million difference between that amount and the sum of the amounts cited here relates to deferred interest and repayment obligations that were settled at the beginning of 2017.

Investment analysis

Investment in our centers during financial year 2016 came to €16.8 million in total, following €11.1 million in the previous year. Around €8.0 million was invested on 1 April 2016 in a Karstadt building adjacent to the Rathaus Center in Dessau, and roughly €8.8 million was invested in ongoing portfolio investments. In addition, our portfolio of shopping centers was expanded through our acquisition of a 50% stake in the Saarpark Center Neunkirchen for an investment volume of €79.6 million, raising the number of centers from 19 to 20.

Liquidity analysis

Liquidity analysis in € thousand	**01.01.–31.12.2016**	01.01.–31.12.2015
Net cash flow from operating activities	**140,963**	133,750
Cash flow from investing activities	**-93,718**	-11,943
Cash flow from financing activities	**-53,898**	-109,392
Net change in cash and cash equivalents	**-6,653**	**12,415**
Cash and cash equivalents at beginning of period	**70,699**	58,284
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**64,046**	**70,699**

The Group's operating cash flow of €141.0 million (2015: €133.8 million) constitutes the amount generated by the Group for shareholders through the leasing of shopping center space after deduction of all costs. It is primarily used to finance the dividends of Deutsche EuroShop AG and payments to third-party shareholders and ongoing loan repayments. Besides the improved results of operations attained by our shopping centers, the rise in cash flow was also the result of €3.0 million less in interest payments as a result of refinancing under more favourable terms.

Cash flow from investment activity primarily consists of outflows for the Karstadt building in Dessau, further investment in portfolio properties (combined total €16.8 million), the acquisition of the stake in the Saarpark Center Neunkirchen on 1 October 2016 for €79.6 million and inflows of €2.8 million from the sale of an associate company.

Negative cash flow of €53.9 million in connection with financing activity consisted of €36.3 million in cash inflows from financial liabilities that were the result of a short-term drawn-down of €80.0 million of the credit line, ongoing repayment of credit liabilities (€43.7million) and a €72.8 million dividend distribution to shareholders plus a €17.4 million pay-out to third-party shareholders.

Cash and cash equivalents declined by €6.7 million in the year under review to €64.0 million (2015: €70.7 million).

NET ASSETS

Balance sheet analysis

The Group's total assets increased by €262.9 million from €3,851.6 million to €4,114.5 million.

Balance sheet analysis in € thousand	**31.12.2016**	31.12.2015	Change
Current assets	**77,924**	83,496	-5,572
Non-current assets	**4,036,533**	3,768,118	268,415
Current liabilities	**222,548**	68,904	153,644
Non-current liabilities	**1,975,761**	2,014,851	-39,090
Equity	**1,916,148**	1,767,859	148,289
TOTAL ASSETS	**4,114,457**	**3,851,614**	**262,843**

Slightly lower current assets

At the end of the year, current assets stood at €77.9 million, representing a €5.6 million decrease versus the prior year (€83.5 million) and was mainly the result of a €6.7 million decline in cash and cash equivalents on the balance sheet date (€64.0 million; 2015: €70.7 million). Trade receivables advanced €1.0 million to €6.6 million with respect to the previous year (€5.6 million). Other assets were nearly unchanged at €7.3 million (2015: €7.2 million).

Non-current assets higher as a result of property appreciation

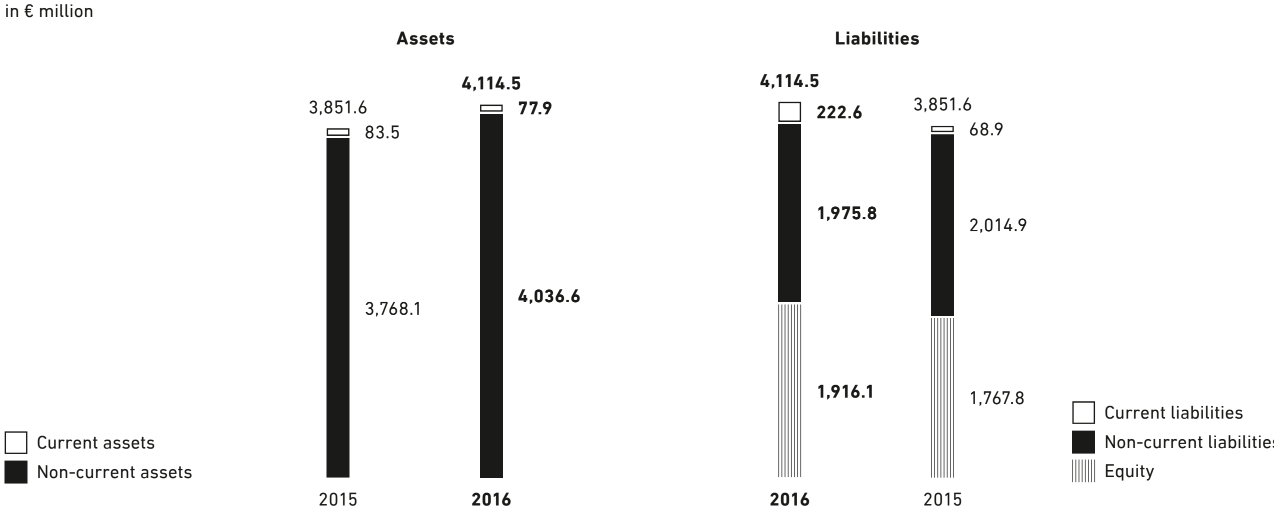
Non-current assets rose from €3,768.1 million to €4,036.6 million in the year under review, representing a €268.5 million increase.

Investment properties gained €164.2 million. While additions and the costs of investments in portfolio properties came to €15.8 million, revaluation of our property portfolio resulted in measurement gains of €148.4 million.

At-equity investments increased by €104.4 million, from €411.0 million to €515.4 million. Besides the addition of the 50% stake in the Saarpark Center Neunkirchen (€79.6 million), the increase is primarily the result of the difference between the pro-rata earnings and losses in the financial year.

BALANCE SHEET STRUCTURE

in € million



Current liabilities up

Current liabilities rose €153.7 million, from €68.9 million to €222.6 million, which was mainly attributable to the convertible bond issue that matures in 2017 (€98.7 million), which was still being reported under non-current liabilities in the previous year, and a short-term drawn-down of €80.0 million of the credit line.

Non-current liabilities down

Non-current liabilities fell by €39.1 million from €2,014.9 million to €1.975.8 million, mainly as a result of the fact that, unlike in the previous year, the convertible bond was recognised under current liabilities, with scheduled repayments on long-term borrowing (- €117.1 million) also contributing to the decrease. Conversely, deferred tax liabilities rose (+ €49.8 million), in particular as a result of the appreciation of our investment properties. Furthermore, redemption entitlements of third-party shareholders increased by €31.4 million.

Equity

At €1,916.1 million, Group equity was up €148.3 million against the previous year (€1,767.8 million).

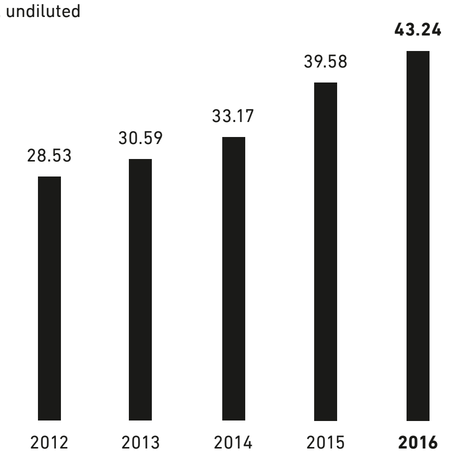
The increase in the year under review primarily comprises the difference between the €221.8 million in consolidated profit and the €72.8 million dividend payment in June 2016. The impact of changes in the market values of swaps led to a €0.6 million decline in equity.

EPRA net asset value up

Net asset value (NAV) stood at €2,332.6 million or €43.24 per share as at 31 December 2016, compared with €2,135.2 million or €39.58 per share[2] in the previous year, representing an increase of 9.2% or €3.66 per-share year-on-year.

EPRA NET ASSET VALUE

per share in €, undiluted



[2] In last year's Management Report, EPRA NAV stood at €39.12 per share. In 2016, however, financial instruments recognised in come were also accounted for in the determination of EPRA NAV. Furthermore, the deferred taxes on tax loss carryforwards were taken into consideration. The determination of the previous year's figure was adjusted accordingly. For further details, please see our statements on EPRA performance indicators in the "EPRA reporting" section of our Annual Report 2016.

EPRA NAV	**31.12.2016** in € thousand	**31.12.2016** per share in €	31.12.2015 in € thousand	31.12.2015 per share in €
Equity	1,916,148	35.52	1,767,859	32.77
Derivative financial instruments measured at fair value*	50,499	0.94	50,452	0.94
Equity excluding derivative financial instruments	1,966,647	36.46	**1,818,311**	33.71
Deferred taxes on investment properties and derivative financial instruments*	365,927	6.78	316,908	5.87
EPRA NAV	2,332,574	43.24	**2,135,219**	**39.58**
Potential effects of bond conversion	98,680		96,972	
EPRA NAV (diluted)	2,431,254	42.53	**2,232,191**	**39.12**
Weighted number of no-par value shares issued		53,945,536		53,945,536
Weighted number of no-par value shares issued (diluted)		57,163,039		57,059,853

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

REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

On 7 March 2017, the Deutsche EuroShop Group signed a purchase agreement to acquire Olympia Brno s.r.o., Prague (Czech Republic). Olympia Brno is the owner of the "Olympia" shopping center located in Brno, Czech Republic. The transfer of benefits and encumbrances took place on 31 March 2017 upon payment of the provisional purchase price to the seller. The investment will be financed through equity from a capital increase (see section "Acquisition-related information") and long-term loans. The acquisition will have a positive impact on Deutsche EuroShop Group's key performance indicators right away, with the following contributions after transaction costs expected in 2017:

- Revenue + €15.0 million
- EBIT + €13.7 million
- EBT (excl. measurement gains / losses) + €10.4 million
- FFO per share + €0.02

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

OUTLOOK

The buoyancy seen in the employment market is a significant factor for the German economy and will be continuously on the rise again in 2017. The attendant real increases in workers' income, a positive consumption environment and continued strength in exports, should provide positive impetus in Germany again in 2017. In its economic report for 2017, the German federal government is forecasting a positive scenario and expects 1.4% GDP growth. The unemployment rate is meant to go down further from its current low level of 6.1% to 6.0%. The German Retail Federation (HDE) predicts that retail sales will grow by 2.0%, with online sales once again the biggest growth driver.

This positive and robust state of the economy in our core market of Germany stands in contrast to risks in the foreign economic environment. The uncertainties in the politico-economic course of the new administration in the US, the consequences of Brexit and the persistent geopolitical crises (Syria, Turkey, Ukraine) all continue to lead us to the assessment that the risks to the economy as a whole remain high.

In light of these financial and economic challenges, there is an intensifying global need for capital investments that retain their value, particularly in financially solid countries such as Germany. The long-lasting low interest rate phase also means that the likes of life insurance companies and similar pension institutions in Germany and abroad are still seeking real estate investment opportunities that will meet the long-term return expectations of policyholders. This is keeping demand for real estate, which is now met with only limited supply, at record levels. Retail property in particular remains attractive to many institutional investors, leading to very high transaction prices and correspondingly low anticipated returns for so-called core properties.

We monitor developments on the real estate market closely. We will only make new investments if the return that is achievable over the long term bears a reasonable relation to the investment risks.

STABLE OUTLOOK FOR OUR SHOPPING CENTERS IN AN INCREASINGLY COMPETITIVE ENVIRONMENT

In light of the considerable increase in online sales and a wider range of retail goods on offer, we are assuming that the performance of our shopping centers will remain stable. Outstanding rents and necessary valuation allowances remain at a low level. We currently see no indications of a significant change in this satisfactory situation.

Agreed transactions are the foundation for revenue and earnings planning

The Deutsche EuroShop Group's revenue and earnings planning for 2017 and 2018 takes into account the acquisition of the Olympia Center in Brno in the first quarter of 2017, but does not include any property purchases or sales beyond that. 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:

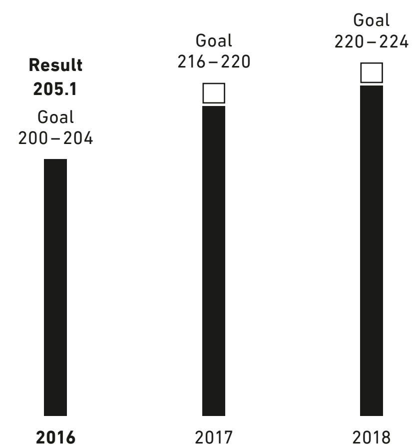
a) the development of revenue and earnings in the existing shopping centers
b) the assumption that there will be no substantial reduction in revenue in the retail sector that would cause a large number of retailers to no longer be able to meet their obligations under existing leases.

Confirmation of 2017 revenue forecast and growth through Olympia acquisition

Revenue of €205.1 million in financial year 2016 surpassed forecasts of €200–204 million, due to higher turnover rent and mall rental income along with early repayment fees from tenants. In our 2017 planning, we do not expect these effects to repeat themselves to the same extent and are therefore reconfirming our revenue guidance for 2017 for the existing portfolio most recently announced in November 2016 with a range of €201–205 million. The acquisition of the Olympia Center will begin to impact consolidated revenue from 1 April 2017 and lead to a shift of that range by around €15 million to €216–220 million.

REVENUE

in € million



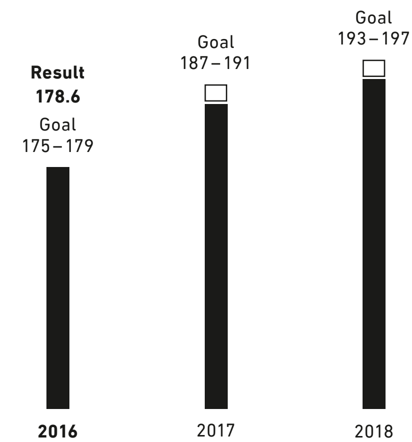
In 2018, the acquisition of the Olympia Center will impact consolidated revenue for a full year for the first time. Assuming revenue on the existing portfolio remains the same, consolidated revenue should come to lie with a range of €220–224 million.

Rising profit in 2017 and 2018

Earnings before interest and taxes (EBIT) were €178.6 million in 2016. Taking into account the acquisition of the Olympia Center, EBIT in the current year will come in within a range of €187 – 191 million. For 2018, we are expecting a range of €193 – 197 million.

EBIT

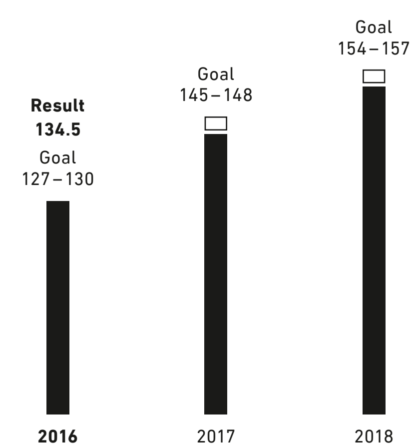
in € million



Earnings before tax (EBT) excluding measurement gains / losses amounted to €134.5 million in the year under review. In November 2016, we raised our guidance for financial year 2017 to €133 – 136 million on account of the acquisition of the Saarpark Center, which went onto the balance sheet at-equity. Taking into account the Olympia Center and the more favourable refinancing emerging from current loan negotiations, we now expect to see 2017 EBT within a range of €145 – 148 million. For 2018, we calculate €154 – 157 million (+5.4%).

EBT *

in € million



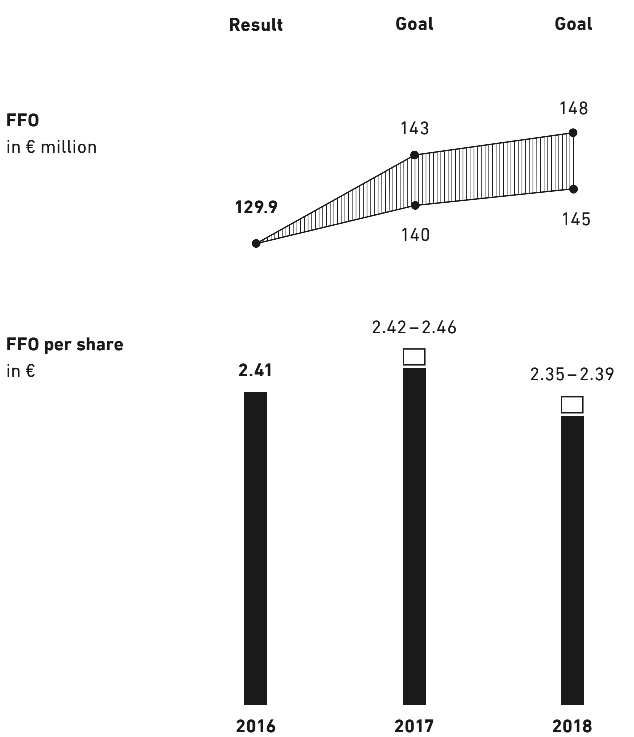
* excluding measurement gains/losses

FFO to increase out to 2018

Funds from operations (FFO) amounted to €129.9 million or €2.41 per share in the year under review. For 2017, we expect FFO to increase to within €140–143 million or €2.44–2.48 per share. FFO per share for 2017 have been calculated based on an average time-weighted number of shares of 57.6 million and takes into account the cash capital increase in March 2017. Assuming that the convertible bond is fully converted at the end of its term in November 2017, the average time-weighted number of shares will increase to 58.0 million and will result in an expected FFO per share of €2.42 – 2.46.

For financial year 2018, the average time-weighted number of shares assuming full conversion will increase to €61.8 million and we expect an FFO of between €2.35 and €2.39 per share. In absolute terms, FFO should rise by 3.5% to €145 – 148 million.

FFO



	2016	2017	2018
Number of shares in million	53.9	58.0 *	61.8 *

* after conversion of the convertible bond, time-weighted at the balance sheet date

DIVIDEND POLICY

We intend to maintain our long-term, reliable dividend policy and anticipate that we will be able to pay our shareholders a dividend of €1.45 per share for financial year 2017, and €1.50 per share for 2018.

RISK AND OPPORTUNITY 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 an appropriate dividend. The focus of the risk management system is therefore on monitoring compliance with this strategy and, building on this, on the identification and assessment of risks and opportunities as well as the fundamental decision on how to manage these risks. Risk management ensures that risks are identified at an early stage and can then be evaluated, communicated promptly and mitigated. Monitoring and management of the risks identified are the focus of the internal control system, which at Group level is essentially the responsibility of the Executive Board. The internal control system is an integral part of the risk management system.

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

Risk analysis involves the identification and analysis of factors that may jeopardise the achievement of goals. 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

Risk analysis

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**

- Trend in amounts outstanding
- Trend in occupancy rates
- Retail sales trend 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 also incorporated into risk management. The activities of competitors are also monitored continually, as well.

Risk inventory
The risks identified in the course of the risk analysis are summarised in a risk inventory and evaluated in terms of their potential loss amounts and likelihood of their occurrence in consideration of compensatory measures (from a net standpoint).

The risk inventory is regularly examined and updated when necessary. In the Supervisory Board meetings, the Executive Board reports on significant new risks and in the event of risks that jeopardise our portfolio issues a report immediately.

ACCOUNTING-RELATED INTERNAL CONTROL SYSTEM

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

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

ADVICE ON LIMITATIONS

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

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

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

EVALUATION OF THE OVERALL RISK POSITION

The overall risk position, shown in the matrix below, is mostly unchanged with respect to the previous year. The potential extent of losses is calculated on the basis of the impact for the year following the year under review.

RISK MATRIX

AMOUNT OF LOSSES			
high > €5 million	Valuation risk		
medium €1 – 5 million	Valuation and cost risks Rental risk	Market and sector risks	
low up to €1 million	Interest rate change and financing risks Currency risk Legal risk Personnel risk IT risk Risk of damage	Risk of rent loss	
LIKELIHOOD OF OCCURRENCE	**low** 0% – 25%	**medium** 25% – 50%	**high** >50%

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

ILLUSTRATION OF MATERIAL RISKS AND OPPORTUNITIES

Valuation risk

The value of a property is essentially determined by its capitalised earnings value, which in turn depends on factors such as the level of annual rental income and management costs, the underlying location risk, the general condition of the property, the evolution of capital market interest rates and, in particular, the demand for shopping center properties. The appreciated of property values are also impacted by various macro-economic and regional factors as well as by factors specific to those properties, which are for the most part beyond the control of the company. The factors described are taken into account in the annual market valuations of our portfolio properties by independent appraisers. Changes in value are recognised in the income statement of the consolidated financial statements in accordance with the requirements of IAS 40 and may thus increase the volatility of consolidated profit. Thus, the measurement gains and losses for group companies and companies recognised at-equity on the balance sheet in the year under review amounted to 52% of EBT (2015: 68%). In addition, the annual market valuations of our portfolio properties may also affect compliance with loan conditions on existing financing arrangements (e.g. compliance with debt ratios) as well as the terms of new financing and refinancing agreements.

The assignment of external, independent appraisers with a great deal of experience in the industry, along with our own critical assessment of their appraisal, minimises the risk of measurement error. As part of efforts aimed at controlling value-driving factors, the company has adopted further measures towards minimising valuation risk. The main focus here is on professional management of the centers, costs and rentals at the shopping centers, which is ensured through the selection of suitable asset managers. All of our shopping centers are currently managed by ECE, the European market leader in the area of shopping center management, with active maintenance management ensuring that the properties are continuously kept in a sound general condition.

Market and sector risks

Retail trade will continue to undergo structural changes in the coming years due to changing demand behaviour on the part of consumers, the demographic shift and constant new forms of offerings. In addition to continued growth momentum in online commerce, in particular, retail trade establishments with large sales-floor space capable of offering customers a broad range of products are performing successfully. Thanks to its business model, Deutsche EuroShop is in a position to benefit from this trend, especially as the customer experience aspect of shopping has further gained in importance in high-quality shopping centers and a continued trend towards shopping as a recreational and lifestyle activity is observable.

Additional retail commercial space offered on the rental market, created for example through the building, expansion or modernisation of shopping or factory-outlet centers both in city centers and on the outskirts, as well as through the revitalisation of retail locations in in city centers, may cause realisable revenues in bricks-and-mortar retail trade to be distributed over more rental space overall and lead to lower retail productivity figures.

The share of online commerce in total retail revenues also rose again in 2016, yet consumer behaviour greatly varies from sector to sector. Where books, consumer electronics and telecommunications are concerned, many customers prefer making online purchases, and increasing growth in online commerce is observable in the fashion apparel sector. Medication, jewellery, watches and food still tend to be bought in person, however.

In addition to the rising share of online revenues along with potential pressure on bricks-and-mortar retail productivity, bricks-and-mortar retail is tackling floor-space restructuring and a focus on good retail locations with increasing interconnection between the offline and online worlds, product range optimisations and improvements in the quality of service and an emphasis on personal contact when shopping. Retailers find themselves at varying stages of progress in the implementation of such measures, the success of which is also significantly affected by size and industry. For instance, recent years have shown that increasing online commerce can pose challenges especially to SME retailers, leading to greater competitive and pricing pressures as a result.

Larger or improved rental space offerings in the competitive environment of our shopping centers and a potentially permanent redistribution of retail revenues to online channels and the accompanying drop in productivity for bricks-and-mortar retailers harbour the risk that subsequent leases and / or renewals could be concluded at lower rent prices and / or under less favourable contractual terms.

Deutsche EuroShop AG is actively confronting this trend with a variety of measures. The tenant and sector mixes at our centers are continuously and individually optimised on the basis of intensive market scrutiny, in order to increase the centers' attractiveness for customers. The interconnection between the offline and online worlds is being supported in the form of center apps, among other initiatives. The leisure, customer experience and meeting point aspects of our centers is being enhanced through various measures, which, among other things, include improvements to the quality of the environment through the creation of more attractive new restaurant spaces and easier in-house navigation when searching for shops or parking spaces through the use of touchscreens and smartphone solutions. The conclusion of long-term leasing contracts with tenants with high credit ratings across every retail segment furthermore helps minimise market and sector risks.

Rental risk

In particular, the long-term success of the Deutsche EuroShop AG business model depends on lease renewals for retail space and the generation of stable, and / or growing rental income in addition to low vacancy rates. Due to the long-term renting of retail space, Deutsche EuroShop AG is not as reliant on short-term economic developments as companies in other sectors are. However, given retail commerce's greater dependency on the state of the economy, we cannot rule out the possibility of a change in economic conditions impacting Deutsche EuroShop AG's business.

Uncertainty concerning the performance of the economy going forward has increased significantly thanks to Brexit, the foreseeable economic protectionism associated with the change of government in the US and persisting geopolitical crises (Syria, Turkey, Ukraine). This uncertainty is exacerbated by a lack of agreement within the EU on the appropriate socio-economic policies for remedying the weak economic growth and sovereign debt levels of individual member states. The upcoming elections in the core EU countries of Germany, France and Italy in 2017 could also cause the necessary economic consolidation measures as well as investment decisions to be postponed until after the outcome of these is elections is known. Asset values in certain areas of the economy are moreover thought to be exaggerated. An abrupt correction in asset prices in connection with a pronounced economic downturn could trigger another financial crisis. Against the backdrop of this rising uncertainty, negative consequences for economic growth and consumers' purchasing behaviour cannot be ruled out.

Economic fluctuations in addition to structural changes in the retail market affect demand for floor space, rent prices and contractual conditions. Thus, there is the risk that floor space is not rented or is rented at adequate prices or are rented under excessively unfavourable conditions, for example with respect to lease terms or service charge apportionments. Low contributions to revenues from leasing and / or rising vacancy rates are also possible.

As a result, income would turn out to be less than budgeted, and distributions to shareholders might have to be reduced. If the rental income for a property company is no longer sufficient to meet its interest and repayment obligations, this could lead to the loss of the entire property.

Our reaction to this risk is to transfer leasing management to professional, market leaders in asset management as well as to closely monitor the market with continuous and timely reporting on regular or foreseeable unscheduled leasing. In addition, we enforce a preference for long-term leasing contracts involving high minimum rent price agreements.

Risk of rent loss

Deteriorating credit ratings among tenants may lead to defaults on leases and other financial burdens, with the risk of default on leases comprising the rent payments in their entirety, allocable ancillary costs and potential legal and reinstatement costs. Insolvency on the part of tenants, especially anchor tenants or shop chains, can moreover lead to temporary increases in vacancy rates.

Risk is minimised by carefully selecting tenants, regularly analysing their sales growth and amounts outstanding and well as the early adoption of reletting measures in the event of negative developments. As a rule, tenants also put up commensurate security deposits, which are able to offset some of the financial burden in the event of default.

The requisite valuation allowances are recognised on the balance sheet in individual cases. These amounted to €1.1 million (2015: €0.9 million) in the year under review. Depending on how the economy fares, an increase in such valuation allowances in the current year cannot be ruled out.

Cost risk

The complexity of the applicable court decisions and changes thereto could lead to corrections and objections in relation to ancillary costs, which in turn could lead to limits being enforced on passing the burden on to tenants and / or to subsequent reimbursements to same. Besides financial losses, this could also affect tenant satisfaction. Continuous examination of ancillary cost invoicing based on current legislation minimises this risk.

Expenditure on maintenance and investment projects can turn out higher than budgeted on the basis of our past experience. Differences may also materialise owing to inaccurate assessment of maintenance requirements or deficiencies that are not identified or are identified too late.

We minimise risks from cost overruns in current investment projects and maintenance measures by taking cost models for all identifiable risks into account in our calculations as a precautionary measure at the planning stage. In addition, more large-scale construction contracts are normally only awarded on a fixed-price basis to general contractors with strong credit ratings. During the building phase, professional project management is assured by the companies we commission. However, it is impossible to completely avoid cost overruns in individual cases.

Financing and interest rate risks

Interest rate levels are materially determined by underlying macroeconomic and political conditions and therefore cannot be predicted by us. There is a risk that refinancing may only be available at higher interest rates than before. This would negatively impact EBT and FFO.

At the balance sheet date, the group's financing arrangements for the most part involve interest rate hedging. There is currently no discernible risk to the group in connection with changes in interest rates based on upcoming new financing and refinancing agreements. On the basis of current interest rate levels and the available loan offerings, it is expected that refinancing can be concluded at lower interest rates than the original rates contracted and that the planned interest rates are attainable with sufficient certainty. We are constantly monitoring the interest rate environment so as to be able to react appropriately to interest rate changes. We minimise the interest rate risk for new property financing as far as possible by entering into long-term loans with fixed-interest periods of up to 15 years.

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

An economic or financial crisis or stricter regulation of the financial sector could lead to a significant deterioration of banks' lending policies with respect to credit margins, financing terms and expiries as well as loan conditions, which would negatively affect the earnings and financial position of the company. Under extreme circumstances, the financing market could dry up altogether. The possibility cannot be completely excluded that, due for example to a deterioration in the results of operations of individual property companies, banks may not be prepared to provide refinancing or to extend credit lines. Deutsche EuroShop AG responded to this financing risk by concluding long-term loan agreements, avoiding the accumulation over time of loan dues and observing conservative debt ratios. Furthermore, the company maintains long-term business relationships with a large number of banks in its target markets in order to secure the best possible access to the capital markets.

Currency risk

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

Risk of damage

Real estate properties are subject to the risk of their total or partial destruction on account of external factors (e. g. damage from fire or flooding, vandalism, terror attacks), which can lead to maintenance costs and leasing defaults. These damages are hedged to the greatest possible extent thanks to insurance policies with high-credit rating insurers. It is however conceivable, that not all theoretically possible damages are adequately covered by insurance policies or that this insurance coverage cannot be maintained under adequate conditions due to changing conditions in the insurance market. In addition, insurers may deny their services or a deterioration in the credit rating of an insurer may lead to potential defaults on payments in connection with the enforcement of insurance claims.

In order to avoid damages, our properties are actively secured by virtue of fire and burglary protection and anti-vandalism measures. The company counters the risk of payment default by selecting insurance partners with high credit ratings.

Legal risk

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

Personnel risk

Given the small number of employees of Deutsche EuroShop AG, the Company is dependent on individual persons in key positions. The departure of these key staff would lead to a loss of expertise, and the recruitment and induction of new replacement personnel could temporarily impair day-to-day business. This kind of impairment is kept to a minimum by means of representation policies and the documentation of material work processes.

IT risk

Deutsche EuroShop's information system is based on a centrally managed network solution. Corrective and preventive maintenance of the system is carried out by an external service provider. A detailed access policy ensures that staff and external service providers are granted access exclusively to systems they require for their work. A virus protection concept and permanent monitoring of data traffic with respect to hidden and dangerous content are designed to protect against external attacks. All data relevant to operations is backed up on a daily basis on multiple storage media. In the event of a hardware or software failure in our system, all data can be reproduced at short notice.

OPPORTUNITY REPORT

Deutsche EuroShop AG forms part of a retail market undergoing dynamic structural transformation. Thanks to the positioning of our shopping centers at first-rate locations, broad sector diversification within the centers and their conceptional adaptation with an emphasis on leisure, customer experience and meeting point aspects, we see opportunities for success despite these structural changes, including in periods of stagnation.

In the area of financing, the continued environment of low interest rates affords good opportunities of concluding refinancing and new financing agreements under more favourable conditions, which would positively impact EBT and FFO.

In addition, there are opportunities for growth for Deutsche EuroShop AG, in keeping with its clearly defined, selective investment strategy, by acquiring further shopping centers or stakes therein. which would positively impact the results of operations. Further external growth can also enhance the diversification effect in the Company' holdings portfolio. Due to the great degree of flexibility in the implementation of our acquisition and holdings structures, our good reputation with banks and as a reliable partner in the real estate market, the company is well positioned to be able to continue to operate in the transactions market in such a way as to exploit opportunities going forward.

REMUNERATION REPORT

The remuneration model of Deutsche EuroShop AG was changed in line with the German Act on the Appropriateness of Managing Board Remuneration (VorstAG) and the requirements of the Corporate Governance Code and put before the General Meeting of June 2010 for approval. In the case of new or extended Executive Board memberships, the requirements were examined and amended by the Supervisory Board.

REMUNERATION SYSTEM FOR THE EXECUTIVE BOARD

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

As a performance-related remuneration component, the bonus is dependent on the long-term performance of the Company. It is based on the weighted average over the financial year and the two previous financial years. Group EBT (excluding valuation gains / losses) for the financial year is taken into account at a weighting of 60% in the basis of calculation, that of the previous financial year at 30% and that of the financial year before that at 10%. Mr Wellner receives 0.25% of the calculation basis as a bonus and Mr Borkers 0.2%. The bonus is limited to 150% of the basic annual remuneration.

The non-performance-related basic annual remuneration is €252 thousand for Mr Wellner and €173 thousand for Mr Borkers. In addition, Mr Wellner is expected to receive a bonus of €328 thousand and Mr Borkers €259 thousand for 2016. The final amount of the bonuses will only be available after approval of the consolidated financial statements by the Supervisory Board, upon which they will be payable.

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

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

A new long-term incentive (LTI 2015) remuneration component was agreed in 2015. The amount of the LTI 2015 is based on the change in market capitalisation of Deutsche EuroShop AG over the period from 1 January 2015 (for Mr Wellner) and 1 July 2015 (for Mr Borkers) to 30 June 2018. Market capitalisation is calculated by multiplying the share price by the number of Company shares issued. According to the data provided by Deutsche Börse, the company's volume-weighted market capitalisation stood at €1,932.3 million at 1 January 2015 and €2,195 million at 1 July 2015.

Mr Wellner will receive 0.10% of any positive change in market capitalisation over the above period of up to €500 million, and Mr Borkers 0.05%. For any change over and above this amount, Mr Wellner will receive 0.05% and Mr Borkers 0.025%. Payment under the LTI 2015 will be made in three equal annual instalments, the first being payable on 1 January 2019.

In the event that the employment contract is terminated prematurely by the Company, any entitlements arising from the LTI 2015 until that date will be paid out prematurely.

On 31 December 2016, the market capitalisation of the company stood at €2,024.7 million, which was €170.3 million lower than the figure as at 1 July 2015 and €92.4 million higher than as at 1 January 2015. The present value of the resulting potential entitlement under the LTI 2015 was €49 thousand at year-end. As a result, the €58 thousand provision created in the previous year was released again to some extent.

REMUNERATION OF THE EXECUTIVE BOARD IN 2016

The remuneration of the Executive Board amounted to €1,099 thousand, which broke down as follows:

	Wilhelm Wellner				Olaf Borkers				Claus-Matthias Böge				**Total**
in € thousand	CEO Joined: 01.02.2015				Member of the Executive Board Joined: 01.10.2005				CEO (until 30.06.2015) Departed: 30.06.2015				
Contributions made	**2015**	**2016**	**2016 (min)**	**2016 (max)**	**2015**	**2016**	**2016 (min)**	**2016 (min)**	**2015**	**2016**	**2016 (min)**	**2016 (min)**	**2016**
Fixed remuneration	231	252			168	173			150	–			
Ancillary benefits	17	18			13	15			8	–			
Total	**248**	**270**			**181**	**188**			**158**	**–**			**458**
One-year variable remuneration	289	328	0	378	252	259	0	259	225	–	–	–	
Multi-year variable remuneration													
LTI 2010					238				1,712				
LTI 2015	0	0	0	(*)	0	0	0	(*)					
Total	**289**	**328**			**490**	**259**			**1,937**	**–**			**587**
Pension expense	0	0			0	0			54	54			54
TOTAL REMUNERATION	**537**	**598**			**671**	**447**			**2,149**	**54**			**1,099**

(*) no maximum

In 2016, the Executive Board was in receipt of payments totalling €1,396 thousand:

	Wilhelm Wellner				Olaf Borkers				Claus-Matthias Böge				**Total**
in € thousand	CEO Joined: 01.02.2015				Member of the Executive Board Joined: 01.10.2005				CEO (until 30.06.2015) Departed: 30.06.2015				
Income	**2015**	**2016**	**2016 (min)**	**2016 (max)**	**2015**	**2016**	**2016 (min)**	**2016 (min)**	**2015**	**2016**	**2016 (min)**	**2016 (min)**	**2016**
Fixed remuneration	231	252			168	173			150	–			
Ancillary benefits	17	18			13	15			8	–			
Total	**248**	**270**			**181**	**188**			**158**	**0**			**458**
One-year variable remuneration (**)	0	290	0	347	246	252	0	252	675	–			
Multi-year variable remuneration													
LTI 2010					238				0	342			
LTI 2015	0	0	0	(*)	0	0	0	(*)					
Total	**0**	**290**			**484**	**252**			**675**	**342**			**884**
Pension expense	0	0			0	0			54	54			**54**
TOTAL REMUNERATION	**248**	**560**			**665**	**440**			**887**	**396**			**1,396**

(*) no maximum

(**) Due to the preliminary nature of these calculations at the time the annual financial statements were drawn up, the figures published may vary slightly with respect to the approved figures in the remuneration report for the previous year.

Ancillary benefits include the provision of a car for business and private use. Contributions to a pension scheme have been recognised under pension expense.

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

The outgoing CEO, Claus-Matthias Böge, is to receive a total of €1,712 thousand under the Long-Term Incentive 2010, which covered the period to 30 June 2015.

Since 2016, this amount has been paid at the start of each year in five equal instalments, finishing in 2020. The Company also paid an old-age pension contribution of €54 thousand for Mr Böge, which shall be paid until 2020.

In the event that Mr Wellner is not re-elected to the Executive Board when his employment contract ends on 30 June 2018, he will receive a monthly transitional sum of €40 thousand for a period of six months. This transitional sum shall not be payable if Mr Wellner does not stand for re-election to the Executive Board.

REMUNERATION SYSTEM FOR THE SUPERVISORY BOARD

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

If any member of the Supervisory Board should leave the Supervisory Board during the financial year, they shall receive their remuneration pro rata. In accordance with section 8 (5) of the Articles of Association, expenses are also reimbursed.

REMUNERATION OF THE SUPERVISORY BOARD 2016

The remuneration of the members of the Supervisory Board totalled €312 thousand (including 19% VAT) in the period under review, which breaks down as follows:

in € thousand	2016	2015
Reiner Strecker	**59.50**	52.61
Thomas Armbrust	**29.75**	29.75
Beate Bell	**29.75**	29.75
Manuela Better	**29.75**	29.75
Karin Dohm	**44.62**	37.74
Dr. Henning Kreke	**29.75**	29.75
Alexander Otto	**29.75**	29.75
Klaus Striebich	**29.75**	29.75
Roland Werner	**29.75**	15.98
Manfred Zaß	**0.00**	27.55
	312.37	**312.37**

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

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

ACQUISITION REPORTING

Deutsche EuroShop shares are traded on the Frankfurt Stock Exchange and other exchanges. As of 31 December 2016, 17.8% of shares were owned by Alexander Otto (2015: 17.33%).

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

According to Article 5 of the Articles of Association, the Executive Board is authorised, with the Supervisory Board's approval, to increase the share capital by up to a total of €26,972,768 through one or multiple issues of new no-par-value registered shares against cash or non-cash contributions before 19 June 2018 ("Authorised capital 2013"). The Executive Board decided, with the Supervisory Board's approval, to increase the company's share capital by utilising up to €4,700,000.00 of the authorised capital through the issue of up to 4,700,000 registered shares (no-par-value shares) with dividend rights from 1 January 2016 (the "New Shares") for cash. A total of 4,459,460 new shares were issued at a subscription price of €37.00 per share. Around €165 million flowed into the company as a result. The capital increase was entered in the commercial register on 8 March 2017.

The Executive Board is authorised, with the Supervisory Board's approval, to issue, until 15 June 2016, convertible bonds with a total nominal value of up to €200,000,000 and a maximum term of ten years and to grant the holders of the respective, equally privileged, bonds conversion rights to new no-par-value shares in the Company up to a total of 10,000,000 shares (€10.0 million), as detailed in the terms and conditions for convertible bonds ("Bond conditions"; "Conditional capital 2011"). The convertible bonds may also pay a variable rate of interest, in which case, as with a participating bond, the interest may be dependent in full or in part on the level of the Company's dividend. In connection with this authorisation, Deutsche EuroShop issued in November 2012 a convertible bond with a five-year term and a nominal value of €100,000,000, for which some 3.27 million no-par value shares are currently reserved in conditional capital.

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

A change of control arises if Deutsche EuroShop AG merges with another company, if a public takeover bid has been made under the German Wertpapiererwerbs- und Übernahmegesetz (WpÜG – Securities Acquisition and Takeover Act) and accepted by a majority of shareholders, if the Company is integrated into a new group of companies or if the Company goes private and is delisted.

In the event of such termination of the employment relationship, these employees will receive a one-time payment amounting to three months' gross salary multiplied by the number of years that they have worked for the Company, but limited to a maximum of 24 months' gross salary. Deutsche EuroShop Group does not currently have any other compensation agreements with members of the Executive Board or other employees for the event of a change of control.

The material provisions governing Deutsche EuroShop AG, which include a change of control clause, primarily relate to bilateral credit facilities and various loan agreements. In the event of a takeover, the relevant lenders are entitled to terminate the facility and where applicable demand immediate repayment. A takeover is defined as a third party taking control of Deutsche EuroShop AG; the takeover may also be made by a group acting jointly.

DECLARATION ON CORPORATE GOVERNANCE (SECTION 289A HGB)

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

Hamburg, 12 April 2017

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

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

CONSOLIDATED FINANCIAL STATEMENTS 2016

CONSOLIDATED BALANCE SHEET

ASSETS

in € thousand	Note	**31.12.2016**	31.12.2015
ASSETS			
Non-current assets			
Intangible assets		29	8
Property, plant and equipment	1.	267	365
Investment properties	2.	3,520,824	3,356,655
Investments accounted for using the equity method	3.	515,361	411,031
Other financial assets		52	59
Non-current assets		**4,036,533**	**3,768,118**
Current assets			
Trade receivables	4.	6,601	5,605
Other current assets	5.	7,277	7,192
Cash and cash equivalents	6.	64,046	70,699
Current assets		**77,924**	**83,496**
TOTAL ASSETS		**4,114,457**	**3,851,614**

LIABILITIES

in € thousand	Note	31.12.2016	31.12.2015
EQUITY AND LIABILITIES			
Equity and reserves			
Issued capital		53,945	53,945
Capital reserves		961,970	961,970
Retained earnings		900,233	751,944
Total equity	**7.**	**1,916,148**	**1,767,859**
Non-current liabilities			
Financial liabilities	8.	1,242,754	1,359,896
Deferred tax liabilities	10.	359,365	309,528
Right to redeem of limited partners	11.	324,559	293,113
Other liabilities	9.	49,083	52,314
Non-current liabilities		**1,975,761**	**2,014,851**
Current liabilities			
Financial liabilities	8.	202,827	47,711
Trade payables		1,394	621
Tax liabilities		649	489
Other provisions	12.	6,644	7,056
Other liabilities	9.	11,034	13,027
Current liabilities		**222,548**	**68,904**
TOTAL EQUITY AND LIABILITIES		**4,114,457**	**3,851,614**

CONSOLIDATED INCOME STATEMENT

in € thousand	Note	01.01. – 31.12.2016	01.01. – 31.12.2015
Revenue	13.	205,136	202,854
Property operating costs	14.	-10,200	-9,407
Property management costs	15.	-10,198	-9,976
Net operating income (NOI)		**184,738**	**183,471**
Other operating income	16.	1,410	800
Other operating expenses	17.	-7,522	-7,975
Earnings before interest and taxes (EBIT)		**178,626**	**176,296**
Share of the profit or loss of associated companies and joint ventures using the equity method	18.	54,283	68,355
Interest expense		-52,918	-55,980
Profit / loss attributable to limited partners	11.	-17,894	-17,020
Other financial income and expenditure		2,529	2,273
Interest income		118	229
Income from investments		1	1
Net finance costs		**-13,881**	**-2,142**
Measurement gains / losses	**19.**	**116,774**	**220,556**
Earnings before tax (EBT)		**281,519**	**394,710**
Income taxes	20.	-59,762	-85,428
CONSOLIDATED PROFIT		**221,757**	**309,282**
Earnings per share (€), basic	24.	4.11	5.73
Earnings per share (€), diluted	24.	3.92	5.46

STATEMENT OF COMPREHENSIVE INCOME

in € thousand	Note	01.01.–31.12.2016	01.01.–31.12.2015
Consolidated profit		**221,757**	**309,282**
Items which under certain conditions in the future will be reclassified into the income statement:			
Actual share of the profits and losses from instruments used to hedge cash flows	7.	**-836**	5,594
Change due to IAS 39 measurement of available for sale investments	7.	**-7**	-8
Deferred taxes on changes in value offset directly against equity	7.	**201**	-1,222
Total earnings recognised directly in equity		**-642**	**4,364**
TOTAL PROFIT		**221,115**	**313,646**
Share of Group shareholders		**221,115**	313,646

CONSOLIDATED CASH FLOW STATEMENT

in € thousand	Note	01.01. – 31.12.2016	01.01. – 31.12.2015*
Consolidated profit		221,757	**309,282**
Income taxes	20.	59,762	85,428
Net finance costs		13,881	2,142
Depreciation of intangible assets and property, plant and equipment	17.	72	86
Unrealised changes in fair value of investment property	19.	-116,774	-220,556
Distributions and capital repayments received	3.	21,952	17,724
Changes in trade receivables and other assets	4., 5.	-1,081	657
Changes in current provisions	2., 12.	748	-3,111
Changes in liabilities	9.	-2,817	386
Cash flow from operating activities		197,500	**192,038**
Interest paid		-51,210	-54,272
Interest received		118	229
Income taxes paid	20.	-5,445	-4,245
Net cash flow from operating activities		140,963	**133,750**
Outflows for the acquisition of investment properties	2.	-16,819	-11,068
Inflows from disposal of intangible assets and property, plant and equipment		57	0
Outflows for the acquisition of intangible assets and property, plants and equipment		-52	-75
Inflows from the disposal of financial assets	3.	2,819	0
Outflows for the acquisition of non-current financial assets	3.	-79,723	-800
Cash flow from investing activities		-93,718	**-11,943**
Inflows from financial liabilities	8., 23.	80,000	39,018
Outflows from the repayment of financial liabilities	8.	-43,734	-63,204
Payments to limited partners	11.	-17,338	-15,077
Payments to Group shareholders	7.	-72,826	-70,129
Cash flow from financing activities		-53,898	**-109,392**
Net change in cash and cash equivalents		-6,653	**12,415**
Cash and cash equivalents at beginning of period	6.	70,699	**58,284**
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6.	64,046	**70,699**

* In order to improve the presentation of the financial position, the cash flow statement has been revised and the statement from the previous year adjusted in line with the new recognition standards. In so doing, there were no changes in the cash flows from operating activities, investment and finance activities in the previous year. Essentially, the adjustments involved the disclosures previously made in the Annex in relation to interest and tax payments being transferred to the cash flow statement, the separate recognition of dividends and cash payments received and the unnetted recognition of inflows and outflows from financial liabilities.

STATEMENT OF CHANGES IN EQUITY

in € thousand	Note	Number of shares outstanding	Share capital	Capital reserves	Other retained earnings	Statutory reserve	Available for sale reserve	Cash flow hedge reserve	**Total**
01.01.2015		**53,945,536**	**53,945**	**961,970**	**544,025**	**2,000**	**-7**	**-37,591**	**1,524,342**
Total profit			0	0	309,282	0	-8	4,372	**313,646**
Dividend payments	7.		0	0	-70,129	0	0	0	**-70,129**
31.12.2015		**53,945,536**	**53,945**	**961,970**	**783,178**	**2,000**	**-15**	**-33,219**	**1,767,859**
01.01.2016		**53,945,536**	**53,945**	**961,970**	**783,178**	**2,000**	**-15**	**-33,219**	**1,767,859**
Total profit			0	0	221,757	0	-7	-635	**221,115**
Dividend payments	7.		0	0	-72,826	0	0	0	**-72,826**
31.12.2016		**53,945,536**	**53,945**	**961,970**	**932,109**	**2,000**	**-22**	**-33,854**	**1,916,148**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FINANCIAL YEAR 2016

GENERAL DISCLOSURES

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

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

The consolidated financial statements of Deutsche EuroShop AG have been prepared in accordance with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), including the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the supplementary provisions of German commercial law required to be applied under section 315a (1) of the Handelsgesetzbuch (HGB – German Commercial Code). All IFRSs and IFRIC interpretations endorsed by the European Commission and required to be applied as at 31 December 2016 have been applied. The Executive Board prepared the consolidated financial statements as at 31 December 2016 on 12 April 2017 and forwarded them to the Supervisory Board for examination and approval.

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 consolidated cash flow statement and the notes to the consolidated financial statements.

Amounts are mainly presented in thousand 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 (see the notes to section "2. 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 2016, the reporting date of the consolidated financial statements.

BASIS OF CONSOLIDATION AND CONSOLIDATION METHODS

BASIS OF CONSOLIDATION

Fully consolidated subsidiaries	Domestic*	International*	**Total**
As at 01.01.2016	9	3	12
Additions	0	0	0
Disposals	0	0	0
Last revised 31.12.2016	9	3	**12**

Joint ventures included in consolidated financial statements in accordance with the equity method	Domestic*	International*	**Total**
As at 01.01.2016	3	3	6
Additions	1	0	1
Disposals	0	0	0
Last revised 31.12.2016	4	3	**7**

Associates included in consolidated financial statements in accordance with the equity method	Domestic*	International*	**Total**
As at 01.01.2016	4	1	5
Additions	0	0	0
Disposals	-1	0	-1
Last revised 31.12.2016	3	1	**4**

* Companies are allocated in accordance with the segment allocation based on the location of the respective shopping center. This may be different from the company domicile.

Subsidiaries

The consolidated financial statements include the financial statements of the parent company and of the companies controlled by it. Deutsche EuroShop AG gains control when it:

- is in a position to take decisions affecting another company,
- is exposed to fluctuating returns and reflows from this holding, and
- is able, by reason of its decision-making capacity, to influence such returns.

At every reporting date, a new assessment is carried out to establish whether or not an investee is controlled, by reference to whether circumstances indicate that one or more of these criteria have changed.

Financial information of subsidiaries with significant non-controlling interests

Deutsche EuroShop AG holds a stake of 52.01% in Main-Taunus-Zentrum KG, Hamburg and exercises a controlling influence over the company. The other 47.99% of shares are in free float. The Company posted non-current assets of €714,000 thousand (previous year: €657,0000 thousand) and current assets of €13,035 thousand (previous year: €13,699 thousand) on the balance sheet date. Non-current liability items amounted to €220,000 thousand (previous year: €220,000 thousand) and current liability items totalled €3,021 thousand (previous year: €3,696 thousand). The Company generated revenue of €35,031 thousand (previous year: €34,744 thousand) and profit (after earnings due to limited partners) of €42,539 thousand (previous year: €69,928 thousand). A dividend of €12,107 thousand (previous year: €12,125 thousand) was paid to limited partners in the year under review.

Joint ventures

Joint ventures in which Deutsche EuroShop AG has a majority of the voting rights together with third parties are classified as joint operations and accounted for using the equity method. Following the acquisition of Saarpark-Center Neunkirchen KG, Hamburg, at the beginning of October 2016, the number of joint ventures increased from six to seven in the year under review. Deutsche EuroShop AG has a 75% stake in Stadt-Galerie Passau KG, Hamburg. On the basis of corporate agreements, Deutsche EuroShop AG does not hold the majority of voting rights or exercise sole control of this company.

Associates

In accordance with IAS 28, where Deutsche EuroShop AG can exercise a significant influence but not control over companies, these investments are measured using the equity method. Following the sale of Kommanditgesellschaft PANTA Dreiunddreißigste Grundstücksgesellschaft m.b.H. & Co., Hamburg, the number of associates fell from five to four in the year under review.

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.

Shareholdings

The list of shareholdings as required by section 313 (2) HGB forms part of the notes to the consolidated financial statements. The list of shareholdings also includes a conclusive list of all subsidiaries that meet the conditions of section 264b HGB and have exercised the option of exemption from specific provisions regarding the preparation, auditing and disclosure of annual financial statements or management report.

ACQUISITIONS AFTER THE BALANCE SHEET DATE

On 7 March 2017, the Deutsche EuroShop Group signed a purchase agreement to acquire all shares of Olympia Brno s.r.o., Prague (Czech Republic). Olympia Brno is the owner of the "Olympia" shopping center located in Brno, Czech Republic. The transfer of benefits and encumbrances took place on 31 March 2017 upon payment of the provisional purchase price (€207 million) to the seller. The definitive purchase price will be determined on the basis of the interim financial statements of Olympia Brno as at 31 March 2017. The investment is being financed with equity from a cash capital increase (see section "7. Equity and reserves") and through long-term loans.

Due to the proximity between the transfer of benefits and encumbrances on 31 March 2017 and the preparation of the consolidated financial statements, the compilation of the information required for the provisional purchase price allocation has not yet been concluded. For this reason, the amendments recognised at fair value cannot be quantified at this time.

CONSOLIDATION METHODS

Under the purchase method, the cost is eliminated against the parent company's interest in the re-valued equity of the subsidiaries at the date of acquisition or initial consolidation. Any remaining excess of identified net assets acquired over cost of acquisition is recognised as goodwill in intangible assets. Any 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 the investment is recognised here in income at an amount increased or reduced by the changes in equity corresponding to the equity interest of Deutsche EuroShop AG.

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

NEW ACCOUNTING STANDARDS

The following new or amended standards and interpretations relevant for the business activities of the Group are required to be applied for the first time to the financial years ending on 31 December 2016:

Amendments / standard	Date applied (EU)	Amendments	Impact on the net assets, financial position and results of operations or cash flow of Deutsche EuroShop AG
Disclosure Initiative (Amendments to IAS 1)	01.01.2016	The amendments are designed to facilitate a restriction to essential and simplified information in the financial statements.	No material impact
Clarification of permissible methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38)	01.01.2016	According to the amendments, a revenue-based method is not considered to be an acceptable method of amortisation, whereas for intangible assets, there is simply the rebuttable presumption that such a method is not appropriate.	No impact
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	01.01.2016	The acquirer of interests in joint operations in circumstances in which the activity of the joint operation constitutes a business as defined in IFRS 3 must apply all principles of IFRS 3 and other IFRSs in the accounting for business combinations, provided these do not contravene the guidelines in IFRS 11.	No material impact
Annual Improvements to IFRSs – 2010–2012 Cycle	01.01.2016	Clarifications of numerous published standards	No material impact
Annual Improvements to IFRSs – 2012–2014 Cycle	01.01.2016	Clarifications of numerous published standards	No material impact

The following new or amended standards and interpretations relevant for the business activities of the Group are not yet compulsory and have not been applied prematurely:

Amendments / standard	Expected date of application (EU)	Expected amendments	Impact on the net assets, financial position and results of operations or cash flow of Deutsche EuroShop AG
IFRS 9 Financial Instruments	01.01.2018	The new IFRS 9 standardises the specifications for classifying and measuring financial assets and financial liabilities. The standard uses cash flow properties and the business model according to which they are managed as a basis in this regard. In addition, it provides for a new impairment model based on expected credit losses. IFRS 9 also includes new provisions regarding the application of hedge accounting in order to better represent a company's risk management activities. IFRS 9 will replace the previous provisions of IAS 39.	No material impact
IFRS 15 Revenue from Contracts with Customers	01.01.2018	The standard provides a five-step model for recognising revenue that is to be applied to all contracts with customers. This specifies when (or over what time period) and what amount of revenue is to be recognised.	Due to the nature of the business model of the Group and its generation of rental income through the leasing of shopping center space, no material impact on the accounting of revenue is expected.
IFRS 16 Leases	01.01.2019	The core requirement of IFRS 16 is that all leases and their associated contractual rights and obligations are to be recognised in the lessee's balance sheet as a general principle. The lessee is required to account for lease liabilities for all future lease payments. At the same time, the lessee is conferred the right to use the underlying asset, which generally corresponds to the cash value of the future lease payments plus any direct costs incurred by the lessee. During the term of the lease, the lease liability is upheld financially on a similar basis to the provisions of IAS 17 for leases, while the right of use is amortised according to schedule, which generally leads to higher expenses at the beginning of a lease. In the case of lessors, meanwhile, the provisions of the new standard are similar to the previous provisions of IAS 17.	Since the Group only has a limited number of lease obligations as a lessee, no material impact is expected.
Disclosure Initiative (Amendment to IAS 7)	01.01.2017	This release provides disclosures designed to help recipients of financial statements assess changes to financing liabilities.	The Group is currently assessing this release but does not expect any material impact on the presentation of its cash flow.
Recognition of Deferred Tax Assets for Unrealised Losses (Amendment to IAS 12)	01.01.2017	Clarification of accounting for deferred tax assets for unrealised losses with respect to available-for-sale financial assets.	No material impact

CURRENCY TRANSLATION

The Group currency is the euro (€).

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

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

A closing rate of HUF 311.02 (previous year: HUF 313.12) and an average rate of HUF 311.46 (previous year: HUF 309.90) were used in the translation of the separate Hungarian financial statements for Einkaufs-Center Arkaden Pécs KG, Hamburg, from forint (HUF) to euros. A closing rate of PLN 4.42 (previous year: PLN 4.26) and an average rate of PLN 4.36 (previous year: PLN 4.18) were taken as a basis for translating the separate financial statements of the Polish property companies.

SIGNIFICANT ACCOUNTING POLICIES AND VALUATION METHODS

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.

DETERMINATION OF FAIR VALUES

The Group regularly reviews the determination of fair values for financial and non-financial assets and liabilities. It also conducts a regular assessment of significant, non-observable input factors and carries out valuation adjustments. When determining the fair value of an asset or liability, the Group uses observable market data wherever possible. Based on the input factors used in the valuation techniques, the fair values are categorised into different levels of the fair value hierarchy in accordance with IFRS 13:

Level 1: Fair values determined using quoted prices in active markets.

Level 2: Fair values determined using valuation methods for which the input factors that are relevant for the fair value are based on directly or indirectly observable market data.

Level 3: Fair values determined using valuation methods for which the input factors that are relevant for the fair value are based on unobservable market data.

In the case of assets or liabilities that are recognised at fair value on a regular basis, it is determined based on a reassessment at the end of the financial year whether reclassifications between the hierarchical levels occurred. In 2016, as in the previous financial year, no reclassifications between the hierarchical levels occurred.

INTANGIBLE ASSETS

Intangible assets relate exclusively to software purchased by Deutsche EuroShop AG. Additions are measured at cost. These are amortised at 33% using the straight-line method over the expected useful life of three years. The method of depreciation and the depreciation period are reviewed annually at the end of each financial year.

PROPERTY, PLANT AND EQUIPMENT

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

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

INVESTMENT PROPERTIES

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

Subsequently, all properties must be measured at their fair value and the annual net changes recognised in income under measurement gains / losses (recurring fair value measurement). Investment property is property held for the long term to earn rental income or capital gains. Under IAS 40, investment property measured using the fair value model is no longer depreciated.

Borrowing and initial rental costs that are directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of that asset until the time at which the asset is largely ready for its intended use. Income realised from the temporary investment of specifically borrowed funds up to the point when these are used to obtain qualifying assets is deducted from the capitalisable costs of these assets.

All other borrowing costs are recognised in income in the period in which they occur.

Maintenance measures relating to property, plant and equipment are recognised as an expense in the financial year in which they occur.

LEASE AGREEMENTS

In line with IAS 17, the tenancy agreements in the Deutsche EuroShop Group are classified as operating leases. The operating lease agreements relate to investment property owned by the Group with long-term leases. Rental income from operating leases is recognised in income on a straight-line basis over the term of the corresponding lease. The lessee has no opportunity to acquire the property at the end of the term.

FINANCIAL INSTRUMENTS

Financial assets and liabilities are recognised in the consolidated balance sheet when the Group becomes a party to the contractual provisions governing the financial instrument.

Financial instruments are generally recognised at fair value. The fair value is defined as the price that would be accepted or paid to transfer a liability in an arm's length transaction between market participants. When measuring the fair value, it is assumed that the transaction upon which the price is based occurs on a main market to which the Group has access. The price is measured based on the assumptions that market participants would use for pricing.

Derivative Financial Instruments

Derivatives that qualify for hedge accounting in accordance with IAS 39 are used to hedge interest rate risks. These are fixed-rate swaps to limit the interest rate risk of variable interest rate loans, which have terms extending to 2027. The interest rate hedges are recognised at fair value (recurring fair value measurement) under "Other assets" or "Other liabilities". Changes are recognised directly in equity, provided that the conditions of the underlying and hedge transaction are identical. Hedge effectiveness tests are conducted regularly. If the effectiveness between the hedged item and the hedge does not exist, the hedge is measured as a derivative at fair value in profit or loss. Present value is calculated based on discounted cash flows using current market interest rates. The final maturities of the interest rate hedges and loan agreements are identical.

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.

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 uncollectable.

Right to Redeem of Limited Partners

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

Financial Liabilities

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

The debt component of convertible bonds is measured using the market interest rate for a similar, non-convertible bond.

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

Trade Payables

Trade payables are recognised at their repayment amount.

Other Liabilities

Other liabilities are recognised at amortised cost.

Cash and Cash Equivalents

Cash and cash equivalents include cash and bank balances (terms of up to three months) at their principal amounts.

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in associates and joint ventures are initially recognised at cost in the balance sheet and adjusted by changes in the Group's share of the equity of the associate / joint ventures after the date of acquisition. At every reporting date, the Group reviews whether there are indications that the shares need to be impaired in relation to the amortised carrying amounts.

DEFERRED TAXES

In accordance with IAS 12, deferred taxes are recognised for all differences between the tax accounts and the IFRS balance sheet, using the currently enacted tax rate. At present, deferred taxes are primarily formed on the differences between the IFRS carrying amounts of the properties and their carrying amounts for tax purposes. A uniform corporate tax rate of 15% plus the solidarity surcharge of 5.5% was used for German companies, and in some cases a rate of 16.45% for trade tax. For Hungarian taxes, a tax rate of 9% (previous year: 19%), for Polish taxes a tax rate of 19% and for Austrian taxes a tax rate of 25% was assumed. In accordance with IAS 12.74, deferred tax assets on existing loss carryforwards are offset against deferred tax liabilities.

OTHER PROVISIONS

Under IFRS, other provisions may only be recognised if a present obligation exists towards a third party and payment is more likely than not. Non-current provisions are discounted.

NOTES TO THE CONSOLIDATED BALANCE SHEET – ASSETS

1. PROPERTY, PLANT AND EQUIPMENT

Other equipment, operating and office equipment

in € thousand	2016	2015
Costs as at 01.01.	**568**	**571**
Additions	19	76
Disposals	-132	-79
as at 31.12.	**455**	**568**
Depreciation as at 01.01.	**-203**	**-178**
Additions	-60	-76
Disposals	75	51
as at 31.12.	**-188**	**-203**
Carrying amount at 01.01.	**365**	**393**
CARRYING AMOUNT AT 31.12.	**267**	**365**

This includes the office equipment of Deutsche Euroshop AG, a company vehicle and tenant fixtures.

2. INVESTMENT PROPERTIES

in € thousand	2016	2015
Carrying amount at 01.01.	**3,356,655**	**3,060,179**
Additions	7,217	128
Recognised construction measures	8,602	10,940
Unrealised changes in fair value	148,350	285,408
CARRYING AMOUNT AT 31.12.	**3,520,824**	**3,356,655**

The additions mainly relate to the 1 April 2016 purchase of a property let to Karstadt which is adjacent to the shopping center in Dessau. The provision of €1,000 thousand established for this purpose in the previous year was offset against the additions.

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

The fair values of the properties in the period under review as at 31 December 2015 were determined by appraisers from Jones Lang LaSalle GmbH (JLL) in accordance with the guidelines of the Royal Institution of Chartered Surveyors (RICS). As in previous years, the discounted cashflow method (DCF) was used.

This method entails the calculation of the present value of future cash flows from the property in question as at the valuation date. In addition, the net income from the property in question is determined over a detailed planning period of (usually) ten years and a discount rate applied. A residual value is forecast for the end of the ten-year detailed planning phase by capitalising the stabilised cash flows of the last budgeted year using an interest rate (the capitalisation interest rate). In a second step, the residual value is discounted back to the measurement date.

JLL applied the equated yield model in order to arrive at the discount and capitalisation interest rates. The capitalisation interest rate was derived for each property individually from initial rates of return from comparable transactions. At the same time, such determinants of value as inflation and changes in rent and costs were implicitly taken into account in the capitalisation interest rate. The risk profile specific to each property was also adjusted by reference to the relevant individual indicators. Examples of such indicators include the quality of the property's location and position, market trends and developments in the competitive environment. JLL likewise derived the discount interest rates from comparable transactions, albeit making adjustments for projected increases in rent and costs, since these had been explicitly shown in the relevant cash flow. JLL applied the same methods in valuing domestic and foreign real properties.

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

Valuation parameter in %	**31.12.2016**	31.12.2015
Rate of rent increases	1.39	1.14
Cost ratio	10.17	10.70
Discount rate	5.97	6.11
Capitalisation interest rate	5.21	5.33

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

Sensitivity analysis – Valuation parameters	Basis	Change in parameter	in € million	in %
Rate of rent increases	1.39	+0.25 percentage points -0.25 percentage points	148.0 -101.1	4.0 -3.0
Cost ratio	10.17	+0.25 percentage points -0.25 percentage points	-9.0 10.4	-0.2 0.3
Discount rate	5.97	+0.25 percentage points -0.25 percentage points	-69.2 69.0	-1.9 1.9
Capitalisation interest rate	5.21	+0.25 percentage points -0.25 percentage points	-106.6 114.2	-2.9 3.1

Over the forecast period, rents were assumed to increase on average over the long term at 1.39% (2015: 1.14%). On average, management and administration costs at 10.2% (2015: 10.7%) were deducted from the forecast rents. This resulted in an average net income of 89.8% (2015: 89.3%). Actual management and administrative costs amounted to 9.9% of rental income in the year under review (2015: 9.6%). The appraisal showed that, for the 2016 financial year, the real property portfolio had an initial yield before deduction of transaction costs of 5.24% compared with the previous year's 5.46%, and an initial rate of return net of transaction costs (net initial yield) of 4.94%, the figure for the previous year having been 5.13%.

The following shows details and disclosures in accordance with IFRS 13 for the hierarchical levels of the fair values of the Group's investment properties as at 31 December 2016:

in € thousand	Level 1	Level 2	Level 3
Investment Properties	0	0	3,520,824

The properties are secured by mortgages. There are land charges in the amount of €1,346,901 thousand (previous year: €1,310,635 thousand). The rental income of the properties valued in accordance with IAS 40 was €205,136 thousand (previous year: €202,854 thousand). Directly associated operating expenses were €20,398 thousand (previous year: €19,383 thousand).

3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

in € thousand	**2016**	2015
Carrying amount at 01.01.	**411,031**	**359,357**
Additions for equity-accounted companies	79,623	0
Capital contribution	100	1,000
Distributions and capital repayments received	-21,952	-17,723
Share of profit / loss	54,283	68,355
Value adjustments	-786	42
Disposals	-2,819	0
Other changes	-4,119	0
CARRYING AMOUNT AT 31.12.	**515,361**	**411,031**

Additions from investments accounted for using the equity method are the result of the acquisition of the 50% stake in the Saapark-Center Neunkirchen on 1 October 2016.

The other changes relate to the deferred taxes of the joint venture Einkaufs-Center Arkaden Pécs, which in contrast to the previous year were recognised at joint venture level.

The disposals relate to the sale of associate Kommanditgesellschaft PANTA Dreiunddreißigste Grundstücksgesellschaft m.b.H. & Co., in the reporting year.

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

The joint ventures material to the overall Group posted the following asset and liability items and income items for the reporting year. The values do not correspond to the share attributable to the Group, but the total amounts:

	Allee-Center Magdeburg KG, Hamburg		Immobilienkommandit-gesellschaft FEZ Harburg, Hamburg		Stadt-Galerie Passau KG, Hamburg	
in € thousand	**31.12.2016**	31.12.2015	**31.12.2016**	31.12.2015	**31.12.2016**	31.12.2015
Non-current assets	255,000	248,000	274,000	248,000	178,000	170,000
Current assets	1,922	2,205	4,051	3,332	1,279	1,394
thereof cash and cash equivalents	807	972	3,411	2,241	750	1,026
Non-current liabilities	0	0	122,547	52,516	0	0
thereof financial liabilities	0	0	122,547	52,516	0	0
Current liabilities	747	905	3,635	69,300	310	324
thereof financial liabilities	0	0	2,195	66,682	0	0
Revenue	15,891	16,073	13,856	12,375	9,681	9,627
Net interest income	2	1	-5,187	-5,810	0	0
Income taxes	0	0	0	0	0	0
Net profit	20,583	15,446	26,134	31,323	16,649	31,648
Other income	0	0	0	0	0	0
TOTAL PROFIT	**20,583**	**15,446**	**26,134**	**31,323**	**16,649**	**31,648**

	Saarpark Center Neunkirchen KG, Hamburg**		EKZ Eins Errichtungs- und Betriebs Ges. m.b.H. & Co. OG, Vienna*		Einkaufs-Center Arkaden Pécs KG, Hamburg	
in € thousand	**31.12.2016**	31.12.2015	**31.12.2016**	31.12.2015	**31.12.2016**	31.12.2015
Non-current assets	225,000	–	223,955	207,929	95,000	90,000
Current assets	3,256	–	2,963	1,325	4,585	3,272
thereof cash and cash equivalents	2,469	–	1,965	680	3,699	2,854
Non-current liabilities	63,309	–	94,615	0	33,874	28,266
thereof financial liabilities	59,630	–	49,279	0	28,650	28,266
Current liabilities	5,026	–	1,987	92,411	2,065	2,284
thereof financial liabilities	4,450	–	470	91,831	1,203	1,543
Revenue	3,215	–	12,081	12,108	7,558	7,347
Net interest income	199	–	-3,792	-5,130	-1,354	-1,654
Income taxes	0	–	0	0	2,566	-268
Net profit	3,513	–	20,036	25,578	13,325	16,754
Other income	0	–	0	0	0	0
TOTAL PROFIT	**3,513**	**–**	**20,036**	**25,578**	**13,325**	**16,754**

* Includes the figures for the immaterial joint venture CAK City Arkaden Klagenfurt KG, Hamburg. The equity method valuation amounted to €955 thousand (previous year: €929 thousand) and the net loss for the year €69 thousand (previous year: €38 thousand).

** The joint venture was acquired as per 1 October 2016 and has been included on consolidated financial statements since this date. Prior-year statements are therefore not made.

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

in € thousand	Allee-Center Magdeburg KG, Hamburg	Immobilien-kommandit-gesellschaft FEZ Harburg, Hamburg	Stadt-Galerie Passau KG, Hamburg	Saarpark Center Neunkirchen KG, Hamburg	EKZ Eins Errichtungs- und Betriebs Ges. m.b.H. & Co. OG, Vienna	Einkaufs-Center Arkaden Pécs KG, Hamburg
Equity method valuation as at 01.01.2016	**124,650**	**64,758**	**128,302**	**0**	**58,421**	**31,360**
Additions for equity-accounted companies	0	0	0	79,623	0	0
Share of profit / loss	10,291	13,066	12,487	1,757	10,018	6,663
Value adjustments	0	0	0	-686	0	0
Distributions and capital repayments received	-6,852	-1,890	-6,562	-733	-3,282	-2,081
Other changes	0	0	0	0	0	-4,119
EQUITY METHOD VALUATION AS AT 31.12.2016	**128,089**	**75,934**	**134,227**	**79,961**	**65,157**	**31,823**

4. TRADE RECEIVABLES

in € thousand	**31.12.2016**	31.12.2015
Trade receivables	8,509	7,156
Allowances for doubtful accounts	-1,908	-1,551
	6,601	**5,605**

Receivables result primarily from rental invoices and services for which charges are passed on. These were predominantly paid at the time the consolidated financial statements were prepared. The amounts recognised at the reporting date are protected by means of guarantees, cash security deposits and letters of comfort.

5. OTHER CURRENT ASSETS

in € thousand	**31.12.2016**	31.12.2015
Receivables from tenants	1,652	592
Value added tax receivables	2	367
Other current assets	5,623	6,233
	7,277	**7,192**

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

RECEIVABLES

in € thousand	**Total**	Up to 1 year	Over 1 year
Trade receivables	**6,601** **(5,605)**	6,601 (5,605)	0 (0)
Other assets	**7,277** **(7,192)**	7,277 (7,192)	0 (0)
(previous year's figures)	**13,878** **(12,797)**	**13,878** **(12,797)**	**0** **(0)**

Trade receivables (after value adjustments) and other assets were, as in the previous year, not overdue on the balance sheet date.

6. CASH AND CASH EQUIVALENTS

in € thousand	**31.12.2016**	31.12.2015
Short-term deposits / time deposits	6,230	8,819
Current accounts	57,806	61,866
Cash	10	14
	64,046	**70,699**

NOTE TO THE CONSOLIDATED BALANCE SHEET – LIABILITIES

7. EQUITY AND RESERVES

Changes in equity are presented in the statement of changes in equity. The share capital is €53,945,536, comprised of 53,945,536 no-par-value registered shares. All shares have been issued in full and have been fully paid up.

The notional value of each share is €1.00.

According to Article 5 of the Articles of Association, the Executive Board is authorised, with the Supervisory Board's approval, to increase the share capital by up to a total of €26,972,768 through one or multiple issues of new no-par-value registered shares against cash or non-cash contributions before 19 June 2018 ("Authorised capital 2013"). As at 31 December 2016, no use had been made of this authorisation.

On 7 March 2017, in order to finance the equity required for the acquisition of Olympia Brno (see section "Acquisitions after the balance sheet date"), the Executive Board decided, with the Supervisory Board's approval, to increase the Company's share capital by utilising up to €4,700,000.00 of the authorised capital through the issue of up to 4,700,000 registered shares with dividend rights from 1 January 2016 (the "New Shares") for cash. A total of 4,459,460 new shares were issued at a subscription price of €37.00 per share. Around €165 million flowed into the company as a result. The capital increase was entered in the commercial register on 8 March 2017.

The Executive Board was 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 to grant the holders conversion rights to new no-par-value shares in the Company up to a total of 10,000,000 shares (€10.0 million) (conditional capital 2011). As part of this authorisation, Deutsche EuroShop AG issued a convertible bond on 20 November 2012. For further details, see section "8. Non-current and current financial liabilities".

At the Annual General Meeting on 28 June 2017, the Executive Board and Supervisory Board will propose that the unappropriated surplus be used to fund the corresponding dividend distribution of €1.40 per share. The previous year's unappropriated surplus of €72,826 thousand was distributed in full to the shareholders. The dividend paid was €1.35 per share.

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

Retained earnings consist of the remeasurement reserves, currency items and accumulated profits carried forward at the time of transition to IFRS.

Other total profit is divided into the following components:

2016 in € thousand	Before taxes	Taxes	Net
Measurement of investments (AfS) IAS 39	-7	0	-7
Cash flow hedges	-836	201	-635
	-843	**201**	**-642**

2015 in € thousand	Before taxes	Taxes	Net
Measurement of investments (AfS) IAS 39	-8	0	-8
Cash flow hedges	5,594	-1,222	4,372
	5,586	**-1,222**	**4,364**

8. NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

	31.12.2016		31.12.2015	
in € thousand	**Non-current**	**Current**	Non-current	Current
Bank loans and overdrafts	1,242,754	104,147	1,262,924	47,711
Convertible bond	0	98,680	96,972	0
	1,242,754	**202,827**	**1,359,896**	**47,711**

Bank loans and overdrafts relate to loans raised to finance property acquisitions and investment projects. Land charges on Company properties totalling €1,346,901 thousand (previous year: €1,310,635 thousand) serve as collateral.

Discounts are amortised over the term of the loan. In the year under review, €446 thousand (previous year: €1,100 thousand) was recognised in income. A total of €49,460 thousand (previous year: €52.522 thousand) was recognised in net finance costs as interest expense for bank loans and overdrafts.

Twelve of the 19 loan agreements currently contain arrangements regarding covenants. There are a total of 17 different conditions on different debt service cover ratios (DSCR), interest cover ratios (ICR), changes in rental income, the equity ratio and loan-to-value ratios (LTV). The loan conditions have not been breached thus far and will not, according to current plans, be breached in future either.

On 20 November 2012, Deutsche EuroShop AG issued convertible bonds with a five-year maturity and total value of €100 million. The initial conversion price is €30.62; 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 3,265,839 shares in Deutsche EuroShop AG in accordance with the conversion ratio and the terms and conditions of the convertible bonds. No conversion rights were exercised by 31 December 2016.

The amount of the convertible bond was divided into equity and debt components. The equity component accounted for a total amount of €7,140 thousand which was placed in capital reserves.

Interest expense incurred for the convertible bond amounted to €3,458 thousand (previous year: €3,458 thousand) and is recognised in net finance costs.

9. OTHER NON-CURRENT AND CURRENT FINANCIAL LIABILITIES

	31.12.2016		31.12.2015	
in € thousand	**Non-current**	**Current**	Non-current	Current
Interest rate swaps	48,659	0	50,452	0
Value added tax	0	3,017	0	3,246
Rental deposits	0	909	0	874
Debtors with credit balances	0	922	0	778
Other	424	6,186	1,862	8,129
	49,083	**11,034**	**52,314**	**13,027**

In connection with borrowing, interest rate hedges (interest rate swaps) were concluded to hedge against higher capital market interest rates. Their present value totalled €48,659 thousand as at the reporting date.

Other short-term liabilities are mainly comprise liabilities for heating and ancillary costs as well as prepaid rent.

LIABILITIES

in € thousand	**Total**	Current	Non-current
Financial Liabilities	**1,445,581 (1,407,607)**	202,827 (47,711)	1,242,754 (1,359,896)
Trade Payables	**1,394 (621)**	1,394 (621)	0 (0)
Tax liabilities	**649 (489)**	649 (489)	0 (0)
Other Liabilities	**60,117 (65,341)**	11,034 (13,027)	49,083 (52,314)
of which taxes	**3,017 (3,277)**	3,017 (3,277)	0 (0)
(previous year's figures)	**1,507,741 (1,474,058)**	**215,904 (61,848)**	**1,291,837 (1,412,210)**

10. DEFERRED TAX LIABILITIES

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

in € thousand	31.12.2016		31.12.2015	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Investment Properties		298,197	0	261,037
Investments accounted for using the equity method		75,526	0	66,494
Other Liabilities				
Interest swaps (not recognised in profit or loss)	9,581	0	9,380	0
Interest swaps (recognised in profit or loss)	827	0	1,243	0
Other Provisions	0	0	233	0
Other	674	0	674	0
Corporation tax loss carryforwards	3,276	0	6,473	0
Deferred taxes before netting	**14,358**	**373,723**	**18,003**	**327,531**
Balance	-14,358	-14,358	-18,003	-18,003
Deferred taxes after netting	**0**	**359,365**	**0**	**309,528**
thereof attributable to:				
Domestic companies		316,761		267,783
Foreign companies		42,604		41,745
		359,365		**309,528**

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

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

The respective local tax rates were applied for foreign companies. The deferred taxes on interest rate swaps recognised in profit or loss relate to an interest rate swap for the Altmarkt-Galerie in Dresden which must be recognised in profit or loss following the acquisition of the remainder of the Altmarkt-Galerie in Dresden.

11. RIGHT TO REDEEM OF LIMITED PARTNERS

in € thousand	2016	2015
Settlement claim as per 01.01.	**293,113**	**226,849**
Earnings contributions	17,894	17,020
Share of measurement gains / losses	30,890	64,376
Share of earnings recognised directly in equity	0	45
Outflows	-17,338	-15,177
SETTLEMENT CLAIM AS PER 31.12.	**324,559**	**293,113**

The right to redeem of limited partners includes the equity interests of third-party providers in the companies Main-Taunus-Zentrum KG, Forum Wetzlar KG and Einkaufs-Center Galeria Bałtycka G.m.b.H. & Co. KG, which are to be reported in accordance with IAS 32 as debt capital.

12. OTHER PROVISIONS

in € thousand	Last revised 01.01.2016	Utilisation	Reversal	Addition	**Last revised 31.12.2016**
Maintenance and construction work already performed but not yet invoiced	2,816	2,323	441	2,466	**2,518**
Fees	77	77	0	67	**67**
Other	4,163	3,935	85	3,916	**4,059**
	7,056	**6,335**	**526**	**6,449**	**6,644**

Other provisions contain the present value (€49 thousand) of a long-term incentive plan which was contractually agreed between the Executive Board and employees of Deutsche EuroShop AG with effect from 1 July 2015. The term is three years, and the plan is linked to changes in the market capitalisation up to 30 June 2018. Please also refer to the details in the remuneration report, which is part of the management report.

As in the previous year, all other provisions have a term of up to one year.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

13. REVENUE

in € thousand	**2016**	2015
Minimum rental income	202,000	200,802
Turnover rental income	1,975	1,566
Other	1,161	486
	205,136	**202,854**
of which directly attributable rental income in accordance with IAS 40 Investment Properties	**205,136**	202,854

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

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

in € thousand	**2016**	2015
Maturity within 1 year	186,865	196,881
Maturity from 1 year to 5 years	606,549	635,570
Maturity after 5 years	228,959	311,310
	1,022,373	**1,143,761**

14. PROPERTY OPERATING COSTS

in € thousand	**2016**	2015
Costs to protect location	-3,167	-3,474
Operating costs that cannot be passed on	-2,912	-2,763
Maintenance and repairs	-1,926	-1,152
Real property tax	-1,112	-939
Write-downs of rent receivables	-570	-640
Other	-513	-439
	-10,200	**-9,407**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	**-10,200**	-9,407

Ancillary costs which cannot be fully allocated are essentially operating costs which cannot be completely passed on to tenants and from heating and ancillary costs in arrears for preceding years.

15. PROPERTY MANAGEMENT COSTS

in € thousand	2016	2015
CENTER MANAGEMENT / AGENCY AGREEMENT COSTS	**-10,198**	**-9,976**
of which directly attributable operating expenditure in accordance with IAS 40 Investment Properties	-10,198	-9,976

16. OTHER OPERATING INCOME

in € thousand	2016	2015
Income from the reversal of provisions	526	312
Exchange rate gains	9	30
Other	875	458
	1,410	**800**

17. OTHER OPERATING EXPENSES

in € thousand	2016	2015
Legal, consulting and audit expenses	-2,411	-1,694
Personnel expenses	-1,768	-2,830
Marketing costs	-446	-433
Exchange rate losses	-339	-248
Supervisory Board compensation	-316	-283
Appraisal costs	-312	-312
Write-downs	-72	-86
Real estate transfer tax	0	-8
Other	-1,858	-2,081
	-7,522	**-7,975**

Personnel expenses in financial year 2015 included €848 thousand for the Long-Term Incentive 2010, which ended in June 2015.

Legal, consulting and audit expenses include €291 thousand for the audit of Group companies (previous year: €286 thousand).

18. SHARE OF THE PROFIT OR LOSS OF ASSOCIATES AND JOINT VENTURES ACCOUNTED FOR USING THE EQUITY METHOD

in € thousand	2016	2015
Profit / loss from joint ventures	54,282	68,286
Profit / loss from associates	1	69
PROFIT / LOSS FROM EQUITY-ACCOUNTED COMPANIES	**54,283**	**68,355**

The profit / loss of equity-accounted companies includes a measurement loss before deferred taxes of €28,711 thousand (previous year: €47,180 thousand).

19. MEASUREMENT GAINS / LOSSES

in € thousand	2016	2015
Unrealised changes in fair value	148,350	285,408
Profit / loss attributable to limited partners	-30,890	-64,376
Ancillary acquisition costs of at-equity investments	-686	0
Other	0	-476
	116,774	**220,556**

Ancillary acquisition costs of at-equity investments are the result of the acquisition of the 50% stake in the Saarpark-Center Neunkirchen.

20. TAXES ON INCOME AND EARNINGS

in € thousand	2016	2015
Current tax expense	-5,605	-4,577
Domestic deferred tax expense	-49,786	-72,586
Foreign deferred tax expense	-4,371	-8,265
	-59,762	**-85,428**

TAX RECONCILIATION

Income taxes in the amount of €-59,762 thousand in the year under review are derived as follows from an expected income tax expense that would have resulted from the application of the parent company's statutory income tax rate to the profit before tax. This was calculated using a tax rate of 32.28%.

in € thousand	**2016**	2015
Consolidated profit before income tax	**281,519**	**394,710**
Theoretical income tax 32.28%	**-90,874**	**-127,412**
Tax rate differences for foreign Group companies	1,579	5,381
Tax rate differences for domestic Group companies	28,153	36,877
Tax-free income / non-deductible expenses	-796	-408
Tax effect from investments accounted for under the equity-accounted method	2,223	0
Aperiodic tax expense / income	-47	134
CURRENT INCOME TAX	**-59,762**	**-85,428**

In financial year 2016, the effective income tax rate was 21.2%. This did not include aperiodic tax expense in the amount of €47 thousand.

21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement has been prepared in accordance with IAS 7 and is broken down into operating cash flow, cash flow from operating activities, cash flow from investing activities, and cash flow from financing activities.

Cash flow from operating activities is derived from consolidated profit using the indirect method. Net cash flow from operating activities, cash flow from investment activities and cash flow from financing activities are calculated using the direct method. Payments to acquire non-current financial assets mainly comprise the acquisition of joint venture Saarpark-Center Neunkirchen KG, Hamburg at the beginning of October 2016.

Cash and cash equivalents comprise cash and cash equivalents that may be converted into cash at any time. As in the previous year, the financial resources fund as at the reporting date corresponds to the cash and cash equivalents (see section 6 "Cash and cash equivalents").

22. SEGMENT REPORTING

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

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

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

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

BREAKDOWN BY GEOGRAPHICAL SEGMENT

in € thousand	Domestic	International	Reconciliation	Total
Revenue	**190,210**	**14,926**	**0**	**205,136**
(previous year's figures)	(187,874)	(14,980)	(0)	(202,854)

in € thousand	Domestic	International	Reconciliation	Total
EBIT	**170,388**	**13,123**	**-4,885**	**178,626**
(previous year's figures)	(167,138)	(13,730)	(-4,572)	(176,296)

in € thousand	Domestic	International	Reconciliation	Total
Net interest income	**-47,204**	**-1,846**	**-3,750**	**-52,800**
(previous year's figures)	(-48,378)	(-3,681)	(-3,692)	(-55,751)

in € thousand	Domestic	International	Reconciliation	Total
EBT excl. measurement gains / losses	**111,946**	**8,346**	**14,235**	**134,527**
(previous year's figures)	(107,520)	(7,436)	(12,018)	(126,974)

The reconciliation statement primarily discloses earnings before taxes and measurement gains / losses for equity-accounted companies in the amount of €24,066 thousand, of which €18,526 thousand are domestic and €5,540 thousand international.

in € thousand	Domestic	International	Total
Segment assets	**3,852,529**	**261,928**	**4,114,457**
(previous year's figures)	(3,595,992)	(255,622)	(3,851,614)
of which investment properties	**3,271,000**	**249,824**	**3,520,824**
(previous year's figures)	(3,112,000)	(244,655)	(3,356,655)

OTHER DISCLOSURES

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

in € thousand	Measurement category in accordance with IAS 39	Carrying amounts 31.12.2016	Amount stated in line with IAS 39: Amortised cost	Fair value recognised in income	Fair value recognised in equity	Fair value 31.12.2016
Financial assets						
Non-current financial assets***	AfS	**52**		52		52
Trade receivables	LaR	**6,601**	6,601			6,601
Other assets	LaR	**2,537**	2,537			2,537
Cash and cash equivalents	LaR	**64,046**	64,046			64,046
Financial liabilities						
Financial liabilities**	FLAC	**1,445,581**	1,445,581			1,549,252
Right to redeem of limited partners	FLAC	**324,559**	324,559			324,559
Trade payables	FLAC	**1,394**	1,394			1,394
Other liabilities	FLAC	**4,551**	4,551			4,551
Interest rate hedges recognised in profit or loss**	FLAC	**5,224**		5,224		5,224
Interest rate hedges not recognised in profit or loss**	FVTPL	**43,435**			43,435	43,435

in € thousand	Measurement category in accordance with IAS 39	Carrying amounts 31.12.2015	Amount stated in line with IAS 39: Amortised cost	Fair value recognised in income	Fair value recognised in equity	Fair value 31.12.2015
Financial assets						
Non-current financial assets***	AfS	59		59		59
Trade receivables	LaR	5,605	5,605			5,605
Other assets	LaR	808	808			808
Cash and cash equivalents	LaR	70,699	70,699			70,699
Financial liabilities						
Financial liabilities**	FLAC	1,407,607	1,407,607			1,502,838
Right to redeem of limited partners	FLAC	293,113	293,113			293,113
Trade payables	FLAC	621	621			621
Other liabilities	FLAC	5,834	5,834			5,834
Interest rate hedges recognised in profit or loss**	FLAC	7,853		7,853		7,853
Interest rate hedges not recognised in profit or loss**	FVTPL	42,599			42,599	42,599

* Corresponds to level 1 of the IFRS 7 fair value hierarchy

** Corresponds to level 2 of the IFRS 7 fair value hierarchy

*** Corresponds to level 3 of the IFRS 7 fair value hierarchy

Measurement categories in accordance with IAS 39 Loans and Receivables (LaR), Available-for-Sale (AfS), Financial Liabilities measured at amortised cost (FLAC), Financial liabilities measured at fair value (FVTPL)

Carrying amounts, valuations and fair values according to measurement category

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

The fair values of financial liabilities measured at amortised cost correspond to the cash values of debt-related payments based on current interest rate yield curves (Level 2 in accordance with IFRS 13).

The derivative financial instruments measured at fair value are interest rate hedges. Here the fair value is equivalent to the cash value of future net payments expected to be received from hedging transactions (Level 2 in accordance with IFRS 13) based on current interest rate yield curves.

Changes in the value of interest rate hedges measured at fair value in profit or loss in the amount of €2,629 thousand (previous year: €2,231 thousand) are reported under other financial income.

RISK MANAGEMENT

In risk management, the emphasis is on ensuring compliance with the strategy and, building on this, on identifying and assessing risks and opportunities, as well as on the fundamental decision to manage these risks. Risk management ensures that risks are identified at an early stage and can then be evaluated, communicated promptly and mitigated. Risk analysis involves the identification and analysis of factors that may jeopardise the achievement of goals.

MARKET RISKS

Liquidity risk

The liquidity of Deutsche EuroShop Group is continuously monitored and planned. The subsidiaries regularly have sufficient cash to be able to pay for their current commitments. Furthermore, credit lines and bank overdrafts can be utilised at short notice.

A short-term credit line of €150,000 thousand may be used if required. As at 31 December 2016, the credit line utilisation totalled €80,000 thousand. The credit line is partially secured.

The contractually agreed future interest and principle repayments of the original financial liabilities and derivative financial instruments are as follows at 31 December 2016:

in € thousand	Carrying amounts 31.12.2016	Cash flows 2017	Cash flows 2018–2021	Cash flows from 2022
Convertible bond	98,680	101,750	0	0
Bank loans and overdrafts	1,346,901	153,010	796,828	628,852

The amounts relate to all contractual commitments existing on the balance sheet date. The variable interest payments from interest rate hedges were determined on the basis of the most recently defined interest rates prior to 31 December 2016. The majority of the trade payables and other financial liabilities reported at the end of the financial year will fall due in 2017.

Credit and default risk

There are no significant credit risks in the Group. The trade receivables reported on the reporting date were predominantly paid up to the date of preparation of the financial statements. During the reporting year, write-downs of rent receivables of €1,112 thousand (previous year: €939 thousand) were recognised under property operating costs.

The maximum default risk in relation to trade receivables and other assets totalled €13,878 thousand on the reporting date (previous year: €12,797 thousand).

Currency and measurement risk

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

With respect to the measurement risk of investment properties, please refer to the sensitivity analysis in section "2. Investment Properties".

Interest rate risk

A sensitivity analysis was implemented to determine the effect of potential interest rate changes. Based on the financial assets and liabilities subject to interest rate risk on the balance sheet date, this shows the effect of a change on the Group's equity. Interest rate risks arose on the balance sheet date only for credit borrowed and the associated interest rate hedges. An increase in the market interest rate of 100 basis points would lead to an increase in equity (before taxes) of €12,893 thousand (previous year: €15,177 thousand). The majority of loan liabilities have fixed interest terms. On the reporting date, loans totalling €200,813 thousand (previous year: €205,640 thousand) were hedged using derivative financial instruments.

Capital management

The Group's capital management is designed to maintain a strong equity base with the aim of ensuring that its ability to repay its debts and financial well-being are maintained in the future. The Group's financial policies are also based on the annual payment of a dividend.

in € thousand	**31.12.2016**	31.12.2015
Equity	2,240,707	2,060,972
Equity ratio (%)	54.5%	53.5%
Net financial debt	1,381,535	1,336,908

Equity is reported here including the compensation claims by limited partners.

Net financial debt is determined from the financial liabilities on the balance sheet date less cash and cash equivalents.

24. EARNINGS PER SHARE

	2016	2015
Group shareholders' portion of profits / losses (€ thousand)	221,757	309,282
Weighted number of no-par value shares issued	53,945,536	53,945,536
Basic earnings per share (€)	**4.11**	**5.73**
Group shareholders' portion of profits / losses (€ thousand)	221,757	309,282
Adjustment of interest expense for the convertible bond (€ thousand)	2,152	2,152
Profits / losses used to calculate the diluted earnings per share (€ thousand)	223,909	311,434
Weighted number of no-par value shares issued	53,945,536	53,945,536
Weighted adjustment of potentially convertible no-par value shares	3,217,503	3,114,317
Average weighted number of shares used to determine the diluted earnings per share	57,163,039	57,059,853
Diluted earnings per share (€)	**3.92**	**5.46**

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. Due to the fact that the convertible bond was issued mid-year, the warrants issued in connection with the convertible bond were recognised on a pro rata basis in 2012. It is anticipated that the convertible bonds will be exchanged for shares in full. The profits / losses will be adjusted accordingly for interest expense and tax effects.

OTHER FINANCIAL OBLIGATIONS

There are other financial obligations of €64.5 million arising from service contracts (previous year: €56.7 million).

There are financial obligations of €1.5 million which will arise in 2017 in connection with investment measures in our shopping centers.

HEADCOUNT

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

EVENTS AFTER THE BALANCE SHEET DATE

In March 2017, the Deutsche EuroShop Group acquired the property company of the Olympia Center in Brno (see section "Acquisitions after the balance sheet date") and carried out a capital increase in order to finance the required equity by utilising the authorised capital (see section "7. Equity and reserves").

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

THE SUPERVISORY BOARD AND EXECUTIVE BOARD

SUPERVISORY BOARD

The Supervisory Board of Deutsche EuroShop AG is composed of nine members. As at 31 December 2016, the following members with membership of other statutory supervisory boards and membership of comparable supervisory bodies of business enterprises in Germany or other countries made up the Supervisory Board:

Reiner Strecker, Wuppertal, Chairman
Personally liable partner, Vorwerk & Co. KG, Wuppertal
- akf Bank GmbH & Co. KG, Wuppertal

Karin Dohm, Kronberg im Taunus, Deputy Chairwoman
Global Head of Regulatory Affairs, Deutsche Bank AG, Frankfurt
- Deutsche Bank Europe GmbH, Frankfurt (Chair, since 14 November 2016)
- Deutsche Bank Luxembourg S.A., Luxembourg (since 1 September 2016)
- Deutsche Holdings (Luxembourg) S.a.r.l., Luxembourg (since 1 June 2016)
- Metro AG, Dusseldorf (since 19 February 2016)

Thomas Armbrust, Reinbek
Member of Management,
CURA Vermögensverwaltung G.m.b.H. & Co., Hamburg
- ECE Projektmanagement G.m.b.H. & Co. KG, Hamburg (Chair)
- TransConnect Unternehmensberatungs- und Beteiligungs AG, Munich (Chair)
- Platinum AG, Hamburg (Chair)
- Paramount Group Inc., New York, USA
- Verwaltungsgesellschaft Otto mbH, Hamburg

Beate Bell, Cologne
Managing Director, immoAdvice GmbH, Cologne
- Hochtief AG, Essen

Manuela Better, Munich
Member of the Board of Management,
Deka Bank Deutsche Girozentrale, Frankfurt and Berlin
- Deka Investment GmbH, Frankfurt (Deputy Chair)
- Deka Immobilien GmbH, Frankfurt (Deputy Chair)
- Deka Immobilien Investment GmbH, Frankfurt (Deputy Chair)
- Landesbank Berlin Investment GmbH, Berlin (Deputy Chair)
- S Broker AG & Co. KG, Wiesbaden (since 15 August 2016, Deputy Chair since 22 August 2016)
- S Broker Management AG, Wiesbaden (since 15 August 2016, Deputy Chair since 22 August 2016)
- WestInvest Gesellschaft für Investmentfonds mbH, Dusseldorf (Deputy Chair)
- DekaBank Deutsche Girozentrale Luxembourg S.A., Luxembourg

Dr. Henning Kreke, Hagen / Westphalia
Chairman of the Executive Board, Douglas Holding AG, Hagen / Westphalia (until 27 January 2016)
Managing partner, Jörn Kreke Holding KG, Hagen / Westphalia and Kreke Immobilien KG, Hagen / Westphalia
- Douglas GmbH, Dusseldorf (Chair, since 19 August 2016)
- Douglas Holding AG, Hagen / Westphalia (Chair, since 27 January 2016)
- Thalia Bücher GmbH, Hagen / Westphalia (since 26 January 2017)

Alexander Otto, Hamburg
Vorsitzender der Geschäftsführung,
Verwaltung ECE Projektmanagement G.m.b.H., Hamburg
- DDR Corp., Beechwood, USA
- Peek & Cloppenburg KG, Dusseldorf
- Sonae Sierra Brasil S.A., São Paulo, Brazil
- Verwaltungsgesellschaft Otto mbH, Hamburg

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

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

EXECUTIVE BOARD

Wilhelm Wellner, Hamburg, CEO

Olaf Borkers, Hamburg, Member of the Executive Board

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

The remuneration of the Executive Board totalled €1,099 thousand (previous year: €3,330 thousand), which includes performance-related compensation in the amount of €587 thousand (previous year: €2,716 thousand). The previous year's amount includes the Long-Term Incentive 2010 (LTI 2010) of €1,712 thousand for Claus-Matthias Böge, CEO, who departed on 30 June 2015; this is to be paid out in five equal instalments at the beginning of each year until 2020. The LTI 2010 expired on 30 June 2015.

On 1 July 2015, the term of a new Long-Term Incentive 2015 (LTI 2015) commenced, a reserve for which amounting to €49 thousand existed during the reporting year.

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 2016.

OTHER DISCLOSURES

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

Shareholder	Shareholding report as at	Event … %	New voting rights share %	thereof held as treasury shares %	of which indirectly attributable %
Credit Suisse Group AG, Zurich, Switzerland	23.06.2014	… falls below threshold (3)	0.28	0.00	0.28
Credit Suisse AG, Zurich, Switzerland	23.06.2014	… falls below threshold (3)	0.28	0.27	0.01
Gemeinnützige Hertie-Stiftung, Frankfurt	03.02.2015	… falls below threshold (3)	2.99	2.99	0.00
DESAG Vermögensverwaltung G.m.b.H., Hamburg	28.05.2015	… exceeds threshold (3, 5, 10, 15)	15.01	15.01	0.00
AROSA Vermögensverwaltungs-gesellschaft m.b.H., Hamburg	28.05.2015	… exceeds threshold (10, 15)	15.01	0.00	15.01
Alexander Otto	28.05.2015	… exceeds threshold (15)	17.33	0.65	16.68
Benjamin Otto	28.05.2015	… falls below threshold (5, 3)	1.48	1.48	0.00
Johannes Schorr	08.02.2016	… exceeds threshold (3)	3.37	1.12	2.25
BlackRock, Inc., Wilmington, DE, Vereinigte Staaten von Amerika	09.12.2016	… exceeds threshold (5)	5.01	0.00	4.48*

* We were also notified by BlackRock, Inc. of a securities lending transaction (0.37%) and contracts for differences (0.17%).

The total fees invoiced by the auditor for the consolidated financial statements for the 2016 financial year amounted to €295 thousand (previous year: €290 thousand), of which €291 thousand (previous year: €286 thousand) related to auditing services. Other audit-related services were also provided by the auditor in the amount of €4 thousand (previous year: €4 thousand).

RELATED PARTIES FOR THE PURPOSES OF IAS 24

Deutsche EuroShop's subsidiaries, joint ventures and associates as well as the members of its Executive Board and Supervisory Board and their close family members are regarded as related parties for the purposes of IAS 24. The 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 portion of the group management report.

Fees for service contracts with the ECE Group totalled €14,470 thousand (previous year: €15,686 thousand). This amount was partially offset by income from lease agreements with the ECE Group in the amount of €6,779 thousand (previous year: €6,447 thousand). Receivables from ECE were €4,429 thousand, while liabilities were €191 thousand.

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

Hamburg, 12 April 2017

Deutsche EuroShop AG
The Executive Board

Wilhelm Wellner Olaf Borkers

SHAREHOLDINGS

List of shareholdings in accordance with section 313 (2) of the Handelsgesetzbuch (HGB – German Commercial Code) as at 31 December 2016:

Company name and domicile	Interest in equity
Fully consolidated companies:	
DES Verwaltung GmbH, Hamburg	100%
DES Management GmbH, Hamburg	100%
DES Shoppingcenter GmbH & Co. KG, Hamburg*	100%
A10 Center Wildau GmbH, Hamburg	100%
Main-Taunus-Zentrum KG, Hamburg	52.01%
Forum Wetzlar KG, Hamburg	65%
Objekt City-Point Kassel GmbH & Co. KG, Pullach*	100%
Stadt-Galerie Hameln GmbH & Co. KG, Hamburg*	100%
Altmarkt-Galerie Dresden GmbH & Co. KG, Hamburg*	100%
Einkaufs-Center Galeria Bałtycka G.m.b.H. & Co.KG, Hamburg	74%
Einkaufs-Center Galeria Bałtycka G.m.b.H. & Co. KG, Sp. kom., Warsaw, Poland	99.99%
CASPIA Investments Sp. z o.o., Warsaw, Poland	100%
Joint ventures:	
Allee-Center Magdeburg KG, Hamburg	50%
Stadt-Galerie Passau KG, Hamburg	75%
CAK City Arkaden Klagenfurt KG, Hamburg	50%
Saarpark Center Neunkirchen KG, Hamburg	50%
EKZ Eins Errichtungs- und Betriebs Ges.m.b.H. & Co OG, Vienna, Austria	50%
Immobilienkommanditgesellschaft FEZ Harburg, Hamburg	50%
Einkaufs-Center Arkaden Pécs KG, Hamburg	50%
Associates:	
Kommanditgesellschaft Sechzehnte ALBA Grundstücksgesellschaft mbH & Co., Hamburg	50%
EKZ Vier Errichtungs- und Betriebs Ges.m.b.H., Vienna, Austria	50%
Kommanditgesellschaft PANTA Fünfundsiebzigste Grundstücksgesellschaft m.b.H. & Co., Hamburg	50%
City-Point Beteiligungs GmbH, Pullach	40%
Investees:	
Ilwro Holding B.V., Amsterdam, Netherlands**	33.33%

* For these companies, exemption from the disclosure obligation in accordance with section 264b HGB was made use of.

** As at 31 December 2016, the company reported equity of €157 thousand and a loss of €26 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 2016 to 31 December 2016. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the Handelsgesetzbuch (HGB – German Commercial Code) is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 of he HGB and German generally accepted standards for the auditing of inancial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting standards and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting information of the areas of the company included in the consolidated financial statements, the determination of the companies to be included in the consolidated financial statements, the accounting and consolidation principles used, and significant estimates made by the legal representative, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply ith IFRS as adopted by the EU and the supplementary provisions of German commercial law required to be applied under section 315a(1) of the HGB and give a true and fair view of the net assets, financial position and results f operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, as a whole provides a suitable understanding of the Group's position and suitably presents the opportunities and risks of future development.

Hamburg, 12. April 2017

BDO AG
Wirtschaftsprüfungsgesellschaft

(signed) Reese	(signed) Hyckel
Auditor	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, den 12. April 2017

Wilhelm Wellner Olaf Borkers

GLOSSARY

Adverstising value equivalence
Index number for the assessment of the monetary value of an editorial article. It is based on the advertising rate of the medium.

Annual financial statement
Under German (HGB) accounting principles, the annual financial statements consist of a company's balance sheet, profit and loss account, the notes to the financial statements and the manage ment report. The annual financial statements of a public company are prepared by its executive board, audited by a certified public accountant (in Germany: Wirtschaftsprüfer) and adopted by the super visory board.

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

Cash flow per share (CFPS)
The cash flow per share is calculated by dividing the cash flow by the number of shares issued by a company. The cash flow per share is taken as the basis for calculating the price / cash flow ratio.

Class of assets
Division of the capital and real estate market into different classes of assets or asset segments.

Consumer price index
Also called the cost-of-living index, this is calculated in Germany by the Federal Statistical Office on a monthly basis. The CPI is the most important statistical indicator of a change in prices; the price of a basket of goods during a given period is compared with the price of the same basket during the base year. This change is also known as the inflation rate.

Core
Designation of a real estate investment and / or individual properties as well as the name of an investment style. The term refers to the relationship between risk and return. Core designates mature, transparent, sufficiently large markets or high-quality, wellsituated properties that are fully let on a long-term basis to tenants with strong credit ratings. Other return / risk categories are valueadded and opportunistic.

Corporate governance
The rules for good, value-driven corporate management. The objective is to control the company's management and to create mechanisms to oblige executives to act in the interests of their shareholders.

Covenants
A clause in a loan agreement which pertains to and contractually defines the binding warranties to be adhered to by the borrower during the term of a loan.

Coverage
Information provided on a listed public company by banks and financial analysts in the form of studies and research reports.

DAX
Germany's premier equity index. The composition of the DAX is established by Deutsche Börse AG on the basis of the share prices of the 30 largest German companies listed in the Prime Standard in terms of market capitalisation and market turnover.

Discounted-cashflow-modellL (DCF)
Method for the assessment of companies which is used to determine the future payments surplusses and discount them to the valuation date.

Dividend
The share of the distributed net profit of a company to which a shareholder is entitled in line with the number of shares he or she holds.

EBIT
Earnings before interest and taxes.
DES calculation: EBT excluding net finance costs and measurement gains / losses (also see the consolidated income statement).

EBT
Earnings before Taxes.

EBT (excluding measurement gains / losses)
DES calculation: EBT less measurement gains / losses (including at-equity profit / loss) and less the deferred taxes included in at-equity profit / loss.

E-commerce
Direct commercial relationship between supplier and buyer via the internet including the provision of services.

EPRA
European Public Real Estate Association: EPRA is an Amsterdam-based organisation that represents the interests of the major European real estate companies in the public sphere and supports the development and market presence of European real estate corporations.

EPRA earnings
EPRA earnings represent sustained operating earnings and thus lay the foundation for a real estate company's ability to pay a dividend. To calculate this, the profit / loss for the year is adjusted to reflect any income components that have no sustained, recurring impact on operational performance. The DES calculation is performed using the currently valid version of the EPRA Best Practice Recommendations, which can be found at http://www.epra.com/regulation-and-reporting/bpr/

EPRA NAV

EPRA NAV measures the net asset value of a company based on a business model with a long-term focus. To do so, Group equity is adjusted for assets and liabilities that are unlikely to be realised if held over the long term. The DES calculation is performed using the currently valid version of the EPRA Best Practice Recommendations, which can be found at http://www.epra.com/regulation-and-reporting/bpr/

Fair value

The Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

Food court

Catering area of a shopping center, in which different vendors sell food at stations about a common seating area.

Free cash flow

The surplus cash generated from operating activities recognised in the profit and loss account. This expresses a company's internal financing power, which can be used for investments, the repayment of debt, dividend payments and to meet funding requirements.

Funds from operations (FFO)

Inflow of funds from operations used to finance our ongoing investments in portfolio properties, scheduled repayments on our bank loans and the annual distribution of dividends.
DES calculation: Consolidated profit after adjustment for measurement gains / losses (including at-equity profit / loss), the non-cash expense of conversion rights and deferred tax expense.

Gearing

Ratio which shows the relationship between liabilities and equity.

Hedge accounting

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

ifo business climate index

The ifo Business Climate Index is an important forward indicator for economic development in Germany. In order to calculate the index, the ifo Institute asks approximately 7.000 companies every month for their assessment of the economic situation and their short-term corporate planning.

Interest rate swap

Exchange of fixed and variable interest pay able on two nominal amounts of capital for a fixed period. By means of an interest rate swap, interest rate risks may be controlled actively.

International financial reporting standards (IFRS)

International Financial Reporting Standards are based on International Accounting Standards (IASs). Since 1 January 2005, listed companies have been required to apply IFRSs. IASs / IFRSs focus on the decision-usefulness of accounts. The key requirement with regard to the annual financial statements is fair presentation that is not qualified by aspects of prudence or risk provision.

Loan-to-value ratio (LTV ratio)

Ratio of net financial liabilities (financial liabilities less cash and cash equivalents) to non-current assets (investment properties and investments accounted for using the equity method).

Mall

Row of shops in a shopping center.

Market capitalisation

The current quoted price for a share multiplied by the number of shares listed on the stock.

MDAX

German mid-cap index comprising the 50 most important securities after the DAX members. exchange. Market capitalisation is calculated for individual companies, sectors, and entire stock markets, thus enabling comparisons bet ween them.

Measurement gains / losses

DES calculation: Measurement gains / losses comprise unrealised changes in the market value of properties held as a financial investment (investment properties) before taxes. In the case of fully consolidated companies, the portion of the company that does not belong to the Group is deducted. Measurement gains / losses of associates and joint ventures accounted for using the equity method are contained in the at-equity profit / loss.

Measurement gains / losses (including at-equity profit / loss)

DES calculation: Measurement gains / losses plus the measurement gains / losses included in at-equity profit / loss.

Multi channeling

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

Net asset value (NAV)

The value of an asset after deduction of liabilities. With regard to shares, the NAV constitutes their intrinsic value. The net net asset value (NNAV) is calculated by deducting deferred taxes from the NAV.

Net finance costs

Net finance costs at DES comprise the following income statement items: Share of the profit or loss of associates and joint ventures accounted for using the equity method, interest expense and income, the share of profit attributable to limited partners, income from investments and all other financial income and expenditure.

Peer-group

A share price performance benchmark consisting of companies from similar sectors, put together on the basis of individual criteria.

Performance

The term performance describes the percentage appreciation of an investment or a securities portfolio during a given period.

Retail space

Space in a building and / or an open area that is used for sales by a retail operation and that is accessible to customers. Service areas required for operational and legal purposes are not taken into account, nor are stairways or shop windows. The retail space is part of the leasable space of a business.

Roadshow

Corporate presentations to institutional in vestors.

Savings ratio

Share of savings of the income available in households.

Subprime

Mortgage loan to borrower with a low degree of creditworthiness.

TecDAX

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

Volatility

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

Xetra

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

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