

DES
Deutsche EuroShop

CONFERENCE CALL

Preliminary Results FY 2019

20 MARCH 2020

A10 CENTER
WI LDAU / BERLIN
Deutschland

BILLSTEDT-CENTER
HAMBURG
Deutschland

FORUM
WETZLAR
Deutschland

PHOENIX-CENTER
HAMBURG
Deutschland

HEROLD-CENTER
NORDERSTEDT
Deutschland

RATHAUS-CENTER
DESSAU
Deutschland

DANZIG
Polen

SAARPARK-CENTER
NEUNKIRCHEN
Deutschland

CITY-POINT
KASSEL
Deutschland

ERIE
RG
land

CITY-ARKADEN
WUPPERTAL
Deutschland

STADT-GALERIE
HAMELN
Deutschland

RHEIN-NECKAR-ZENTRUM
VIERNHEIM/ MANNHEIM
Deutschland

MAIN-TAUNUS-ZENTRUM
SULZBACH/ FRANKFURT
Deutschland

STADT-GALERIE
PASSAU
Deutschland

ALLEE-CENTER
MAGDEBURG
Deutschland

DES
Deutsche EuroShop

ÁRKÁD PÉCS
PÉCS
Ungarn

OLYMPIA CENTER
BRÜNN
Tschechische
Republik

CITY ARKADEN
KLAGENFURT
Österreich

Retail Turnover 2019¹

RETAIL SECTOR	% change in 2019	rent-to-sales ratio in %	occupancy cost ratio (OCR) in %	% of sales	% of space
DEPARTMENT STORES & HYPERMARKETS	-2.5	6.6	9.6	7.5	15.2
FOOD	+0.3	7.7	10.1	8.1	5.5
FASHION TEXTILES	+0.6	12.9	17.0	29.0	38.8
SHOES & LEATHER GOODS	+1.1	14.6	19.3	4.5	5.5
SPORTS	+2.5	9.9	13.5	4.8	5.3
HEALTH & BEAUTY	+1.0	7.6	9.6	13.1	6.7
GENERAL RETAIL	-2.0	12.6	15.9	8.7	9.6
ELECTRONICS	+1.0	3.8	5.0	15.7	8.1
SERVICES	-3.5	5.7	7.3	4.0	1.6
FOOD CATERING	+1.5	11.9	15.5	4.6	3.7
TOTAL	+0.2	9.5	12.4	100²	100²

	Germany	Abroad	Total
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→ Retail turnover development on a like-for-like basis: **+0.2%** **+2.8%** **+0.8%**

→ **Absolute** retail turnover development: **+0.0%** **+2.7%** **+0.5%**

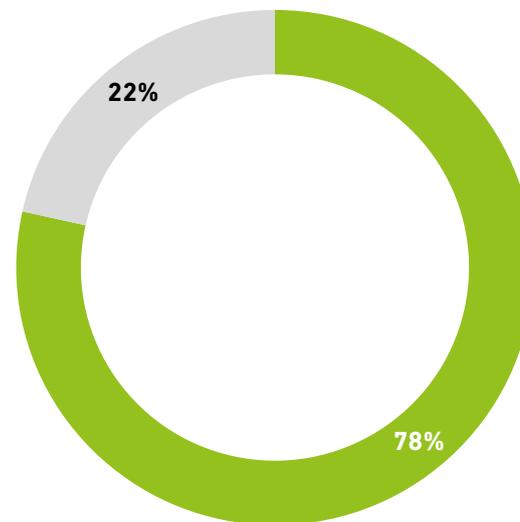
¹ German centers on a like-for-like basis (total turnover 2019: €1.95 billion)

² The sum may not equal the totals due to rounding

Tenant Structure: Top 10 Tenants¹

	2019	2018
H&M	3.6%	3.5%
Ceconomy	2.6%	2.7%
Peek & Cloppenburg	2.4%	2.3%
New Yorker	2.4%	2.4%
Deichmann	2.1%	2.5%
C&A	2.0%	2.0%
Douglas	1.8%	1.8%
Metro	1.8%	1.8%
DM	1.4%	1.4%
Rewe	1.3%	1.8%
Total	21.5%	22.2%

LOW LEVEL OF DEPENDENCE ON THE TOP 10 TENANTS



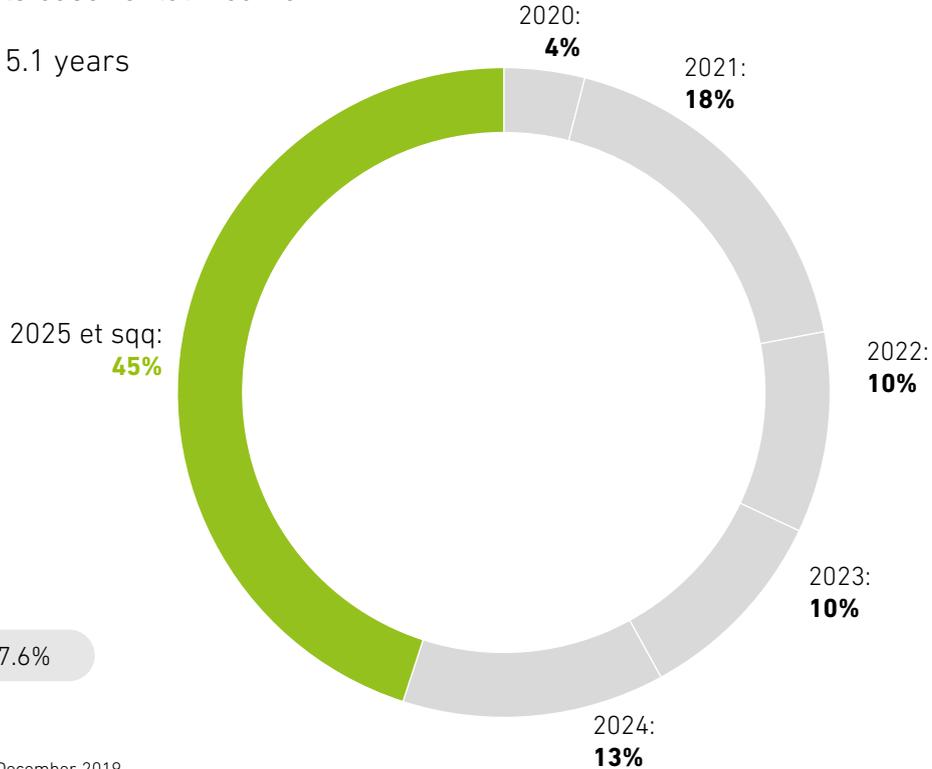
■ TOP 10 Tenants

¹ in % of total retail rents as at 31 December 2019

Maturity Distribution of Rental Contracts¹

Long-term contracts base rental income

Weighted maturity 5.1 years



→ Occupancy rate: 97.6%

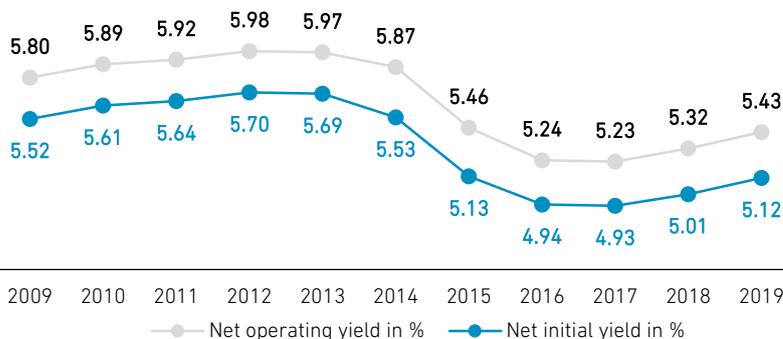
¹ as % of rental income as at 31 December 2019

Valuation¹ – Investment Properties 2019

in € thousand	2019	2018	CHANGE
Revaluation	-88.560	-53.319	-35.241
Revaluation at-equity	-25.854	-2.608	-23.246
Other impairment	0	-9	9
Minority interest	-5.628	-2.387	-3.241
Valuation result before taxes	-120.042	-58.323	-61.719
Deferred taxes	21.235	10.017	11.218
Valuation result after taxes²	-98.807	-48.306	-50.501

Valuation of Investment Properties influenced by:

- Slight increase of Net Initial Yields (NIY) for shopping centers in Germany
- Adjusted expectations for rent developments and reletting periods
- Investments in the modernization and positioning of the existing portfolio



SENSITIVITY ANALYSIS

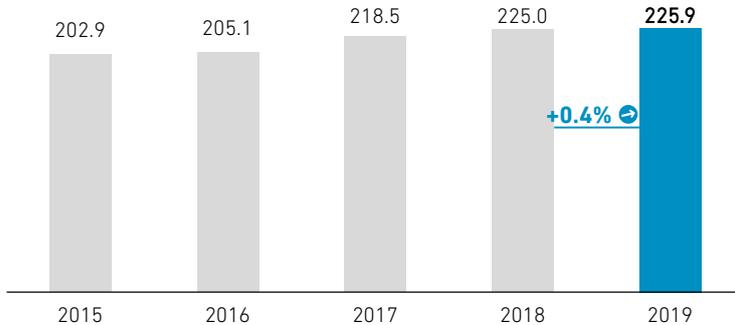
IN € THOUSAND	Basis	change of -25bps	change of +25bps
Rent increase rates	1.24%	-128,200	+160,200
Discount rate	5.92%	+78,700	-73,900
Capitalization rate	5.11%	+130,800	-121,400
Cost ratio	10.42%	+11,600	-12,100

¹ External appraisers: JLL (since 2015)

² Attributable to group shareholders

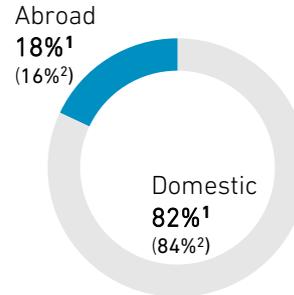
Revenues on Track

REVENUE in € million

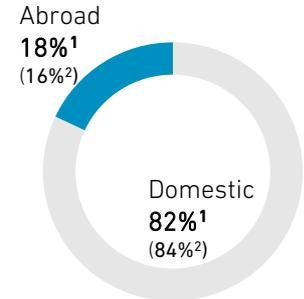


- Increase in revenue of 0.4% to €225.9 million meeting our expectations
- Stationary retail market in Germany remains demanding – some insolvencies from more sizable retail chains
- Textile and electronics segment continued to be impacted most by growing E-Commerce

2019 Share of revenue



2018 Share of revenue

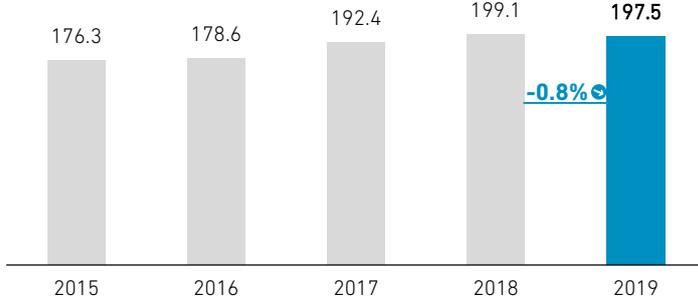


¹ "look through" (calculated on the basis of the group share)

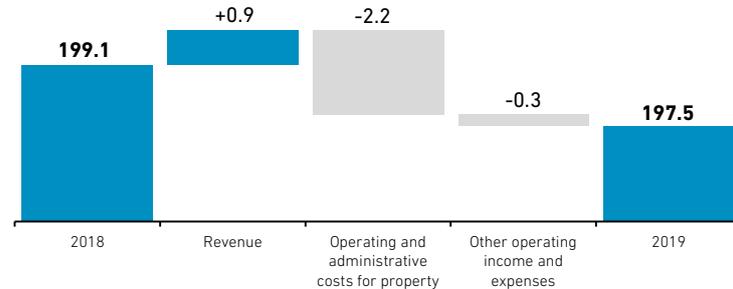
² consolidated

EBIT Slightly Declining

EBIT
in € million



EBIT bridge 2019
in € million

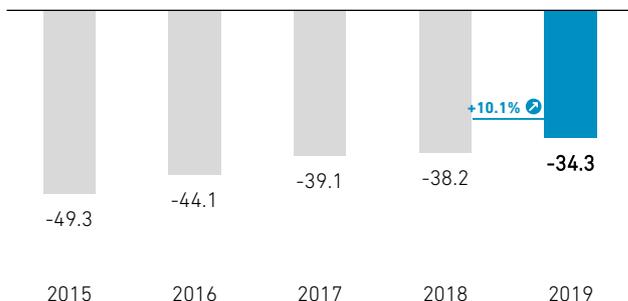


- EBIT slightly (-0.8%) below previous year
- Some higher operating and administrative costs (write-downs on rents and non-recoverable cost)
- Write-down-ratio on rents remains low at ~0.7%
- Cost ratio of 10.8% within budgeted range

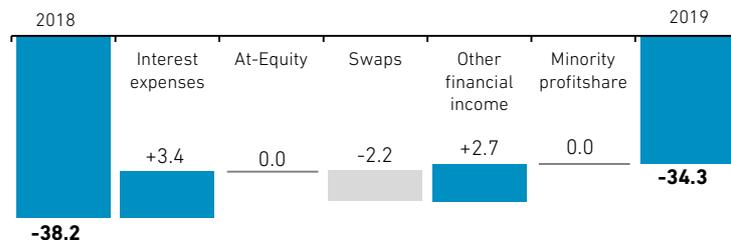
in € thousand	01.01. – 31.12.2019	01.01. – 31.12.2018
Revenue	225,941	225,047
Operating and administrative costs for property	-24,429	-22,183
NOI	201,512	202,864
Other operating income	1,915	1,828
Other operating expenses	-5,958	-5,557
EBIT	197,469	199,135

Financial Result¹ Positively Influenced by One-off Effect

Financial result¹ in € million



Financial result bridge 2019¹ in € million



¹ excluding valuation

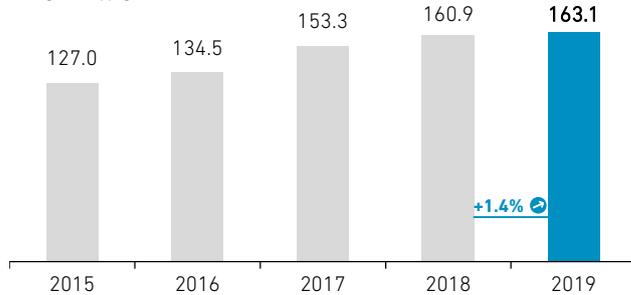
² relating to a tax refund for previous years

- Financial result improved by €3.9 million
- Interest expenses decreased by €3.4 million due to loan repayments and favourable refinancings for Altmarkt-Galerie Dresden and Rhein-Neckar-Zentrum Viernheim
- Other financial income mainly influenced by an exceptional one-off interest income² of €2.7 million and changes in swap values (-€2.2 million)
- At-equity operating profit¹ on prior year level

in € thousand	01.01. – 31.12.2019	01.01. – 31.12.2018
At-equity profit/loss	4,345	27,602
Valuation (at equity)	25,854	2,608
Deferred taxes (at equity)	417	477
At-equity (operating) profit/loss	30,616	30,687
Interest expense	-49,256	-52,726
Profit/loss attributable to limited partners	-18,443	-18,448
Other financial result (incl. swaps)	2,745	2,286
Financial result¹	-34,338	-38,201

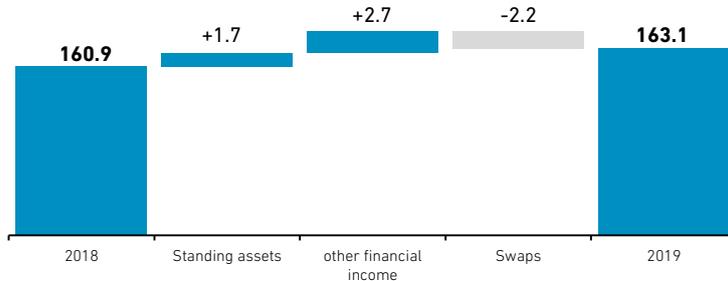
EBT¹ Up by 1.4%

EBT¹
in € million



- EBT (excl. valuation) improved by 1.4% (+€2.2 million)
- Interest savings on the existing financings contributed +€1.7 million
- A one-off interest income relation to tax refunds (+2.7 million) was mainly offset by changes in swap values (-2.2 million)

EBT¹ bridge 2019
in € million

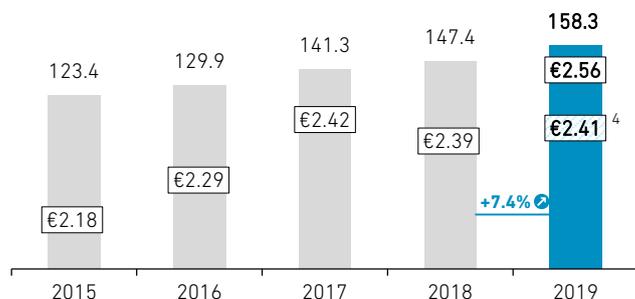


in € thousand	01.01. – 31.12.2019	01.01. – 31.12.2018
EBIT	197,469	199,135
Financial result¹	-34,338	-38,201
EBT*	163,131	160,934

¹ excluding valuation

EPRA Earnings Significantly Improved - Mainly Due to One-off Effects

EPRA earnings in € million (per share in €)



- EPRA earnings rose by €10.9 million to €158.3 million
- One-off tax refunds for previous years and related interest income as major influence factor (€9.0 million³)
- EPRA Earnings per share increased from €2.39 to €2.56
- Excluding one-offs EPRA earnings would have improved by €1.9 million (+1.3%) or by €0.02 to €2.41 per share⁴

EPRA EARNINGS

	01.01. – 31.12.2019		01.01. – 31.12.2018	
	in € thousand	per share in €	in € thousand	per share in €
Consolidated profit	112,091	1.81	79,395	1.29
Valuation investment properties ¹	120,042	1.94	58,314	0.94
Valuation derivative financial instruments ¹	-350	0.00	-2,604	-0.04
Other valuation results	0	0.00	9	0.00
Deferred taxes in respect of EPRA adjustments ²	-73,523	-1.19	12,274	0.20
EPRA Earnings	158,260	2.56	147,388	2.39
Weighted number of no-par-value shares issued		61,783,594		61,783,594

¹ including the share attributable to equity-accounted joint ventures and associates

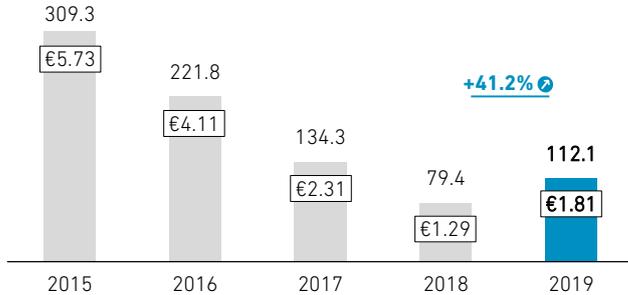
² affects deferred taxes on investment properties and derivative financial instruments

³ including the tax expense attributable to the interest refund

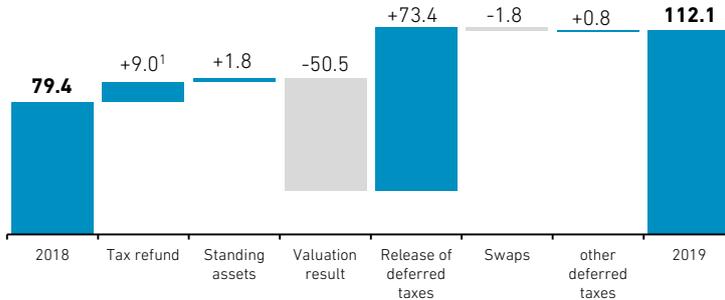
⁴ excluding one-offs related to tax refund and related interest income for previous years

Consolidated Profit

Consolidated profit in € million (per share in €)



Consolidated profit bridge 2019 in € million



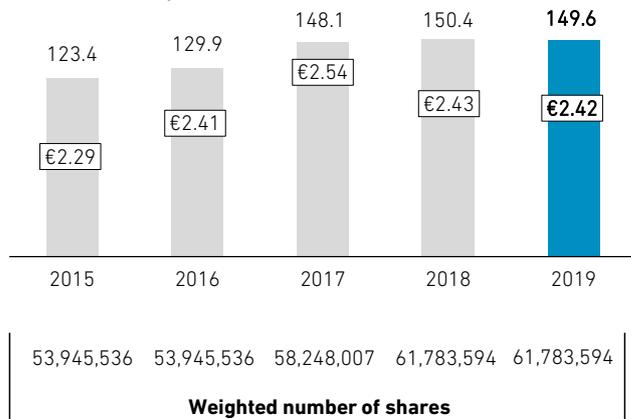
Consolidated profit increased in total by €32.7 million. The following effects are included in that change:

- Valuation result (-€50.5 million)
- Release of deferred taxes (+€73.4 million)
- Expected tax refunds incl. related interest (+€9.0 million¹)
- Positive contribution from standing assets (+€1.8 million)
- Some smaller changes from other items (swap valuation and other deferred taxes)
- Earnings per share increased from €1.29 to €1.81 per share

¹ including the tax expense attributable to the interest refund

Development of Funds From Operations (FFO)

FFO
in € million (per share in €)



Funds From Operations (FFO) are used to finance the distribution of dividends, scheduled repayments on our long-term bank loans and ongoing investments in portfolio properties.

- FFO decrease just slightly from €150.4 million to €149.6 million or from €2.43 to €2.42

FUNDS FROM OPERATIONS	01.01. – 31.12.2019		01.01. – 31.12.2018	
	in € thousand	per share in €	in € thousand	per share in €
Consolidated profit	112,091	1.81	79,395	1.29
Valuation investment properties ¹	120,042	1.94	58,314	0.94
Tax refund for previous years ²	-8,994	-0.15	0	0.00
Other measurement gains/losses	0	0.00	9	0.00
Deferred taxes ¹	-73,548	-1.18	12,643	0.20
FFO	149,591	2.42	150,361	2.43
Weighted number of no-par-value shares issued		61,783,594		61,783,594

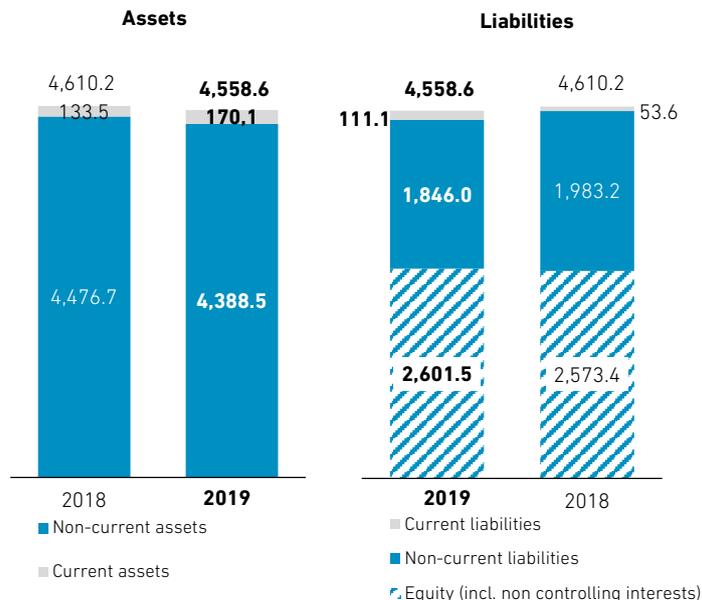
¹ including the share attributable to equity-accounted joint ventures and associates

² including the tax expense attributable to the interest refund

Balance sheet: Very Solid, Little Structural Changes

BALANCE SHEET STRUCTURE

in € million



- Equity ratio stands at a solid 57.1%
- LTV slightly decreased to 31.5% (“look-through” 33.7%³)
- Group Liquidity: €148 million

BALANCE SHEET AS AT 31 DECEMBER 2019

in € thousand	31.12.2019	31.12.2018	Change
Non-current assets	4,388,455	4,476,724	-88,269
Cash and cash equivalents	148,087	116,335	31,752
Other current assets	22,063	17,169	4,894
Total assets	4,558,605	4,610,228	-51,623
Equity	2,249,573	2,229,748	19,825
Right to redeem of limited partners	351,905	343,648	8,257
Equity (including minority interest)	2,601,478	2,573,396	28,082
Financial liabilities	1,512,347	1,522,393	-10,046
Deferred taxes	378,755	452,642	-73,887
Other liabilities	66,025	61,797	4,228
Total equity and liabilities	4,558,605	4,610,228	-51,623
Equity ratio in % ¹	57.1%	55.8%	
LTV ratio in % ²	31.5%	31.8%	
LTV ratio (“look-through”) in % ³	33.7%	34.0%	

¹ including third-party interest in equity

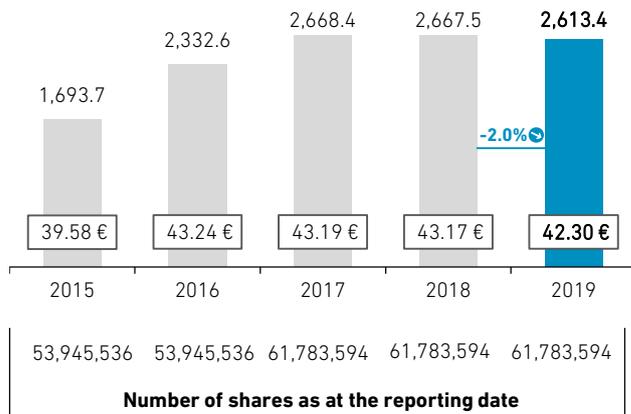
² ratio of net financial liabilities (financial liabilities less cash and cash equivalents) to non current assets (investment properties and investments accounted for using the equity method).

³ ratio of net financial liabilities to long-term assets, calculated on the basis of the group share

Net Asset Value (EPRA)

EPRA NAV

in € million (per share in €)



- EPRA NAV slightly decreased to € 42.30 (- 2.0%) due to lower property valuations

EPRA NAV

	01.01. – 31.12.2019		01.01. – 31.12.2018	
	in € thousand	per share in €	in € thousand	per share in €
Equity	2,249,573	36.41	2,229,748	36.09
Derivative financial instruments measured at fair value ¹	33,726	0.55	34,563	0.56
Equity excluding derivative financial instruments	2,283,299	36.96	2,264,311	36.65
Deferred taxes on investment properties and derivative financial instruments ¹	383,818	6.21	456,915	7.39
Goodwill as a result of deferred taxes	-53,727	-0.87	-53,727	-0.87
EPRA NAV	2,613,390	42.30	2,667,499	43.17
Weighted number of no-par-value shares issued		61,783,594		61,783,594

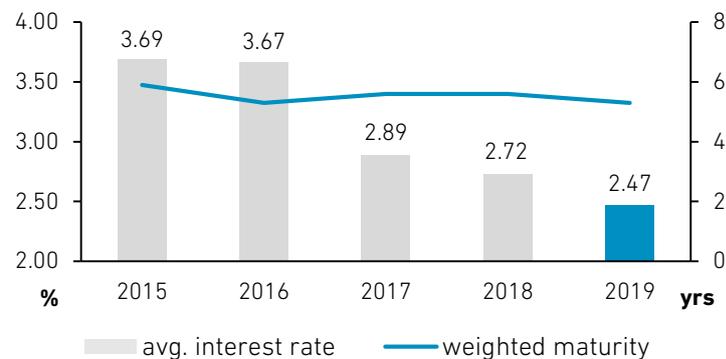
¹ Including the share attributable to equity-accounted joint ventures and associates

Loan Structure^{1,2}

INTEREST LOCKIN	DURATION	PRINCIPLE AMOUNTS (€ MILLION)	SHARE OF TOTAL LOAN	AVG. INTEREST RATE
Up to 1 year		16.8	1.1%	3.05%
1 to 5 years	2.9	677.0	44.8%	3.29%
5 to 10 years	8.1	691.8	45.7%	2.37%
Over 10 years	11.0	127.3	8.4%	1.67%
Total¹	5.3	1,512.9	100%	2.47%

→ **19** German and **4** foreign bank partners

→ Weighted maturity of fixed interest periods **5.3 years¹**



¹ as of 31 December 2019

² excl. non-consolidated loans

Maturities until 2026^{1,2}

IN € MILLION	END OF FIXED INTEREST PERIODS RESPECTIVELY EXPIRING LOANS	AVG. INTEREST RATE	REGULAR REDEMPTION PAYMENTS	TOTAL MATURITIES
2020	134.1	4.52%	16.4	150.5
2021	198.3	4.48%	14.3	212.6
2022	225.6	3.26%	10.6	236.2
2023	209.0	2.99%	9.2	218.2
2024	0		9.6	9.6
2025	58.3	2.07%	10.1	68.4
2026	168.6	2.39%	5.1	173.7
	993.9			

Already fixed:

€139.9m, 1.68%, 10y (01/2020)

Lower refinancing cost = positive FFO and EPRA earnings impact

At-equity consolidated loans¹

IN € MILLION	END OF FIXED INTEREST PERIODS RESPECTIVELY EXPIRING LOANS	AVG. INTEREST RATE	DES' SHARE
2020	47.1	4.23%	50%
2021	63.3	4.59%	50%
2022-2025	0		
2026	88.0	2.16%	50%

€59.0m, 1.09%, 9y (06/2020)

Phoenix-Center, Hamburg

¹ as of 31 December 2019

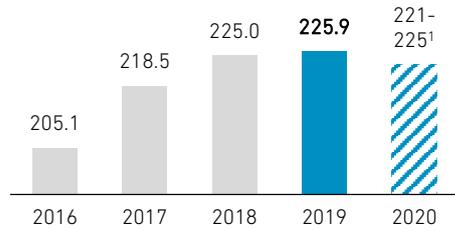
² excl. at-equity consolidated loans

Forecast 2020 with Reservations: Incalculable Impact of Corona Pandemic¹

REVENUE

in € million

+2.1%² ↗



EBT (excl. valuation)

in € million

+4.8%² ↗



FFO

in € million

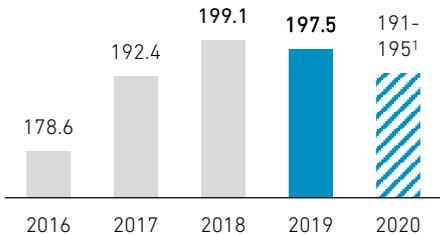
+3.9%² ↗



EBIT

in € million

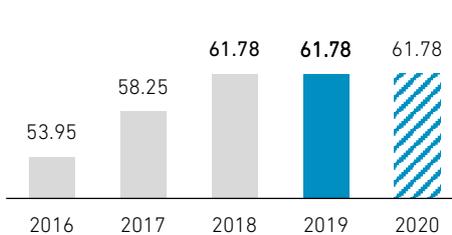
+2.0%² ↗



NUMBER OF SHARES

in millions

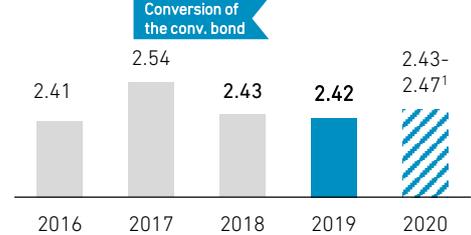
+3.4%² ↗



FFO PER SHARE

in €

+0.4%² ↗



¹ Forecast 2020 as of Nov 2019 has not been changed for any impact from the corona virus pandemic

² Compound Annual Growth Rate (CAGR) 2016 – 2020

Impact of Corona-Pandemic - Status

- **Shut downs:**
 - All centers of DES are subject to closings
 - various types of restrictions are being applied (duration, shop types, max. number of visitors at a time, opening hours)
 - closing times currently on average around 4 weeks
 - exceptions limited to basic supplies (e.g. grocery stores, pharmacies and drug stores) and food catering, accounting for approx. 10% of DES overall shop rents

- **Governmental Relief Measures under preparation for affected companies (Germany), e.g.**
 - special fund to cover rent payments
 - short-term-worker benefits
 - special credit facilities
 - deferral of certain tax payments
 - Suspension of certain insolvency law regulations

Impact of Corona-Pandemic - Status

- **ECE (shopping center operator for DES portfolio):**
 - ECE in constant exchange with authorities to secure the safety, the compliance with restrictions and the smooth (partial) operations of the centers
 - ECE in constant talks with our leasing partners in a “cooperative spirit” in this unprecedented event
 - close and daily consultations between ECE and DES

- **Measures / initial impact:**
 - Immediate:
 - (factual) deferral of rent and ancillary cost payment for closed shop operators (e.g. „no action“-policy)
 - potential assistance in obtaining governmental relief programs (once introduced)
 - Outlook:
 - Case-by-case solutions

News / Outlook

Operations:

- **Digital Mall:** all centers of DES' German portfolio have a "digital twin" already, products online > 1.9m
- **Leasing:** first lease agreement signed with **Primark** for Olympia Brno - opening is scheduled for 2022



Capex under review:

- non-essential programs to be post-phoned (e.g.: At-your service and Mall Beautification)
- continuation of all essential investments (e.g. new shops and leasing)

Financing:

- **Cloasing of credit line facility of €150m** (until 2024) in January 2020
- **Closing of loan agreement of €140 m** (10 year duration) in January 2020
- **Signed Terms Sheet for three refinancings:**
 - €62m due end of 2020
 - €136m due mid 2021
- **Dividend 2019 suspension for prudent liquidity management reasons** (given current situation)

Financial Calendar

2020

19.03.	Preliminary Results 2019
26.03.	Bank of America Merrill Lynch European RE Conference (to be held via telephone)
02.04.	Roadshow Munich, Baader Bank (to be held via telephone)
29.04.	Publication of the Annual Report 2019
13.-14.05.	Commerzbank Northern European Conference, New York / Boston
14.05.	Quarterly Statement 3M 2020
19.05.	Kempen European Property Seminar, Amsterdam
28.05.	Societe Generale The Nice Conference, Nice
16.06.	Annual General Meeting, Hamburg
17.06.	UniCredit Kepler Cheuvreux German Property Day, Paris

13.08.	Half-year Financial Report 2020
18.08.	Roadshow London, J.P. Morgan
03.09.	Commerzbank Sector Conference, Frankfurt
07.09.	Jefferies Real Estate Conference, Tel Aviv
21.09.	Goldman Sachs & Berenberg German Conference, Munich
22.09.	Baader Investment Conference, Munich
01.10.	Commerzbank German Real Estate Forum, London
12.11.	Quarterly Statement 9M 2020
16.11.	Roadshow Paris, Societe Generale
25.11.	DZ Bank Equity Conference, Frankfurt



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Important Notice: Forward-Looking Statements

Statements in this presentation relating to future status or circumstances, including statements regarding management's plans and objectives for future operations, sales and earnings figures, are forward-looking statements of goals and expectations based on estimates, assumptions and the anticipated effects of future events on current and developing circumstances and do not necessarily predict future results.

Many factors could cause the actual results to be materially different from those that AUGUST be expressed or implied by such statements. Deutsche EuroShop does not intend to update these forward-looking statements and does not assume any obligation to do so.

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 (-).

